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Chapter 9

Social Insurance and the Minimum Wage

BECAUSE THE FLOOR OF SECURITY to the individual has been built primarily upon welfare considerations, its contribution to the economic progress of the United States has not been adequately appreciated. Yet the worker is likely to be fully productive only if he feels reasonably safe against want from unemployment, old-age, or misfortune. To help provide such personal security, the Federal Government has developed or sponsored systems of unemployment insurance, old-age and survivors insurance, and public assistance, as well as programs to conserve health, educate the young, rehabilitate the disabled, and provide security and opportunity to the war veteran. In an effort to improve the lot of the low-income worker, it has also established minimum wages under the Fair Labor Standards Act.

Some of these programs need improvement in scope and depth, and others in clarity and financial strength. The specific recommendations that follow are intended to make them more effective, both as conditions of progress and as bulwarks against instability.

Federal-State Unemployment Insurance System

Unemployment insurance is a valuable first line of defense against economic recession. Benefit payments go to a worker as a matter of right and at the time he loses his income, instead of as matter of need and after he has exhausted his savings or liquidated his house and car. In 1949, a year of recession, the amount of benefit payments was 1.7 billion dollars—more than twice the 1948 level. Benefits are payable, after a brief waiting period, from State unemployment reserves of 8.5 billion dollars. When set at appropriate levels, they can sustain to some degree the earner's way of life as well as his demand for commodities. Thus, unemployment insurance payments can help to curb economic decline during an interval of time that allows other stabilizing measures to become effective.

Coverage

But even as a first defense, the system needs reinforcement. One deficiency is its inadequate coverage. From the beginning only certain classes of earners—now averaging annually about 36 million—have enjoyed protection. A worker laid off by a Government agency gets no insurance benefits despite the fact that in many types of Federal jobs he is as vulnerable to lay-off or dismissal as the factory worker. It is recommended that Congress include in the insurance system the 2.5 million Federal civilian

employees, under conditions set by the States in which they last worked, and that it provide for Federal reimbursement to the States of the amount of the cost, estimated to be about 25 million dollars for the fiscal year ending in 1955. In addition, it is hoped that the States will include under the system the 4.2 million persons who work for them or for their municipalities and other political subdivisions.

A person lacks protection also if he works on a farm or in an establishment that processes farm products as an incident to farming. It is not suggested at this time to include farm workers; but it is recommended that persons engaged in certain operations in the processing, packing, storing, or delivering of agricultural commodities, which cannot reasonably be classed as agricultural pursuits, be brought under the insurance system. The number to be so added is around 200,000.

A much larger group of earners, numbering 3.4 million, are unprotected in 35 States if they are employed by small businesses—meaning in most of these States firms with fewer than eight persons on the payroll. It is proposed that Congress amend the present law to cover employees of businesses with fewer than eight employees, on the ground that such workers need protection no less than those of larger, and often more stable, enterprises. Officials in States that already insure the employees of small firms report that the administrative burden of both the agency and the employer is manageable.

Experience-rating period

The Federal Unemployment Tax Act does not permit a State to give an experience rating, and therefore a tax reduction, to the employer—however stable his employment—until he has had at least three years of covered experience. A newly covered employer is obliged to pay the full 2.7 percent of his taxable payroll and is thus put at a competitive disadvantage with the average employer, who has over the years been able to reduce his contribution to 1.4 percent and, in over a dozen States, to 1 percent or less. This extra cost could be troublesome if the expansion of coverage coincided with a business contraction. For these reasons it is recommended that Congress allow the shortening, from three years to one, of the period required to qualify for a rate reduction.

Amount of benefits

A second inadequacy is the size of benefits. Originally, upon the recommendation of the President's Committee on Economic Security in 1935, the States set benefits generally at 50 percent of weekly wages. However, they also fixed dollar maximums which have since significantly curtailed the benefits. The effective ratio of average weekly unemployment benefits to average weekly wages of covered workers was 43 percent in 1938. Since then, with dollar maximums failing to keep pace with rising wage levels, the effective ratio has fallen to 33 percent. At present, these maximums are typically between $20 and $30 weekly. It is suggested that the States

raise these dollar maximums so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings.

Duration of benefits

A third deficiency is the duration of benefits. Only two dozen States provide for 26 weeks, and only four of these pay benefits for that length of time to all persons who meet minimum requirements for any benefits. During the 1949 recession, almost 2 million persons exhausted their rights, most of them in less than 4½ months. Yet a conspicuous feature of unemployment is that, as it increases in amount, it also increases in duration for the individual. For example, in April 1940, when unemployment was large, three-fifths of those seeking employment had been out of work six months or longer, compared with an average duration in 1953 of less than two months. It is urged, therefore, that all of the States raise the potential duration of unemployment benefits to 26 weeks, and that they make the benefits available to all persons who have had a specified amount of covered employment or earnings. A six-month period would not prevent exhaustion of benefits in a severe slump; but in a minor downturn it should be adequate for a great majority of the claimants.

Federal loans to reserve funds

A fourth point deserves attention. The present law requires that unemployment benefits in each State be paid out of its own earmarked reserve in the Federal Treasury. The reserves of most States are sufficient to finance payments for a number of years at the unemployment experience of 1946–52. But the reserves of a few States are less adequate and might be jeopardized by widespread unemployment. It is recommended, therefore, that the Congress provide machinery for granting non-interest-bearing loans to a State whose reserves are near exhaustion.

The Federal Unemployment Tax Act levies a tax on all covered employers, of which the share that is retained by the Federal Government is 0.3 percent of taxable payrolls. Annual appropriations are made to cover the costs of the State and the Federal Governments in administering the Act. Since these appropriations are less than the receipts of the tax, it is possible to use the difference to establish a fund from which loans to needy State funds can be made. In the interest of allowing a State a reasonable interval in which to readjust its economy and attract new industries, it is recommended that repayment of any loan made from the fund be postponed until after it has been outstanding for four years. Repayment should nevertheless start earlier, if at any time the State's fund rises above a safe minimum or its contribution rate is not sustained at a level reflecting its financial responsibility.

Improved benefits and administration

Adoption by Congress and the States of the above recommendations would extend protection to more than 10 million additional workers, ease

the financial burden on newly covered employers, raise benefits, lengthen durations, and save the States' reserves from exhaustion without deterring new industries from entering a State undergoing economic readjustment. They would constitute the most important improvement for defending the worker against recession that has been made in our Federal-State Unemployment Insurance System since it was instituted more than a decade and a half ago.

It is highly important that the recommended improvement of benefits be accompanied by strict administration of the law, so as to prevent abuses and to assure that benefits are paid only to workers who are entitled to them. Nothing is more likely to cast doubt on the unemployment compensation system, despite its great social utility, than lax administration.

Federal Old-Age and Survivors Insurance System

The present system of Old-Age and Survivors Insurance covers about four in five of the civilian labor force and pays average monthly benefits of $49 to a retired worker, and of $84.75 to a retired worker and his wife, compared with maximum benefits of $85 and $127.50, respectively. At the end of 1953 it was paying benefits to almost 1.5 million widows and children, as well as over 4.5 million aged—close to 6 million persons altogether.

Benefits are financed from payroll taxes—one-half being paid by the employer, except for the self-employed. These combined tax rates rose to 4 percent on January 1, 1954. For the future the law provides for additional financing by periodic rate increases.

Although desirable changes were made in 1950 and 1952, the System has urgent need of further improvement. Millions of workers are still excluded, and benefits have not kept pace with wage levels or living standards. Moreover, in the interests of economic growth, as well as of individual welfare, the retirement test should be so adjusted as to remove barriers to part-time productive employment. On the other hand, if an aged person is obliged to give up work, both human and economic considerations argue for benefits in reasonable relation to his previous earnings.

Coverage

Coverage should be extended to bring into the System some 10 million additional workers, 4 million of them on a voluntary group basis. The new groups would include, principally, professional persons in independent practice, self-employed farmers, hired farm workers and domestic workers not now covered, members of State and local retirement systems, and ministers of religion. Further broadening of the coverage is being considered by the Congressional Committee on Retirement Policy for Federal Personnel, which will soon report a plan for including Federal employees in OASI without impairing the independence of present Federal retirement plans. After the Committee has made its report, appropriate recommendations will be made to the Congress.

Amount of benefits

Old-Age and Survivors Insurance benefits should be increased; first, by eliminating from the earnings base the four lowest years of earnings; second, by raising the benefit to 55 percent of the first $110 of the average monthly wage, plus 20 percent of the balance; third, by increasing the minimum benefit from $25 to $30; fourth, by raising from $3,600 to $4,200 the annual maximum above which wages are not counted in computing benefits or taxes. As regards the retirement test, the earnings permissible without loss of benefits should be put on a yearly basis for all beneficiaries, and liberalized in amount.

Benefit rights of the disabled; rehabilitation

For those with substantial OASI work records who suffer total and extended disability, benefit rights should be preserved without diminution or loss until they reach age 65. Furthermore, all disabled workers should be referred to the State Vocational Rehabilitation agencies. An expanded and improved program of vocational rehabilitation to help bring more persons back to productive employment was proposed to Congress on January 18, 1954.

Financial and other aspects

The substantial steps toward improvement of the OASI system can be safely taken without any immediate increase in the payroll tax rates. The net additional cost of the Administration's recommendations would be, on a long-term basis, about one-half of one percent of the annual payrolls subject to OASI taxes.

It may be observed, in passing, that, during the transition in 1954 to the recommended broader coverage and more liberal benefits of unemployment compensation and old-age and survivors insurance, the increased expenditures for benefits under OASI will far more than offset the net addition to tax payments under the unemployment compensation system.

Low Incomes and the Minimum Wage

The prosperity enjoyed by the overwhelming majority of Americans should not blind us to the minority of families with annual incomes below $2,000, or even $1,500. Low annual incomes are not caused solely by low wages, nor are high incomes assured by high hourly wage rates. Some people have no earnings at all, or extremely low earnings because of partial unemployment, sickness, or other factors. Some do not earn enough, even when fully employed, to support their families at a decent living standard.

As one means of dealing with the problem of low incomes, Congress and some State legislatures have sought to place a floor under wages by requiring employers not to pay less than a certain hourly rate. Minimum wage laws in the United States now apply to only 28.5 million employees. The Federal Fair Labor Standards Act covers about 24 million—two-

thirds of them factory workers—at a minimum of 75 cents per hour, with few exceptions other than for learners and handicapped. This 75-cent minimum became effective just before the invasion of Korea, when the cost of living was appreciably lower than at present. Twenty States cover another 4.5 million workers, the majority of them women or minors in retail trade. The State minimums, usually established under wage orders by specially appointed boards, range for the most part between 60 and 75 cents.

There are several considerations concerning minimum wages that deserve comment. These relate to legal coverage, to appropriate level, to impact upon self-employed persons of low income, to fundamental measures for reducing poverty, and to the method of achieving adjustments in minimum wages.

Coverage

Neither the Federal nor the State laws now include the lowest-paid workers. Yet a floor that does not support the poorest worker may compound his miseries in two ways: it may force him to pay higher prices as a customer of the covered industries whose costs have risen; and it may push down his own wages by obliging him to compete for jobs with persons whom the covered industries have let go, because they are unable to pay the higher minimum. An effective minimum-wage program should cover millions of low-paid workers now exempted.

Size of the minimum

A minimum does not protect the inadequately rewarded worker if it is too low. On the other hand, it may not benefit him if it is so high as to push up the whole scaffolding of wages and of costs of doing business, thus leading either to inflation of prices and the worker's own living costs, or to elimination of the less efficient employers and workers. Yet the ability of the employer to absorb a high minimum wage is limited. Indeed, the low-pay industries of today are often those earning modest profits, having limited opportunities to increase productivity, and containing firms easily squeezed out of business by rising costs.

The self-employed worker

It is important to recognize that the economic condition of the wage earner cannot be set off sharply from that of the person who provides his own employment. The Census has revealed that one in four of the families with incomes under $1,500 in 1950 had the major source of their earnings in self-employment. A minimum that would benefit the wage earner materially may put a heavy burden on the small farmer or small business operator, not only of higher prices for what he—like the uncovered wage earner—buys, but also of the higher wages he must pay if he hires assistance. Protection to the wage earner must be considered with full regard to the complexities of our society.

Basic means of reducing poverty

A minimum wage fixed by law helps to protect wage earners against unjustifiably low compensation. But a minimum wage program is an expedient of limited value for dealing with low incomes. The best help for the lowest earner is to enhance his usefulness as a worker, and to improve his knowledge and mobility. Some individuals manage to attain economic success with little formal learning; but, on the average, there is a close relation between earnings and education. Fortunately, education is being steadily and rapidly extended. Already, the average American worker under 35 years of age is a graduate of high school.

It is also important to keep in mind that, although some low-wage firms are lucrative, the firms that skimp on rewards to their workers are, not infrequently, those in which profits are also small, owing in part to inefficient management. Improvements in efficiency of worker and employer will take time; but it cannot be doubted that they—rather than a minimum wage—provide the major escape from poverty.

Conclusions

While minimum wage laws do not get at the fundamental causes of poverty, they can make a useful contribution to its reduction. Recognizing that an increase of the minimum now provided by Federal law and an expansion of its coverage are desirable, the exact nature and timing of these changes must be worked out with a view to the best interests of the economy. We must not proceed—as has happened at times in the past—to ignore some workers and pretend to aid others, while in fact raising their cost of living and reducing their chances of employment. We should undertake adjustments of the minimum wage at a time when economic activity can take them in stride, thereby minimizing the risk of unemployment of the less productive workers whose welfare the minimum wage seeks to aid. The Secretary of Labor is continuing his intensive canvass of this highly complex problem and is consulting with appropriate groups. At the proper time recommendations will be made to the Congress.

83D CONGRESS
1ST SESSION

H. R. 6812

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 1953

Mr. REED of New York (by request) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Old-age and Survivors Insurance Amendments of 1953".

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

EXTENSION OF COVERAGE

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

SEC. 101. (a) (1) Paragraph (2) of section 209 (g) of the Social Security Act is amended to read as follows:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term 'domestic service in a private home of the employer' does not include service described in section 210 (f) (5);".

(2) Section 209 (g) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in section 210 (f) (5);".

(3) Section 209 (h) of such Act is amended by inserting "(1)" after "(h)" and by adding at the end thereof the following new paragraph:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural

labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;".

(4) Section 210 (a) (1) of such Act is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(5) Such Act is amended by striking out paragraph (3) of section 210 (a) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14) of such section, and references thereto, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

(b) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not an American citizen or (ii) the employer is not an American employer".

CERTAIN FEDERAL EMPLOYEES

(c) (1) Clause (ii) of subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank,".

(2) Such subparagraph (B) is further amended by striking out "or" at the end of clause (iii), inserting "or" at the end of clause (iv), and adding the following new clause at the end of such subparagraph:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;".

(3) Such Act is amended by striking out clause (iii) of subparagraph (C) of the paragraph of section 210 (a) herein redesignated as paragraph (6) and redesignating clauses (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), and (xiii) of such subparagraph, and references

thereto, as clauses (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), and (xii), respectively.

(4) Section 205 (p) (3) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality."

MINISTERS

(d) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, other than service performed by a duly ordained, commissioned, or licensed minister of a

church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) (1) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed, in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to section 1426 (l) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signa-

ture appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

INTERNES

(e) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (13) is amended by striking out all after the first semicolon therein.

WORK ON SHIPS OF LESS THAN TEN TONS

(f) The Social Security Act is amended by striking out paragraph (15) of section 210 (a) and redesignating paragraphs (16) and (17) of such section, and references thereto, as paragraphs (14) and (15), respectively.

HOMEWORKERS

(g) Subparagraph (C) of section 210 (k) (3) of the Social Security Act is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

FARMERS AND PROFESSIONAL SELF-EMPLOYED

(h) (1) Section 211 (a) of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and references thereto, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such section the

following new sentence: "In the case of any trade or business carried on by an individual in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income (computed under the preceding provisions of this subsection) derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, would be less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900."

(2) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal,".

(3) Section 211 (c) of such Act is amended by striking out paragraph (5), by striking out "; or" at the end of

paragraph (4) and inserting a period in lieu thereof, and by inserting "or" at the end of paragraph (3).

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

(i) (1) Section 218 (d) of such Act is amended by striking out "EXCLUSION OF" in the heading, by inserting "(1)" after "(d)" and by adding at the end thereof the following new paragraphs:

"(2) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (3) but excluding positions specified in paragraph (4)) if the Governor of the State certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

"(A) A referendum by secret written ballot was held on the question whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

"(B) An opportunity to vote in such referendum was given (and was limited) to the employees who, at the time the referendum was held, were in positions

then covered by such retirement system and were members of such system (other than employees who were not in such positions at the time notice of such referendum was given as required by subparagraph (C); other than employees in positions to which, at the time the referendum was held, the State agreement already applied; and other than employees in positions specified in paragraph (4));

"(C) Ninety days' notice of such referendum was given to all such employees;

"(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him; and

"(E) Two-thirds or more of the employees who voted in such referendum voted in favor of including service in such positions under an agreement under this section.

No referendum with respect to a retirement system shall be valid for the purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than

one year after any prior referendum held with respect to such retirement system.

"(3) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group:

"(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system;

"(B) all employees in positions which were covered by such system at any time after such date; and

"(C) all employees in positions which were covered by such system at any time before such date and to which the insurance system established by this title has not been extended before such date because the positions were covered by such retirement system.

"(4) Nothing in the preceding paragraphs of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position or in any position covered by a retirement system applicable exclusively to positions in one or more law-enforcement or fire-fighting units, agencies, or departments.

"(5) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions

of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to each political subdivision concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State."

(2) Section 218 (f) of such Act is amended to read as follows:

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that—

"(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

"(2) in the case of an agreement or modification agreed to after 1953 but prior to 1956, such date may not be eariler than December 31, 1953; and

"(3) in the case of an agreement or modification agreed to after 1955, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State."

For purposes of such section 218 (f), the amendments made by paragraph (1) of this subsection shall take effect as of January 1, 1951. An agreement or modification of an agreement under section 218 of the Social Security Act, agreed to after 1953, shall not be effective for purposes of deductions under section 203 of such Act for months for which benefits under title II of such Act have been certified and paid prior to the date such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State, except that, for purposes of section 215 (f) of such Act, deductions which would have been imposed under such section 203 but for the provisions of this sentence shall be deemed to have been imposed.

(3) Section 218 (m) (1) of such Act is amended by striking out "subsection (d)" and inserting in lieu thereof "paragraph (1) of subsection (d)".

EFFECTIVE DATES

(j) The amendment made by paragraph (2) of subsection (h) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by paragraphs (1) and (3) of such subsection shall be applicable only with respect to taxable years beginning after 1953. The amendments made by paragraphs (1), (2), and (3) of subsection (a) shall be applicable only

with respect to remuneration paid after 1953. The amendments made by paragraphs (4) and (5) of subsection (a) shall be applicable only with respect to services (whether performed after 1953 or prior to 1954) for which the remuneration is paid after 1953. The amendment made by paragraph (5) of subsection (c) shall become effective January 1, 1954. The other amendments made by this section (other than the amendments made by subsection (i)) shall be applicable only with respect to services performed after 1953.

ELIMINATION OF LOWEST THREE YEARS FROM COMPUTATION OF AVERAGE WAGE

SEC. 102. (a) Paragraph (1) of section 215 (b) of the Social Security Act is amended by striking out "except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen" and inserting in lieu thereof "except that (i) if the number of such elapsed months as thus computed is less than eighteen, it shall be increased to eighteen, or (ii) if the number of such elapsed months as thus computed and after the application of paragraph (5) is less than twenty-four, it shall be increased to twenty-four".

(b) Such section 215 (b) is further amended by adding at the end thereof the following new paragraph:

"(5) Notwithstanding the preceding provisions of this

subsection, in the case of any individual to whom the provisions of clause (i) of paragraph (1) of this section is inapplicable—

"(A) For purposes of computing his average monthly wage, the monthly average of his wages and self-employment income for any calendar year, all or any part of which was included after his starting date and prior to his divisor closing date, shall be determined by dividing (i) the wages and self-employment income for such year which would (but for the provisions of this paragraph) be included in computing his average monthly wage, by (ii) the number of months in such year included between such starting and closing dates;

"(B) There shall be excluded from the elapsed months, for purposes of paragraph (1) of this subsection, all such elapsed months in the calendar years for which the monthly average determined under subparagraph (A) was, respectively, the lowest, next to the lowest, and second from the lowest;

"(C) For purposes of paragraph (1) of this subsection, the wages and self-employment income for any calendar year, the months of which have been excluded pursuant to subparagraph (B), shall be excluded.

Notwithstanding the provisions of subparagraphs (B) and (C) of this paragraph, the months of a calendar year and

the wages and self-employment income for such year shall not be excluded pursuant to such subparagraphs if the primary insurance amount would be higher without such exclusion."

(c) The amendments made by this section shall be effective only in the case of monthly benefits and lump-sum death payments under section 202 of the Social Security Act based on the wages and self-employment income of—

(1) any individual who does not become eligible for benefits under section 202 (a) of such Act until after the month in which this Act is enacted;

(2) any individual with respect to whom not less than six of the quarters elapsing after June 30, 1952, are quarters of coverage;

(3) any individual who dies after the month in which this Act is enacted and prior to the month in which he attains the age of sixty-five.

An individual shall, for purposes of clause (1) of this subsection, be deemed eligible for benefits under section 202 (a) of the Social Security Act for any month if he was or would, upon filing application therefor in such month, have been entitled to such benefits for such month.

(d) In the case of any individual to whom clause (2) of subsection (c) is applicable and who was entitled to

old-age insurance benefits under section 202 of the Social Security Act for the month in which this Act is enacted or any month prior thereto, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual upon the filing of an application by him or, if he dies without filing such an application, by any person entitled to monthly survivor's benefits under section 202, on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act (other than subsection (f) thereof) for computation of such individual's primary insurance amount, except that his closing dates, for purposes of subsection (f) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective for and after the month in which the application therefor was filed. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recom-

putation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

TECHNICAL PROVISIONS

SEC. 103. (a) Section 215 (f) of the Social Security Act is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

"(6) In the case of any individual—

"(A) (i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits in 1954 or 1955 or in a taxable year which began in 1955, or

"(ii) who died in 1954 or 1955 or in a taxable year which began in 1955 and who, if he was entitled to old-age insurance benefits for any month prior to 1954, would have been entitled to a recomputation under paragraph (2) of this subsection if he had filed an application therefor in the month in which he died, or

"(iii) who filed an application for recomputation under paragraph (2) of this subsection in 1954 or 1955 or in a taxable year which began in 1955 and was entitled to such recomputation, and

"(B) who had self-employment income for a

taxable year which ended within or with 1954 or 1955 or which began in 1955,

then upon application filed after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly survivor's benefits on the basis of such individual's wages and self-employment income, the Secretary of Health, Education, and Welfare shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (ther than subsection (b) (4)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by an individual to whom clause (A) (i) of the first sentence of this paragraph applies, for and after the first month in which he became entitled to old-age insurance benefits, (B) in the case of an application filed by an individual to whom clause (A) (iii) of the first sentence of this paragraph applies, for and after the month in which he filed the application referred to in such clause, and (C) in the case of an application filed by any other person, for and after the month in which such

person became entitled to monthly survivor's benefits on the basis of the wages and self-employment income of the individual referred to in subparagraph (A) of the first sentence of this paragraph. No recomputation under this paragraph pursuant to an application filed after the death of the individual referred to in such subparagraph (A) shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary of Health, Education, and Welfare prior to the effective date of the recomputation."

(b) In the case of an individual who died or became (without the application of section 202 (j) (1) of the Social Security Act) entitled to old-age insurance benefits under section 202 of such Act after 1953 and prior to July 1, 1956, his wage closing date, for purposes of section 215 (b) of such Act, shall be whichever of the following yields the highest primary insurance amount:

(1) The first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

(2) The first day of the quarter preceding such quarter, but only if such quarter of death or entitlement is a quarter ending on June 30; or

(3) The day specified in section 215 (b) (3) (A) of such Act.

(c) Section 215 (b) (3) (A) of the Social Security Act is amended by striking out the period and inserting in lieu thereof ", or, if such first day is the first day of the quarter following the quarter in which occurs such individual's self-employment income closing date and if it would result in a higher primary insurance amount for such individual, the first day of the quarter in which occurs his self-employment income closing date." The amendment made by this subsection shall be applicable only in the case of applications, filed after the month in which this Act is enacted, for benefits under section 202 of the Social Security Act for months after such month, and applications for recomputation under section 215 (f) of such Act, to which the applicant is entitled, filed after the month in which this Act is enacted.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

Amendments to Definition of Self-Employment Income and Related Definitions

SEC. 201. (a) Section 481 (a) of the Internal Revenue Code is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7),

and references thereto, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such section the following new sentence: "In the case of any trade or business carried on by an individual in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h), (i) if the gross income (computed under the preceding provisions of this subsection) derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, would be less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900."

(b) Section 481 (c) of the Internal Revenue Code is

amended by striking out paragraph (5), by striking out "; or" at the end of paragraph (4) and inserting a period in lieu thereof, and by inserting "or" at the end of paragraph (3).

(c) The amendments made by subsections (a) and (b) of this section shall be applicable only with respect to taxable years beginning after 1953.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

SEC. 202. (a) Section 1420 (e) of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality."

(b) The amendment made by subsection (a) shall become effective January 1, 1954.

AMENDMENTS TO DEFINITION OF WAGES

SEC. 203. (a) (1) Subparagraph (B) of section 1426 (a) (7) of the Internal Revenue Code is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in subsection (h) (5);".

(2) Section 1426 (a) (7) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

"(C) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subpargraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a

private home of the employer and does not include service described in subsection (h) (5);".

(3) Section 1426 (a) (8) of the Internal Revenue Code is amended by inserting "(A)" after "(8)" and by adding at the end thereof the following new subparagraph:

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;".

(b) The amendments made by subsection (a) shall be applicable only with respect to remuneration paid after 1953.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

SEC. 204. (a) Section 1426 (b) (1) of the Internal Revenue Code is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(b) The Internal Revenue Code is amended by striking out paragraph (3) of section 1426 (b) and by redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14) of such section, and references thereto, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(c) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not an American citizen or (ii) the employer is not an American employer".

(d) (1) Clause (ii) of subparagraph (B) of the paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (6) is amended by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank,".

(2) Such subparagraph (B) is further amended by striking out "or" at the end of clause (iii), inserting "or" at the end of clause (iv), and adding the following new clause at the end of such subparagraph:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and

physical improvement of personnel of the Coast Guard;".

(3) The Internal Revenue Code is amended by striking out clause (iii) of subparagraph (C) of the paragraph of such section 1426 (b) herein redesignated as paragraph (6) and redesignating clauses (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), and (xiii) of such subparagraph, and references thereto, as clauses (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), and (xii), respectively.

(e) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (l) (1), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection,

or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed, in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to subsection (l) (2), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

(f) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (13) is amended by striking out all after the first semicolon therein.

(g) The Internal Revenue Code is amended by strik-

ing out paragraph (15) of section 1426 (b) and redesignating paragraphs (16) and (17) of such section, and references thereto, as paragraphs (14) and (15), respectively.

(h) The amendments made by subsections (c), (d), (e), (f), and (g) shall be applicable only with respect to services performed after 1953. The amendments made by subsections (a) and (b) shall be applicable only with respect to services (whether performed after 1953 or prior to 1954) for which the remuneration is paid after 1953.

AMENDMENT TO DEFINITION OF EMPLOYEE

SEC. 205. (a) Subparagraph (C) of section 1426 (d) (3) of the Internal Revenue Code is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

(b) The amendment made by subsection (a) shall be applicable only with respect to services performed after 1953.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

SEC. 206. (a) Paragraph (1) of section 1426 (l) of the Internal Revenue Code is amended by inserting "(other than service performed by a duly ordained, commissioned, or

licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order)" after "service" in the first sentence, by striking out "two-thirds of its employees" and inserting in lieu thereof "two-thirds of its employees performing service to which this paragraph is applicable" in such sentence, and by deleting so much of the section as follows the first sentence.

(b) Such section 1426 (l) is amended by redesignating paragraphs (2) and (3) as paragraphs (6) and (7), respectively, and by adding after paragraph (1) the following new paragraphs:

"(2) WAIVER OF EXEMPTION IN THE CASE OF MINISTERS.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are duly ordained, commissioned, or licensed ministers of a church or churches and perform such service in the exercise of their ministry or who are members of a religious order or orders and perform such service in the exercise of duties required by such order or orders,

other than a member of a religious order who has taken a vow of poverty as a member of such order, and that at least two-thirds of such employees concur in the filing of the certificate. Notwithstanding the preceding sentence of this paragraph, a certificate may not be filed by an organization pursuant to such sentence unless (A) such organization does not have any employees with respect to whom a certificate may be filed pursuant to paragraph (1), or (B) such organization has filed a certificate pursuant to paragraph (1) with respect to such employees.

"(3) LIST TO ACCOMPANY CERTIFICATE.—A certificate may be filed pursuant to paragraph (1) or paragraph (2) only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter.

"(4) EFFECTIVE PERIOD OF WAIVER.—A certificate

filed pursuant to paragraph (1) or paragraph (2) shall be in effect (for the purposes of subsection (b) (8) of this section and for the purposes of section 210 (a) (8) of the Social Security Act)—

"(A) in the case of a certificate filed pursuant to paragraph (1), for the period beginning with the first day of the calendar quarter in which such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate; or

"(B) in the case of a certificate filed pursuant to paragraph (2), for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate: (i) the quarter in which such certificate is filed, or (ii) the succeeding quarter, or (iii) if the certificate is filed during the calendar year 1954, any quarter in such year prior to the quarter in which it is filed;

except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect (as determined under subparagraph (A) or (B), whichever is applicable) or following the calendar quarter in which

the certificate was filed, whichever is later, and to whom subparagraph (A) or (B) of subsection (b) (8) of this section would otherwise apply, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed.

"(5) TERMINATION OF WAIVER PERIOD BY ORGANIZATION.—The period for which a certificate filed pursuant to paragraph (1) of this subsection is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years and only if such notice applies also to the period for which the certificate, if any, filed by such organization pursuant to paragraph (2) is effective. The period for which a certificate filed pursuant to paragraph (2) is effective may also be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termi-

nation may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter."

(c) The paragraph of such section 1426 (l) herein redesignated as paragraph (6) is amended by adding at the end thereof the following new sentence: "If the period covered by a certificate filed pursuant to paragraph (1) of this subsection is terminated under this paragraph, the period covered by the certificate, if any, filed by the same organization pursuant to paragraph (2) shall also be terminated at the same time."

(d) The paragraph of such section 1426 (l) herein redesignated as paragraph (7) is amended to read as follows:

"(7) NO RENEWAL OF WAIVER.—In the event the period covered by a certificate filed pursuant to paragraph (1) or (2) of this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to such paragraph."

(e) The amendments made by this section shall become

effective January 1, 1954. Nothing in this section shall be construed as affecting the validity of any certificate filed prior to January 1, 1954, under section 1426 (l) of the Internal Revenue Code. If a certificate filed during the calendar year 1954 pursuant to section 1426 (l) (2) of the Internal Revenue Code is in effect for any calendar quarter in 1954 which precedes the quarter during which the certificate was filed, the return and payment of the taxes for any such preceding calendar quarter with respect to service which constitutes employment by reason of the filing of such certificate shall be deemed to be timely made if made on or before the last day of the first month following the calendar quarter in which the certificate is filed. A certificate filed pursuant to section 1426 (l) of the Internal Revenue Code shall not be in effect for purposes of deductions under section 203 of the Social Security Act for months for which benefits under title II of such Act have been certified and paid prior to the date on which such certificate is filed, except that, for purposes of section 215 (f) of such Act, deductions which would have been imposed under such section 203 but for the provisions of this sentence shall be deemed to have been imposed.

TITLE III—MISCELLANEOUS PROVISIONS

AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

SEC. 301. Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "1952" and inserting in lieu thereof "1953".

CROSS REFERENCES TO REDESIGNATED PROVISIONS

SEC. 302. References in the Internal Revenue Code, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Social Security Act redesignated by this Act, and references in the Social Security Act, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of the Internal Revenue Code redesignated by this Act, shall be deemed to refer to such section or subdivision of a section of the Social Security Act and the Internal Revenue Code, respectively, as so redesignated.

83D CONGRESS
1ST SESSION

H. R. 6812

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, and for other purposes.

By Mr. REED of New York

AUGUST 3, 1953

Referred to the Committee on Ways and Means

FROM THE OFFICE OF
DANIEL A. REED, M.C.
1202 New House Office Bldg.

FOR IMMEDIATE RELEASE
August 3, 1953

Chairman Daniel A. Reed, (R. N.Y.) of the House Ways and Means Committee today introduced a bill extending social security coverage to an additional 10,500,000 people as recommended by President Eisenhower in a special message to Congress on Saturday.

In presenting his measure at the request of the Administration, Chairman Reed said that the President's proposal would receive the careful consideration it merits when the Committee assembles early next year to take up the social security question. Mr. Reed pointed out that a subcommittee of the Ways and Means Committee has been engaged since February in a comprehensive study of social security. Representative Curtis, (R., Neb.) is chairman of the subcommittee.

A statement from Mr. Reed accompanying the introduction of his bill follows:

"The President has transmitted a message to the Congress recommending the extension of social security coverage to about 10,500,000 persons who are not afforded protection under existing law. Among the groups which would be brought under the law are self-employed farmers; additional farm workers and domestic workers not now covered; doctors, dentists, lawyers, architects, accountants and other professional people; members of many state and local retirement systems on a voluntary group basis; clergymen on a voluntary group basis and other smaller groups.

"I am happy to introduce the President's proposal but until I have the opportunity to study it I must necessarily reserve the right to withhold comment or give it my blanket endorsement.

"I can assure the President that it will receive the careful consideration by the Ways and Means Committee that it merits. This consideration will coincide with the recommendations of a subcommittee of my Committee which, under the able direction of Representative Curtis, has been engaged in a social security study for several months. It is conceivable that the President will see fit to approve some of the proposals of this subcommittee in preference to his own when the question is discussed early in January.

"I am certainly not opposed to the principle of economic protection for our people. But I believe that better methods can be devised -- methods that provide better protection for less cost. I am especially concerned with adequate benefits for the aged and am convinced that we could do more for them if we were less generous to the people of other nations. Many of us in the Congress feel that we have been too generous abroad at the expense of our own people at home.

"The entire question of social security is a complex one. To devise a system that will dovetail with our economy requires careful study and extensive exploration. It is the purpose of my Committee, in complete cooperation with the executive branch, to make that study and to explore into every phase of social security. The result of such a realistic approach may give America the kind of social security system we can afford and one that may better provide for the needs of our citizens."

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

SSA-OASI

TO : Administrative, Supervisory, and Technical Employees

DATE: August 3, 1953

FROM : Robert M. Ball, Acting Director

SUBJECT: Director's Bulletin No. 196
Message of the President on Extension of Old-Age and Survivors Insurance Coverage; and Report of Consultants on Social Security to the Secretary

President Eisenhower on August 1 sent to the Congress a message recommending the extension of old-age and survivors insurance to between 10 and 11 million persons who during the course of a year engage in work that is not now covered by the program. Concurrently, the Secretary made public a report to her of a group of consultants who have studied and made recommendations on coverage of the specific groups involved in the President's recommendation.

In his message the President said there are two points he wished especially to stress: first, his belief that the proposals would "add immeasurably to the peace of mind and security of the individual citizens who would be covered for the first time"; and second, his belief that they would "add greatly to the national sense of domestic security."

Among the groups for whom coverage is recommended are farm operators, self-employed professional persons, additional farm and domestic workers, State and local government employees under retirement systems (through voluntary agreements between the States and the Federal Government), ministers (under provisions similar to those now applying to the lay employees of nonprofit organizations), and several minor groups. The consultants also recommend a limited extension of the "free" wage credits for military service and a revised method of computing the "average monthly wage."

The group of consultants was made up of recognized experts in social security, including individuals with backgrounds in business, labor, agriculture, and social welfare. As some of you know, the consultants had available to them the Bureau's resources of data and experience as a result of my having sat in on their deliberations. The report notes that the consultants served as individuals rather than as representatives of the organizations with which they are affiliated. I think it is significant, though, that a group of individuals with such varied backgrounds were in agreement on the desirability of broad extension of coverage and, in general, on the specific proposals for accomplishing it.

The specific recommendations of the consultants, as summarized in the report, are as follows:

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1. Allow coverage under Federal-State agreements of members of State and local government retirement systems under provisions requiring that all members of a coverage group be brought in if any are covered.

2. Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.

3. Cover farm operators on a basis consistent with that on which other self-employed are now covered.

4. Cover cash wages earned in hired farm work regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.

5. Cover cash wages of domestic workers regardless of the number of days the individual works for a single employer.

6. Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of non-profit organizations may now be covered.

7. Cover employees engaged in fishing and similar activities who are now excluded.

8. Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.

9. Cover American citizens employed on vessels of foreign registry by American employers on the same oasis as other American citizens working outside the United States for American employers.

10. Extend for a limited period the present provision giving "free" wage credits of $160 a month for service in the armed forces.

11. Revise the method for computing the average monthly wage to provide that the three years in which earnings credits were the lowest (or nonexistent) would ordinarily be disregarded, but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status.

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You will note that the only major groups for which the consultants have made no recommendations are railroad workers and employees of the Federal Government. For each of these groups special studies of the relationships of their retirement systems to the old-age and survivors insurance program are already being conducted. The study of the railroad retirement program and its relation to old-age and survivors insurance was undertaken by the Joint Congressional Committee on Railroad Retirement, established by S. Con. Res. 51 of the Eighty-second Congress. The relation of old-age and survivors insurance to the Federal employee retirement systems is being studied by a Committee on Retirement Policy for Federal Personnel, authorized by Public Law 555, Eighty-second Congress, and consisting of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission, with a Chairman (Mr. H. Eliot Kaplan) appointed by the President. The consultants therefore made no recommendations concerning railroad workers and none for civilian or military employees of the Federal Government except the one for a limited extension of the "free" wage credits now provided for military service.

A word of explanation on proposal 11 may be helpful to you. The report of the consultants indicates that this proposal is designed to meet the problem of the newly covered groups as part of an over-all improvement in the program. By making possible the payment of full-rate benefits where earnings were reduced or nonexistent in as many as 3 years, the proposal does away with the need for a new start as a result of the extension of coverage, while at the same time it gives to those already covered the advantage of some future protection against lower benefits because of periods of unemployment, disability, or low earnings. In transmitting the Department's recommendations based on this report to the President the Secretary pointed out that the report assumed coverage extension as of January 1, 1954, and that if coverage is extended as of 1955, instead, it may be necessary to allow for dropping out the 4 rather than 3 years of lowest earnings.

Cost estimates prepared for the consultants by Robert J. Myers, Chief Actuary, Social Security Administration, indicate that the extension of coverage recommended in the report would result in a reduction in the long-range cost of the program of about 0.25 percent of pay roll. The proposal for the change in the method of computing the average monthly wage is estimated to increase long-range costs by about 0.1 percent of pay roll, so that, on balance, the recommendations of the consultants will not have any significant effect on the percentage of pay rolls required to meet the costs of the program.

Administrative, Supervisory, and
Technical Employees - 8/3/53

The text of the President's message is enclosed. Printed copies of the consultants' report are being sent to you with this mailing and copies of the Secretary's press release on the report will be sent, for staff information only, to each office. If a bill which embodies the recommendations is introduced before the close of this session, a separate bulletin on the bill will be distributed.

Robert M. Ball
Acting Director

Enclosures

Text of the President's Message on Social Security

In my message to the Congress on the State of the Union, I pointed out that there is urgent need for making our Social Security programs more effective.

I stated that the provisions of the Old Age and Survivor's Insurance Law should cover millions of our citizens who thus far have been excluded from participation in the Social Security program.

Retirement systems, by which individuals contribute to their own security according to their own respective abilities, have become an essential part of our economic and social life. These systems are but a reflection of the American heritage of sturdy self-reliance which has made our country strong and kept it free; the self-reliance without which we would have had no Pilgrim Fathers, no hardship-defying pioneers, and no eagerness today to push to ever-widening horizons in every aspect of our national life.

The Social Security program furnishes, on a national scale, the opportunity for our citizens, through that same self-reliance, to build the foundation for their security. We are resolved to extend that opportunity to millions of our citizens who heretofore have been unable to avail themselves of it.

The Department of Health, Education and Welfare, with the counsel and assistance of twelve outstanding consultants, has been carefully studying the difficult technical and administrative aspects of this effort.

The Secretary of that department has now recommended the specific additional groups which, in the judgment of the department and its consultants, should be covered under this program. The Secretary has also recommended the means by which these additional groups can be brought into the system most equitably, with full consideration for the new groups as well as those who have heretofore contributed to the insurance system.

The Secretary's recommendations would effectively carry out the objectives that I expressed in my message to the Congress on the State of the Union and I am pleased to transmit them to the Congress for its consideration.

Under the attached plan, approximately 10,500,000 individuals would be offered Social Security protection for the first time. About 6,500,000 of these would be brought into the system; the remaining 4,000,000 would be eligible for coverage under voluntary group arrangements.

New groups to be covered would include self-employed farmers; many more farm workers and domestic workers than are now covered; doctors, dentists, lawyers, architects, accountants and other professional people; members of many state and local retirement systems on a voluntary group basis; clergymen on a voluntary group basis and several other smaller groups.

As the Committee on Ways and Means of the House of Representatives proceeds with its studies to improve the Social Security Act, I strongly commend to it this plan for the extension of coverage to most of the major groups not now covered by any social insurance or public retirement system.

This is a specific plan for a specific purpose--the extension of coverage. Other important improvements in the Social Security Act are now under study and will be the subject of further recommendations.

There are two points about these proposals which I cannot stress too strongly. One is my belief that they would add immeasurably to the peace of mind and security of the individual citizens who would be covered for the first time under this plan; the second is my belief that they would add greatly to the national sense of domestic security.

The systematic practice of setting aside funds during the productive years to build the assurance of basic retirement benefits when the productive years are over--or to one's survivors in the event of death--is important to the strength of our traditions and our economy.

We must not only preserve this systematic practice, but extend it at every desirable opportunity. We now have both such an opportunity and a definite plan. I commend it to the Congress for its consideration.

A REPORT

to

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

on

Extension of Old-Age and Survivors Insurance To Additional Groups Of Current Workers

CONSULTANTS ON SOCIAL SECURITY

WASHINGTON : 1953

CONTENTS

LETTER OF TRANSMITTAL

June 24, 1953.

HON. OVETA CULP HOBBY,
Secretary of Health, Education, and Welfare,
Washington 25, D. C.

DEAR MRS. SECRETARY:

When you asked us to serve as consultants on social security, you referred to the President's recommendation in his State of the Union Message on February 2 that the "old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social-security system." The paragraph of the State of the Union Message in which that recommendation appears is:

"There is urgent need for greater effectiveness in our programs, both public and private, offering safeguards against the privations that too often come with unemployment, old age, illness, and accident. The provisions of the old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social-security system. No less important is the encouragement of privately sponsored pension plans. Most important of all, of course, is renewed effort to check the inflation which destroys so much of the value of all social-security payments."

As requested by you, we have given consideration in our study of social security to various alternatives for extending old-age and survivors insurance to additional groups of current workers, both employed and self-employed. In this study we have all served as individuals and the proposals contained in this report do not necessarily reflect the views of any organization with which any consultant may be connected.

There is transmitted herewith a report which includes the proposals which we have developed for your consideration in carrying out the President's recommendation for extending old-age and survivors insurance.

Respectfully submitted.

REINHARD A. HOHAUS,
Chairman, Consultants on Social Security.

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EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE TO ADDITIONAL GROUPS OF CURRENT WORKERS

INTRODUCTION AND SUMMARY

As requested by Secretary Hobby, we have given consideration to various alternatives for extending old-age and survivors insurance to additional groups of current workers, both employed and self-employed. It is our understanding from the Secretary that the President wishes us to give our considered collective opinion, respecting each question involved, as individual citizens from varied backgrounds. Our conclusions, therefore, should not be interpreted as those of any organizations with which any of us are connected.

In evaluating the possibility of including each additional group of current workers not now included, we have considered first of all the question of technical feasibility. This has involved consultation with representatives of the Bureau of Internal Revenue as to the practical difficulties with respect to each separate group in collecting the necessary tax and with representatives of the Bureau of Old-Age and Survivors Insurance regarding the practical aspects of determining both eligibility and benefit amount for the groups in question.

We have, however, been forced to recognize that the distinction between what is technically feasible and what is fair, socially desirable, and in the public interest is useful mainly as a device for breaking down the broad subject of social security into divisions that lend themselves to separate study. In actual practice, the various phases and aspects of social insurance such as coverage, benefits, and financing are not separable. In complying with the request that we make recommendations regarding extension of coverage, it has not been possible for us to make a study of certain other features of the old-age and survivors insurance program, the existence of which means that the present plan falls short in certain respects of providing all the various advantages which a contributory old-age and survivors insurance system can have for the country. The objectives of this program as we understand it are:

(*a*) Inclusion of all workers, employed and self-employed;

(*b*) Payment of benefits related to prior earnings and as a matter of right without a needs test; and

(*c*) Financing on a contributory basis.

We have operated on the premise that participation in the old-age and survivors insurance program will prove of real benefit to the members of most groups of current workers and that broader participation therein will be in the public interest. We have, therefore, tried to take into account the question of fairness, justice, and consistent treatment for each group considered, no matter how small the group or what initial difficulties would have to be overcome in administering the program for that group. Beyond this, we have operated on the principle that the solutions chosen should be directed toward (1) maintaining the long-established standards of honesty and objectivity in regard to individual reports and benefit rights; (2) minimizing the possibility of abuses that might undermine public confidence in the old-age and survivors insurance program; and (3) extending coverage on a basis which will not adversely affect the protection of those now covered.

In summary, we might identify our method of approach by stating that with respect to each group we have asked ourselves this question: "Taking into account all problems involved, and the broad lines of policy which the President has indicated he wishes to follow, is it our best judgment that an effort *should* be made to include *this* group?"

* * * * * * *

Under the coverage provisions of the Social Security Act as originally enacted, about six out of ten paid civilian jobs were included. Subsequent amendments to the Social Security Act, including the major revisions made in 1950, extended coverage so that now about eight out of ten paid civilian jobs are included. Although there has been at least one cogent reason why each group of excluded workers has been left out in the past, we believe that it is feasible at this time to extend coverage to most of the jobs now excluded.

Several of the groups for whom we recommend coverage do not raise any particular administrative or technical difficulty not already encountered under present coverage. Coverage for State and local government employees under retirement systems, self-employed professional persons, fishermen, and home workers is almost entirely a matter of policy rather than administrative or technical feasibility. Coverage of some of the other groups does present certain difficulties but we believe these can be overcome in the ways which we suggest in the report. The groups which present some special, but not insuperable, problems include self-

employed farm operators, hired farm workers, and domestic workers.

On the other hand, our recommendations for extension of coverage at this time do not include the blanketing-in of persons already age 65 or over who because they have not become eligible through prior work in covered employment are not receiving insurance benefits. We have excluded this group from consideration in this report because their inclusion would involve very substantial modifications of the present program which would require careful and prolonged study.

Since special studies were initiated last year by Congress in regard to the relationship of the old-age and survivors insurance program to the Railroad Retirement Act and to Federal employee retirement systems, we have not included in this report any recommendations with respect to railroad workers or to employees of the Federal Government and its instrumentalities who are currently excluded. The study of the railroad retirement program and its relation to old-age and survivors insurance was undertaken by the Joint Congressional Committee on Railroad Retirement, established by S. Con. Res. 51 of the Eighty-second Congress. The relation of old-age and survivors insurance to the Federal employee retirement systems is being studied by a Committee on Retirement Policy for Federal Personnel, consisting of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission, with a Chairman (Mr. H. Eliot Kaplan) appointed by the President. This Committee was authorized by Public Law 555, Eighty-second Congress. Because of these special studies, we are making no proposals at this time concerning railroad workers and none for Federal employees other than one that the "free" wage credits now provided for members of the armed services be extended for a temporary period. It is urgent that this proposal for a limited extension of the $160 "free" wage-credit provision receive early consideration, since the present provision expires at the end of this year. There are no special technical problems connected with this proposal. Finally, in order to complete the report as speedily as possible, we have not given consideration to a few special employment categories listed in Appendix A, and accordingly no recommendations are made for them in this report.

* * * * * * *

We have included in the report a proposal (Number 11) for revising the method for computing the average monthly wage to provide that the three years in which earnings credits were the

lowest (or nonexistent) would ordinarily be disregarded but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status.

Our proposal is designed to meet the problem of the newly covered groups, who under existing legislation would in many instances have substantially lower benefits than those already covered because they do not have wage credits in 1951, 1952, and 1953. Our proposal solves this problem of the newly covered groups as part of an overall improvement in the program. It represents a recognition that for the long run the present average monthly wage provision results in reductions in the benefit amount for every year a worker is out of the system. Unemployment or disability for even part of a year can now cause benefit reductions. For example, to get maximum benefits a worker must now be paid at least $3,600 in every year after 1950 or his twenty-second birthday, whichever is later. Any year in which he earned less would result in his getting a benefit lower than the $85 maximum.

By making possible the payment of full-rate benefits where earnings were reduced or nonexistent in as many as three years, the proposal does away with the need for any special provision for the newly covered groups. At the same time it gives to those already covered the advantage of some future protection against the lowering of the average monthly wage because of periods of unemployment, disability, or low earnings. For newly covered persons with no prior quarters of coverage the three years prior to 1954 will be omitted from the computation since such persons will not have had covered earnings in those years; any subsequent years with little or no earnings will count against them. For persons now covered who contributed on earnings in years prior to 1954, on the other hand, up to three years (past or future) in which they have little or no earnings will be omitted from the computation. This recognizes the longer period during which such persons have been under the system.

Our proposal solves the immediate problem arising from extension of coverage. We recognize, however, that it may be desirable for the long run to allow individuals who have been under the program for a considerable period of time to disregard more than three years in computing the average monthly wage. This is particularly important because the groups brought under coverage after 1953 will in general be unable to utilize the three-year provision to offset future periods of low earnings or absence from the system. We are not intending by our present recommendation to prejudge later consideration of broader proposals designed to solve the long-range problem of the adverse effect of periods of low earnings or absence from the system on monthly benefits.

It will be noted that we have not recommended a new start for newly covered groups similar to what was done in 1950. While we think such an arrangement would probably be practical if coverage were extended to substantially all workers now excluded we believe that our proposal is superior to the alternative of a series of new starts.

* * * * * * *

We have not included in this report any recommendations relative to the retirement test. We recognize that extension of coverage will increase the number of anomalous situations which are created by the existing retirement test and, to this extent, intensify the need to find a more satisfactory retirement provision. However, this problem, like the question of benefit levels and methods of financing, raises broad questions relating to the system as a whole, whatever its coverage, and lies beyond the specific subjects we were asked to consider.

Nor have we included any recommendation for changing the definition of "wages," designed to include remuneration (such as tips) other than that paid an employee directly by his employer. However, we recognize that in certain employments the definition contained in the present law omits a part of the remuneration of some workers. We have confined our report to recommendations relating to categories of workers. Legislation aimed at coverage with all remuneration included would need to take into account those types of payment not now considered "wages."

* * * * * * *

Appendix B contains cost estimates for the present old-age and survivors insurance program and for the program expanded to include virtually all gainful employment, prepared by Robert J. Myers, Chief Actuary, Social Security Administration. On the basis of the intermediate cost estimates shown in the appendix, universal coverage without other changes in the system would result in a reduction of about 0.4 in the percentage of payrolls required over the years to meet the costs of old-age and survivors insurance. Comparative figures for the extension of coverage that we propose (we have made no recommendation for coverage of additional categories of Federal civilian employment or for coverage of military service beyond a limited extension of present provisions for "free" wage credits) show a reduction of 0.25 percent of payroll over the years.

The saving occurs first of all because under limited coverage, those who move in and out of covered employment have low average monthly wages in covered employment and receive the advantage of a formula weighted in favor of those with low average wages (the benefit formula is 55 percent of the first $100 of average

monthly wage but only 15 percent above). Under extended coverage, their wages in covered employment will be greater. This means a corresponding increase in contribution income from those persons and their employers, with some but proportionately smaller increase in benefit outgo. This, in turn, means that over time the contribution income will increase more than benefit outgo. Second, extension of coverage means that there will be fewer cases in which earnings from uncovered employment are disregarded in applying the retirement test.

Our proposal for a change in the method of computing the average monthly wage will, on the basis of the intermediate cost estimate, increase long-range costs by about 0.1 percent of payroll. Thus since our proposals for extension of coverage will save about 0.25 percent it is estimated that on balance our proposals taken together will have no significant effect on the percentage of payroll required to meet the costs of the old-age and survivors insurance program.

Summary

In accordance with the President's policy to extend old-age and survivors insurance coverage, we recommend the following:

1. Allow coverage under Federal-State agreements of members of State and local government retirement systems under provisions requiring that all members of a coverage group be brought in if any are covered.
2. Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.
3. Cover farm operators on a basis consistent with that on which other self-employed are now covered.
4. Cover cash wages earned in hired farm work regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.
5. Cover cash wages of domestic workers regardless of the number of days the individual works for a single employer.
6. Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of nonprofit organizations may now be covered.
7. Cover employees engaged in fishing and similar activities who are now excluded.
8. Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.
9. Cover American citizens employed on vessels of foreign registry by American employers on the same basis as other American citizens working outside the United States for American employers.
10. Extend for a limited period the present provision giving "free" wage credits of $160 a month for service in the armed forces.
11. Revise the method for computing the average monthly wage to provide that the three years in which earnings credits were the lowest (or nonexistent) would ordinarily be disregarded, but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status.

EXTENSION OF COVERAGE

1. State and Local Government Employees Under Retirement Systems

Allow coverage under Federal-State agreements of members of State and local government retirement systems under provisions requiring that all members of a coverage group be brought in if any are covered.

We believe that the retirement systems of State and local governments, which now cover about 3.3 million workers,[1] perform for Government as employer the same functions as nongovernmental plans perform for private industry and charitable organizations by attracting and holding good employees and, on the other hand, by making it feasible to retire individuals when appropriate. These functions of State and local systems are not accomplished by old-age and survivors insurance alone, but old-age and survivors insurance coverage need not interfere with these functions where the State retirement systems are retained and are appropriately integrated with old-age and survivors insurance.

The extension of old-age and survivors insurance to employees of State and local government retirement systems would close two major gaps in the protection now afforded such persons—the lack of adequate survivor protection and the lack of continuity of protection for those who move in and out of Government service. Probably about four-fifths[2] of the persons covered under State and local retirement systems lack adequate survivor protection. Moreover, existing State and local staff retirement systems are designed primarily for those who continue in the service of a particular unit until retirement; the majority of those who leave the service before retirement age normally forfeit any right to retirement income they may have acquired and merely receive a refund of their own accumulated contributions.[3] Similarly, persons who enter State and local government employment from private industry may lose all or part of the protection they have acquired under old-age and survivors insurance. The extension of old-age and sur-

[1] Survey of retirement coverage of State and local government employees in the last pay period of October 1952, conducted for the Bureau of Old-Age and Survivors Insurance by the Governments Division, Bureau of the Census. The figure of 3.3 million includes 3 million workers actually covered by retirement systems and 300,000 workers who, though not themselves covered, are in positions covered by retirement systems and therefore cannot be covered by old-age and survivors insurance.

[2] Estimated by the Bureau of Old-Age and Survivors Insurance on the basis of partial data for State and local retirement systems.

[3] Information furnished by the Bureau of Old-Age and Survivors Insurance.

vivors insurance to such Government employment would fill these gaps in present protection.

When coverage is extended to State and local employees who are members of staff retirement systems, those systems can be adjusted to supplement the basic old-age and survivors insurance benefits. It has been demonstrated in private systems that such adjustments can be made satisfactorily and without loss in total retirement protection. Since the old-age and survivors insurance program has been established many hundreds of employee retirement systems of private employers and nonprofit organizations have been made supplementary to old-age and survivors insurance without loss of total retirement protection for the employees concerned. In many cases the protection of employees previously covered under retirement plans in private industry and in nonprofit employment has been considerably increased as a result of the extension of old-age and survivors insurance and the continuance of the private plans on an adjusted basis.

While constitutional barriers preclude the Federal Government from imposing an old-age and survivors insurance employer contribution upon State and local governments on a compulsory tax basis, coverage has been made available to certain employees of State and local governments on a contributory basis through Federal-State agreements. At the present time the Federal statute permits Federal-State agreements covering employees of the States or localities who are not in positions covered by a retirement system but it bars the States and localities from bringing in employees who are in such positions. We believe that the Federal law should be changed in order to permit the coverage of these employees as well.

There are two views as to whether, in making coverage available to employee groups who are under public retirement systems, it is appropriate that the Federal Government leave the decision to bring these employees under old-age and survivors insurance to the State and local governments alone, or whether the Federal Government should require that the decision of the State or local government be subject to the concurrence of the employees concerned. Those consultants holding the view that concurrence of the employees should be required believe that the concurrence should be expressed by a substantial majority of those voting. All are agreed that any provision for covering State and local employees should be on a basis that all members of a coverage group be brought in if any are covered.

We recognize that certain groups of State and local employees such as policemen and fire fighters feel that because there are hazardous and special requirements connected with their work

recognition has been accorded these factors in existing retirement plans. Therefore they hold that there should be no extension of old-age and survivors insurance to their groups. In any case a mandatory Federal exclusion limited to these special groups would be preferable to the continued prohibition of coverage for all State and local employees under existing retirement plans.

2. Self-Employed Professional Persons

Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.

Present law specifically excludes the following professions from the definition of trade or business in connection with self-employment: Accountants (with some exceptions), architects, chiropractors, Christian Science practitioners, dentists, funeral directors, lawyers, naturopaths, optometrists, osteopaths, physicians, professional engineers, and veterinarians. Many if not all of these exclusions were made at the request of the groups excluded.

There are no special administrative or technical problems involved in extension of coverage to these self-employed persons which are not already encountered in the present coverage of other professional self-employed persons.[4] We propose that coverage be extended to persons in the professional groups now excluded on the same basis as other nonfarm self-employed are covered. Thus anyone with annual net earnings of $400 or more from covered self-employment, including all professional self-employment, would be included. About half a million or so self-employed professional persons would be covered in the course of a year.[5] These professional persons would report their earnings for social-security purposes annually with their income-tax reports, as is done by the self-employed people now covered.

As a corollary to the inclusion of medical practitioners, we propose that the specific exclusion of services of internes in the definition of employment be deleted.

3. Self-employed Farm Operators

Cover farm operators on a basis consistent with that on which other self-employed are now covered.

We propose that farm self-employment be covered on a basis consistent with the provisions now covering other self-employment. This would be accomplished by removing from the definition of "net earnings from self-employment" the present exclusion of income "derived from any trade or business in which, if the trade

[4] Although most professional groups are now excluded, a few—writers, artists, actuaries, psychologists, and so forth—are now covered.

[5] Estimate made by the Bureau of Old-Age and Survivors Insurance on the basis of unpublished data of the National Income Division, Department of Commerce.

or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor." Thus anyone with annual net earnings of $400 or over from self-employment, including the operation of a farm, would be covered.

We are advised that in the course of a year about 5 million self-employed persons are covered by present law and that over 3 million farm operators would be covered by this proposal.[6]

Under the provisions now in effect for coverage of nonfarm self-employed persons, the individual, in computing his net income from self-employment on which his benefits are based, must compute his business expenses. This is required for income-tax purposes, also. In computing net income for social-security purposes the individual is required to follow the same rules, regulations, and definitions as he follows for income-tax purposes. Unless some special provision were made for farm operators, the same procedure would have to be followed by farm operators in computing their income for social-security purposes.

Many farm operators, however, do not have an income-tax liability because after deducting expenses and other deductions from gross income their net income does not exceed their personal and dependents' exemptions. Since their exemptions would have no application for social-security purposes, such farm operators would become liable for the self-employment tax. It would be desirable, therefore, to develop a simplified procedure which could be used by the small-farm operator.

One possibility would be to permit a farmer who meets prescribed conditions to report his income from self-employment for social-security purposes as some fixed percentage (say 50 percent) of his gross receipts from farming. Under this proposal anyone wishing to report his actual expenses in computing his net income would be permitted to do so.

We believe that the details of some such simplified method of reporting should be worked out by the Department of Health, Education, and Welfare and the Treasury Department in consultation with the Department of Agriculture.

4. Hired Farm Workers

Cover cash wages earned in hired farm work regardless of the number of days the individual works for a single employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.

Under present law, in order to be covered a farm worker must be "regularly employed" by one employer and receive cash wages

[6] The 3 million figure includes almost all farmers who are actually in the business of farming and who derive the major part of their support from farm self-employment. Estimates made by the Bureau of Old-Age and Survivors Insurance on the basis of data from the 1950 Census of Agriculture and the 1949 Consumer Income Survey of the Census Bureau.

of $50 or more in a calendar quarter from that employer. The definition of "regularly employed" is complicated and difficult to apply. In general, after a farm worker has worked for one employer continuously for an entire calendar quarter, he is "regularly employed" in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter. Records must be kept over a substantial period before it is clear whether or not an individual is covered. In our opinion the "regularly employed" test is an unnecessary complication.

The elimination of this test would result in the course of a year in covering farm wages for about 2.7 million workers who do not now have their farm wages included.[7] Moreover, some of the farm workers now covered would have additional wages included if this proposal were adopted.

To get the widest possible coverage under old-age and survivors insurance it would also be necessary to eliminate the $50 cash wage test in the present law. Such a minimum cash wage test is included only for hired farm workers, domestic workers, and a few smaller categories and does not apply to other employees covered under the system. In principle we believe the elimination of such a test is desirable for all categories of employees. A cash wage test of $50 related to work for a single employer excludes some workers who would benefit from coverage and also prevents some workers now covered from getting credit for all the wages they have earned. To obtain coverage for all agricultural workers who would benefit therefrom would therefore require the elimination of the cash wage test as well as the time tests.

The major problems concerning the elimination of the cash test relate to the administration of the necessary benefit and tax collection provisions, with the attendant necessity for securing the correct names, account numbers and amounts of wages for agricultural workers hired for only brief periods, and the consequent increase in the reporting burden on the farm employer. The Treasury Department has assured us that it believes it would be possible to secure substantial enforcement of the reporting requirements even if the cash test as well as the time tests were eliminated and has indicated that enforcement would be strengthened if some simplification is made in the present system of wage reporting. It has pointed out, however, that administrative costs would be lower if a wage test were retained. In the opinion of the Treasury Department there would be some advantages in adopting a cash wage test based on a shorter period than a calendar quarter. A

[7] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data from Bureau of Agricultural Economics, Survey of the Hired Farm Working Force, 1951.

weekly or monthly test would reduce the period during which an employer had to keep records to determine whether a worker is covered or not. On the other hand, there are many situations in which an employer will know at the time of hire whether a worker will be paid a total of $50 in a quarter.

Since in principle we believe that all agricultural workers should be covered, we urge the Department of Health, Education, and Welfare and the Treasury Department to continue their exploration, in consultation with the Department of Agriculture, of possible methods of accomplishing this objective in the near future without undue burden on the employer.

Under present law workers employed in cotton ginning and in the production of turpentine and other gum naval stores are defined as engaging in "agricultural labor" and are specifically excluded from coverage. Cotton ginning is essentially a commercial service which farmers use in processing their cotton. Many of the owners of the gins are independent businessmen without any farm connections, some are farm cooperatives, some are farm operators who gin only the cotton they produce, and others are farm operators who, in addition to ginning their own cotton, gin cotton for others as a commercial business. The effect of the exclusion of workers who produce gum naval stores is that workers (including sales and administrative workers) employed by a manufacturer of turpentine are not covered by old-age and survivors insurance if the manufacturer produces at least 50 percent of the crude gum processed. We believe that the specific exclusions of these two groups of employees should be eliminated and that the workers should be brought under old-age and survivors insurance. No special administrative or technical problems would be involved in covering these two groups.

The law also excludes from coverage workers from Mexico who are brought to the United States under contract for agricultural work under the Agricultural Act of 1949. While the provisions under which these workers are brought to the United States expire at the end of 1953, they may be extended. The consultants are divided on what should be done in that event.

One group of consultants believes that employers of foreign contract workers in agriculture should be required to pay the same tax as they would if United States citizens or residents were employed, even though the workers themselves may not be required to pay a tax and may not be entitled to benefits. This group believes that the social security program should be designed so as to prevent its providing an incentive to employ such contract workers in preference to United States workers. These consultants further believe that such an incentive would arise from extension of coverage to

farm workers unless employers of foreign contract workers were required to pay the same tax on the wages paid foreign contract workers as on those paid to domestic workers. Others believe that imposition of the employer tax on employers of foreign contract workers, without giving the workers social-security credit, is a matter extraneous to extension of social-security coverage and therefore is a matter which should not be considered by the consultants.

5. Domestic Workers

Cover cash wages of domestic workers regardless of the number of days the individual works for a single employer.

Under present law, in order to be covered, a household worker must work for a single employer on each of 24 days during a calendar quarter and must be paid at least $50 in cash for such services. In general, under this provision a household worker is covered if she works regularly for a single employer on at least two days a week. In our opinion, the day test is an unnecessary complication.

Elimination of the day test would bring under the program somewhere between 100,000 and 200,000 persons in addition to the somewhat less than a million covered under present law, and would also mean additional coverage for perhaps 50,000 to 100,000 workers who are now covered on some but not all of their jobs.[8]

To get the widest possible coverage under old-age and survivors insurance it would also be necessary to eliminate the $50 cash wage test in the present law. Such a minimum cash wage test is included only for domestic workers, hired farm workers, and a few smaller categories and does not apply to other employees covered under the system. In principle we believe the elimination of such a test is desirable for all categories of employees. A cash wage test of $50 related to work for a single employer excludes some workers who would benefit from coverage and also prevents some workers now covered from getting credit for all the wages they have earned. To obtain coverage for all domestic workers who would benefit therefrom would therefore require the elimination of the cash wage test as well as the time tests.

The major problems concerning the elimination of the cash test relate to the administration of the necessary benefit and tax-collection provisions, with the attendant necessity for securing the correct names, account numbers, and amounts of wages for domestic workers hired for only brief periods, and the consequent increase in the reporting burden on the employer. The Treasury Department has assured us that it believes it would be possible to secure substantial enforcement of the reporting requirements, for domes-

[8] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data from unpublished survey of domestic workers included in the current population sample of the Bureau of the Census, June 1951.

tic workers as well as farm workers, even if the cash test were eliminated. However, it believes that administrative costs would be lower if a wage test were retained. In the opinion of the Treasury Department there would be some advantages in adopting a cash wage test based on a shorter period than a calendar quarter. A weekly or monthly test would reduce the period during which an employer had to keep records to determine whether a worker is covered or not. On the other hand, there are many situations in which an employer will know at the time of hire whether a worker will be paid a total of $50 in a quarter.

Since in principle we believe that all domestic workers should be covered, we urge the Department of Health, Education, and Welfare and the Treasury Department to continue their exploration of possible methods of accomplishing this objective in the near future without undue burden on the employer.

6. Ministers and Members of Religious Orders

Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of nonprofit organizations may now be covered.

Approximately 190,000 [9] ministers are excluded from old-age and survivors insurance coverage at any one time. This figure includes not only pastors of churches but also ministers who are employed in other capacities (teaching and administration, for example) by religious organizations or pursuant to an assignment by a church. In addition there are about 150,000 [10] members of religious orders excluded.

In the past, proposals for coverage of ministers have been considered in the context of compulsory coverage, and many religious organizations were opposed to compulsory coverage of ministers. Many, if not most, such organizations probably would not oppose coverage being made available on a voluntary basis, such as we propose, similar to that on which lay employees of religious organizations may now be covered. Under our proposal coverage would be available to ministers on election by the proper administrative unit of the religious organization and by two-thirds of the ministerial employees.

We believe that the lay employees of a religious organization should be allowed coverage even though the organization does not desire to cover its ministers. On the other hand, an organization should not be permitted to cover its ministers unless its lay em-

[9] Number of pastoral clergymen estimated by Bureau of Old-Age and Survivors Insurance on basis of 1950 Population Census Data. Number of nonpastoral clergymen estimated by Bureau of Old-Age and Survivors Insurance on basis of data in National Council of Churches, *Yearbook of American Churches*, 1951.

[10] Estimated by Bureau of Old-Age and Survivors Insurance on basis of data in *National Catholic Directory*, 1952.

ployees are also covered. We believe that the Department of Health, Education, and Welfare and the Treasury Department should consult the various denominations on the details of the coverage provisions for ministers as employees.

We are not now recommending coverage for members of religious orders who are required to take vows of poverty. (Most members of monastic and other religious orders are required to take such vows.) We believe that the Department of Health, Education, and Welfare and the Treasury Department should consult with the denominations involved and give further consideration to the question of whether coverage should be made available to this group. Many of the members of religious orders receive no cash remuneration for their services, and the Bureau of Internal Revenue has ruled for income-tax purposes that even if payment is made for services of a member who has taken a vow of poverty, the payment is not his personal income but is income of the order. Thus if coverage were to be extended to this group it would have to be on the basis of a presumed income. Moreover, the members of religious orders frequently live in communal homes where the older members receive support and continue to perform whatever duties they can.

We are not now recommending coverage of self-employment income which clergymen derive for the performance of religious duties. This, too, seems to us a matter for further exploration by the departments and the denominations.

Under present provisions of law applying to lay employees of religious organizations, once an organization and two-thirds of the employees have elected coverage all new employees of the organization must be covered. There are two views as to how new ministerial employees of an organization which has elected coverage should be treated. One view is that the rule applying to lay employees should be applied to ministers also, on the ground that to do otherwise would permit voluntary election of coverage by the individual ministers. Under a program such as old-age and survivors insurance, which in many cases, especially in the early years and for workers with large families, pays benefits considerably in excess of the value of contributions, the opportunity for individual voluntary coverage is likely to have serious effects on the financing of the program if made available to any large number of people. The group of consultants which holds the view that on this point the rule applying to lay employees should be applied to ministers also is opposed in principle to individual voluntary coverage and does not believe it should be provided for ministers.

The other view is that if any class of individual is to be allowed to elect to stay outside of old-age and survivors insurance coverage this freedom to choose should be extended to ministers and its

effectiveness should not be affected by transfer from one congregation to another. Resistance to coverage on the part of some ministers is considered by them to be a matter of principle. To meet this latter view it has been proposed that if a minister elected to be covered, he would be covered whenever he worked for an organization that had also elected coverage. A minister who had not elected coverage would not be covered no matter what action his employing organization had taken. Those holding this view point out that in any case the minister would not have the election to come into the system unless the employing organization has similarly elected.

7. Employee Fishermen Not Now Covered

Cover employees engaged in fishing and similar activities who are now excluded.

Most fishermen are now covered under old-age and survivors insurance either as employees or as self-employed persons. Of the 160,000 [11] or so people engaged in fishing and similar activities, however, about 30,000 [12] employees are excluded because they are not employed on vessels of more than ten net tons and are not engaged in the catching of halibut or salmon for commercial purposes. Some of the excluded employees work on the smaller vessels; others perform services, such as clam digging, which do not require them to serve on vessels. [13] When old-age and survivors insurance was extended to most employee fishermen in 1939, the Congress excluded these groups at the request of certain employers, primarily employers in the shrimp industry. In 1950 the employers of these workers were themselves brought under old-age and survivors insurance as self-employed persons.

We have been advised that most of the fishermen now excluded from coverage work on a share arrangement, as do most fishermen who are now covered. We are also advised that many fishermen are engaged during part of the year in fishing activities covered by old-age and survivors insurance and part of the year in fishing that is not covered. [14] It appears that the evaluation of a fisherman's share of the catch for social-security purposes should present no problems peculiar to the group working on the smaller vessels. We are not aware of any other technical or administrative reasons for the continued exclusion of this group.

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[11] Fish and Wildlife Service, Department of the Interior: *Fishing Statistics of the United States*, 1949.

[12] Estimate made by the Bureau of Old-Age and Survivors Insurance on the basis of data from the Fish and Wildlife Service, Department of the Interior.

[13] The exclusion in question reads as follows: "Service performed . . . in . . . the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, seaweeds, or other aquatic forms of animal and vegetable life . . . except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than 10 net tons . . ."

[14] Information furnished by the Bureau of Old-Age and Survivors Insurance.

8. Home Workers

Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.

Home workers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship are covered in all States. At present home workers in States with licensing laws who do not have employee status under usual common-law rules are also considered employees for purposes of coverage under old-age and survivors insurance if they meet the following conditions:

1. that the work be performed at home according to specifications of the person for whom it is performed;
2. that the work be performed on materials or goods furnished by such person;
3. that the worker be paid cash wages of $50 or more during a calendar quarter for his services for the particular employer;
4. that the services as a home worker be subject to licensing requirements under State law.

Only 15 States have licensing laws. Moreover, since some of the State licensing laws are not generally applicable to all home workers, even home workers meeting the other conditions listed above for coverage as employees are not necessarily covered as employees in those States.

We propose that home workers in States without licensing laws be covered on the same basis as those in States with licensing laws, so that employee coverage will be extended to home workers who meet the other conditions for coverage now in the statute, irrespective of the State in which the individual is located. If the $50 quarterly cash wage test now imposed as a condition of coverage of domestic and farm workers is removed, we would propose that it also be removed from the above conditions for home workers. Home workers who would not have employee coverage would continue to be subject to the self-employment coverage provisions on the same basis as other self-employed persons.

9. American Seamen Employed on Foreign-Flag Vessels by American Employers

Cover American citizens employed on vessels of foreign registry by American employers on the same basis as other American citizens working outside the United States for American employers.

The 1950 amendments extended old-age and survivors insurance coverage to most United States citizens working outside the United States for American employers. The law as it existed prior to the 1950 amendments, however, excluded from coverage seamen work-

ing outside the United States on vessels of foreign registry, and, possibly through an oversight, this exclusion was not amended, so that the provision covering American citizens who work outside the United States for American employers did not extend coverage to American seamen working for American employers on vessels of foreign registry. While there are few people affected by this exclusion, it would seem desirable to remove the exclusion and treat all American citizens employed outside the United States on a consistent basis.

The definition of "American employer" now contained in present law, which would be applied in determining coverage on vessels of foreign registry, includes an individual who is a resident of the United States, a partnership if two-thirds or more of the partners are residents of the United States, a trust if all of the trustees are residents of the United States, or a corporation organized under the laws of the United States or any State. The only seamen who would be covered would be those employed by such "American employers." We are advised by the Treasury Department that there are no special problems of tax jurisdiction or administration involved in this proposal.

10. Extension of "Free" Wage Credit Provisions for Members of the Armed Forces

Extend for a limited period the present provision giving "free" wage credits of $160 a month for service in the armed forces.

Members of the armed forces are now given "free" wage credits of $160 a month for service any time after September 16, 1940, and prior to January 1, 1954. We believe that this temporary provision should be extended pending a permanent solution of the problem of old-age and survivors insurance coverage for the armed forces.

Old-age and survivors insurance coverage for this group on a mandatory contributory basis is now under consideration by two separate Committees. The Committee on Retirement Policy for Federal Personnel, consisting of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission, with a Chairman (Mr. H. Eliot Kaplan) appointed by the President, is making a study of "all retirement systems for all Federal personnel" (including the military retirement systems) and their relation to old-age and survivors insurance. A Special Committee on Survivors' Benefits, representing each of the four services in the Department of Defense, has recommended to the Director of Personnel Policy in the Department that the armed services be brought

into old-age and survivors insurance coverage, but the Department has not yet taken a position on the question. We believe that consideration of permanent contributory coverage of the armed forces should await the results of the studies of these two groups. We propose as an interim measure, pending a plan for contributory coverage, an extension of the "free" wage credits for a limited period.

11. Revised Method of Computing the Average Monthly Wage

Revise the method for computing the average monthly wage to provide that the three years in which earnings credits were the lowest (or nonexistent) would ordinarily be disregarded but in no case shall the period over which the average monthly wage is computed be less than the period of time required for the worker to obtain fully insured status. [15]

Our proposal is designed to meet the problem of the newly covered groups, who under existing legislation would in many instances have substantially lower benefits than those already covered because they do not have wage credits in 1951, 1952, and 1953. Our proposal solves this problem of the newly covered groups as part of an overall improvement in the program. It represents a recognition that for the long run the present average monthly wage provision results in reductions in the benefit amount for every year a worker is out of the system. Unemployment or disability for even part of a year can now cause benefit reductions. For example, to get maximum benefits a worker must now be paid at least $3,600 in every year after 1950 or his twenty-second birthday, whichever is later. Lower earnings in any year would cause his monthly benefit to fall below the $85 maximum.

By making possible the payment of full-rate benefits where earnings were reduced or nonexistent in as many as three years, the proposal does away with the need for any special provision for the newly covered groups. At the same time it gives to those already covered the advantage of some future protection against the lowering of the average monthly wage because of periods of unemployment, disability, or low earnings.

For newly covered persons with no prior quarters of coverage the three years prior to 1954 will be omitted from the computation since such persons will not have had covered earnings in those years; any subsequent years with little or no earnings will count against them. For persons now covered who contributed on earn-

[15] Because the provisions for the self-employed are on an annual basis it may be desirable to make certain technical modifications of this general proposal. One possibility would be to introduce an exception to the idea that disregarding the three years should not bring the period over which the average is computed below the period of coverage necessary for acquiring fully insured status. The exception would be that where the period required is not a multiple of one year it would be reduced to the next lower multiple of one year providing that in no case would the period be reduced below two years.

ings in years prior to 1954, on the other hand, up to three years (past or future) in which they have little or no earnings will be omitted from the computation. This recognizes the longer period during which such persons have been under the system.

If, for example, an individual who is newly covered in 1954 with no earnings reported for 1951, 1952, and 1953 retires in January 1957, having earned $3,600 during each of the years after 1954, his three years of no earnings after 1950 would be disregarded and he would become eligible for the $85 maximum benefit. At the same time, an individual who contributed on earnings in the years prior to 1954 would also benefit through the disregarding of the lowest three years. An example is that of an individual with reported earnings of $3,600 from 1951 through 1956 who becomes disabled in 1957 and reaches 65 in 1960. If, in the first year of his disablement, he earned less than $3,600 and was unable to work at all in 1958 and 1959, the last three years would be disregarded. He would thus be eligible for the $85 maximum at age 65.

Our proposal solves the immediate problem arising from extension of coverage. We recognize, however, that it may be desirable for the long run to allow individuals who have been under the program for a considerable period of time to disregard more than three years in computing the average monthly wage. This is particularly important because, as indicated, the groups brought under coverage after 1953 will in general be unable to utilize the three-year provision to offset future periods of low earnings or absence from the system. We are not intending by our present recommendation to prejudge later consideration of broader proposals designed to solve the long-range problem of the adverse effect of periods of low earnings or absence from the system on monthly benefits.

Dropping out the lowest three years will ordinarily leave a period of at least several years over which to compute the average monthly wage. For example, a person who attains age 65 at the beginning of 1971 would, under present law, have his average wage computed over at least the period of 20 years from the new start date of January 1951 through 1970. Thus, the dropping out of three years would leave a 17-year period over which the average was computed. However, some persons retiring in the near future may, under present law, have their benefits based on a period as short as one and a half years. To drop out three years in such cases would leave no period at all over which to compute the average. Some limitation on the dropping out of three years is therefore needed. We are proposing a limitation such that in every case the average monthly wage would be computed over a period at least as long as that required for the attainment of insured status.

Our proposal would result in dropping out less than three full years in computing retirement benefits only in the case of persons who will attain age 65 before 1957. For all persons who reach age 65 in 1957 or thereafter, three years could be disregarded without reducing the period over which the average wage is computed to less than that required for attaining insured status. On the other hand, a person who attained age 65, let us say, in January 1955 would need the equivalent of two years of coverage in order to be insured. In computing his average monthly wage from the 1951 starting date, since two of the four elapsed years must be retained, only two years may be disregarded.[16]

We have been advised by the Bureau of Old-Age and Survivors Insurance that although it would not be practical to recompute individually benefits for the over 5 million persons now on the rolls for the purpose of dropping out the lowest three years of earnings, our proposal is practical for future benefit computations.

[16] The limitation on the dropping out of three years will have a continuing effect in the average wage computation for the purpose of survivor benefits in the relatively few cases where death of the insured worker occurs before age 27.

APPENDIXES

APPENDIX A. Employment Categories for Which No Recommendations Are Made

In order to complete the report as speedily as possible, the consultants have not given consideration to extension of coverage to the following special employment categories now excluded, and accordingly no recommendations are made for them in the report.

Students and Student Nurses

Services performed by a student or student nurse for the school, college, university, or hospital in which he is enrolled and domestic services performed in local college clubs or local chapters of fraternities or sororities by students are specifically excluded from old-age and survivors insurance coverage.

Family Employment

The 1939 amendments exclude service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his father or mother.

Employees of Foreign Governments

The United States Government, of course, cannot impose the employer tax of the program on a foreign government. The exclusion of the employees of foreign governments from compulsory coverage must therefore be continued.[17]

Newsboys Under Age 18

The present law excludes newsboys under age 18 whether they work as employees or as self-employed news vendors.

Alien Residents of the United States Working for American Employers in Foreign Countries

Citizens of the United States working for American employers in foreign countries are covered by old-age and survivors insurance, but alien residents of the United States working under the same conditions are not.

Service for International Organizations

Employees performing service for international organizations entitled to certain privileges under the International Organizations Immunities Act are excluded from coverage.

[17] We have been informed that the Department of Health, Education, and Welfare and the State Department are exploring the possibility of covering by voluntary agreement United States citizens employed in this country by foreign governments.

APPENDIX B. Cost Estimates for Universal Coverage [18]

New cost estimates for the present old-age and survivors insurance program have just recently been developed to take into account the considerable change in economic conditions during the last few years and the additional actuarial and statistical data available from operating experience and from the 1950 census. These cost estimates have been expanded so as to present data on the cost of the present benefit provisions with universal employment coverage. These cost estimates are based on assumptions of continued high employment and also of level earnings (somewhat below the present levels in both instances).

Estimates of future costs of the old-age and survivors insurance program are influenced by many factors difficult to determine. Accordingly, underlying assumptions may well differ widely and yet be reasonable. Among the many assumptions used, the following are perhaps the most important:

(*a*) *Mortality.*—Mortality rates by age have been improving steadily since the turn of the century for both sexes and for virtually all ages up to age 60. Although there was relatively little change above that age during the first four decades, during the past decade there has been significant improvement. In the low-cost assumptions, some improvement in mortality rates at all ages is assumed. However, in the high-cost assumptions, considerably more improvement is assumed.

(*b*) *Retirement Rates.*—The program has been in effect too short a time to give completely conclusive evidence as to probable future retirement rates. Since relatively little is known on this subject from a long-range standpoint, the estimates are based on two widely different assumptions so as to indicate the range of possibilities. These assumptions, however, have been based to a certain extent upon the actual claims data developing over the past few years. Under the low-cost estimate, after a period of years it develops that about 60 percent of the men age 65–69 and 80 percent of the women of those ages who are eligible to receive benefits would actually draw them by reason of ceasing substantial covered employment. For the high-cost estimate, the corresponding figures are 75 percent for men and 90 percent for women. For ages 70–74, the proportions are correspondingly higher, while, of course, beyond age 75 all eligible persons may receive benefits regardless of employment. In the early years all these figures are materially lower since more of those eligible have recently been in employment and thus would be more likely to continue to work.

[18] Prepared by Robert J. Myers, Chief Actuary, Social Security Administration.

(*c*) *Employment.*—The estimates of future costs assume that the general level of employment will be relatively high, although somewhat below conditions prevailing at the end of 1952.

(*d*) *Earnings Level.*—The estimates are based on level earnings assumptions slightly below the present levels. If in the future the earnings level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward so that the annual costs relating to pay roll will remain the same, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to pay roll rather than in dollars. Under the assumptions used, with the $3,600 maximum wage base, four-quarter male workers have average earnings of $2,980 per year, while for women the corresponding figure is $2,030.

Further details as to the mortality and other demographic assumptions may be obtained from *Actuarial Study No. 33*, while a forthcoming *Actuarial Study* will give more details in regard to the cost estimates themselves and the various assumptions made.

It should be emphasized that the universal coverage assumed for the purpose of the cost estimates given in this memorandum goes beyond the proposals being made in this report. If coverage were extended only as far as definitely recommended by the consultants (or in other words not to the armed forces or Federal civilian employees under a retirement system), the cost estimates therefor would lie roughly midway between those shown for present coverage and those for universal coverage.

The cost estimates for expanded coverage have been based on the assumption that some provision would be made for removing the handicap of the newly covered groups as to the method for computing the average monthly wage, and thus the benefit amount. Although such a provision would probably not be limited exclusively to the newly covered groups, it was assumed that it would "wash out" over the long-range future. If, however, a provision is adopted which will have some permanent and long-range effect, there would be some increase in cost over the figures shown in this report. For instance, if the average monthly wage is to be computed as at present except that the three years that have the lowest amount of earnings are eliminated from the computation, the cost shown would be increased somewhat, roughly, in the neighborhood of 0.1 percent of pay roll on a level-premium basis.

One other factor in regard to extension of coverage should be mentioned, namely, that insofar as financial relationships are concerned, railroad employment is now covered by the old-age and survivors insurance system as a result of the Railroad Retirement Act Amendments of 1951. Now all survivor and retirement cases

involving less than ten years of railroad service (as well as some survivor cases with ten or more years of service) are to be paid by the old-age and survivors insurance system. Financial interchange provisions are established such that the old-age and survivors insurance trust fund is to be in the same financial position as if there never had been a separate railroad retirement program. The net effect will probably be a relatively small gain to the old-age and survivors insurance system, since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are on the basis that all railroad employment is covered employment. The balance in the fund thus corresponds to the actual situation arising. The contribution and benefit figures, however, are slightly higher (roughly 5 percent) than the actual operating figures will show. This is the case because the figures shown here include both the additional contributions which would have been collected if railroad employment were covered employment, and the additional benefits that would have been paid under such circumstances.

Table 1 compares benefit costs both in dollars and relative to pay roll for present coverage and for universal coverage. The level-premium cost figures are based on two interest rates, 2¼ percent (close to the current average for trust fund investments) and 2¾ percent so as to show the effect of higher rates (interest rates on which investments are based are rising rapidly, and when the major portion of the fund is reinvested at the end of June 1953, it will probably be at 2⅜ percent or possibly 2½ percent). In considering the increases in the amount of benefit payments, it should be kept in mind that the covered pay roll is about 25 percent higher under universal coverage than under present coverage. The benefit disbursements over the years under universal coverage would be about 10–20 percent higher than those for present coverage. It would be anticipated that benefit disbursements would not increase proportionately with taxable pay roll. If coverage is broadened, the cost of the program relative to pay roll decreases for two reasons. First of all, under limited coverage those whc move in and out of covered employment have low average monthly wages in covered employment and receive the advantage of a formula weighted in favor of those with low average wages (the benefit formula is 55 percent of the first $100 of average monthly wage but only 15 percent above). Under extended coverage, their wages in covered employment will be greater. This means a corresponding increase in contribution income from those persons and their employers, with some but proportionately smaller increase in benefit outgo. This, in turn, means that over time the contribution

income will increase more than benefit outgo. Second, extension of coverage means that there will be fewer cases in which earnings from uncovered employment are disregarded in applying the retirement test.

On a level-premium basis the reduction resulting from these two factors under universal coverage amounts to about 0.3 percent of pay roll for the low-cost estimate, about 0.6 percent for the high-cost estimate, and about 0.4 percent for the intermediate-cost estimate. The extension of coverage recommended in this report would result in a reduction in the level-premium cost of the program by about 0.25 percent of pay roll on the basis of the intermediate-cost estimates.

Table 2 considers the breakdown of the aged population into those receiving old-age and survivors insurance benefits or being supported by earnings, and all others. This is of significance in considering proposals for extending coverage and for "blanketing-in" the current aged. The figures which have been developed are based in large part upon the previous cost estimates, although certain other estimates had to be made which are somewhat tentative and preliminary in nature.

Table 2 relates to both present coverage and universal coverage. At the present time, somewhat less than 60 percent of the aged are receiving old-age and survivors insurance benefits or earnings (including wives of earners). This proportion will gradually rise to about 85–90 percent in the next 25 years under present old-age and survivors insurance coverage and to 90–95 percent under universal coverage. After that time, there will be a further slow increase to an ultimate figure of close to 100 percent for universal coverage and close to 95 percent for present coverage. At the present time, almost 75 percent of the men are receiving benefits or earnings while for women, the corresponding figure is only about 45 percent. However, by 1980, the ratio for women will be quite close to that for men. This difference in the proportions for men and women is, of course, largely explained by the continued presence of a large number of widows whose husbands died without being insured under the old-age and survivors insurance program.

Table 3 shows the progress of the trust fund under the present coverage, using 2¼ percent and 2¾ percent of interest. Under the low-cost estimate, the fund builds up steadily, reaching in the year 2000 about $130 billion for the 2¼ percent interest assumption and $160 billion for 2¾ percent and continues to grow thereafter. For the year 2000, benefits and contributions are roughly equal and although benefits increase more rapidly than contributions thereafter, interest on the fund would more than take care of this difference.

Under the high-cost estimate, the trust fund builds up to a maximum of about $40 billion in 1975–80 for 2¼ percent interest and $47 billion in 1980 for 2¾ percent interest and thereafter declines, being exhausted about 20 years later. Under this estimate, contributions generally exceed benefit payments plus administrative expenses until about 1975, although for 1958 and 1959 there is a slight excess of benefits over contributions (these are the last two years that the 4 percent combined contribution rate is in effect) and the same situation also holds true for 1963 and 1964 (the last two years on the 5 percent combined rate).

Under the intermediate-cost estimate, at 2¼ percent interest the trust fund builds up to a maximum of about $65 billion in 1985 and declines slowly thereafter to about $55 billion in the year 2000. At 2¾ percent interest, the corresponding figures are a peak of about $80 billion in 1990, and $77 billion in 2000. Carrying the cost estimates out beyond the year 2000, the trust fund continues to decrease until it is exhausted many years later.

Table 4 shows the progress of the trust fund under universal coverage using 2¼ percent and 2¾ percent interest. Since the cost of the program relative to pay roll is lower than for present coverage and since the dollar amounts involved are larger because of more persons being covered, the resulting trust fund figures are higher, and in any cases where the trust fund reaches a maximum and declines, this point is at a higher amount and is further off in the future than the corresponding figures in Table 3. Under the low-cost estimate, the fund builds up steadily reaching about $190 billion in 2000 at 2¼ percent interest and $225 billion at 2¾ percent interest, and continues to grow thereafter. For the year 2000, contributions are roughly 5 percent higher than benefit payments. Although thereafter benefits increase more rapidly than contributions and after about 20 years become larger, interest on the fund more than takes care of this difference.

Under the high-cost estimate, the fund builds up to a maximum of about $65 billion in 1980 at 2¼ percent interest and to about $75 billion in 1980–85 at 2¾ percent interest and thereafter declines, being exhausted shortly after 2000. Contributions generally exceed benefit payments plus administrative expenses until about 1975.

Under the intermediate-cost estimate, the fund builds up steadily over the next 50 years reaching about $105 billion in 2000 at 2¼ percent interest and about $135 billion at 2¾ percent interest. Thereafter the fund grows more slowly, and for 2¼ percent interest eventually reaches a maximum and then declines.

TABLE 1—*Comparison of Cost of OASI System for Present Coverage and Universal Coverage*

Calendar Year	Benefit Payments (millions)			Benefits as Percent of Payroll		
	Present Coverage	Universal Coverage	Increase in Cost	Present Coverage	Universal Coverage	Increase in Cost
LOW-COST ESTIMATE						
				Percent	*Percent*	*Percent*
1960	$5,267	$5,873	$606	3.76	3.34	−0.42
1970	7,723	9,059	1,336	4.85	4.55	−.30
1980	10,321	12,385	2,064	5.86	5.64	−.22
2000	13,455	16,029	2,574	6.29	6.01	−.28
2050	21,951	25,887	3,936	6.88	6.52	−.36
Level-Premium [a]						
at 2¼% interest				5.69	5.40	−.29
at 2¾% interest				5.42	5.14	−.28
HIGH-COST ESTIMATE						
1960	$6,166	$6,814	$648	4.44	3.91	−.53
1970	8,913	10,631	1,718	5.66	5.40	−.26
1980	11,909	14,277	2,368	6.95	6.68	−.27
2000	16,169	18,739	2,570	8.42	7.81	−.61
2050	22,654	25,658	3,004	10.93	9.90	−1.03
Level-Premium [a]						
at 2¼% interest				7.63	7.03	−.60
at 2¾% interest				7.12	6.58	−.54
INTERMEDIATE-COST ESTIMATE [b]						
1960	$5,715	$6,344	$629	4.10	3.63	−.47
1970	8,318	9,845	1,527	5.26	4.97	−.29
1980	11,116	13,331	2,215	6.40	6.16	−.24
2000	14,812	17,382	2,570	7.30	6.86	−.44
2050	22,302	25,773	3,471	8.48	7.85	−.63
Level-Premium [a]						
at 2¼% interest				6.58	6.15	−.43
at 2¾% interest				6.22	5.82	−.40

[a] Level contribution rate (based on interest rate shown) for benefit payments after 1952, taking into account the accumulated funds at the end of 1952 and future administrative expenses, and assuming that after the year 2050 benefit payments and taxable payroll are level (actually the relationship between benefits and payroll is virtually constant after about 2020).

[b] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 2—*Aged persons receiving OASI benefits or supported by earnings compared with total aged population, present coverage and universal coverage (in millions of persons)*

Calendar Year	Total Population Age 65 and Over	Receiving OASI Benefits or Supported by Earnings [a]			
		Number		Percent	
		Present Coverage	Universal Coverage	Present Coverage	Universal Coverage
LOW-COST ESTIMATE, TOTAL PERSONS					
1953	13.3	7.6	(*)	57	(*)
1955	13.9	8.6	(*)	62	(*)
1960	15.4	10.7	11.1	69	72
1970	18.4	14.4	15.1	78	82
1980	22.0	18.7	20.1	85	91
HIGH-COST ESTIMATE, TOTAL PERSONS					
1953	13.3	7.6	(*)	57	(*)
1955	13.9	9.3	(*)	67	(*)
1960	15.5	11.7	12.0	75	77
1970	18.7	15.6	16.3	83	87
1980	22.8	20.7	21.6	91	95
LOW-COST ESTIMATE, MEN					
1953	6.2	4.5	(*)	73	(*)
1955	6.5	4.8	(*)	74	(*)
1960	7.0	5.5	5.5	79	79
1970	8.1	6.7	6.9	83	85
1980	9.4	8.4	8.9	89	95
HIGH-COST ESTIMATE, MEN					
1953	6.2	4.5	(*)	73	(*)
1955	6.5	5.2	(*)	80	(*)
1960	7.0	6.0	6.1	86	87
1970	8.3	7.2	7.5	87	90
1980	9.9	9.4	9.7	95	98
LOW-COST ESTIMATE, WOMEN					
1953	7.1	3.1	(*)	44	(*)
1955	7.4	3.8	(*)	51	(*)
1960	8.4	5.2	5.6	62	67
1970	10.3	7.7	8.2	75	80
1980	12.6	10.3	11.2	82	89
HIGH-COST ESTIMATE, WOMEN					
1953	7.1	3.1	(*)	44	(*)
1955	7.4	4.1	(*)	55	(*)
1960	8.4	5.7	5.9	68	70
1970	10.4	8.4	8.8	81	85
1980	12.9	11.3	11.9	88	92

*Not available.

[a] As used here, "earnings" includes earnings from noncovered employment.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 3—*Progress of OASI Trust Fund for Present Coverage (in millions)*

Calendar Year	Contributions [a]	Benefit Payments	Administrative Expenses	Interest Rate at 2¼%		Interest Rate at 2¾%	
				Interest on Fund [b]	Fund at End of Year	Interest on Fund [b]	Fund at End of Year
ACTUAL DATA [c]							
1950	$2,671	$961	$61	$257	$13,721	$257	$13,721
1951	3,367	1,885	81	417	15,540	417	15,540
1952	3,819	2,194	88	365	17,442	365	17,442
LOW-COST ESTIMATE							
1960	$6,646	$5,267	$101	$657	$30,482	$827	$31,538
1970	9,985	7,723	125	1,186	54,982	1,541	58,656
1980	11,176	10,321	151	1,868	85,263	2,507	94,016
1990	12,224	12,584	175	2,345	106,282	3,303	123,135
2000	13,591	13,455	191	2,830	128,585	4,208	157,197
HIGH-COST ESTIMATE							
1960	$6,578	$6,166	$134	$540	$24,673	$682	$25,638
1970	9,878	8,913	170	741	34,084	978	36,940
1980	10,874	11,909	208	915	40,941	1,271	46,875
1990	11,435	14,725	246	557	23,547	938	33,284
2000	12,191	16,169	268	[d]	[d]	[d]	[d]
INTERMEDIATE-COST ESTIMATE [e]							
1960	$6,612	$5,716	$118	$598	$27,578	$754	$28,588
1970	9,932	8,318	148	964	44,533	1,260	47,798
1980	11,025	11,116	180	1,392	63,102	1,889	70,446
1990	11,830	13,656	210	1,451	64,914	2,120	78,210
2000	12,891	14,812	230	1,265	56,412	2,097	77,274

[a] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950–53, 4 percent for 1954–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

[b] Actual interest receipts used for 1950–52. For future years, interest is figured at rate shown on average balance in fund. Actual 1951 figure is inflated because it includes a considerable amount of the interest which accrued in the second half of 1950 and also virtually all of the 1951 interest.

[c] Based on Daily Statement of the U. S. Treasury. For 1950, benefit payments were those of 1939 Act for first 9 months and those of 1950 Act for last 3 months, and contribution income was that of previous law for entire year. For 1952, benefit payments were those of 1950 law for first 9 months and those of 1952 law for last 3 months.

[d] Fund exhausted in 1997.

[e] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

TABLE 4—*Progress of OASI Trust Fund for Universal Coverage (in millions)*

Calendar Year	Contributions [a]	Benefit Payments	Administrative Expenses	Interest Rate at 2¼%		Interest Rate at 2¾%	
				Interest on Fund	Fund at End of Year	Interest on Fund	Fund at End of Year
LOW-COST ESTIMATE							
1960	$8,133	$5,873	$118	$800	$37,420	$1,005	$38,617
1970	12,275	9,059	147	1,592	73,885	2,058	78,440
1980	13,727	12,385	177	2,554	116,656	3,409	127,967
1990	14,970	15,015	203	3,295	149,636	4,605	171,920
2000	16,680	16,029	221	4,109	186,960	6,030	225,502
HIGH-COST ESTIMATE							
1960	$8,064	$6,814	$154	$691	$31,946	$870	$33,063
1970	12,147	10,631	198	1,097	50,513	1,434	54,225
1980	13,367	14,277	238	1,442	64,977	1,974	73,175
1990	14,030	17,273	271	1,226	53,952	1,871	68,167
2000	15,018	18,739	291	574	24,101	1,259	45,024
INTERMEDIATE-COST ESTIMATE [b]							
1960	$8,098	$6,344	$136	$746	$34,683	$938	$35,840
1970	12,211	9,845	172	1,344	62,199	1,746	66,332
1980	13,547	13,331	208	1,998	90,816	2,692	100,571
1990	14,500	16,142	237	2,260	101,794	3,238	120,044
2000	15,849	17,382	256	2,342	105,530	3,644	135,263

[a] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950–53, 4 percent for 1954–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

[b] Based on average of the dollar costs under the low-cost and high-cost estimates.

Note: The figures in this table are based on the cost estimate involving high-employment assumptions. See text for explanation of meaning of these figures in regard to financial interchange provisions with railroad retirement system.

STANDARD FORM NO. 64

SSA - OASI

Office Memorandum • UNITED STATES GOVERNMENT

TO : Administrative, Supervisory, and Technical Employees

14:A
DATE: August 3, 1953

FROM : Robert M. Ball, Acting Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 197
Administration Bill to Extend Old-Age and Survivors Insurance Coverage

Today Chairman Reed (R., New York) of the House Ways and Means Committee introduced, upon request, H.R. 6812, a bill to carry out the President's recommendation that old-age and survivors insurance be extended "to cover millions of our citizens who have been left out of the social security system." Representative Kean (R., New Jersey) a member of the same committee, concurrently introduced an identical bill.

This legislation, developed by the Department of Health, Education, and Welfare on the basis of the study made by the consultants on social security, would extend coverage to between 10 and 11 million additional people during the course of a year. About $6\frac{1}{2}$ million of these would be covered on a compulsory basis; coverage would be made available to the others--State and local government employees under public retirement systems and clergymen--subject to action comparable to that now required for coverage of State and local and nonprofit employees.

Even though it is expected at this time that the first step in the legislative process--consideration by the House Committee on Ways and Means--will be deferred until the start of the next regular session, it is not too soon for us to start thinking of the effects the bill, if enacted, would have on the old-age and survivors insurance program and on Bureau operations.

The provisions of the bill closely parallel the recommendations made by the consultants on social security. Enactment of the bill would make basic old-age and survivors insurance protection available to workers in practically all types of employment and self-employment except employment (both civilian and armed forces) for the Federal Government covered by the Federal staff retirement system. These areas of employment, as well as railroad employment, are not affected by the bill because, as I mentioned in the preceding Director's Bulletin on the report of the consultants on social security, they are the subjects of special studies authorized by the Congress.

Administrative, Supervisory,
and Technical Employees - 8/3/53

The major groups which would be covered by the proposed bill are farm operators; self-employed professional groups now excluded; hired farm workers and household workers who meet a $50-a-quarter cash wage test; members of State and local government retirement systems (except policemen and firemen) who could be covered after a favorable vote by two thirds of the members of the system who participate in a referendum; and clergymen, who would be covered on much the same basis as lay employees of nonprofit organizations under present law.

Coverage would also be provided for the following minor groups: workers in cotton gins and those employed in the production of gum naval stores; persons performing "casual labor" who are paid cash wages of $50 or more in a quarter by an employer; fishermen who are now excluded because they are not employed on vessels of more than ten net tons; home workers not subject to State licensing laws (on the same basis as those subject to State licensing laws are now covered); internes; American citizens employed by American employers on vessels or aircraft registered in foreign countries; and three groups of employees of the Federal Government or its instrumentalities--temporary employees in the field service of the Post Office Department, certain civilian employees of Coast Guard Exchanges (PX's), and employees of the eleven district Home Loan Banks.

In line with the President's recommendation, the bill is essentially a coverage bill. It would bring the new groups under old-age and survivors insurance without making substantial changes in the present program, except for one change designed to offset the disadvantageous effect which late entry into the program would have on the newly covered person's average monthly wage and resulting benefits. Instead of providing a "new start" to accomplish this purpose, the bill provides a new method for computing the average monthly wage. Under the new method, up to 3 of the years in which an individual's credited earnings were the lowest would ordinarily be disregarded in the computation. For newly covered workers who have no wage credits prior to 1954, the years 1951, 1952, and 1953 would generally be omitted. For persons now covered who have wage credits in the 3 years prior to 1954, 3 future years in which they have little or no earnings could generally be disregarded. Thus, in addition to precluding the need for a new start for computing the average monthly wage of newly covered groups, the provision affords workers already covered some future protection against a lowered average monthly wage which might otherwise result because of periods of low earnings, unemployment, or disability. Generally

speaking, the new method of computation would be available only to those who have their benefits computed after the legislation is enacted. The 3-year drop out provision would also apply to the computation of the average monthly wage under the old formula.

I am enclosing a summary of the provisions of the bill which will give you more details on the proposed program changes mentioned above and on some minor modifications which I have not discussed. Copies of the bill will be mailed to all offices.

* * *

Two bills affecting old-age and survivors insurance were passed by both houses of Congress during the past week and are now before the President for signature. One provides for an extension of 1½ years--through June 30, 1955--of the period for which free wage credits of $160 a month may be given for military service. This is a version of H.R. 4151, introduced earlier in this Congress by Representative Cooper (D., Tennessee) and amended in line with the Administration's recommendations; it also carries out recommendations of the consultants on social security. The other, H.R. 2062, introduced by Representative Byrnes (R., Wisconsin), would make it possible to include employees of the Wisconsin State retirement system in the Wisconsin Agreement covering State and local employees. The Wisconsin retirement system is unique in that for several years it has been designed as a supplementary system to old-age and survivors insurance and could not be fully effective until old-age and survivors insurance coverage was made possible.

Robert M. Ball

Robert M. Ball

Enclosure

SUMMARY OF PROVISIONS OF THE ADMINISTRATION BILL

COVERAGE

1. Self-employed farm operators.--By deleting the existing provision which excludes farm self-employment earnings from "net earnings from self-employment," the bill would extend coverage to about 3.1 million people who during the course of a year have income from farm self-employment. In effect, farm self-employment earnings would be covered on much the same basis as earnings from urban self-employment. However, the bill contains a special provision which would make it easier for certain people engaged in farm self-employment to compute their net earnings from farming for old-age and survivors insurance purposes.

Under the special provision, a person who had gross income from farm self-employment of $1,800 or less during his taxable year would have the option of reporting for old-age and survivors insurance purposes either his actual net earnings from farm self-employment (gross receipts minus allowable expenses) or presumptive net earnings equal to 50 percent of his gross receipts from farm self-employment. If the farm operator's gross income from farm self-employment was more than $1,800 during his taxable year, he would be required to report his actual farm self-employment net earnings if they were $900 or more; however, if his actual net earnings from farm self-employment were less than $900, he could report presumptive net earnings of $900. (For example, a farm operator with an annual gross income from farming of $2,400 whose actual farm business expenses were $1,600 could report as his net earnings from farm self-employment either his actual net of $800 or a presumptive net of $900.)

The optional method of computing net earnings from farm self-employment could be used only for old-age and survivors insurance purposes. Its principal purpose would be to make it unnecessary for operators of small farms who are not liable for income taxes but who would be covered by old-age and survivors insurance to assume a record-keeping task they do not now perform. Presumptive net earnings were set at 50 percent of gross after a review was made of farm income data; the data showed that up until a few years ago the average net-to-gross ratio for all types of farming was about 50 percent and that lately the average ratio is close to 40 percent.

2. Self-employed professional persons.--The bill would extend coverage to some 500,000 self-employed professional people on the same basis as persons in other types of nonfarm self-employment are now covered. As a corollary to the inclusion of medical practitioners, coverage also would be provided for about 10,000 internes whose services under the present law are excluded; internes, of course,

would be covered as employees, with those employed by nonprofit organizations being subject to the same conditions for coverage as other lay employees of nonprofit organizations.

The self-employed professional people who would be covered are: physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, funeral directors, architects, naturopaths, professional engineers, and certain accountants. The deletion of the "self-employed professional" exclusion contained in the present law would also mean that the services of Christian Science practitioners would no longer be specifically excluded from covered self-employment. However, it is likely that Christian Science practitioners would be excluded by the provision which bars self-employed ministers from coverage.

3. Hired farm workers.--The bill would cover all agricultural laborers who are paid $50 in cash wages by an employer in a calendar quarter. The qualifying quarter and 60-day test in the present law would be eliminated. As a result, about 2.7 million more hired farm workers than are now covered would be brought under old-age and survivors insurance during the course of a year, bringing the total up to about 3.4 million. Most of the farm workers who would continue to be excluded from coverage are students, housewives and others not in the labor force except for the few days they work during the harvest season.

In addition to covering additional hired farm workers on the basis of a $50-a-quarter cash wage test, the bill would change the definition of agricultural labor so as to extend coverage to workers in cotton gins and those employed in the production of gum naval stores.

4. Domestic workers in private homes.--The bill would cover all domestic workers who work in private homes and who are paid $50 in cash wages by an employer in a calendar quarter. The day test of the present law would be removed. This provision of the bill would cover during the course of a year about 200,000 more household workers than the present law. It also would mean additional coverage for from 50,000 to 100,000 workers who are now covered on some but not all of their domestic jobs. In a calendar quarter between 55 and 60 percent of all persons in household employment would be covered. Most of those who would continue to be excluded from coverage would be students, housewives, and aged persons who spend comparatively little time working for pay. It is estimated that the bill would cover about 90 percent of the persons whose major activity is regular employment in household work.

Persons performing "casual labor" (service not in the course of the employer's trade or business) would, like domestic workers in private homes, be covered by the bill if they were paid $50 in cash wages by an employer in a calendar quarter.

5. State and local government employees under retirement systems.--The bill would make old-age and survivors insurance coverage available during the course of a year to some 3.9 million State and local government employees in positions covered by State and local retirement systems. More specifically, section 218 (d) (which prohibits coverage of employees who are in positions covered by a retirement system at the time the coverage agreement is made applicable to their coverage group) would be amended so as to permit coverage of services in positions under a State or local retirement system without requiring dissolution of the system. Such services could be covered by means of an agreement between the individual State and the Department of Health, Education, and Welfare, provided a vote were held among the active members of the system and two thirds of those voting were in favor of coming under old-age and survivors insurance.

The provision permitting coverage of members of State and local retirement systems would not apply to policemen and firemen under retirement systems; such employees would continue to be excluded.

The bill provides that a group brought under coverage after 1953 but prior to 1956 could be covered retroactively to January 1, 1954. This provision is intended to give State legislatures adequate time to pass necessary enabling legislation and to give the responsible State authorities time enough to complete arrangements for agreements or modifications which would extend old-age and survivors insurance to groups under State and local retirement systems. Coverage for groups for which agreements were completed after 1956 could not begin before the first of the calendar year in which the agreement was executed.

6. Clergymen.--The bill would make coverage available to some 200,000 clergymen employed by nonprofit organizations. Clergymen could be covered on much the same basis as the present law provides for covering lay employees of nonprofit organizations. A separate waiver would be required for covering clergymen, and at least two thirds of the clergymen would have to favor coverage. Clergymen employed by an organization could not be covered unless the organization covered its lay employees also. Members of religious orders who are required to take a vow of poverty (practically all members of religious orders are required to do so) would continue to be excluded. The exclusion of self-employed clergymen (probably very few in number) would also be continued.

An important change which the bill provides for all employees of nonprofit organizations is that an employee who did not concur in the filing of a certificate, and so was not covered, could at any later time change his mind and obtain current, but not retroactive, coverage.

7. Employee fishermen.--The bill would extend coverage to about 40,000 fishermen who are now excluded because they are not employed on vessels of more than ten net tons. (People engaged in catching

halibut or salmon for commercial purposes are the only fishermen now covered while employed on vessels of ten net tons or less.) In addition to extending old-age and survivors insurance protection to people who spend all of their time in fishing activities which are now excluded from coverage, the amendment would strengthen the protection of many people who work part of the time in fishing activities now covered by old-age and survivors insurance and part of the time in fishing activities now excluded.

8. Home workers.--The bill would cover, as employees, additional home workers. This would be accomplished by eliminating the present provision which requires that, to be covered, the services rendered by certain home workers must be subject to licensing requirements under the laws of the State in which they work. (Only 15 States require home workers to secure licenses.) The bill would not change the requirement that the home worker be paid $50 or more in cash wages in a calendar quarter in order to be covered, nor would it modify the requirement that the home worker's services must be performed according to specifications and on materials furnished by the person for whom the work is done.

9. American seamen and airmen employed on foreign-flag vessels and aircraft by American employers.--The 1950 amendments extended coverage generally to citizens of the United States working outside of the United States for an American employer, but failed to cover those performing services for American employers on or in connection with vessels or aircraft registered in a foreign country. The bill would correct this gap in the 1950 legislation by extending coverage to seamen on foreign-flag vessels and airmen on foreign-flag aircraft if the seamen or airmen are citizens of the United States and are employed by an American employer.

10. Certain Federal employees.--The bill would extend coverage to about 35,000 temporary employees who are employed during the course of a year in the field service of the Post Office Department and to employees of the district Home Loan Banks. Also covered would be certain civilian employees of Coast Guard Exchanges. (These exchange employees perform services similar to those performed by civilian employees in the PX's of the armed forces under the jurisdiction of the Secretary of Defense. The latter were covered under old-age and survivors insurance by the 1950 amendments.) None of the three groups of Federal employees to whom the bill would extend old-age and survivors insurance coverage is under the civil service retirement system.

NEW ALTERNATIVE METHOD OF COMPUTING THE AVERAGE MONTHLY WAGE, RECOMPUTATION, AND OTHER AMENDMENTS PERTAINING TO BENEFIT COMPUTATIONS

The bill provides a new method of computing the average monthly wage under which most workers coming on the benefit rolls in the future would have up to three years in which their covered earnings were lowest or nonexistent eliminated from the computation. As

indicated in the covering memorandum, elimination of these years will eliminate the need for a new start on average monthly wage for the newly covered groups, and will also give persons already covered some protection against benefit reductions resulting from periods of unemployment, illness or low earnings. The use of the new method is limited to individuals who (1) become eligible for benefits after the month in which the bill is enacted, or (2) acquire at least six quarters of coverage after June 30, 1952, or (3) die after the month in which the bill is enacted and prior to the attainment of age 65. These requirements are designed to prevent the mass recomputation of benefits for persons already on the rolls; as indicated, however, any old-age insurance beneficiary who acquires six quarters of coverage after June 30, 1952, may have his benefit recomputed to drop out up to three of the lowest years. The new computation provisions would apply to cases in which the old benefit formula and conversion table are used as well as to "new-start" cases.

The report of the consultants on social security recommended that in no case should the average monthly wage be computed over a period shorter than that required for fully insured status (rounded down to whole years). This restriction would assure that even after the elimination of low years the period of time remaining would be sufficiently representative for purposes of determining an individual's average monthly wage. The bill achieves an almost identical result by requiring that at least the equivalent of two years be used in the computation. In other words, a minimum divisor of 24 must always be used where low years are dropped.

The bill provides for lag recomputations for the self-employed for the years 1954 and 1955. For these years there will be cases where for newly covered workers only one year of earnings will be available for the initial computation, and the minimum divisor of 24 will have to be applied if the years 1951, 1952, and 1953, are to be dropped. Because of the minimum divisor of 24, the wage closing date also is modified for 1954, 1955, and the first half of 1956 to permit the use of wages up to the quarter of entitlement in the initial computation.

PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

The 1952 amendments to the Social Security Act provided that the various references to the Social Security Act contained in the coordination provisions of the Railroad Retirement Act would refer to the Social Security Act as amended in 1952. This amendment was necessary to maintain the relationship between the old-age and survivors insurance system and the railroad retirement system that was established by the amendments made in 1951 to the Railroad Retirement Act. Similarly, the Administration bill provides that references in the Railroad Retirement Act to the Social Security Act refer to the Social Security Act as amended in 1953.

83D CONGRESS
2D SESSION

H. R. 7199

IN THE HOUSE OF REPRESENTATIVES

JANUARY 14, 1954

Mr. REED of New York introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1954".

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

EXTENSION OF COVERAGE

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

SEC. 101. (a) (1) Paragraph (2) of section 209 (g) of the Social Security Act is amended to read as follows:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term 'domestic service in a private home of the employer' does not include service described in section 210 (f) (5);".

(2) Section 209 (g) of such Act as amended by adding at the end thereof the following new paragraph:

"(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer

and does not include service described in section 210 (f) (5);".

(3) Section 209 (h) of such Act is amended by inserting "(1)" after "(h)" and by adding at the end thereof the following new paragraph:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;".

(4) Section 210 (a) (1) of such Act is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(5) Such Act is amended by striking out paragraph (3) of section 210 (a) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14) of such section, and references thereto, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

(b) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (4) is

amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not an American citizen or (ii) the employer is not an American employer".

CERTAIN FEDERAL EMPLOYEES

(c) (1) Clause (ii) of subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank,".

(2) Such subparagraph (B) is further amended by striking out "or" at the end of clause (iii), inserting "or" at the end of clause (iv), and adding the following new clause at the end of such subparagraph:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the com-

fort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;".

(3) Such Act is amended by striking out clause (iii) of subparagraph (C) of the paragraph of section 210 (a) herein redesignated as paragraph (6) and redesignating clauses (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), and (xiii) of such subparagraph, and references thereto, as clauses (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), and (xii), respectively.

(4) Section 205 (p) (3) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality."

MINISTERS

(d) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) (1) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, by a duly ordained, commis-

sioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to section 1426 (l) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

INTERNES

(e) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (13) is amended by striking out all after the first semicolon therein.

FISHING AND RELATED SERVICE

(f) The Social Security Act is amended by striking out paragraph (15) of section 210 (a) and redesignating paragraphs (16) and (17) of such section, and references thereto, as paragraphs (14) and (15), respectively.

HOMEWORKERS

(g) Subparagraph (C) of section 210 (k) (3) of the Social Security Act is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

FARMERS AND PROFESSIONAL SELF-EMPLOYED

(h) (1) Section 211 (a) of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and references thereto, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such section the following new sentence: "In the case of any trade or business carried on by an individual in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income (computed under the preceding provisions of this subsection) derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business

by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, would be less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900."

(2) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal,".

(3) Section 211 (c) of such Act is amended by striking out paragraph (5), by striking out "; or" at the end of paragraph (4) and inserting a period in lieu thereof, and by inserting "or" at the end of paragraph (3).

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

(i) (1) Section 218 (d) of such Act is amended by striking out "EXCLUSION OF" in the heading, by inserting "(1)" after "(d)", and by striking out "on the date such agreement is made applicable to such coverage group" and inserting in lieu thereof "either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions specified in paragraph (5) of this subsection and in the case of positions

which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A))". Such section is further amended by adding at the end thereof the following new paragraphs:

"(2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered under a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

"(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but excluding positions specified in paragraph (5)) if the governor of the State certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

"(A) A referendum by secret written ballot was

held on the question whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

"(B) An opportunity to vote in such referendum was given (and was limited) to the employees who, at the time the referendum was held, were in positions then covered by such retirement system and were members of such system (other than employees who were not in such positions at the time notice of such referendum was given as required by subparagraph (C); other than employees in positions to which, at the time the referendum was held, the State agreement already applied; and other than employees in positions specified in paragraph (5));

"(C) Ninety days' notice of such referendum was given to all such employees;

"(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him; and

"(E) Two-thirds or more of the employees who voted in such referendum voted in favor of including service in such positions under an agreement under this section.

No referendum with respect to a retirement system shall be valid for the purposes of this paragraph unless held within

the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after any prior referendum held with respect to such retirement system.

"(4) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group—

"(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system;

"(B) all employees in positions which were covered by such system at any time after such date; and

"(C) all employees in positions which were covered by such system at any time before such date and to which the insurance system established by this title has not been extended before such date because the positions were covered by such retirement system.

"(5) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position or in any position covered by a retirement system

applicable exclusively to positions in one or more law-enforcement or fire-fighting units, agencies, or departments.

"(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to each political subdivision concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State."

(2) Section 218 (f) of such Act is amended to read as follows:

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that—

"(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

"(2) in the case of an agreement or modification agreed to after 1954 but prior to 1957, such date may not be earlier than December 31, 1954; and

"(3) in the case of an agreement or modification agreed to during 1954 or after 1956, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State."

The amendments made by paragraph (1) of this subsection shall take effect January 1, 1955. Deductions under section 203 of the Social Security Act shall not be made, from any benefits under such Act certified and paid prior to the date an agreement or modification of an agreement is agreed to (after 1954) under section 218 of such Act, on account of services, rendered prior to such date, to which such agreement or modification, as the case may be, is applicable; except that, for purposes of section 215 (f) of such Act, deductions which would have been imposed under such section 203 had such agreement or modification, as the case may be, been agreed to on the date it became effective shall be deemed to have been imposed.

(3) Section 218 (m) (1) of such Act is amended by striking out "subsection (d)" and inserting in lieu thereof "paragraph (1) of subsection (d)".

EFFECTIVE DATES

(j) The amendment made by paragraph (2) of subsection (h) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by

applicable exclusively to positions in one or more law-enforcement or fire-fighting units, agencies, or departments.

"(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to each political subdivision concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State."

(2) Section 218 (f) of such Act is amended to read as follows:

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that—

"(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

"(2) in the case of an agreement or modification agreed to after 1954 but prior to 1957, such date may not be earlier than December 31, 1954; and

"(3) in the case of an agreement or modification agreed to during 1954 or after 1956, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State."

The amendments made by paragraph (1) of this subsection shall take effect January 1, 1955. Deductions under section 203 of the Social Security Act shall not be made, from any benefits under such Act certified and paid prior to the date an agreement or modification of an agreement is agreed to (after 1954) under section 218 of such Act, on account of services, rendered prior to such date, to which such agreement or modification, as the case may be, is applicable; except that, for purposes of section 215 (f) of such Act, deductions which would have been imposed under such section 203 had such agreement or modification, as the case may be, been agreed to on the date it became effective shall be deemed to have been imposed.

(3) Section 218 (m) (1) of such Act is amended by striking out "subsection (d)" and inserting in lieu thereof "paragraph (1) of subsection (d)".

EFFECTIVE DATES

(j) The amendment made by paragraph (2) of subsection (h) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by

paragraphs (1) and (3) of such subsection shall be applicable only with respect to taxable years beginning after 1954. The amendments made by paragraphs (1), (2), and (3) of subsection (a) shall be applicable only with respect to remuneration paid after 1954. The amendments made by paragraphs (4) and (5) of subsection (a) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954. The amendment made by paragraph (4) of subsection (c) shall become effective January 1, 1955. The other amendments made by this section (other than the amendments made by subsection (i)) shall be applicable only with respect to services performed after 1954.

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (a) Subsection (a) of section 215 of the Social Security Act is amended to read as follows:

"Primary Insurance Amount

"(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after the last day of the month following the month in which the Social Security Amendments of 1954 are enacted, or who dies after such day and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with

respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

"(A) Fifty-five per centum of the first $110 of his average monthly wage, plus 20 per centum of the next $240; or

"(B) The amount determined under subsection (c).

An individual shall, for purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been, upon filing application therefor in such month, entitled to such benefits for such month.

"(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c)."

(b) (1) Paragraph (1) of subsection (b) of such section is amended by striking out "except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen" and inserting in lieu thereof "except that (i) if the number of such elapsed months as thus computed is less than eighteen, it shall be increased to eighteen, or (ii) if the number of such elapsed months as thus computed and after the application of paragraph (5) is less than twenty-four, it shall be increased to twenty-four".

(2) Such subsection is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of any individual, the Secretary shall determine the four or fewer calendar years, which, if the months thereof elapsing after his starting date and prior to his divisor closing date, together with the wages and self-employment income for such years, were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such elapsed months of the years so determined and the wages and self-employment income for such years shall be excluded for purposes of computing such individual's average monthly wage."

(c) Subsection (c) of such section is amended to read as follows:

"DETERMINATIONS MADE BY USE OF THE CONVERSION TABLE

"(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary in-

surance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount.

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
$10	$25.00	$30.00	$55.00
$11	27.00	32.00	58.00
$12	29.00	34.00	62.00
$13	31.00	36.00	65.00
$14	33.00	38.00	69.00
$15	35.00	40.00	73.00
$16	36.70	41.70	76.00
$17	38.20	43.20	79.00
$18	39.50	44.50	81.00
$19	40.70	45.70	83.00
$20	42.00	47.00	85.00
$21	43.50	48.50	88.00
$22	45.30	50.30	91.00
$23	47.50	52.50	95.00
$24	50.10	55.10	100.00
$25	52.40	57.40	104.00
$26	54.40	59.40	108.00
$27	56.30	61.30	114.00
$28	58.00	63.00	123.00
$29	59.40	64.40	130.00
$30	60.80	66.30	139.00
$31	62.00	67.90	147.00
$32	63.30	69.50	155.00
$33	64.40	71.10	163.00
$34	65.50	72.50	170.00
$35	66.60	73.90	177.00
$36	67.80	75.50	185.00
$37	68.90	77.10	193.00
$38	70.00	78.50	200.00
$39	71.00	79.90	207.00
$40	72.00	81.10	213.00
$41	73.10	82.70	221.00
$42	74.10	83.90	227.00
$43	75.10	85.30	234.00
$44	76.10	86.70	241.00
$45	77.10	88.50	250.00
$46	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

"(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under applicable regulations of the Secretary in effect on January 1, 1954, increased, if it is not then a multiple of $0.10, to the next higher multiple of $0.10. The amount so determined for any individual shall be increased to the extent, if any, it is less than $5 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under such applicable regulations.

"(B) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under the regulations referred to in such subparagraph) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such regulations) pro-

duce such primary insurance amount or if such primary insurance amount is higher than the amount appearing in column II on the line on which in column I appears the highest primary insurance benefit, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be determined by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, increased, if it is not a multiple of $0.10, to the next higher multiple of $0.10, and further increased to the extent (if any) it is less than $5 greater than such primary insurance amount.

"(C) If the provisions of subparagraphs (A) and (B) of the paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

"(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

"(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of this subsection

shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of $1, it shall be rounded to the nearest multiple of $1 (or to the next higher multiple of $1 if it is a multiple of $0.50)."

(d) (1) The heading of subsection (d) of such section is amended to read "Primary Insurance Benefit and Primary Insurance Amount For Purposes of Conversion Table".

(2) So much of such subsection (d) as precedes paragraph (1) thereof is amended by inserting "and the primary insurance amounts" after "primary insurance benefits".

(3) So much of paragraph (4) of such subsection (d) as precedes subparagraph (A) is amended by inserting "(except an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage)" after "individual".

(4) Such subsection (d) is amended by adding after paragraph (5), added by section 106 of this Act, the following new paragraph:

"(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior

to the enactment of this paragraph, except that the amendments made by sections 104, 106, and 107 of the Social Security Amendments of 1954 (relating, respectively, to increase in earnings counted, periods of disability, and technical amendments) shall, to the extent provided by such sections, be applicable to such computation."

(e) Section 203 (a) of such Act is amended by striking out "$168.75" and "$45" wherever they occur and inserting in lieu thereof "$190" and "$50", respectively.

(f) (1) The amendments made by the preceding subsections shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, the effective date of this Act. As used in this and the succeeding subsections of this section, the "effective date" is the last day of the month following the month in which this Act is enacted.

(2) (A) The amendments made by subsection (b) (2) shall be applicable only in the case of an individual (i) who does not become eligible for benefits under section 202 (a) of the Social Security Act until after the effective date, or (ii) who dies after such effective date and without becoming eligible for benefits under such section 202 (a), or (iii)

who files, after the effective date, an application for a recomputation under section 215 (f) (2) of the Social Security Act, to which he is (or would, but for the provisions of section 215 (f) (7) of such Act, be) entitled, or (iv) (subject to the provisions of subparagraph (B)) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files, after the effective date, an application for a disability determination (as provided in section 216 (i) of such Act), or (vi) who dies after the effective date and whose survivors are (or would, but for the provisions of section 215 (f) (7) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of such Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202 (a) of the Social Security Act for any month if he was or would, upon filing application therefor in such month, have been entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202 (a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for the month in which the effective date occurs and with respect to whom not less than six of the quarters elapsing after June 30, 1953 are quarters of coverage, the Secretary of Health, Education,

and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application by him or, if he dies without filing such an application, by any person entitled to monthly survivor's benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act (other than subsection (f) thereof) for computation of such individual's primary insurance amount, except that his closing dates, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective for and after the month in which the application therefor was filed by such individual or if such application was filed by a person entitled to monthly survivor's benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivor's benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any

such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

(C) No increase in any benefit by reason of the amendments made by this section (other than subsection (i)) or by reason of subparagraph (B) of this paragraph shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

(g) Effective with the beginning of the second month following the month in which this Act is enacted, section 2 (c) (2) (B) of the Social Security Act Amendments of 1952 is amended to read as follows:

"(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after the month following the month in which the Social Security Amendments of 1954 are enacted."

(h) (1) Where—

(A) an individual was entitled (without the application of section 202 (j) (1) of the Social Security Act) to an old-age insurance benefit under title II of such Act for the month in which the effective date occurs;

(B) two or more other persons were entitled (with-

out the application of such section 202 (j) (1)) to monthly benefits under such title for such month on the basis of the wages and self-employment income of such individual; and

(C) the total of the benefits to which all persons are entitled under such title on the basis of such individual's wages and self-employment income for any subsequent month for which he is entitled to an old-age insurance benefit under such title, would (but for the provisions of this paragraph) be reduced by reason of the application of section 203 (a) of the Social Security Act, as amended by this Act,

then the total of benefits referred to in clause (C) for such subsequent month shall be reduced to whichever of the following is the larger—

(D) the amount determined pursuant to section 203 (a) of the Social Security Act, as amended by this Act; or

(E) the amount determined pursuant to such section, as in effect prior to the enactment of this Act, for the month in which the effective date occurs plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been

applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month, or

(F) the amount determined pursuant to section 2 (d) (1) of the Social Security Act Amendments of 1952 for the month in which the effective date occurs plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month.

(2) Where—

(A) two or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under title II of such Act for the month in which the effective date occurs on the basis of the wages and self-employment income of a deceased individual; and

(B) the total of the benefits to which all such persons are entitled on the basis of such deceased individual's wages and self-employment income for any subsequent month would (but for the provisions of this paragraph) be reduced by reason of the application of

section 203 (a) of the Social Security Act, as amended by this Act, to 80 per centum of such individual's average monthly wage,

then, notwithstanding any other provision in title II of the Social Security Act, such deceased individual's average monthly wage shall, for purposes of such section 203 (a), be whichever of the following is the larger:

(C) his average monthly wage determined pursuant to section 215 of such Act, as amended by this Act; or

(D) his average monthly wage determined under such section 215, as in effect prior to the enactment of this Act, plus $7.

(i) (1) Subparagraphs (B) and (C) of section 215 (f) (2) of such Act are amended to read as follows:

"(B), upon application by an individual entitled to old-age insurance benefits who, in or before the month of filing such application, attained the age of 75, and with respect to whom, at the time he became entitled to old-age insurance benefits, less than six of the quarters elapsing after 1950 were quarters of coverage, the Secretary shall recompute his primary insurance amount if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application for recomputation are quarters of coverage, and

if his primary insurance amount has not previously been recomputed under this paragraph.

"(C) A recomputation under subparagraphs (A) and (B) of this paragraph shall be made only as provided in subsection (a) (1) (other than clause (B) thereof) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed."

(2) The amendments made by this subsection shall be applicable in the case of applications for recomputation filed after the effective date of this Act.

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

SEC. 103. (a) (1) Section 203 (b) of the Social Security Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which such individual is under the age of seventy-five and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (b) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) in which such individual is under the age of seventy-five and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or".

(b) (1) Section 203 (c) of such Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (c) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States."

(c) The second sentence of section 203 (d) of such Act is amended to read as follows: "The charging of earn-

ings to any month shall be treated as an event occurring in such month."

(d) (1) The heading of section 203 (e) of such Act is amended to read: "MONTHS TO WHICH EARNINGS ARE CHARGED".

(2) Paragraphs (1) and (2) of such section 203 (e) are amended to read as follows:

"(1) If an individual's earnings for a taxable year of twelve months are not more than $1,000, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than the product of one-twelfth of $1.000 times the number of months in such year, no month in such year shall be charged with any earnings.

"(2) If an individual's earnings for a taxable year of twelve months are in excess of $1,000, the amount of his earnings in excess of $1,000 shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rates of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a tax-

able year of less than twelve months are more than the product of one-twelfth of $1,000 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than $80."

(3) Paragraph (3) (B) of such section 203 (e) is amended to read as follows:

"(B) For purposes of clause (D) of paragraph (2)—

"(i) An individual will be presumed, with respect

to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (4) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than $80 until it is shown to the satistion of the Secretary that such individual did not render such services in such month for more than such amount."

(4) Such section 203 (e) is further amended by adding at the end thereof the following new paragraphs:

"(4) (A) An individual's earnings for a taxable year means (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

"(B) In determining an individual's net earnings from self-employment and his net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211, other than clauses (1) and (4) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

"(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (g) (2), (g) (3), (h) (2), and (j) of section 209; and in making such computation services (which do not constitute employment as defined in section 210) performed within the United States by the individual as an employee shall be deemed to be employment as so defined, if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

"(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (C)) which, according to reports received by the Secretary, are paid to

an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purpose of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year."

(e) Section 203 (f) of such Act is amended to read as follows:

"Penalty for Failure To Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this paragraph in the case of any

individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month."

(f) (1) The heading of section 203 (g) of such Act is amended to read:

"REPORT OF EARNINGS TO SECRETARY"

(2) The first sentence of paragraph (1) of section 203 (g) of such Act is amended to read as follows: "If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of one-twelfth of $1,000 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year."

(3) Paragraph (2) of such section 203 (g) is amended to read as follows:

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

"(A) if such failure is the first one with respect to

which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month (of such year) for which he was entitled to a benefit under section 202;

"(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month (of such year) for which he was entitled to a benefit under section 202;

"(C) if such failure is the third or subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month (of such year) for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first failure for any individual, all taxable

years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded."

(4) Paragraph (3) of such section 203 (g) is amended by striking out "subsection (b) (2)" each time it appears and inserting in lieu thereof "subsection (b) (1)"; by striking out "net earnings from self-employment" each time it appears and inserting in lieu thereof "earnings"; by striking out "such net earnings" and inserting in lieu thereof "such earnings"; and by adding at the end of such paragraph the following new sentence: "If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such a request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year."

(g) Section 203 of such Act is amended by adding at the end thereof the following new subsection:

"Noncovered Remunerative Activity Outside the United States

"(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which is not includible in computing his net earnings from self-employment for a taxable year and the net income or loss of which would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the provisions of clauses (1) to (6), both inclusive, of section 211 (a). When used in the preceding provisions of this subsection with respect to a trade or business (other than the performance of service as an employee), the term 'United States' does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands)."

(h) Such section is further amended by adding after subsection (k) (added by subsection (g) of this section) the following new subsection:

"Good Cause for Failure To Make Reports Required

"(l) The failure of an individual to make any report required by subsection (f) or (g) shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary."

(i) (1) The amendments made by subsection (f) and by paragraph (1) of subsection (a) of this section shall be applicable in the case of monthly benefits under title II of the Social Security Act for months in any taxable year (of the individual entitled to such benefits) beginning after December 1954. The amendments made by paragraph (1) of subsection (b) of this section shall be applicable in the case of monthly benefits under such title II for months in any taxable year (of the individual on the basis of whose wages and self-employment income such benefits are payable) beginning after December 1954. The amendments made by subsection (e) and (g), and by paragraph (2) of subsection (a) and paragraph (2) of subsection (b), shall be applicable in the case of monthly benefits under such title II for months after December 1954. The remaining amendments made by this section (other than subsection

(h)) shall be applicable, insofar as they are related to the monthly benefits of an individual which are based on his wages and self-employment income, in the case of monthly benefits under such title II for months in any taxable year (of such individual) beginning after December 1954 and, insofar as they are related to the monthly benefits of an individual which are based on the wages and self-employment income of someone else, in the case of monthly benefits under such title II for months in any taxable year (of the individual on whose wages and self-employment income such benefits are based) beginning after December 1954.

(2) No deduction shall be imposed after the enactment of this Act under subsection (f) or (g) of section 203 of the Social Security Act, as in effect prior to such enactment, on account of failure to file a report of an event, to which subsection (b) (1), (b) (2), or (c) (1) of such section (as in effect prior to such enactment) is applicable; and no such deduction imposed prior to such enactment shall be collected after such enactment. In determining whether, under section 203 (g) (2) of the Social Security Act, as amended by this Act, a failure to file a report is a first or subsequent failure, any failure with respect to a taxable year which began prior to January 1955 shall be disregarded.

INCREASE IN EARNINGS COUNTED

SEC. 104. (a) Subsection (a) of section 209 of the Social Security Act is amended to read as follows:

"(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

"(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,200 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year;".

(b) Paragraph (1) of subsection (b) of section 211 of such Act is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) for any taxable year beginning prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) for any taxable year beginning after 1954, (i) $4,200, minus (ii) the amount of the

wages paid to such individual during the taxable year; or".

(c) Clauses (ii) and (iii) of section 213 (a) (2) (B) of such Act are amended to read as follows—

"(ii) if the wages paid to any individual in any calendar year equal $3,600 in the case of a calendar year after 1950 and before 1955, or equal $4,200 in the case of a calendar year after 1954, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and before 1955, or $4,200 in the case of a taxable year beginning after 1954, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage; and".

(d) Paragraph (1) of section 215 (e) of such Act is amended to read as follows:

"(1) in computing an individual's average monthly wage there shall not be counted the excess over $3,600 in the case of any calendar year after 1950 and prior to

1955, and the excess over $4,200 in the case of any calendar year after 1954, of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and".

RETROACTIVE APPLICATIONS FOR BENEFITS

SEC. 105. (a) Section 202 (j) (1) of the Social Security Act is amended by striking out "sixth" and inserting in lieu thereof "twelfth".

(b) (1) The amendment made by subsection (a) shall be applicable only in the case of applications filed after the effective date of this Act for monthly benefits under section 202 of the Social Security Act for months after the effective date of this Act.

(2) Any individual who files application after the effective date of this Act for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to the day following the effective date of this Act shall be deemed entitled to such benefits for such month prior to the day following the effective date of this Act to the same extent and in the same amounts as though this Act had not been enacted.

(3) As used in this subsection, the effective date of this

Act is the last day of the month following the month in which this Act is enacted.

PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS WITH EXTENDED TOTAL DISABILITY

SEC. 106. (a) (1) Section 213 (a) (2) (A) of the Social Security Act is amended to read as follows:

"(A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216 (i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period."

(2) Section 213 (a) (2) (B) (i) of such Act is amended to read as follows:

"(i) no quarter after the quarter in which

such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;".

(b) (1) Section 214 (a) (2) of the Social Security Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) forty quarters of coverage,

not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage."

(2) Section 214 (b) of such Act is amended by striking out the period and inserting in lieu thereof: ", not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage."

(c) (1) Section 215 (b) (1) of the Social Security Act is amended by inserting after "excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage" the following: "and any month in any quarter any part of which was included in a period of dis-

paragraph (C) of paragraph (4), any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters unless it was a quarter of coverage, and any wages paid in any such quarter shall not be counted."

(d) Section 216 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"Disability; Period of Disability

"(i) (1) The term 'disability' means (A) inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term 'blindness' means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any

ability (as defined in section 216 (i)) unless such quarter was a quarter of coverage".

(2) Section 215 (b) (4) of such Act is amended to read as follows:

"(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account—

"(A) any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred;

"(B) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage; and

"(C) any self-employment income of such individual for any taxable year all of which was included in a period of disability."

(3) Section 215 (d) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein; except that, for purposes of paragraphs (1) and (2) and sub-

supervision or control over the administration or operation of any hospital.

"(2) The term 'period of disability' means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)). No such period shall begin as to any individual unless such individual, while under a disability, files an application for a disability determination with respect to such period. Except as provided in paragraph (4), a period of disability shall begin—

"(A) if the individual satisfies the requirements of paragraph (3) on such day,

"(i) on the day the disability began, or

"(ii) on the first day of the one-year period which ends with the day before the day on which the individual files such application,

whichever occurs later;

"(B) if such individual does not satisfy the requirements of paragraph (3) on such day, on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of the month in which the disability ceases. No application for a disability determination which is filed more than three

months before the first day on which a period of disability can begin (as determined under this paragraph) shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to April 1, 1955, shall be accepted.

"(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if he had not less than—

"(A) six quarters of coverage (as defined in section 213 (a) (2)) during the thirteen-quarter period which ends with such quarter; and

"(B) twenty quarters of coverage during the forty-quarter period which ends with such quarter,

not counting as part of the thirteen-quarter period specified in clause (A), or the forty-quarter period specified in clause (B), of this paragraph any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

"(4) If an individual files an application for a disability determination after March 1955, and before July 1957, with respect to a disability which began before July 1956, and continued without interruption until such application was filed, then the beginning day for the period of disability shall be—

"(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

"(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements."

(e) Title II of the Social Security Act is amended by adding after section 219 the following new sections:

"DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

"SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title: nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

"DISABILITY DETERMINATIONS

"SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i)) and of the day such disability began, and the determination of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered

into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

"(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

"(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

"(d) Any individual dissatisfied with the Secretary's determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the

Secretary's final decision after such hearing as is provided in section 205 (g).

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Fund at the time or times fixed by the Secretary, in accordance with such certification.

"(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money which is so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Fund.

"(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals

outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

"REFERRAL FOR REHABILITATION SERVICES

"SEC. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of disabled individuals may be restored to productive activity."

(f) Notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, the amendments made by subsections (a), (b), (c), and (d) of this section shall apply to monthly benefits under title II of the Social Security Act for months after June 1955, and to lump-sum death payments under such title in the case of deaths occurring after June 1955; but no recomputation of benefits by reason of such amendments shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

TECHNICAL PROVISIONS

SEC. 107. (a) Section 215 (f) of the Social Security Act is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

"(6) In the case of any individual—

"(A) (i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits in 1955 or 1956 or in a taxable year which began in 1956, or

"(ii) who died in 1955 or 1956 or in a taxable year which began in 1956 and who, if he was entitled to old-age insurance benefits for any month prior to 1955, would have been entitled to a recomputation under paragraph (2) of this subsection if he had filed an application therefor in the month in which he died, or

"(iii) who filed an application for recomputation under paragraph (2) of this subsection in 1955 or 1956 or in a taxable year which began in 1956 and was entitled to such recomputation, and

"(B) who had self-employment income for a taxable year which ended within or with 1955 or 1956 or which began in 1956,

then upon application filed after the close of such taxable year by such individual or (if he died without filing such

application) by a person entitled to monthly survivor's benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b) (4) (A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any taxable year subsequent to the taxable year in which such recomputation is effective shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by an individual to whom clause (A) (i) of the first sentence of this paragraph applies, for and after the first month in which he became entitled to old-age insurance benefits, (B) in the case of an application filed by an individual to whom clause (A) (iii) of the first sentence of this paragraph applies, for and after the month in which he filed the application referred to in such clause, and (C) in the case of an application filed by any other person, for and after the month in which such person became entitled to monthly survivor's benefits on the basis of the wages and self-employment income of the individual referred to in subparagraph (A) of the first sentence of this paragraph. No

recomputation under this paragraph pursuant to an application filed after the death of the individual referred to in such subparagraph (A) shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation."

(b) In the case of an individual who died or became (without the application of section 202 (j) (1) of the Social Security Act) entitled to old-age insurance benefits under section 202 of such Act after 1954 and prior to July 1, 1957, his wage closing date, for purposes of section 215 (b) of such Act, shall be whichever of the following yields the highest primary insurance amount:

(1) The first day of the quarter in which he died or become entitled to old-age insurance benefits, whichever first occurred;

(2) The first day of the quarter preceding such quarter, but only if such quarter of death or entitlement is a quarter ending on June 30; or

(3) The day specified in section 215 (b) (3) (A) of such Act.

(c) Section 215 (b) (3) (A) of the Social Security Act is amended by striking out the period and inserting in lieu thereof ", or, if such first day is the first day of the quar-

ter following the quarter in which occurs such individual's self-employment income closing date and if it would result in a higher primary insurance amount for such individual, the first day of the quarter in which occurs his self-employment income closing date." The amendment made by this subsection shall be applicable only in the case of applications for monthly benefits under section 202 of the Social Security Act filed after the effective date, in the case of applications for recomputation under section 215 (f) (2) of such Act (to which the individual filing the application is entitled) filed after the effective date, and in the case of lump-sum death payments under such section 202 with respect to the death after the effective date of any individual who was not entitled to monthly benefits under section 202 (a) of such Act (without the application of section 202 (j) (1) of such Act) prior to the day following the effective date. As used in the preceding sentence, the "effective date" is the last day of the month following the month in which this Act is enacted.

(d) As used in the provisions of the Social Security Act amended by this title, the term "Secretary", except when the context otherwise requires, means the Secretary of Health, Education, and Welfare.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT INCOME AND RELATED DEFINITIONS

SEC. 201. (a) The Internal Revenue Code is amended by striking out paragraph (2) of section 481 (a) and redesignating paragraphs (3), (4), (5), (6), and (7), and references thereto, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such section the following new sentence: "In the case of any trade or business carried on by an individual in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h), (i) if the gross income (computed under the preceding provisions of this subsection) derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net

earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900."

(b) Paragraph (1) of section 481 (b) of the Internal Revenue Code is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year beginning prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year beginning after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(c) Section 481 (c) of the Internal Revenue Code is amended by striking out paragraph (5), by striking out "; or" at the end of paragraph (4) and inserting a period in lieu thereof, and by inserting "or" at the end of paragraph (3).

(d) The amendments made by subsections (a), (b), and (c) of this section shall be applicable only with respect to taxable years beginning after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

SEC. 202. (a) The first sentence of section 1401 (d) (3) is amended to read as follows: "If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed $4,200, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $4,200 of such wages received."

(b) Section 1401 (d) (4) (A) of such code is amended by striking out "$3,600," and inserting in lieu thereof "$3,600 for the calendar year 1951, 1952, 1953, or 1954, or $4,200 for any calendar year after 1954,".

(c) The second sentence of section 1420 (e) of the Internal Revenue Code is amended by inserting "in the case of the calendar year 1951, 1952, 1953, or 1954, or the $4,200 limitation in such section in the case of any calendar year after 1954" after "the $3,600 limitation in section 1426 (a) (1)".

(d) The amendments made by subsections (a), (b), and (c) shall be applicable only with respect to remuneration paid after 1954.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

SEC. 203. (a) Section 1420 (e) of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality."

(b) The amendment made by subsection (a) shall become effective January 1, 1955.

AMENDMENTS TO DEFINITION OF WAGES

SEC. 204. (a) Paragraph (1) of section 1426 (a) of the Internal Revenue Code is amended by striking out "$3,600" wherever it appears therein and inserting in lieu thereof "$4,200".

(b) (1) Subparagraph (B) of section 1426 (a) (7) of the Internal Revenue Code is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in subsection (h) (5);".

(2) Section 1426 (a) (7) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

"(C) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer

to the employee for such service is less than $50. As used in this subparagraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in subsection (h) (5);".

(3) Section 1426 (a) (8) of the Internal Revenue Code is amended by inserting "(A)" after "(8)" and by adding at the end thereof the following new subparagraph:

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;".

(c) The amendments made by subsections (a) and (h) shall be applicable only with respect to remuneration paid after 1954.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

SEC. 205. (a) Section 1426 (b) (1) of the Internal Revenue Code is amended to read as follows:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;".

(b) The Internal Revenue Code is amended by striking out paragraph (3) of section 1426 (b) and by redesignating

paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14) of such section, and references thereto, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(c) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not an American citizen or (ii) the employer is not an American employer".

(d) (1) Clause (ii) of subparagraph (B) of the paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (6) is amended by inserting "a Federal home loan bank," after "a Federal Reserve bank,".

(2) Such subparagraph (B) is further amended by striking out "or" at the end of clause (iii), inserting "or" at the end of clause (iv), and adding the following new clause at the end of such subparagraph:

"(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard

exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;".

(3) The Internal Revenue Code is amended by striking out clause (iii) of subparagraph (C) of the paragraph of such section 1426 (b) herein redesignated as paragraph (6) and redesignating clauses (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), and (xiii) of such subparagraph, and references thereto, as clauses (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), and (xii), respectively.

(e) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to sub-

section (l) (1), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed, in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to subsection (l) (2), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

(f) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (13) is amended by striking out all after the first semicolon therein.

(g) The Internal Revenue Code is amended by striking out paragraph (15) of section 1426 (b) and redesignating paragraphs (16) and (17) of such section, and references thereto, as paragraphs (14) and (15), respectively.

(h) The amendments made by subsections (c), (d), (e), (f), and (g) shall be applicable only with respect to services performed after 1954. The amendments made by subsections (a) and (b) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954.

AMENDMENT TO DEFINITION OF EMPLOYEE

SEC. 206. (a) Subparagraph (C) of section 1426 (d) (3) of the Internal Revenue Code is amended by striking out ", if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

(b) The amendment made by subsection (a) shall be applicable only with respect to services performed after 1954.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

SEC. 207. (a) Paragraph (1) of section 1426 (l) of the Internal Revenue Code is amended by inserting "(other than service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or

by a member of a religious order in the exercise of duties required by such order)" after "service" in the first sentence, by striking out "two-thirds of its employees" and inserting in lieu thereof "two-thirds of its employees performing service to which this paragraph is applicable" in such sentence, and by deleting so much of the section as follows the first sentence.

(b) Such section 1426 (l) is amended by redesignating paragraphs (2) and (3) as paragraphs (6) and (7), respectively, and by adding after paragraph (1) the following new paragraphs:

"(2) WAIVER OF EXEMPTION IN THE CASE OF MINISTERS.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are duly ordained, commissioned, or licensed ministers of a church or churches and perform such service in the exercise of their ministry or who are members of a religious order or orders and perform such service in the exercise of duties required by such order or orders, other than a member of a religious order who has taken a vow of

poverty as a member of such order, and that at least two-thirds of such employees concur in the filing of the certificate. Notwithstanding the preceding sentence of this paragraph, a certificate may not be filed by an organization pursuant to such sentence unless (A) such organization does not have any employees with respect to whom a certificate may be filed pursuant to paragraph (1), or (B) such organization has filed a certificate pursuant to paragraph (1) with respect to such employees.

"(3) LIST TO ACCOMPANY CERTIFICATE.—A certificate may be filed pursuant to paragraph (1) or paragraph (2) only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter.

"(4) EFFECTIVE PERIOD OF WAIVER.—A certificate filed pursuant to paragraph (1) or paragraph (2)

shall be in effect (for the purposes of subsection (b) (8) of this section and for the purposes of section 210 (a) (8) of the Social Security Act)—

"(A) in the case of a certificate filed pursuant to paragraph (1), for the period beginning with the first day of the calendar quarter in which such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate; or

"(B) in the case of a certificate filed pursuant to paragraph (2), for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate: (i) the quarter in which such certificate is filed, or (ii) the succeeding quarter, or (iii) if the certificate is filed during the calendar year 1955, any quarter in such year prior to the quarter in which it is filed;

except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect (as determined under subparagraph (A) or (B), whichever is applicable) or following the calendar quarter in which the certificate was filed, whichever is later, and to whom

subparagraph (A) or (B) of subsection (b) (8) of this section would otherwise apply, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed.

"(5) TERMINATION OF WAIVER PERIOD BY ORGANIZATION.—The period for which a certificate filed pursuant to paragraph (1) of this subsection is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years and only if such notice applies also to the period for which the certificate, if any, filed by such organization pursuant to paragraph (2) is effective. The period for which a certificate filed pursuant to paragraph (2) is effective may also be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by

giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter."

(c) The paragraph of such section 1426 (l) herein redesignated as paragraph (6) is amended by adding at the end thereof the following new sentence: "If the period covered by a certificate filed pursuant to paragraph (1) of this subsection is terminated under this paragraph, the period covered by the certificate, if any, filed by the same organization pursuant to paragraph (2) shall also be terminated at the same time."

(d) The paragraph of such section 1426 (l) herein redesignated as paragraph (7) is amended to read as follows:

"(7) NO RENEWAL OF WAIVER.—In the event the period covered by a certificate filed pursuant to paragraph (1) or (2) of this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to such paragraph."

(e) The amendments made by this section shall become effective January 1, 1955. Nothing in this section shall be construed as affecting the validity of any certificate filed

prior to January 1, 1955, under section 1426 (l) of the Internal Revenue Code. If a certificate filed during the calendar year 1955 pursuant to section 1426 (l) (2) of the Internal Revenue Code is in effect for any calendar quarter in 1955 which precedes the quarter during which the certificate was filed, the return and payment of the taxes for any such preceding calendar quarter with respect to service which constitutes employment by reason of the filing of such certificate shall be deemed to be timely made if made on or before the last day of the first month following the calendar quarter in which the certificate is filed. Deductions under section 203 of the Social Security Act shall not be made, from any benefits under such Act certified and paid prior to the date on which a certificate is filed pursuant to section 1426 (l) of the Internal Revenue Code, on account of services, rendered prior to such date, which constitute employment by reason of the filing of such certificate; except that, for purposes of section 215 (f) of such Act, deductions which would have been imposed under such section 203, had such certificate been filed at the beginning of the period for which it is in effect, shall be deemed to have been imposed.

CHANGES IN TAX SCHEDULES

SEC. 208. (a) Paragraph (5) of section 480 of the Internal Revenue Code is amended by striking out "4⅞ per centum" and inserting in lieu thereof "5¼ per centum".

(b) Paragraph (6) of section 1400 and paragraph (6) of section 1410 of the Internal Revenue Code, are each amended by striking out "3¼ per centum" and inserting in lieu thereof "3½ per centum".

TITLE III—MISCELLANEOUS PROVISIONS

AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

SEC. 301. Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "1952" and inserting in lieu thereof "1954".

CROSS REFERENCES TO REDESIGNATED PROVISIONS

SEC. 302. References in the Internal Revenue Code, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Social Security Act redesignated by this Act, and references in the Social Security Act, the Railroad Retirement Act of 1937, as amended, or any other law of

the United States to any section or subdivision of a section of the Internal Revenue Code redesignated by this Act, shall be deemed to refer to such section or subdivision of a section of the Social Security Act and the Internal Revenue Code, respectively, as so redesignated.

83D CONGRESS
2D SESSION

H. R. 7199

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

By Mr. REED of New York

JANUARY 14, 1954
Referred to the Committee on Ways and Means

GPO 861-630

STANDARD FORM NO. 64

SSA - OASI

Office Memorandum • UNITED STATES GOVERNMENT

TO : Administrative, Supervisory, and Technical Employees

14:A
DATE: January 14, 1954

FROM : Robert M. Ball, Acting Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 201
Recommendations of the President for Improvements in OASI

Today the President sent to the Congress a special message recommending major improvements in the old-age and survivors insurance and public assistance programs, and Chairman Reed of the House Ways and Means Committee introduced H.R. 7199, a bill to carry out the President's recommendations on old-age and survivors insurance, and H.R. 7200 on public assistance. Copies of the President's message, Congressman Reed's press release on the bill, and a summary of the provisions of H.R. 7199 are attached.

The legislation recommended by the President would improve the old-age and survivors insurance program in several ways:

1. Coverage for More People

The provisions for extension of coverage contained in the bill are substantially the same as those contained in H.R. 6812, introduced at the President's request last year. Between 10 and 11 million people who during the course of a year work in jobs not now covered by old-age and survivors insurance would be brought under the program. The major groups which would be covered on a compulsory basis are farm operators, self-employed professional groups now excluded, and additional hired farm workers and household workers. Coverage would be extended on a voluntary group basis to clergymen employed by nonprofit organizations and members of State and local government retirement systems (except policemen and firemen).

2. Increase in the Earnings Base

The maximum annual earnings on which contributions are based and benefits computed would be raised from $3,600 to $4,200 per year.

3. Change in the Computation of the Average Monthly Wage

Up to four years of lowest or no earnings would be dropped in computing the average monthly wage for individuals who become eligible to receive benefits in the future, and

for those already eligible who have six quarters of coverage after June 30, 1953. The "drop-out" would in effect give to the groups to whom coverage is newly extended under the bill treatment comparable to that given in the 1950 amendments to the groups newly covered then, as far as their average monthly wage is concerned, since the years of noncoverage prior to the coverage extension could be disregarded. For persons already covered, the provision would mitigate the adverse effect on benefit amounts of periods of low earnings on account of unemployment, temporary illness, or other reasons. This provision is basically similar to the 3-year drop-out provided by H.R. 6812.

Present beneficiaries may qualify for the drop-out if they have six quarters of coverage after June 1953, if they otherwise qualify for a regular "work recomputation," or if they meet the requirements established by the bill for the exclusion of a period of disability from the computation of the average wage.

4. Increase in Benefit Payments

All retired workers would receive a benefit increase of at least $5. Survivors and dependents would generally receive proportionate increases.

The formula for computing retirement benefits would be changed to 55 percent of the first $110 of average monthly wage plus 20 percent of the remainder (up to a total of $350 a month). If the application of the formula does not result in an increase in the worker's benefit of $5 over the amount he would receive under present law, a $5 increase would be given.

The minimum old-age insurance benefit would be raised to $30 and the dollar maximum on family benefits to $190. The amount below which application of the 80 percent maximum could not reduce family benefits would be raised to $50.

5. Improvement in the Retirement Test

Changes in the retirement test would permit beneficiaries to earn more than at present without loss of benefits.

The new retirement test will remove the discrimination against wage earners by placing them on an annual basis similar to that now in effect for the self-employed. A beneficiary would lose no benefits if his annual earnings were $1,000 or less. For each unit of $80 of earnings above $1,000 he would lose one benefit. In no case, however, would he lose a benefit for any month in which he did not work in self-employment and in which he earned wages of $80 or less.

The new retirement test would apply to the worker's combined earnings from wages and self-employment. It would apply also to work in noncovered employment and self-employment. A special test would apply to noncovered work outside the United States.

6. Protection of the Benefit Rights of the Disabled

Persons regularly covered by the program who become totally disabled for a long period of time would have their benefit rights "frozen" during the period of their disability. The insured status and benefit amount of a worker would be preserved by (1) disregarding the period of his disability in determining his insured status, and (2) computing his benefit on his earnings averaged over the years in which he actually was able to work. Retired workers on the rolls who were totally disabled for an extended period before becoming entitled to benefits and who at the time they became totally disabled met the work requirements for having their benefits "frozen" could have their benefits refigured, effective July 1955, to eliminate the effect of disability on the benefit amount.

* * *

Part of the cost of the increased benefits and other improvements would be met by extending coverage to more of the working population, thereby helping to eliminate the cost to the system of paying benefits on the basis of brief periods of coverage. Part of the cost would be met by the net increase in revenues derived from raising the wage base to $4,200.

The net effect of the provisions of the bill would be an increase in the "level-premium" cost of the system of slightly more than 1/2 of 1 percent of taxable pay roll. To cover this cost, approximately, the bill contains a provision which would raise the scheduled tax rate beginning in 1970 from 3 1/4 percent to 3 1/2 percent for employees and employers, with a proportionate increase in the tax on self-employment income.

Administrative, Supervisory,
and Technical Employees - 1/14/54

* * *

In addition to the materials enclosed herewith, a distribution is being made, direct from Washington to field and regional offices, of a set of 7 fact sheets prepared as background information in connection with the President's Message sent to the Congress today and the Secretary's press conference tomorrow. These fact sheets are described in RFL #41 dated January 18. One mimeographed set is to be mailed tomorrow; a larger supply of a multilithed version is scheduled to be distributed a little later. The fact sheet series includes one background statement, one overall summary of the proposed legislation, one each on coverage, benefits, the retirement test, and the disability freeze, and one on cost and financing.

Robert M. Ball

Robert M. Ball
Acting Director

Enclosures (3)

FOR RELEASE AT 12 NOON (E.S.T.) JANUARY 14, 1954

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I submit herewith for the consideration of the Congress a number of recommendations relating to the Old Age and Survivors Insurance System and the Federal grant-in-aid programs for public assistance.

The human problems of individual citizens are a proper and important concern of our government. One such problem that faces every individual is the provision of economic security for his old age and economic security for his family in the event of his death. To help individuals provide for that security -- to reduce both the fear and the incidence of destitution to the minimum -- to promote the confidence of every individual in the future -- these are proper aims of all levels of government, including the Federal Government.

Private and group savings, insurance, and pension plans, fostered by a healthy, fully functioning economy, are a primary means of protection against the economic hazards of old age and death. These private savings and plans must be encouraged, and their value preserved, by sound tax and fiscal policies of the Government.

But in addition, a basic, nation-wide protection against these hazards can be provided through a government social insurance system. Building on this base, each individual has a better chance to achieve for himself the assurance of continued income after his earning days are over and for his family after his death. In response to the need for protection arising from the complexities of our modern society, the Old Age and Survivors Insurance system was developed. Under it nearly 70 million persons and their families are now covered, and some 6 million are already its beneficiaries. Despite shortcomings which can be corrected, this system is basically sound. It should remain, as it has been, the cornerstone of the government's programs to promote the economic security of the individual.

Under Old Age and Survivors Insurance (OASI), the worker during his productive years and his employer both contribute to the system in proportion to the worker's earnings. A self-employed person also contributes a percentage of his earnings. In return, when these breadwinners retire after reaching the age of 65, or if they die, they or their families become entitled to income related in amount to their previous earnings. The system is not intended as a substitute for private savings, pension plans and insurance protection. It is, rather, intended as the foundation upon which these other forms of protection can be soundly built. Thus the individual's own work, his planning, and his thrift will bring him a higher standard of living upon his retirement, or his family a higher standard of living in the event of his death, than would otherwise be the case. Hence the system both encourages thrift and self-reliance, and helps to prevent destitution in our national life.

In offering, as I here do, certain measures for the expansion and improvement of this system, I am determined to preserve its basic principles. The two most important are: 1) it is a contributory system, with both the

worker and his employer making payments during the years of active work; 2) the benefits received are related in part to the individual's earnings. To these sound principles our system owes much of its wide national acceptance.

During the past year we have subjected the Federal social security system to an intensive study which has revealed certain limitations and inequities in the law as it now stands. These should be corrected.

1. OASI Coverage Should Be Broadened

My message to the Congress on August 1, 1953, recommended legislation to bring more persons under the protection of the OASI system. The new groups that I recommended be covered -- about ten million additonal people -- include self-employed farmers; many more farm workers and domestic workers; doctors, dentists, lawyers, architects, accountants, and other self-employed professional people; members of State and local retirement systems on a voluntary group basis; clergymen on a voluntary group basis; and several smaller groups. I urge the Congress to approve this extension of coverage.

Further broadening of the coverage is being considered by the Committee on Retirement Policy for Federal Personnel, created by the Congress. This Committee will soon report on a plan for expanding OASI to Federal employees not now protected, without impairing the independence of present Federal retirement plans. After the Committee has made its report, I shall make appropriate recommendations on that subject to the Congress.

Extension of coverage will be a highly important advance in our OASI system, but other improvements are also needed. People over 65 years of age who can work should be encouraged to do so and should be permitted to take occasional or part-time jobs without losing their benefits. The level of benefits should be increased. Certain defects in and injustices under the present law should be eliminated. I submit the following recommendations to further these purposes.

2. The present "retirement test" should be liberalized and its discrimination against the wage earner should be removed.

By depriving an OASI beneficiary of his benefit payment for any month in which he earns wages of more than $75, present law imposes an undue restraint on enterprise and initiative. Retired persons should be encouraged to continue their contributions to the productive needs of the nation. I am convinced that the great majority of our able-bodied older citizens are happier and better off when they continue in some productive work after reaching retirement age. Moreover, the nation's economy will derive large benefits from the wisdom and experience of older citizens who remain employed in jobs commensurate with their strength.

I recommend, therefore, that the first $1000 of a beneficiary's annual earnings be exempted under the retirement test, and that for amounts earned above $1000 only one month's benefit be deducted for each additonal $80 earned.

To illustrate the effect of these changes: a beneficiary could take a $200 a month job for five months without losing any benefits, whereas under present law he would lose five months' benefits. He could work throughout the year at $90 a month and lose only one month's benefit, whereas under present law he would lose all twelve.

Approval of this recommendation will also remove the discriminatory treatment of wage earners under the retirement test. Self-employed persons already have the advantage of an exemption on an annual basis, with the right to average their earnings over the full year. The amendment I have proposed would afford this advantage, without discrimination, to all beneficiaries.

3. OASI Benefits Should Be Increased

Today thousands of OASI beneficiaries receive the minimum benefit of twenty-five dollars a month. The average individual benefit for retired workers approximates fifty dollars a month. The maximum benefit for an individual is $85 a month. For OASI to fulfill its purpose of helping to combat destitution, these benefits are too low.

I recommend, therefore, that benefits now being received by retired workers be increased on the basis of a new formula to be submitted to the appropriate Committees by the Secretary of Health, Education, and Welfare. This formula should also provide increases for workers retiring in the future, raising both the minimum and the maximum benefits. These increases will further the objectives of the program and will strengthen the foundation on which its participants may build their own security.

4. Additional Benefit Credits Should Be Provided.

The maintenance of a relationship between the individual's earnings and the benefits he receives is a cornerstone of the OASI system. However, only a part of many workers' annual earnings are taken into account for contribution and benefit purposes. Although in 1938 only the first $3000 of a worker's annual earnings were considered for contribution and benefit purposes, statistical studies reveal that in that year 94% of full-time male workers protected by OASI had all of their earnings covered by the program. By 1950 less than half of such workers -- 44% -- had their full earnings covered by the program, so the Congress increased the earnings base to $3600.

Today, the earnings base of $3600 covers the full earnings of only 40% of our regular male workers. It is clear, therefore, that another revision of this base is needed to maintain a reasonable relationship between a worker's benefits and his earnings.

I recommend, therefore, that the earnings base for the calculation of OASI benefits and payroll taxes be raised to $4200, thus enabling 15,000,000 people to have more of their earnings taken into account by the program.

5. Benefits Should Be Computed on a Fairer Basis.

The level of OASI benefits is related to the average of a worker's past earnings. Under present law periods of abnormally low earnings, or no earnings at all, are averaged in with periods of normal earnings, thereby reducing the benefits received by the retired worker. In many instances, a worker may earn little or nothing for several months or several years because of illness or other personal adversity beyond his power of prevention or remedy. Thus the level of benefits is reduced below its true relation to the earning capabilities of the employee. Moreover, if the additional millions of persons recommended for inclusion under OASI are brought into the program in 1955 without modification of present law, their average earnings will be sharply lowered by including as a period of no earnings the period from 1951 to 1955 when they were not in the program. I recommend, therefore, that in the computation of a worker's average monthly wage, the four lowest years of earnings be eliminated.

6. The Benefit Rights of the Disabled Should be Protected

One of the injustices in the present law is its failure to make secure the benefit rights of the worker who has a substantial work record in covered employment and who becomes totally disabled. If his disability lasts four years or less, my preceding recommendation will alleviate this hardship. But if a worker's earnings and contributions cease for a longer period, his retirement rights, and the survivor rights of his widow and children, may be reduced or even lost altogether. Equity dictates that this defect be remedied. I recommend, therefore, that the benefits of a worker who has a substantial work record in covered employment and who becomes totally disabled for an extended period be maintained at the amount he would have received had he become 65 and retired on the date his disability began.

The injustice to the disabled should be corrected not simply be preserving these benefit rights but also by helping them to return to employment wherever possible. Many of them can be restored to lives of usefulness, independence and self-respect if, when they apply for the preservation of their benefit rights, they are promptly referred to the Vocational Rehabilitation agencies of the States. In the interest of these disabled persons, a close liaison between the OASI system and these agencies will be promptly established upon approval of these recommendations by the Congress. Moreover, in my message of January 18 to the Congress, I shall propose an expanded and improved program of Vocational Rehabilitation.

Costs

I am informed by the Secretary of Health, Education, and Welfare that the net additional cost of the recommendations herein presented would be, on a long-term basis, about one-half of one percent of the annual payrolls subject to OASI taxes. The benefit costs will be met for at least the next fifteen to twenty-five years under the step-rate increases in OASI taxes already provided in the law.

Public Assistance

An important by-product of the extension of the protection of the OASI system and the increase in its benefit scale is the impact on public assistance programs. Under these programs States and localities provide assistance to the needy aged, dependent children, blind persons and the permanently and totally disabled, with the Federal Government sharing in the cost.

As broadened OASI coverage goes into effect, the proportion of our aged population eligible for benefits will increase from forty-five percent to seventy-five percent in the next five or six years. Although the need for some measure of public assistance will continue, the OASI program will progressively reduce, year by year, the extent of the need for public assistance payments by the substitution of OASI benefits. I recommend that the formula for Federal sharing in the public assistance programs for these purposes reflect this changing relationship without prejudicing in any manner the receipt of public assistance payments by those whose need for these payments will continue.

Under the present public assistance formula some States receive a higher percentage share of Federal funds than others. In the program of old-age assistance, for example, States making low assistance payments receive up to eighty percent Federal funds in defraying the costs of their programs. States making high assistance payments receive about sixty-five percent of Federal funds in that portion of the old-age assistance payments which is within the $55 maximum for Federal participation.

This variation in Federal participation is the result of a Congressional determination that the Federal sharing should be higher for States which, because of low resources, generally make low assistance payments. In order better to achieve this purpose, I recommend that a new formula be enacted. It should take into account the financial capacity of the several States to support their public assistance programs by adopting, as a measure of that capacity, their per capita income. Such a new formula will also facilitate the inclusion, in the old-age assistance program, of a factor reflecting the expansion of OASI.

The present formula for Federal sharing in public assistance programs requires adjustment from another standpoint. Under present law, the Federal Government does not share in any part of a monthly old-age assistance payment exceeding $55. Yet many of these payments must exceed this amount in order to meet the needs of the individual recipient, particularly where the individual requires medical care. I consider it altogether appropriate for the Federal Government to share in such payments and recommed, therefore, that the present $55 maximum be placed on an average rather than on an individual basis. Corresponding changes in the other public assistance programs would be made. This change in the formula would enable States to balance high payments in cases of acute need against low payments where the need is relatively minor. In additon, great administrative simplification would be achieved.

A new public assistance formula should not become effective until the States have had an opportunity to plan for it. Until such time, the 1952 public assistance amendments should be extended.

* * * * *

The recommendation I have here submitted constitute a coordinated approach to several major aspects of the broad problem of achieving economic security for Americans. Many other phases of this national problem exist and will be reflected in legislative proposals from time to time to the Congress. The effort to prevent desitution among our people preserves a greater measure of their freedom and strengthens their initiative. These proposals are constructive and positive steps in that direction, and I urge their early and favorable consideration by the Congress.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

January 14, 1954.

OFFICE OF DANIEL A. REED
HON. DANIEL A. REED (R. -N.Y.)
HOUSE OF REPRESENTATIVES

HOLD FOR RELEASE
UNTIL PRESIDENT'S
SOCIAL SECURITY
MESSAGE IS READ
IN THE HOUSE
JANUARY 14, 1954

Representative Daniel A. Reed (R. N.Y.), Chairman of the House Ways and Means Committee, today introduced two bills embodying the President's social security proposals. Mr. Reed introduced the bills immediately following transmittal of the President's social security message to Congress.

In a statement accompanying introduction of the bills, Mr. Reed said:

"The President has just transmitted to the Congress the details of a comprehensive social security program which contains many basic improvements in the present system. I have introduced two bills which embody all of the proposals made today by the President. One bill contains the recommendations with respect to the old-age and survivor's insurance program, and the other pertains to the public assistance program. I have previously introduced a bill, H. R. 6812, which contains the earlier recommendations of the President for expanded social security coverage. The substance of that earlier bill is now included in the legislation I have introduced today.

"These recommendations represent a broad program of increased protection for more of our people. I know that they have been developed after many months of intensive study.

"The American people have a vital stake in this legislation. It provides substantial increases in retirement benefits both for those already retired and for those who will retire in the future. It provides substantial increases in survivorship benefits for the greater protection of the loved ones of deceased workers. These significant improvements are accomplished within the framework of the existing system.

"The Committee on Ways and Means will begin work on this legislation immediately following its action on the tax program. As a result, I expect that the Committee will start devoting full time to my two social security bills which embody the President's program early in March, at which time we shall have full public hearings, although it is, of course, too early to set a specific date. It is vital that we act with speed and decision on this major legislation."

January 6, 1954

GENERAL SUMMARY OF PROVISIONS

OF OLD-AGE AND SURVIVORS INSURANCE BILL

The bill contains the technical provisions necessary to carry out the major recommendations of the President for extending old-age and survivors insurance coverage, improving benefits, improving the retirement test, and preserving the rights of disabled individuals.

Extension of Coverage

The bill would extend coverage to between 10 and 11 million additional people during the course of a year. About 6½ million of these would be covered on a compulsory basis; coverage would be made available to the others--State and local government employees under public retirement systems and clergymen--subject to action comparable to that now required for coverage of State and local and nonprofit employees.

The bill would:

1. Allow the States to provide coverage under Federal-State agreements for members of State and local government retirement systems (except policemen and firemen) provided a vote were held among the active members of the system and two-thirds of those voting were in favor of coming under old-age and survivors insurance. In addition to these provisions, which are contained in H.R. 6812, the bill provides that after its enactment, coverage of those to whom the two-thirds vote provisions apply can be effected only under these provisions--that is, only if the members of the system vote in favor of coverage. (Under H.R. 6812, as under present law, members of State and local retirement systems could be brought into old-age and survivors insurance by abolishing the system before the group is brought into coverage.) The bill also contains a statement indicating that it is the policy of the Congress in providing for the coverage under old-age and survivors insurance of employees under a State or local retirement system that the protection of the employees and beneficiaries who are under the retirement system will not be impaired as a result of coverage under old-age and survivors insurance. No such statement of policy was included in H.R. 6812.

2. Cover self-employed professional persons on the same basis as other self-employed now covered and cover internes by deleting the present exclusion of services of internes in the definition of employment.

3. Cover farm operators on a basis consistent with that on which other self-employed are now covered.

4. Cover cash wages earned in hired farm work where they amount to $50 or more from a single employer in a calendar quarter, regardless of the number of days the individual works for that employer, and remove the exclusion of workers employed in cotton ginning and the production of gum naval stores.

5. Cover cash wages of domestic workers where they amount to $50 or more from a single employer in a calendar quarter, regardless of the number of days the individual works for that employer.

6. Allow coverage for ministers and members of religious orders (other than those who take a vow of poverty) on a basis similar to that on which other employees of nonprofit organizations may now be covered.

7. Cover employees engaged in fishing and similar activities who are now excluded.

8. Cover home workers in States without licensing laws on the same basis as those in States with licensing laws.

9. Cover American citizens employed on vessels of foreign registry by American employers on the same basis as other American citizens working outside the United States for American employers.

10. Cover certain temporary postal employees, civilian employees of Coast Guard "post exchanges," and employees of the district Federal Home Loan Banks.

The extension of coverage provided by the bill would, in general, be effective beginning January 1, 1955. Under H.R. 6812 the coverage extension would have been effective January 1, 1954.

Improvement of Benefits

The bill would provide an increase in benefits for beneficiaries on the rolls and would raise the benefits of those coming on the rolls in the future through a revised benefit formula, an increase in the earnings base (also applicable for contribution purposes), and an improved method for determining average monthly wage.

The earnings base is raised from the present $3,600 to $4,200 per year.

One of the features of the bill is the so-called 4-year "drop-out" which permits the elimination of as many as 4 years of lowest or no earnings from the computation of the average monthly wage. Since the benefit of an insured individual is derived from his average monthly wage, the effect of the 4-year "drop-out" would be to increase his benefit amount. The "drop-out" in effect places the groups to whom coverage is extended under this bill in a position comparable to that of the groups newly covered in 1950 as far as the computation of their average monthly wage is concerned. Under this provision, although their earnings would be averaged from January 1, 1951, the 4 years of no covered earnings (1951-1954) would be eliminated from the computation. In addition, persons who are already covered under the program and who meet the qualifying requirements can have their 4 years of lowest or no earnings dropped from the computation of their average monthly wage, regardless of when they occur.

This provision differs from H.R. 6812 in that four years, rather than three years, can be eliminated. This change is made necessary by the change in the effective date of the extensions of coverage--from January 1, 1954, in H.R. 6812 to January 1, 1955, under this bill. Certain technical changes have also been made in the requirements to be met before an individual can qualify to drop out low years.

The 4 years of lowest or no earnings will be eliminated from the average monthly wage for persons coming on the rolls in the future where the insured individual:

a. has 6 quarters of coverage after June 30, 1953; or

b. first becomes eligible for benefits, i.e., reaches age 65 and is insured or becomes insured for retirement benefits after the effective date, which is the last day of the month following the month of enactment; or

c. in the case of survivors' benefits, dies after the effective date and before becoming eligible for retirement benefits.

These qualifying requirements are the same as those included in H.R. 6812 with the exception that under the first alternative 6 quarters of coverage are required after June 30, 1953, instead of June 30, 1952.

A beneficiary on the rolls prior to the month in which the proposal becomes effective will also become eligible for this revised method of determining his average monthly wage, thereby permitting an increase in his benefit amount, if he acquires 6 quarters of coverage after June 30, 1953. He may also use this revised method if he meets the requirements for a recomputation of his benefit after the effective date as the result of work he has performed subsequent to his entitlement to benefits, or as a result of meeting the requirements for the exclusion of a period of disability from the computation of his average monthly wage.

The revised formula, which will apply to most workers coming on the rolls in the future, provides that benefit amounts will be equal to 55 percent of the first $110 of average monthly wage plus 20 percent of the remainder (up to a total of $350 a month), as compared to 55 percent of the first $100 of average monthly wage plus 15 percent of the remainder (up to a total of $300 a month) under present law. The revised formula will apply to persons who have their average monthly wage computed on earnings after 1950 and who are eligible for dropping out the 4 years of lowest or no earnings.

The minimum primary insurance amount is raised from $25 to $30. The maximum family benefit is raised from $168.75 to $190. With respect to future beneficiaries, no change is made in the provision that benefits paid on a single wage record shall not exceed 80 percent of the average monthly wage, except that the amount below which family benefits will not be reduced by the operation of this maximum is raised from $45 to $50.

Alternative methods of computing benefit amounts are provided in order that all future retired workers will receive a benefit which is at least $5 higher than they would receive under present law, whether or not they qualify for the new formula and whether their benefits are based on an average of their earnings after 1936 or after 1950.

1. Where the 4-year "drop-out" and the application of the new benefit formula to earnings averaged from 1951 do not result in a benefit which is at least $5 higher than the individual would receive under the 1952 formula, his benefit will be computed as at present (i.e., on his average monthly wage without the 4-year "drop-out") and the resulting benefit amount raised by the conversion table included in the bill. This situation will occur only where the individual has a relatively low average monthly wage and has had little or no change in his earnings from year to year.

2. If it is to the advantage of the individual who is eligible for the 4-year "drop-out" to have his average monthly wage computed on the basis of his earnings from 1937 to date of entitlement (excluding the 4 lowest years) this will be done. Under this circumstance, the 1939 benefit formula will be used with the resulting benefit amount raised through the conversion table.

3. Persons coming on the rolls after the effective date, who are not eligible for the 4-year "drop-out," will have their benefits computed as under present law (based on earnings from 1937 or 1951) with the resulting benefit amounts raised through the conversion table.

Beneficiaries on the rolls at the time the legislation becomes effective will also receive a benefit increase through the conversion table.

The conversion table is constructed to provide benefits equal to those provided by applying the revised formula to the average monthly wage of the individual on whose account benefits are being paid. Where (as in the case of average monthly wages below $130) the formula yields an increase of less than $5, the amount of increase is raised to $5.

Dependents on the rolls at the time the legislation becomes effective will receive increases proportionate to the amount of increase in the primary insurance amount on which their benefits are based. Where the increase in the worker's benefit brings the total family benefits above 80 percent of his average monthly wage, there will be no reduction in the dependents' benefits even though the total exceeds the regular 80-percent maximum.

The benefits of survivors on the rolls will be increased by amounts proportionate to the amount of increase in the primary insurance amount on which their benefits are based. Where the total family benefits payable to survivors of a worker will be subject to the maximum provision of 80 percent of his average monthly wage, the family benefits are nevertheless increased. The smallest amount of increase in such family benefits will be about $5.

Improvements Relating to Deductions from Benefits Resulting from Work

The bill revises the provisions under which deductions are made from the benefits payable to a working beneficiary if he is under age 75 and has earnings in excess of certain specified amounts. The new provisions apply a single test to all the individual's earnings in his taxable year from employment and self-employment and from noncovered as well as covered work. The application of the test to noncovered earnings is made possible by the wide extension of coverage contained in the bill. Without such a broad extension, there would remain large areas of noncovered work for which reports of earnings would not be received by the Administration, and enforcement of the provision would not be practicable.

If the individual's earnings for a full year of 12 months are not more than $1,000, no deductions from benefits are made because of such earnings. Each $80 of earnings in excess of $1,000 may result in deductions of one month's benefit for the individual and for any dependent drawing benefits based on his record. No deduction may be made, however, for a month during which the individual neither rendered services for wages in excess of $80 nor rendered substantial services in a trade or business. (Where the individual has a taxable year of less than 12 months, the basic exempt amount is reduced proportionately.)

Placing the test on an annual basis, similar to that now used for the self-employed, provides greater flexibility for wage earner beneficiaries, particularly in relation to part-time or intermittent employment. Thus, a wage earner may, for example, earn as much as $200 in each of 5 months of the year and retain all of his benefits. Under present law, which requires that he lose his benefit for each month in which he earns more than $75, he would lose the benefits for those 5 months. If he earned as much as $90 a month throughout the year under present law, he would lose all of his benefits; under the revised test he would lose only one benefit for the year. If he earned $100 a month throughout the year, he would lose only three benefits under the revised test instead of all as under present law. The test is liberalized for the self-employed, as compared to present law, by raising the yearly exemption from $900 to $1,000 and by raising the units causing deduction from $75 to $80.

Earnings include remuneration for services rendered in the year as an employee plus net earnings from self-employment in that year less any net loss from self-employment in that year. All remuneration for services as an employee performed within the United States is included. Net earnings from self-employment, for purposes of the test, are identical to net earnings as defined for social security tax purposes, except that also included are net income or loss from the performance of the functions of a public office and net income or loss from the performance of service as a minister. Net loss is defined as the excess of deductions over income when such excess results from the computations applicable in determining net earnings.

In addition to removing the anomaly in present law whereby the wage earner has a strict monthly test applied to him while the self-employed person enjoys a yearly exemption, the test removes two other anomalies in present law. The extension of the test to noncovered work removes the possibility that beneficiaries may escape the test of retirement by working in noncovered employment. The application of the test to combined wages and net earnings from self-employment in the year avoids the present special advantage whereby a beneficiary may earn as much as $900 in wages plus $900 in net earnings from self-employment in a year and draw all of his benefits for the year.

The bill provides that beneficiaries under age 75 whose earnings in the taxable year exceed the basic exempt amount in the year must report their earnings for the year and other information that may be required. Failure to report as required subjects the individual to penalties in the form of additional deductions. Penalties are not imposed, however, where it is shown that failure to report is due to good cause.

The individual may also be requested to submit current reports of pertinent information prior to the close of the year so that suspension of his benefits may be made on a current basis.

The bill also makes minor amendments relating to the imposition of penalties for failure to file required reports of events causing deductions from benefits.

The provisions relating to the annual test of retirement become effective with taxable years beginning after December 1954.

Deductions for Work Outside the United States: The bill also provides for making deductions from the benefits of a beneficiary under age 75 for any month in which he engages in a noncovered remunerative activity outside the United States on seven or more different calendar days. If deductions are made for any month for this reason, deductions are also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record. The test applicable to beneficiaries working within the United States does not seem feasible for beneficiaries who work outside the United States, because earnings in such work are not automatically reported either for income tax or social security purposes.

This provision will terminate the advantage which beneficiaries now have who are outside the United States and working while drawing benefits. Provision is made, however, so that persons who work outside the United States in occupations covered under the act will not be subject to this monthly test of engaging in a remunerative activity, but rather to the annual test of retirement applicable to wages and net earnings in the United States. This will be true, for example, of the American citizen working for an American employer abroad.

The individual is required to report months during which he engages in noncovered remunerative activity, and failure to file a timely report results in a penalty in the form of additional deductions. Penalties are not imposed if the failure to report is due to good cause.

The provisions relating to work outside the United States are effective for monthly benefits for months after December 1954.

Preservation of Insurance Rights of Disabled Persons

Under the present law, old-age and survivors insurance rights may be impaired or lost when regular workers suffer long-term total disability before reaching retirement age. This bill would preserve the insured status and benefit amount of qualified workers who are totally disabled for an extended period. Under the proposed disability "freeze" provision, when a disabled worker dies or retires, the period of his disability would be disregarded in determining his insured status. In figuring any old-age and survivors benefits due him or his family, the period in which he was incapacitated for work would be excluded from the computation of his average earnings; hence his total earnings would be averaged out over the years in which he actually worked or was able to work. This provision is analogous to the "waiver of premium" commonly used in life and annuity insurance policies to maintain the protection of these policies for the duration of the policy holder's disability.

In order to be considered totally disabled an individual must have an illness, injury, or other physical or mental impairment which can be expected to be of long-continued and indefinite duration or to result in death. The impairment must be medically determinable and it must preclude the disabled person from performing any substantially gainful work.

A special definition is provided for the blind. An individual would be disabled, by definition, if he is blind within the meaning of that term as used in the bill. In addition, persons who do not meet this statutory definition of blindness, but who nevertheless have a severe visual handicap, would be in the same position as all other disabled persons, i.e., they could qualify for a period of disability under the general definition of disability if they were unable to engage in any substantially gainful activity by reason of their impairment.

A period of disability could not be determined to exist until it has lasted more than 6 full calendar months. The period would be terminated when the individual recovers or it is found that he no longer meets the definition of disability.

In general, to qualify for "a period of disability" an individual must have engaged in covered work in at least half of the time (he must have 20 quarters of coverage) in the 10 years preceding such period. In addition, to screen out persons who have not recently been employed, an individual must have engaged in covered work in at least half of the time (he must have 6 quarters of coverage) in the 3 years preceding such period. These requirements are, for the most part, more restrictive than those for retirement or death benefits in order that eligibility will, in general, be limited to those whose reason for leaving the labor force was disability.

The first day on which a disabled person could file an application for a "disability determination" would be April 1, 1955.

A person already disabled when these provisions become effective could establish a period of disability extending from the date of actual onset of total disability if he met the work requirements on that date. Retired workers on the benefit rolls could secure a recalculation of their benefit amount (and of their dependents' benefits) to take into account a period of disability which began before the effective date of these provisions. Benefit increases resulting from the application of these provisions would be effective beginning with the month of July 1955.

A two-year grace period is provided initially within which a disabled person could file to establish his period of disability with full retroactivity to the date of onset. Persons filing after the grace period would have to file application within a year after onset of total disability to have the "freeze" of their old-age and survivors insurance record effective on the date they first became disabled.

To administer the disability provisions, the Secretary is directed to enter into contractual agreements under which the State vocational rehabilitation agencies or other appropriate State agencies will make findings of fact and a determination as to whether or not an individual is under a disability, as defined in the law, and as to the date such disability began or ceased. The appropriate State agency, pursuant to the agreement entered into with the Secretary, would also make the necessary arrangements to secure medical evidence or medical evaluation of the individual's disability. The use of State vocational rehabilitation agencies is expected to facilitate referral of insured disabled workers to these agencies for the evaluation of their disability and to stimulate measures for their vocational rehabilitation. The Secretary would have authority to make determinations of disability for individuals who are not covered by State agreements.

The Secretary is authorized to review a determination by a State agency that an individual is under a disability and to determine that such person is not under a disability or that the onset of total disability occurred later than determined by the State agency. However, the Secretary cannot, except on appeal by the individual, review a determination by a State agency that a person is not under a disability. Any individual who is dissatisfied with an unfavorable determination made by a State agency or by the Secretary would have the right to a hearing and to judicial review of such determination in the same manner as provided in present law for decisions of the Secretary with respect to the present program.

Technical Provisions

The bill contains a technical provision (effective for a limited period after enactment) which would provide greater flexibility in the computation of benefits by permitting the use of self-employment income for the year in which entitlement to benefits was established. This change is designed to minimize any substantial adverse effect on average monthly wage which results from the fact that the law does not now permit such earnings to be used in the benefit computation. This adverse effect is most likely to occur in the year or two following coverage extension when the period over which the average monthly wage is computed might be relatively short. The bill also provides (for a limited time after enactment) for the use, on initial computation, of wages for the period immediately preceding the filing of the application. As in the 1952 amendments, this permits an immediate determination of the individual's benefit on the basis of a special report of his wages up to entitlement, thus obviating the need for recomputing the benefit after six months when all of the wages would be posted on his record. The bill also contains a provision to eliminate an anomaly in present law by permitting a self-employed individual whose divisor closing date is later than his self-employment income closing date, to use the earlier date when this would result in a higher benefit amount.

Changes in Internal Revenue Code

The bill amends the Internal Revenue Code to effectuate, for tax purposes, the extensions of coverage made by the bill, and to conform the provisions of the Code to the change in earnings base from $3,600 to $4,200. It also provides that the ultimate tax rate to go into effect in 1970 would be $3\frac{1}{2}$ percent each for employer and employees instead of $3\frac{1}{4}$ percent, the maximum rate now provided in the law, with a proportionate increase in the ultimate tax rate on self-employment income.

Amendment to Railroad Retirement Act

The bill amends the Railroad Retirement Act to bring its provisions, where necessary, into conformity with the changes made in the Social Security Act by the bill.

TREASURY DEPARTMENT

WASHINGTON 25

APR 1 1954

My dear Mr. Chairman:

In connection with the consideration by your Committee of the President's recommendations concerning the old-age and survivors insurance program, which are embodied in H.R. 7199, I should like to offer several comments which may assist the Committee in its deliberations. These relate to certain administrative aspects of the bill and to the financial operations of the Old-Age and Survivors Insurance Trust Fund.

I. Provisions of H.R. 7199

The proposed extension of coverage of old-age and survivors insurance would make the benefits of the program available to a number of additional groups. We have given careful consideration to the bill from an administrative point of view and it is our conviction that such extension of coverage is entirely feasible.

To a large extent the bill would provide coverage to persons that are similar in all relevant respects to those already covered by the program. The largest group that would be newly covered under the program consists of self-employed farm operators. Income tax returns are already being filed by a large part of this group, so that extension of coverage to these individuals would not create any administrative problems which are not now being met. There are some farm operators who because of relatively low incomes and large exemptions have not been filing tax returns. With respect to such individuals the bill provides simplified provisions for the determination of self-employment income which should materially assist administration. It is our expectation therefore that the cost of obtaining satisfactory compliance among farm operators will not differ materially from that involving other self-employed persons.

In connection with these administrative considerations, I have requested a representative of the Internal Revenue Service to be available during the Administration's presentation on H.R. 7199 to supply you with such information as you may require.

It may be of interest to the Committee to note that in the last fiscal year approximately $89 million was spent on all administrative aspects of the old-age and survivors insurance program, including the cost of tax collections, the maintenance of wage records and the

payment of benefits. This is about 3.4 percent of benefits paid out and 2.2 percent of tax collections in fiscal 1953.

Your Committee is aware of the plan which is under consideration for simplifying the tax returns of wage and salary workers and for introducing a large degree of mechanization in the handling of those returns. This plan is based upon close coordination between the Internal Revenue Service and the Social Security Administration, and to effectuate it certain technical revisions may be necessary in the substantive provisions of the OASI program. When the details have been worked out, they will be presented to the Committee for its consideration.

II. Trust Fund Operations

The Board of Trustees of the OASI Trust Fund is required by law to submit to the Congress each year a report of the operations of the Fund for the past year, and estimates for the next five fiscal years. That report will shortly be submitted to the Congress, but I should like in the meantime to present some of the highlights.

In the fiscal year 1953, Trust Fund receipts amounted to nearly $4.5 billion. Of this about $4.1 billion represented social security taxes, including a small amount of contributions by State governments under voluntary agreements for coverage of State and local government employees. In addition, the Fund received $387 million in interest on its investments during the year.

Total disbursements from the Trust Fund in the last fiscal year were $2.7 billion. Expenditures for benefit payments amounted to $2.6 billion, and administrative costs were $89 million.

Thus, operations under the social security program produced a net addition to the Trust Fund of nearly $1.8 billion in fiscal 1953, and the total assets of the Fund at the end of the year stood at $18.4 billion. There has since been a further increase in the Fund, and at the end of February of this year its total assets stood at $18.9 billion. More detailed data on operations for fiscal 1953 are included in Table 1, attached.

The composition of the Trust Fund at the end of the fiscal year 1953 is shown in Table 2. Of the total assets, about 97 percent, or $17.8 billion, was invested in Government securities, largely special issues which carry an interest rate equal to the average rate on the publicly held debt. The uninvested balance was on deposit for use in connection with current expenditures under the program.

Estimates of the Fund's operations for the next five years are presented in Table 3. In view of the rise in tax rates which took effect on January 1, collections for fiscal year 1954 are estimated to be about $4.7 billion, about 15 percent higher than last year. The full-year effect of the rise in rates will not be reflected until fiscal 1955 when collections are estimated to be approximately $5.5 billion. Benefit costs under existing law are expected to rise over this period, but not as rapidly as collections, so that at the end of 1955 the Trust Fund may be over $22 billion.

As we move further into the future the estimates are more uncertain, and the Board of Trustees' report presents two sets of data for the three years, 1956 through 1958, based upon alternative sets of assumptions. On one set of assumptions, involving a continued high level of employment and industrial activity, a substantial excess of receipts over expenditures would continue each year so that even in fiscal 1958 the Trust Fund would be increased by as much as $2.4 billion, and at the end of that year the assets of the Fund would exceed $29 billion. On the basis of a second set of assumptions, which involve a somewhat lower level of industrial activity than the first, the Trust Fund would also continue to grow, but at a slower pace. In 1958, receipts would exceed expenditures by about $850 million, and at the end of that year the Fund would be over $26 billion. Under either set of assumptions, assets of the Trust Fund at the beginning of fiscal 1954 were equal to more than three times the highest annual expenditures anticipated in the succeeding five years. I should emphasize that these estimates are based upon existing law and do not take into account any changes that may be made in coverage, tax rates, or benefit formulas.

The Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report.

Sincerely yours,

/S/ G. M. Humphrey

Secretary of the Treasury

Honorable Daniel A. Reed
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C.

Table 1. Operations of the Federal Old-Age and Survivors Insurance Trust Fund, Fiscal Year 1953

(In thousands)

Receipts:	
Appropriation of taxes	$ 4,086,293
Deposits by States	43,308
Less: Refund of taxes	33,000
Net contributions	4,096,601
Interest on investments	386,640
Total	4,483,241
Expenditures:	
Benefit payments	2,627,492
Administrative expenses	89,429
Total	2,716,921
Net increase in Trust Fund	1,766,320
Assets, beginning of year	16,600,036
Assets, end of year	18,366,356

March 30, 1954

Table 2. Assets of Federal Old-Age and Survivors Insurance Trust Fund, June 30, 1953

(In thousands)

Asset	Amount 1/
Investments (Treasury bonds):	
Public issues:	
2-1/4's of 1959-62	$ 4,215
2-1/2's of 1962-67	58,811
2-1/2's of 1963-68	116,677
2-1/2's of 1964-69	93,204
2-1/2's of 1965-70	456,881
2-1/2's of 1966-71	308,003
2-1/2's of 1967-72	119,505
2-3/4's of 1975-80	1,083,602
3-1/4's of 1978-83	44,911
Total	2,285,807
Special issues:	
2-3/8 certificates due 6/30/54	15,531,700
Total investments	17,817,593 2/
Uninvested balances:	
To credit of Fund account	261,885
To credit of disbursing officer	286,878
Total assets	18,366,356

March 30, 1954

Note: Due to rounding, individual items may not add to totals.

1/ Par value plus unamortized premium less discount outstanding.

2/ Includes accrued interest purchased of $86,826.

Table 3. Receipts, expenditures and assets of the Federal Old-Age and Survivors Insurance Trust Fund, fiscal years 1949-53, and estimates for 1954-58 1/

(In millions)

Fiscal year	Receipts		Expenditures		Net increase in Fund	Fund, end of year
	Tax collections 2/	Interest 3/	Benefits	Administration		
al:						
49	$1,694	$230	$ 607	$53	$1,263	$11,310
50	2,110	257	727	57	1,583	12,893
51	3,124	287	1,498	70	1,843	14,736
52	3,598	334	1,982	85	1,864	16,600
53	4,097	387	2,627	89	1,766	18,366
mated:						
54	4,660	442	3,240	90	1,772	20,138
55	5,462	477	3,677	92	2,170	22,308
56:						
Alternative I	5,986	541	4,017	93	2,417	24,725
Alternative II	5,422	532	4,149	96	1,709	24,017
57:						
Alternative I	6,153	595	4,349	95	2,304	27,029
Alternative II	5,377	566	4,615	94	1,234	25,251
58:						
Alternative I	6,444	649	4,636	97	2,360	29,389
Alternative II	5,256	589	4,897	94	854	26,105

March 30, 195

timates based on assumptions and subject to limitations explained in text of the urteenth (1953) Annual Report of the Board of Trustees of the Old-Age and Survivors surance Trust Fund, to be submitted to the Congress.

cludes transfers from the general fund for benefits paid as a result of the coverage certain World War II veterans; adjusted for refunds.

cludes a small amount of profit on marketable securities.

[COMMITTEE PRINT]

SOCIAL SECURITY ACT AMENDMENTS OF 1954

SUMMARY

OF THE

HEARINGS BEFORE THE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES, EIGHTY-THIRD CONGRESS, SECOND SESSION

ON

H. R. 7199

A BILL TO AMEND THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE SO AS TO EXTEND COVERAGE UNDER THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM, INCREASE THE BENEFITS PAYABLE THEREUNDER, PRESERVE THE INSURANCE RIGHTS OF DISABLED INDIVIDUALS, AND INCREASE THE AMOUNT OF EARNINGS PERMITTED WITHOUT LOSS OF BENEFITS, AND FOR OTHER PURPOSES

APRIL 1, 2, 5, 6, 7, AND 8, 1954

Prepared by the Professional Staff of the Committee on Ways and Means

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CONTENTS

STATEMENTS OF ORGANIZATIONS AND INDIVIDUALS IN CONNECTION WITH H. R. 7199

American Association of Nurserymen—Witness, Richard P. White, statement, April 6

This association circulated a questionnaire to 1,520 members and received 697 returns. These returns showed that:

Extension of coverage: 512 out of 697 approved OASI coverage of nurserymen.

Wage base: 457 out of 697 favored maintaining the wage base at $3,600.

American Association of Social Workers—Witness, Eleanor M. Hadley, statement, April 12

Extension of coverage: Supports H. R. 7199, and especially the inclusion of farmers.

Wage base: Endorses the $4,200 ceiling, but would have suggested a higher figure.

Retirement test: Approves liberalized conditions of retirement.

Four-year dropout: Approves.

Liberalized benefits: Approves.

Disability freeze: Approves.

Disability cash benefits: Recommends cash benefits to those with long-term disabilities.

American Association of University Professors—Dr. Wilbert J. Huff, statement submitted April 9

Extension of coverage: Approves coverage for State and local government employees as provided in H. R. 7199.

American Association of Workers for the Blind—Francis J. Cummings, statement submitted April 12

Disability cash benefits: Recommends that OASI benefits be paid to workers in covered jobs when any worker is determined by a specialist to be blind, whether the condition is temporary or permanent.

American Council on Education—Robert W. Devoe, statement submitted April 13

Extension of coverage: Approves extension to publicly controlled institutions on a voluntary basis without eliminating existing retirement systems.

American Dental Association—Witness, J. Claude Earnest, statement April 9

Extension of coverage: Opposes extension of coverage to self-employed members of the dental profession.

American Federation of Labor—Statement of George Meany, presented by Nelson H. Cruikshank, April 9

Extension of coverage: Approves extension provided in H. R. 7199.

Wage base: Accepts wage base of $4,200 but believes ceiling should be placed at $6,000 annual earnings.

Retirement test: Approves.

Four-year dropout: Approves.

Liberalized benefits: Accepts provision in H. R. 7199 but recommends more liberal benefits at the upper range of the wage base. Also recommends adoption of an annual increment of one-half percent for years worked up to age 65 and 2 percent for years worked after age 65. Also recommends benefits be based upon best 10 consecutive years of covered employment.

Disability freeze: Approves.

Disability cash benefits: Recommends payment of benefits in cash for total permanent disability.

American Federation of Labor, Hotel & Restaurant Employees & Bartenders International Union—Witness, Charles E. Sands, statement, April 9

Supports the overall position of the American Federation of Labor, especially the recommendation that tips be defined as taxable wages for purposes of title II.

American Federation of Labor, American Federation of State, County, and Municipal Employees, Massachusetts State Engineers and Associates—Harold W. Stevens, letter submitted, dated April 5

Extension of coverage: Does not oppose extension to State and local employees already covered by a retirement program providing the referendum requires a favorable vote by three-fourths of the eligible voters; that the definition of coverage be left to State legislators; and a statement of congressional intent that existing retirement rates be not impaired or reduced by virtue of coverage under OASI.

American Federation of Labor, American Federation of State, County, and Municipal Employees—Witness, Gordon W. Chapman, statement, April 8

Extension of coverage: Approves extension to State and local employees, providing two-thirds of those voting favor such coverage. Also approves the exclusion of firemen and policemen.

American Federation of Teachers—Selma M. Borchardt, statement submitted, April 8

Extension of coverage: Approves extension to teachers in schools as State or local employees. Endorses statement of congressional intent that benefit rights of State and local employees under existing systems be not impaired as a result of coverage by OASI. Recommends that "a substantial majority of those voting" shall vote in favor of inclusion. Supports the general endorsement by the American Federation of Labor.

American Foundation for the Blind—Witness, Peter J. Salmon, statement, April 14

Disability cash benefits: Recommends that a person who becomes blind should, for purposes of OASI, be regarded as actually 65 years of age.

American Home Economics Association—Statement submitted April 12

Extension of coverage: Approves.

Liberalized benefits: Approves. Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

Disability cash benefits: Recommends such benefit payments.

American Institute of Architects—Clair W. Ditchy statement submitted April 16

The returns of a scattered poll of the institute's members show with respect to:

Extension of coverage: 60 percent approved inclusion of self-employed architects. Suggested that the referendum procedure provided in the bill for State and local government employees be offered in case of self-employed architects to determine the consensus of those in this profession.

American Legion—Miles D. Kennedy statement submitted April 12

Retirement test: Recommends the abolition of the retirement test for widows of veterans who are supporting minor children.

Disability freeze: Approves the freezing of wage credits where the individual suffers extended disability.

American Life Convention (and Life Insurance Association of America)—Witness, Asa V. Call, statement, April 14

Extension of coverage: Approves.

Wage base: Recommends retention of the present ceiling.

Retirement test: Recommends $900 annual ceiling on permissible earnings for full benefit receipt.

Four-year dropout: Approves.

Liberalized benefits: Opposes in principle benefit increases at the upper range of the covered wage scale.

Disability freeze: Recommends that the 4-year dropout, with a further lengthening of that time, if necessary, be utilized to accomplish the maintenance of the covered wage record despite the periods of disability.

Lump-sum death payments: Recommends that this type of benefit be eliminated, or at least not increased further.

American Medical Association.—Witness Dr. F. J. L. Blasingame, statement, April 6

Extension of coverage: Opposes extension of coverage to self-employed physicians.

Disability freeze: Opposes. Recommends some variation of the dropout principle as a workable substitute for disability freeze.

American Municipal Association—Witness, Frederick N. MacMillin, statement, April 8

Extension of coverage: Approves extension to State and local government employees, "without hampering restrictions" in the Federal law. In the light of experience in Wisconsin, questions the specific exclusion of firemen and policemen.

American Nurses' Association—Witness, May Bagwell, statement, April 6

Extension of coverage: Approves provisions relating to employees of State and local governments and others under State and local retirement systems.

Wage base: Approves.

Retirement test: Approves, with the qualifying age for women lowered to 60.

Four-year dropout: Approves.

Liberalized benefits: Approves.

Disability freeze: Approves.

Disability cash benefits: Recommends payment of benefits at time of suffering permanent disability.

American Poultry & Hatchery Federation—Don M. Turnbull, statement submitted, April 15

Hatcherymen have been classified as farmers in one area of the country and not as farmers in another.

Extension of coverage: Recommends inclusion of all self-employed and all full-time employees regardless of occupation.

American Public Welfare Association—Witness, Loula Dunn, statement, April 12

Gives blanket approval of H. R. 7199.

American Public Welfare Association, Council of State Public Assistance and Welfare Administrators—Witness, Charles I. Schottland, statement, April 12

Gives blanket approval of H. R. 7199.

American Veterinary Medical Association—J. A. McCallam, statement submitted, April 1

Extension of coverage: Opposes compulsory coverage of veterinarians and recommends the opportunity be provided for individuals to be covered on a voluntary basis.

Americans for Democratic Action—Witness, Edward D. Hollander, statement, April 14

Extension of coverage: Approves.
Wage base: Recommends adoption of $6,000.
Liberalized benefits: Approves liberalization of benefits but urges the increase be larger.
Disability freeze: Approves.
Disability cash benefits: Recommends that a disabled person receive disability benefits.

Chamber of Commerce of the United States—Witness, A. D. Marshall, statement, April 15

Extension of coverage: Approves.
Liberalized benefits: Recommends blanketing in the aged at the minimum and raising the minimum to $30.
Disability freeze: Opposes and suggests as a substitute the development of a dropout arrangement.
Blanketing-in: Approves.

Christian Science Church—Witness, James Watt, statement, April 7

Extension of coverage: Recommends that Christian Science practitioners be classified as self-employed ministers of religion and that such practitioners be covered on a voluntary basis.

Church Pensions Conference—Witness, George A. Huggins, statement, April 7

This conference represents 29 different church groups, and the YMCA and the YWCA.
Extension of coverage: Recommends coverage for ministers as self-employed on a voluntary basis.

Commerce and Industry Association of New York, Inc.—Witness, Peter G. Dirr, statement, April 14

Extension of coverage: Approves. Opposes exclusion of firemen and policemen if all other State and local government employees are to have an opportunity for coverage.

Wage base: Recommends retention of $3,600 maximum.
Retirement test: Approves.
Four-year dropout: Approves.
Liberalized benefits: Recommends increasing the minimum only.
Disability freeze: Opposes OASI dealing with disability in any manner.
Financing: Recommends pay-as-you-go.

Committee of Associated Pension Funds of New Jersey—John J. Goff, statement submitted, April 10

This committee represents 12 retirement groups of State and/or local government employees of New Jersey.
Extension of coverage: Opposes extension to public employees who are members of or eligible for membership in any State, county, or municipal pension or retirement program.

Commonwealth of Pennsylvania—Mrs. Eleanor G. Evans, statement submitted, April 15

Approves H. R. 7199.

Conference of State Manufacturers' Associations—Witness, Edgerton Hart, statement, April 15

This conference represents manufacturers' associations in 27 States.
Extension of coverage: Appears to oppose extension at this time.
Wage base: Opposes.
Retirement test: Opposes, but recommends some mechanism of coordinating benefit reductions with amount of earnings in excess of $75.
Four-year dropout: Opposes this provision in case of workers with relatively short-time coverage but accepts the idea in principle for those with a number of years of coverage.
Liberalized benefits: Opposes increases at this time until further study can be made.
Disability freeze: Approves only in those cases where the beneficiary has at least 40 quarters of coverage.

Conference of State Social Security Administrators—Witness, Charles H. Smith, statement, April 8

Extension of coverage: Approves extension to public employees who are participating in their own retirement program.

Congress of Industrial Organizations—Witness, James B. Carey, statement, April 13

Extension of coverage: Approves.
Wage base: Recommends the wage ceiling be raised to $6,000.
Retirement test: Recommends $1,200 annual earnings' limitation for full benefit receipt.

Liberalized benefits: Recommends benefit increases above those provided in H. R. 7199 with a $35 minimum and a family maximum of $200. Moreover, would add one-half percent annual increment for years of coverage prior to age 65 and 2 percent for years after 65. Favors benefits calculated on 10 best years of earnings.

Disability freeze: Approves.

Disability cash benefits: Favors such benefits at time total and permanent disability is suffered.

Connecticut State Employees Association—James W. Moore, statement submitted April 7

Extension of coverage: Recommends coverage be extended to public employees only after a favorable vote of two-thirds of those eligible. Such coverage should be extended only if assurance is given that there will be no impairment of existing retirement rights.

Council of State Chambers of Commerce—Witness, Richard D. Sturtevant, statement, April 13

The statement of the council was approved by the State chambers of commerce in 21 different States.

Extension of coverage: Approves.

Wage base: Recommends retention of the present $3,600 maximum.

Retirement test: Approves.

Liberalized benefits: Recommends benefits be increased in the lower part of the benefit range and recommends that all aged be declared eligible to minimum benefits.

Disability freeze: Opposes.

Blanketing-in: Approves.

Council of State Employees of New Jersey—Charles A. Davis, statement submitted April 15

Approves H. R. 7199 in principle.

Extension of coverage: If coverage is extended to public employees, prefers that there be no referendum. However, should this feature be retained in the bill, recommends that an affirmative vote of a simple majority of those voting be required.

Engineers Joint Council—Witness, Joseph H. Ehlers, statement, April 13

This council is a federation of national engineering societies with an aggregate membership of about 170,000 employees and includes both salaried and self-employed engineers.

Extension of coverage: Opposes compulsory coverage of self-employed professional engineers, and recommends that coverage be on a voluntary basis.

Retirement test: Favors increases in benefits on retirement to those who work past 65. Also recommends reduction from 75 to 70 of the age at which a person can make unlimited earnings and receive benefits.

Fraternal Order of Police—Carl C. Bare, statement submitted, April 8

Extension of coverage: Recommends that policemen now protected by a retirement system shall not be covered under OASI.

International Association of Fire Fighters (A. F. of L.)—George J. Richardson, statement submitted, April 8

Extension of coverage: Approves the exclusion of firemen from coverage.

Joint Committee of Public Employees Organizations—Witness, Raymond J. Heath, statement, April 8

The joint committee includes representatives of: National Council on Teachers Retirement of the National Education Association; Municipal Finance Officers' Association, National Conference of Public Employe Retirement Systems; Fraternal Order of Police; National Conference of Police Associations; and the International Association of Firefighters.

Extension of coverage: Approves extension to public employees under retirement programs, except policemen and firemen, providing two-thirds of eligible voters approve.

Law Enforcement Officers of North Carolina—Henry L. Bridges, statement, April 8

Extension of coverage: Recommends that social security be extended to policemen in North Carolina if and when the local governmental bodies enter into an agreement for social-security coverage for other employees of a municipality.

Limited Price Variety Stores Association—Carl F. Shatz, statement submitted

The members operate from 8,500 stores in all States and in the District of Columbia.

Extension of coverage: Approves.

Wage base: Opposes.

Four-year dropout: Approves.

Liberalization of benefits: Opposes until more careful study can be made with respect to the country's ability to pay higher benefits.

Disability freeze: Approves.

Massachusetts State Engineers' Association, Inc.—Ernest Mathers, letter submitted April 8

Extension of coverage: Recommends the inclusion of a statement of policy that social security be made available to public employees not covered by a retirement system or not adequately covered. Favors a referendum involving two-thirds of the eligible voters.

Municipal Finance Officers Association—Witness, A. A. Weinberg, statement, April 14

Extension of coverage: Recommends extension to public employees providing two-thirds of those eligible approve.

National Association of Housing and Redevelopment Officials—Witness, David L. Krooth, statement, April 6

Extension of coverage: Approves provisions in the bill relating to coverage of public employees.

National Association of Life Underwriters—Albert C. Adams, statement submitted April 14

Extension of coverage: Approves.
Wage base: Opposes.
Retirement test: Approves.
Four-year dropout: Approves.
Liberalized benefits: Opposes. Moreover, recommends the elimination of lump-sum death benefits. Recommends that OASI benefits be declared taxable income.
Disability freeze: Opposes.
Financing: Recommends pay-as-you-go financing.

National Association of Manufacturers—Witness, William G. Caples, statement, April 15

Extension of coverage: Apparently opposes at this juncture.
Wage base: Opposes.
Retirement test: Opposes.
Four-year dropout: Opposes.
Liberalized benefits: Opposes.
Financing: Recommends pay-as-you-go.

National Association of State Universities (an association of land-grant colleges and universities)—Witness, Raymond C. Magrath, statement, April 8

Extension of coverage: Approves provisions relating to coverage of employees of public colleges and universities.

National Conference of Catholic Charities—Witness, Msgr. John O'Grady, statement, April 12

Extension of coverage: Apparently approves.
Liberalized benefits: Approves.
Blanketing-in: Approves.

National Conference of Police Associations—Witness, Royce L. Givens, statement, April 8

Extension of coverage: Approves in general the exclusion of policemen but would like to see the opportunity provided whereby law enforcement officers without retirement programs could have OASI coverage.

National Conference on Public Employee Retirement Systems—Witness, Ward Ashman, statement, April 8

Extension of coverage: Approves coverage for public employees providing the referendum requires a favorable vote by two-thirds of those eligible under existing retirement systems.

National Congress of Colored Parents and Teachers—Statement submitted April 12

Extension of coverage: Approves.

Liberalized benefits: Approves. Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

Disability cash benefit: Recommends such benefit payments.

National Consumers League—Witness, Louise Stitt, statement, April 12

Extension of coverage: Approves.

Wage base: Recommends the ceiling be placed at $6,000.

Retirement test: Approves.

Four-year dropout: Approves.

Liberalized benefits: Approves and also recommends 1 percent annual increment factor; also recommends lowering age from 65 to 60 for women.

Disability freeze: Approves.

Disability cash benefits: Recommends payment of benefits on suffering total permanent disability.

National Council of the Churches of Christ—Witness, M. Forest Ashbrook, statement, April 7

Extension of coverage: Approves extension to ministers provided it can be done on a voluntary basis.

National Council of Jewish Women—Statement submitted April 12

Extension of coverage: Approves.

Liberalized benefits: Approves. Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

Disability cash benefits: Recommends such benefit payments.

National Council of Salesmen's Organizations, Inc.—Benjamin R. Shapiro, statement, April 9

Extension of coverage: Approves.

Retirement test: Recommends it be abolished.

Liberalized benefits: Recommends benefits be computed on basis of 10 best years.

Disability freeze: Approves.

National Education Association—Witness John A. Wood III, statement, April 8

Extension of coverage: Approves coverage of public employees covered by existing retirement programs providing there is a favorable vote by two-thirds of the eligible members and also a statement of congressional intent that retirement rights of such individuals not be impaired or reduced by virtue of OASI coverage.

National Farmers Union—Witness, James G. Patton, statement, April 12

Extension of coverage: Favors extension to all farm operators and hired farmhands not now covered.

National Grange—Witness, Lloyd C. Halvorson, statement, April 7

Extension of coverage: Approves extension to farmers and farm operators and hired hands not now covered. (Recommends "new start" on insured status for everybody.)

Retirement test: Approves.

Four-year dropout: Approves but recommends it be increased to 5 years.

Liberalized benefits: Questions the wisdom of increasing benefits further until the OASI tax "is raised to the actual level necessary to cover it. Only then will we know if the people are willing to pay the taxes necessary to sustain the benefits."

National Lawyers Guild—Witness, Robert J. Silberstein, statement, April 13

Extension of coverage: Favors extension to self-employed professionals in general.

Retirement test: Approves but suggests that the increase in permissible earnings is not sufficient.

Liberalized benefits: Approves but suggests that it is not adequate. Recommends increasing benefits equal approximately to the present income to the trust fund.

National Old Age Pensions, Inc.—Witness, William H. McMasters, statement, April 12

Extension of coverage: Approves.

Wage base: Approves.

Retirement test: Approves.

Four-year dropout: Approves.

Liberalized benefits: Recommends substitution of a universal pension financed by a 2 percent tax on all transactions.

National Pension Federation, Inc.—Witness, Agnes G. Shankle, statement, April 10

Extension of coverage: Approves.

Retirement test: Recommends abolishment.

Four-year dropout: Appears to approve and would seem to favor something similar to civil service retirement where benefits are based on best 5 years of earnings.

Liberalized benefits: Recommends substituting the National old age pension.

National Retail Dry Goods Association—Witness, A. R. Findley, statement, April 15

Extension of coverage: Approves.

Blanketing-in: Recommends benefits be paid to all aged. (Supports position of Chamber of Commerce of the United States.)

National Small-Business Men's Association—Witness, DeWitt Emery, statement, April 9

Financing: Recommends pay-as-you-go and a reduction in the tax rate to the 1953 level.

National Society of Professional Engineers—Witness, Paul H. Robbins, statement, April 13

This society has more than 32,000 members, all of whom are registered under the various State engineering registration laws.

Extension of coverage: A number of the members are employed by State or local governments and apparently the concensus among these persons is in favor of coverage as provided in the bill. About 55 percent of the members who are self-employed professionals oppose compulsory coverage and about 45 percent would accept it.

National Society of Public Accountants—Witness, James E. Keys, statement, April 6

Extension of coverage: On basis of a poll of all members, the society approves extension of coverage to public accountants.

Wage base: Approves.

Retirement test: Approves and recommends further increases in the maximum permissible earnings.

Liberalized benefits: Approves in general.

Philadelphia Teachers Association—Witness, Cathleen M. Champlin, statement, April 8

Extension of coverage: Recommends that a favorable vote of two-thirds of those eligible be required.

Physicians Forum, Inc.—Witness, Dr. Anna Tulman Rand, statement, April 6

Extension of coverage: Favors extension to self-employed physicians.

Southern Baptist Convention—Witness, Porter Routh, statement, April 7

Extension of coverage: Recommends extension to ministers on a voluntary basis, with ministers defined as self-employed.

Spokesmen for Children—Witness, Hester Stoll, statement, April 12

Extension of coverage: Approves.
Wage base: Approves.
Retirement test: Approves.
Four-year dropout: Approves.
Liberalized benefits: Approves and urges further increases.
Disability cash benefits: Recommends further study with the belief that people who suffer total permanent disability should receive benefits based on wage record.

Teachers Insurance and Annuity Association of America—Witness, William C. Greenough, statement, April 14

Extension of coverage: This association conducted a survey of those public educational institutions which had retirement plans in TIAA and found that they were universally in favor of OASI coverage on a voluntary basis.

Townsend Plan—Witnesses: Congressman Secrest, April 7; Congressman Angell, Dr. Francis E. Townsend, Robert C. Townsend, Mrs. J. A. Ford, April 10

All advocated the universal flat-rate pension.

United Church Women—Statement submitted April 12

Extension of coverage: Approves.
Liberalized benefits: Approves. Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.
Disability cash benefits: Recommends such benefit payments.

Young Women's Christian Association—Statement submitted April 12

Extension of coverage: Approves.
Liberalized benefits: Approves. Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.
Disability cash benefits: Recommends such benefit payments.

Linton, M. Albert, chairman of the board, Provident Mutual Life Insurance Co. of Philadelphia—Witness, statement presented April 14

Extension of coverage: Approves.

Wage base: Seriously doubts the wisdom of raising the wage base.

Retirement test: Approves but believes a method can be devised whereby benefit deductions can be graduated with earnings in excess of retirement test ceiling.

Four-year dropout: Apparently approves.

Liberalized benefits: Recommends an increase at the lower range of the benefit structure.

Blanketing in: Approves.

THE POSITIONS OF ORGANIZATIONS BY MAJOR SUBJECTS WITH RESPECT TO H. R. 7199

Extension of coverage

Approves in general—

American Association of Nurserymen.
American Association of Social Workers.
American Federation of Labor.
(A. F. of L.) Hotel & Restaurant Employees & Bartenders International Union.
American Home Economics Association.
American Life Convention (and Life Insurance Association of America).
American Public Welfare Association.
Americans for Democratic Action.
Chamber of Commerce of the United States.
Commerce and Industry Association of New York, Inc.
Commonwealth of Pennsylvania.
Congress of Industrial Organizations.
Council of State Chambers of Commerce.
Limited Price Variety Stores Association.
National Association of Housing and Redevelopment Officials.
National Association of Life Underwriters
National Association of State Universities.
National Conference of Catholic Charities.
National Congress of Colored Parents and Teachers.
National Consumers League.
National Council of Jewish Women.
National Council of Salesmen's Organizations, Inc.
National Old Age Pensions, Inc.
National Pension Federation, Inc.
National Retail Dry Goods Association.
National Society of Professional Engineers.
Spokesmen for Children.
United Church Women.
Young Women's Christian Association.
Linton, M. A.

Opposes in general—

Conference of State Manufacturers' Associations.
National Association of Manufacturers.

Extension of coverage—Continued

Approves for—

State and local government employees:

American Association of University Professors: Approves coverage for State and local government employees as provided in H. R. 7199

American Council on Education: Approves extension to publicly controlled institutions on a voluntary basis without eliminating existing retirement systems.

American Federation of State, County, and Municipal Employees (A. F. of L.): Approves extension to State and local employees, providing two-thirds of those voting favor coverage.

American Federation of Teachers: Approves extension to teachers in schools as State or local employees. Endorses statement of congressional intent that benefit rights of State and local employees under existing systems be not impaired as a result of coverage by OASI. Recommends that "a substantial majority of those voting" shall vote in favor of inclusion. Supports the general endorsement by the American Federation of Labor.

American Municipal Association: Approves extension to State and local government employees, "without hampering restrictions" in the Federal law.

American Nurses' Association: Approves provisions relating to employees of State and local governments and others under State and local retirement systems.

Conference of State Social Security Administrators: Approves extension to public employees who are participating in their own retirement programs.

Connecticut State Employees Association: Recommends coverage be extended to public employees only after a favorable vote of two-thirds of those eligible. Such coverage should be extended only if assurance is given that there will be no impairment of existing retirement rights.

Council of State Employees of New Jersey: If coverage is extended to public employees, prefers that there be no referendum. However, should this feature be retained in the bill, recommends that an affirmative vote of a simple majority of those voting be required.

Joint Committee of Public Employees Organizations: Approves extension to public employees under retirement programs providing two-thirds of eligible voters approve

Extension of coverage—Continued

Approves for—Continued.

State and local government employees—Continued.

Massachusetts State Engineers' Association, Inc.: Recommends the inclusion of a statement of policy that social security be made available to public employees not covered by a retirement system or not adequately covered. Favors a referendum involving two-thirds of the eligible voters.

Municipal Finance Officers Association: Recommends extension to public employees providing two-thirds of those eligible approve.

National Conference on Public Employees Retirement Systems: Approves coverage for public employees providing the referendum requires a favorable vote by two-thirds of those eligible under existing retirement systems.

National Education Association: Approves coverage of public employees covered by existing retirement programs providing there is a favorable vote by two-thirds of the eligible members and also a statement of congressional intent that retirement rights of such individuals not be impaired or reduced by virtue of OASI coverage.

Philadelphia Teachers Association: Recommends that a favorable vote of two-thirds of those eligible be required.

Opposes for—

State and local government employees:

Committee of Associated Pension Funds of New Jersey: Opposes extension to public employees who are members of or eligible for membership in any State, county, or municipal pension or retirement program.

Policemen and firemen:

American Federation of State, County and Municipal Employees (A. F. of L.): Approves the exclusion of firemen and policemen.

American Municipal Association: In the light of experience in Wisconsin, questions the specific exclusion of firemen and policemen.

Commerce and Industry Association of New York, Inc.: Opposes exclusion of firemen and policemen if all other State and local government employees are to have an opportunity for coverage.

Fraternal Order of Police: Recommends that policemen now protected by a retirement system shall not be covered under OASI.

Extension of coverage—Continued

Opposes for—Continued

Policemen and firemen—Continued

International Association of Fire Fighters (A. F. of L.): Approves the exclusion of firemen from coverage.

Law Enforcement Officers of North Carolina: Recommends that social security be extended to policemen in North Carolina if and when the local governmental bodies enter into an agreement for social security coverage for other employees of a municipality.

National Conference of Police Associations: Approves in general the exclusion of policemen but would like to see the opportunity provided whereby law-enforcement officers without retirement programs could have OASI coverage.

Accountants:

National Society of Public Accountants: On basis of a poll of all members, the society approves extension of coverage to public accountants.

Architects:

American Institute of Architects: 60 percent approved inclusion of self-employed architects. Suggested that the referendum procedure provided in the bill for State and local government employees be offered in case of self-employed architects to determine the consensus of those in this profession.

Dentists:

American Dental Association: Opposes extension of coverage to self-employed members of the dental profession.

Engineers:

Engineers Joint Council: Opposes compulsory coverage of self-employed professional engineers, and recommends that coverage be on a voluntary basis.

National Society of Professional Engineers: About 55 percent of the members who are self-employed professionals oppose compulsory coverage and about 45 percent would accept it.

Farmers:

American Poultry and Hatchery Federation: Recommends inclusion of all self-employed and all full-time employees regardless of occupation.

National Farmers Union: Favors extension to all farm operators and hired farmhands not now covered.

National Grange: Approves extension to farmers and farm operators and hired hands not now covered.

Extension of coverage—Continued

Opposes for—Continued

Lawyers:

National Lawyers Guild: Favors extension to self-employed professionals in general.

Ministers:

Christian Science Church: Recommends that Christian Science practitioners be classified as self-employed ministers of religion and that such practitioners be covered on a voluntary basis as self-employed.

Church Pensions Conference: Recommends coverage for ministers on a voluntary basis.

National Council of the Churches of Christ: Approves extension to ministers provided it can be done on a voluntary basis.

Southern Baptist Convention: Recommends extension to ministers on a voluntary basis, with ministers defined as self-employed.

Physicians:

American Medical Association: Opposes extension of coverage to self-employed physicians.

Physicians Forum, Inc.: Favors extension to self-employed physicians.

Veterinarians:

American Veterinary Medical Association: Opposes compulsory coverage of veterinarians and recommends the opportunity be provided for individuals to be covered on a voluntary basis.

Wage base

Approves H. R. 7199—
American Association of Social Workers.
American Federation of Labor.
American Nurses Association.
American Public Welfare Association.
Commonwealth of Pennsylvania.
Council of State Employees of New Jersey.
National Old Age Pensions, Inc.
National Society of Public Accountants.
Spokesmen for Children.

Opposes increase of—
American Association of Nurserymen.
American Life Convention (and Life Insurance Association of America).
Commerce and Industry Association of New York, Inc.
Conference of State Manufacturers' Association.
Council of State Chambers of Commerce.
Limited Price Variety Stores Association.
National Association of Manufacturers.

Wage base—Continued

Recommends increase above $4,200—
American Association of Social Workers.
American Federation of Labor.
Americans for Democratic Action.
Congress of Industrial Organizations.
National Consumers League.

Doubts wisdom of raising—
Linton, M. A. .

Retirement test

Approves liberalization of—
American Association of Social Workers.
American Federation of Labor
American Nurses Association.
American Public Welfare Association.
Commerce and Industry Association of New York, Inc.
Council of State Chambers of Congress
National Association of Life Underwriters.
National Consumers League.
National Grange
National Lawyers Guild.
National Old Age Pensions, Inc.
National Society of Public Accountants.
Spokesmen for Children.

Special position on—

American Legion: Approves the freezing of wage credits where the individual suffers extended disability.

American Life Convention (and Life Insurance Association of America): Recommends $900 annual ceiling on permissible earnings.

American Nurses Association: Approves the qualifying age for women lowered to 60.

Conference of State Manufacturers' Associations: Opposes, but recommends some mechanism of coordinating benefit reductions with amount of earnings in excess of $75.

Congress of Industrial Organizations: Recommends $1,200 annual earnings' limitation for full benefit receipt. Favors benefits calculated on 10 best years of earnings.

Engineers Joint Council: Favors increases in benefits on retirement to those who work past 65. Recommends reduction from 75 to 70 of the age at which a person can make unlimited earnings and receive benefits.

National Association of Manufacturers: Opposes.

National Council of Salesmen's Organizations, Inc.: Recommends it be abolished.

National Lawyers Guild: Suggests that the increase in permissible earnings is not sufficient.

Retirement test—Continued

Special position on—Continued

National Pension Federation, Inc.: Recommends abolishment.

National Society of Public Accountants: Recommends further increases in the maximum permissible earnings.

Linton, M. A.: Approves but believes a method can be devised whereby benefit deductions can be graduated with earnings in excess of retirement test ceiling.

4-year dropout

Approves—

American Association of Social Workers.
American Federation of Labor.
American Life Convention (and Life Insurance Association of America).
American Nurses Association.
Commerce and Industry Association of New York, Inc.
Limited Price Variety Stores Association.
National Association of Life Underwriters.
National Consumers League.
National Grange.
National Old Age Pensions, Inc.
National Pension Federation, Inc.
Spokesmen for Children.

Special position on—

American Medical Association. (See position under "Disability freeze.")
Conference of State Manufacturers' Associations: Opposes this provision in case of workers with relatively short time coverage but accepts the idea in principle for those with a number of years of coverage.
National Association of Manufacturers: Opposes.
Linton, M. A.: Apparently approves.

Liberalized benefits

Approves of—

American Association of Social Workers.
American Federation of Labor.
American Home Economics Association.
American Nurses Association.
American Public Welfare Association.
Americans for Democratic Action.
National Conference of Catholic Charities.
National Congress of Colored Parents and Teachers.
National Consumers League.
National Council of Jewish Women.
National Lawyers Guild.
National Society of Public Accountants.
Spokesmen for Children.
United Church Women.
Young Women's Christian Association.

Liberalized benefits—Continued

Special position on—

American Federation of Labor: Recommends more liberal benefits, and the 1 percent annual increment to age 65 and 2 percent beyond 65.

American Life Convention (and Life Insurance Association of America): Opposes in principle benefit increases at the upper range of the covered wage scale.

Chamber of Commerce of the United States: Recommends raising the minimum to $30.

Commerce and Industry Association of New York, Inc.: Recommends increasing the minimum only.

Conference of State Manufacturers' Association: Opposes increases at this time until further study can be made.

Congress of Industrial Organizations: Recommends benefit increases above those provided in H. R. 7199 with a $35 minimum and a family maximum of $200. Moreover, would add one-half percent annual increment for years of coverage prior to age 65 and 2 percent for years after 65.

Council of State Chambers of Commerce: Recommends benefits be increased in the lower part of the benefit range.

Limited Price Variety Stores Association: Opposes until more careful study can be made with respect to the country's ability to pay higher benefits.

National Association of Life Underwriters: Opposes. Moreover, recommends the elimination of lump-sum death benefits. Recommends that OASI benefits be declared taxable income.

National Association of Manufacturers: Opposes.

National Congress of Colored Parents and Teachers: Recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

National Consumers League: Recommends 1 percent annual increment factor; also recommends lowering age from 65 to 60 for women.

National Council of Jewish Women: Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

National Council of Salesmen's Organizations, Inc.: Recommends benefits be computed on basis of 10 best years.

National Grange: Questions the wisdom of increasing benefits further until the OASI tax "is raised to the actual level necessary to cover it. Only then will we know if the people are willing to pay the taxes necessary to sustain the benefits."

Liberalized benefits—Continued

Special position on—Continued

National Lawyers Guild: Suggests that it is not adequate. Recommends increasing benefits equal approximately to the present income to the trust fund.

National Old Age Pensions, Inc.: Recommends substitution of a universal pension financed by a 2-percent tax on all transactions.

National Pension Federation, Inc.: Recommends substituting the national old-age pension.

United Church Women: Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

Young Women's Christian Association: Further recommends that a formula be developed automatically adjusting benefits with rises in cost of living.

Linton, M. A.: Recommends an increase at the lower range of the benefit structure.

Disability freeze

Approves of—

American Association of Social Workers.
American Federation of Labor.
American Legion.
American Public Welfare Association.
Americans for Democratic Action.
Commonwealth of Pennsylvania.
Conference of State Manufacturers' Associations (if individual has 40 quarters of coverage).
Congress of Industrial Organizations.
Council of State Employees of New Jersey.
Limited Price Variety Stores Association.
National Consumers League.
National Council of Salesmen's Organizations, Inc.

Special position on—

American Life Convention (and National Life Insurance Association of America: Recommends that the 4-year dropout, with a further lengthening of that time, if necessary, be utilized to accomplish the maintenance of the covered wage record despite the periods of disability.

American Medical Association: Opposes.

Chamber of Commerce of the United States: Opposes and suggests as a substitute the development of a dropout arrangement.

Commerce and Industry Association of New York, Inc.: Opposes OASI dealing with disability in any manner.

Council of State Chambers of Commerce: Opposes.

National Association of Life Underwriters: Opposes.

Lump-sum payments

Opposes payment of—

American Life Convention (and Life Insurance Association of America): Recommends that this type of benefit be eliminated, or at least not increased further.

National Association of Life Underwriters: Recommends the elimination of lump-sum death benefits.

Financing

Recommends pay-as-you-go—

Commerce and Industry Association of New York, Inc.
National Association of Life Underwriters.
National Association of Manufacturers.
National Small Business Men's Association. (Further recommends a reduction in the tax rate to the 1953 level.)

Blanketing-in

Recommends—

Chamber of Commerce of the United States.
Council of State Chambers of Commerce.
National Conference of Catholic Charities.
National Retail Dry Goods Association.
Linton, M. A.

TECHNICAL OR UNUSUAL SITUATIONS

1. When the self-employed were covered by the amendments of 1950, the income earned in the year of death of the individual (and on which a social security tax was due and paid) was not included in determining the amount of survivor benefits. This was corrected for 1952 by the amendments of 1952. However, it was not made retroactive for the year 1951. In consequence, there are some survivors whose benefits have been determined without regard for the covered earnings in the year 1951.

It may be noted that self-employment income in year of death is not included in determining benefits, although the estate must pay social security taxes on that income.

2. We have received several letters of cases where persons eligible for primary benefits have retired with the closest relative being an aged brother or sister who has been dependent on the primary beneficiary for many years. It has been suggested that in those cases the dependent aged brother or sister be made eligible for dependent's or survivor's benefits.

3. Under the present law, American citizens who work for foreign governments in this country are specifically excluded from coverage. It has been suggested that coverage be extended to them on a self-employed basis.

4. H. R. 7199 specifically excludes policemen, but does make provision for coverage of public employees under a retirement program.

The State law of Indiana provides that fifth-class cities *shall* provide a pension fund for policemen. Apparently many fifth-class cities in the State have found it impracticable to set up a pension fund for so few employees.

It is suggested that some provision be put in the bill making it possible for policemen, not actively participating in a pension fund, to be covered by social security.

5. Congressman Harrison, of Virginia, suggests that provision be made whereby the FBI may, under certain conditions, obtain pertinent information from the Bureau of Old-Age and Survivors Insurance.

6. The specific definition of the word "employee," contained in the amendments of 1950 and designed to cover situations where individuals under common law were independent contractors, has apparently been ignored in some industries.

Our attention has been called to conditions in the bakery industry where many bakers have followed the common-law definition and have not paid social security taxes on behalf of certain individuals. As more time passes, the ultimate collection of these back taxes will work considerable hardship on many small baking concerns.

It is suggested that the rules of agency at common law again become the determining factor as to the employee status of these individuals. (See correspondence from Hon. R. Walter Riehlman, of New York.)

7. Prior to the amendments of 1950, many individuals filed claims for monthly benefits although they intended to continue working. Hence, the monthly benefits were suspended until the individual substantially retired. The amendments of 1950 initiated benefits to dependent husbands, and a 2-year period, beginning September 1, 1950, was provided in the law within which dependent husbands should file claims for their benefits in those cases where their wives had already filed their own claims for primary benefits.

Our attention has been called to a case where a wife filed her claim for benefits in February 1948, but continued working until March 1953, when primary monthly benefits were initiated. At that time, the husband also filed his claim for his benefits as a dependent spouse. This latter claim was rejected, since it was not filed within the 2 years beginning September 1, 1950.

It has been suggested that the 2-year filing period start with the time at which the primary beneficiary first receives a monthly benefit, rather than the time at which she filed a claim.

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[COMMITTEE PRINT]

FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SOCIAL SECURITY ACT, AS AMENDED

TITLE II

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

COMPARATIVE ANALYSIS OF PRESENT LAW AND PROPOSED CHANGES CONTAINED IN H. R. 7199

APRIL 27, 1954

Compiled by the Department of Health, Education, and Welfare and printed for the use of the Committee on Ways and Means

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COMPARISON OF PROVISIONS OF PRESENT LAW AND H. R. 7199

Item	Present law	H. R. 7199	Remarks
I. COVERAGE		All of the following coverage provisions are effective Jan. 1, 1955.	
A. Self-employed	Covers all self-employed for years in which they have net earnings from self-employment of $400 or more except:	Same as present law except:	
	(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certain public accountants.	(1) Covers professional groups now excluded.	
	(2) Farm operators.	(2) Covers farm operators on same basis as other self-employed persons, except that farmers whose annual gross earnings are $1,800 or less may report either their actual net earnings or 50 percent of their gross earnings; farmers whose annual gross earnings are over $1,800 may report either their actual net earnings or, if their actual net earnings are less than $900, they may report $900.	
	(3) Public officials, employee newsboys under age 18, and ministers.	(3) No change.	
	(4) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.	(4) No change.	
	(5) Certain gains and losses, such as sale of capital asset.	(5) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code.	
B. Employees in commerce and industry.	Covers all employees except:	Same as present law except:	
	(1) Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing.	(1) Covers all fishermen now excluded.	
	(2) Domestic service performed by students in local college clubs and fraternities.	(2) No change.	
	(3) Certain close relatives working for members of family.	(3) No change.	
	(4) Certain students, student nurses, and interns.	(4) Covers interns.	
	(5) Newsboys under 18.	(5) No change.	
	(6) Certain homeworkers who are not subject to State licensing laws.	(6) Homeworkers who are not subject to State licensing laws are covered on the same basis as those who are.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
I. COVERAGE—Continued			
C. Agricultural workers	Covers only those who are "regularly employed" by 1 employer and who receive cash wages of $50 or more in a calendar quarter from that employer. In general, after a farmworker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a fulltime basis for at least 60 days during the quarter.	Covers agricultural workers who are paid $50 or more in cash wages by an employer during a calendar quarter.	
	The following are specifically excluded from coverage:		
	(1) Mexican contract workers.	(1) No change.	
	(2) Workers in cotton ginning and gum naval stores.	(2) Workers in cotton ginning and gum naval stores covered as agricultural workers.	
	(3) Noncash remuneration for agricultural work.	(3) No change.	
D. Domestic workers in private homes.	Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least $50 in cash wages by that employer during a calendar quarter.	Covers all domestic workers in nonfarm homes who are paid $50 or more in cash wages by an employer during a calendar quarter.	
	Noncash remuneration is excluded.	No change.	
E. Work not in the course of the employer's trade or business.	Covers such work if the individual works for a single employer on at least 24 days and is paid at least $50 in cash wages by that employer during a calendar quarter.	Covers such work if the individual is paid $50 or more in cash wages by an employer during a calendar quarter.	
	Noncash remuneration is excluded.	No change.	
F. State and local government employees.	Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government.	Same as present law except:	
	Following employees are excluded:		
	(1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong.	(1) Makes coverage available, by means of Federal-State agreements, to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a vote is held among the active members of the system and at least ¾ of those voting vote in favor of coverage.	
	(2) Individuals employed on work relief projects.	(2) No change.	
	(3) Patients and inmates of institutions who perform work for such institutions.	(3) No change.	
	Employees of certain State and local transportation systems taken over from private ownership after 1936 are covered compulsorily (no Federal-State agreement necessary).	No change.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
I. COVERAGE—Continued			
F. State and local government employees—Continued	State entering into agreement cannot cover employees in most occupational groups which are specifically excluded by general coverage provisions of the law but has option of covering any agricultural workers and students who are in this category. State also has the option of covering or excluding employees in any class of elective position, part-time positions, and fee-basis positions, and emergency services.	No change.	
G. Employees of nonprofit organizations.	Covers employees of certain nonprofit organizations which file a certificate showing that the organization waives exemption from social-security tax and that at least ⅔ of employees have signed in favor of coverage, except that the following employees are specifically excluded from coverage:	Same as present law except:	
	(1) Ministers and members of religious orders.	(1) Covers ministers and those members of religious orders who are not required to take a vow of poverty, provided the employing organization elects coverage for clergymen and at least ⅔ of the employed clergymen sign a certificate indicating that they favor coverage. (Clergymen could not be covered unless the organization covers its lay employees also; separate certificates required for clergymen and lay employees.)	
	(2) Persons employed by the organization when coverage begins who do not sign the original, or a supplemental, certificate before the 1st wage report is due.	(2) Persons who were in the employ of the organization when coverage began but who did not sign the original, or a supplemental, certificate before the 1st wage report was due are covered for any quarter after they file a supplemental certificate.	
	(3) Employees of any organization exempt from income tax earning less than $50 in a calendar quarter.	(3) No change.	
H. Federal civilian employees.	Covers employees of the Federal Government and its instrumentalities who are not covered under a Federal staff retirement system, except certain elective officials, certain policymaking committee members and other numerically small categories of employees.	Same as present law except:	
	Among the small categories of employees who are excluded even though they are not covered by a Federal staff retirement system are temporary employees in the Post Office Department, employees of Federal home loan banks, and certain employees of Coast Guard exchanges.	Covers temporary employees in the field service of the Post Office Department, employees of Federal home loan banks, and certain employees of Coast Guard exchanges.	
I. Members of Armed Forces.	Not covered under the regular contributory provisions of the program but granted social security wage credits of $160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940–July 24, 1947) and for the postwar period (July 25, 1947–June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.	Same as present law.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
I. COVERAGE—Continued			
J. Railroad employees	Covered jointly under the railroad retirement and OASI programs.	Same as present law.	
K. Geographical scope	Covers persons within continental United States, Alaska, Hawaii, Puerto Rico, and Virgin Islands regardless of citizenship or residence except: (1) Nonresident aliens engaged in self-employment. (2) Employees of foreign governments and their instrumentalities. (3) Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.	Same as present law.	
	Coverage in other areas is limited to: (1) American citizens either self-employed or employed by an American employer (except on vessels and aircraft of foreign registry). (2) All persons employed on American vessels and aircraft.	Same as present law except: (1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry. (2) No change.	
II. CREDITABLE EARNINGS	All remuneration for services in covered work is covered except: (1) Earnings in excess of $3,600. (2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc. (3) Sick pay under certain circumstances. (4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.	Same as present law except that: (1) Earnings in excess of $4,200, rather than earnings in excess of $3,600 as in present law, are excluded, effective Jan. 1, 1955. (2) No change. (3) No change. (4) No change.	
III. INSURED STATUS			
A. Fully insured	1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.	No change (see sec. VII for preservation of benefit rights of permanently and totally disabled).	
B. Currently insured	6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments).	No change.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
III. INSURED STATUS—Con.			
C. Quarter of coverage defined	(1) Quarter in which individual received at least $50 in wages or was credited with at least $100 of self-employment income.	(1) Same as present law.	
	(2) Each quarter in any calendar year in which wages are $3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal $3,600.	(2) After 1954, each quarter in any calendar year in which wages are $4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal $4,200.	
	(3) No quarter counted as quarter of coverage before it begins, or after the quarter of death.	(3) Same as present law.	
IV. BENEFIT CATEGORIES			
A. Old age	Payable at age 65 to fully insured individual.	No change.	
B. Wife	Payable to wife of old-age beneficiary if at least age 65 or has in her care a child entitled to benefits on her husband's record.	No change.	
C. Husband	Payable to husband of old-age beneficiary at age 65 if wife currently insured at time of her entitlement and she was furnishing half his support.	No change.	
D. Child	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured, if child deemed dependent on such person.	No change.	
E. Widow	Payable at age 65 to widow of fully insured worker.	No change.	
F. Widower	Payable at age 65 to widower of woman who died both fully and currently insured, if she was furnishing at least half his support.	No change.	
G. Mother	Payable to widow or former wife divorced of worker who died either fully or currently insured, if she has in her care an entitled child of the worker. Former wife divorced must have been receiving half her support from deceased pursuant to court order or agreement, and the child must be her child entitled to benefits on the former husband's wage record.	No change.	
H. Parent	Payable at age 65 to parent of deceased fully insured worker, if worker had furnished ½ parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.	
I. Lump sum	Payable on death of fully or currently insured worker to widow or widower living with the worker at the time of his death, or if no such spouse survives, as reimbursement for funeral expenses.	No change.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
V. BENEFIT AMOUNTS			
A. Benefit formula	An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than one method is applicable, the one yielding the higher benefit amount will be used.	After the close of the month following the month of enactment, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than one method is applicable, the one yielding the highest benefit amount will be used.	
	(1) 55 percent of the 1st $100 of AMW plus 15 percent of the next $200, based on AMW after 1950, or after age 22, if later. (Formula provided by 1952 amendments.)	(1) 55 percent of the first $110 of AMW plus 20 percent of the next $240, based on AMW after 1950, or after age 22, if later.	
	Condition: 6 quarters of coverage after 1950.	*Conditions:* (*a*) 6 quarters of coverage after June 1953, or (*b*) 1st eligible for OAIB after effective date, or dies after effective date and before eligible for OAIB, provided he has 6 quarters of coverage after 1950.	
	(2) 1939 benefit formula (40 percent of 1st $50 of AMW plus 10 percent of next $200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on AMW after 1936). The amount obtained is increased by the conversion table in present law. See C below.	(2) (*a*) 1952 benefit formula (see present law (1)) with benefit amount increased through conversion table in the bill. *Condition:* 6 quarters of coverage after 1950. (*b*) 1939 benefit formula (see present law (2)) with benefit amount increased through conversion table in the bill.	
B. Drop-out of low years	No provision	In computing AMW under A (1) and A (2) (b), above, up to 4 years of lowest (or no) earnings may be dropped. To be eligible for a drop-out under A (2) (b) must meet conditions specified in A (1) (b) above, except the one relating to 6 quarters of coverage after 1950. The drop-out provision is also applicable to benefit recomputations under certain circumstances after the effective date. If any years of low earnings are dropped, at least 2 years must be used in the computation.	
C. On rolls prior to effective date.	(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:	(1) Retired workers on the rolls prior to the effective date of the bill, whether their primary insurance amount was computed by the benefit formula in present law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
V. BENEFIT AMOUNTS—Con.			
C. On rolls prior to effective date—Continued	If primary insurance benefit under 1939 law was— / The present primary insurance amount is— $10 — $25.00 $15 — $35.00 $20 — $42.00 $25 — $52.40 $30 — $60.80 $35 — $66.60 $40 — $72.00 $45 or over — $77.10	If present primary insurance amount is— / New primary insurance amount would be— $25.00 — $30.00 $35.00 — $40.00 $42.00 — $47.00 $52.40 — $57.40 $60.80 — $66.30 $66.60 — $73.90 $72.00 — $81.10 $77.10 — $88.50 $81.00 — $93.10 $85.00 — $98.50	
	(2) Dependents given proportionate increases, subject to family maximum provisions.	(2) Dependents given proportionate increases, subject to family maximum provisions.	
D. Minimum primary insurance amount.	$25	$30, after month following month of enactment.	
E. Maximum family benefits	(1) The maximum amount payable on a single wage record is the lesser of $168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below $45.	(1) Effective after the last day of the month following month of enactment, the absolute dollar maximum is raised to $190, and the amount below which the 80-percent limitation cannot reduce total family benefits is raised to $50.	
	(2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.	(2) Same as present law.	
F. Dependents' and survivors' benefits.	(Subject to maximum limitations on total family benefits).	(Subject to maximum limitations on total family benefits).	
1. Wife or husband of old-age beneficiary.	½ of primary insurance amount.	Same as present law.	
2. Child of living old-age beneficiary.	½ of primary insurance amount.	Same as present law.	
3. Widow, widower, former wife divorced, or parent of deceased insured person.	¾ of primary insurance amount.	Same as present law.	
4. Child of deceased insured person.	If only 1 child is entitled, ¾ of primary insurance amount. If more than 1 child entitled, each child gets ½ of primary insurance amount plus an equal share in an additional ¼ of primary insurance amount.	Same as present law.	
5. Lump-sum death payment.	3 times the primary insurance amount.	Same as present law.	
VI. RETIREMENT TEST			
	1. Applies only to covered work.	1. Applies to noncovered as well as to covered work.	
	2. *Separate tests for employed and self-employed persons.* (a) *Employed persons* No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than $75 in *covered* employment. Penalties imposed for failure to report wages of more than $75 prior to accepting a benefit for the second month following the month in which the earnings occurred.	2. *Same annual test of earnings for both employed and self-employed persons.* 1 month's benefit withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of $80 (or fraction thereof) by which annual earnings from *both covered and noncovered employment and self-employment* exceed $1,000. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of $80 nor rendered substantial services in a trade or business.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
VI. RETIREMENT TEST—Con.	2. *Separate tests for employed and self-employed persons*—Continued (b) *Self-employed persons* 1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of $75 (or fraction thereof) by which annual *covered* net earnings exceed $900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business. Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year. Individuals required to file annual reports of net earnings from self-employment in excess of $75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports. Estimates of net earnings (and other information) may be requested from the beneficiary during the course of the year. Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.	2. *Same annual test of earnings for both employed and self-employed*—Con. Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year. Individuals required to file annual reports of earnings under circumstances similar to those now applicable to the self-employed. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause." Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year. Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply. These provisions effective for taxable years beginning after 1954.	
	3. *No test for noncovered work outside the United States.*	3. *Test for noncovered work outside the United States.* Deductions made from the benefits for any month in which a beneficiary under age 75 engages in a noncovered remunerative activity (whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record. Penalty provisions apply to failure to make timely reports of work on 7 or more days, unless the failure to report on time was due to "good cause." Provisions effective for months after December 1954.	
	4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.	4. Same as present law.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
VII. DISABILITY "FREEZE"			
A. Effect of provision	No provision [NOTE.—An inoperative provision similar to disability freeze in H. R. 7199 was included in sec. 3 of Public Law 590, Social Security Act amendments of 1952.]	When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family. The "4-year drop-out" provision will apply after a period of disability has been excluded from consideration.	
B. Eligibility requirements		(1) An individual must have a physical or mental impairment which can be expected to be of long-continued and indefinite duration or to result in death. The impairment must be medically determinable and must preclude the disabled person from engaging in any substantially gainful work. An individual is disabled, within the meaning of the law, if he is blind as that term is defined. (2) A period of disability cannot exist unless it has lasted at least 6 full calendar months. (3) An individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins. (4) He must be alive and still disabled at the time application for a period of disability is filed.	
C. Effective dates		(1) Apr. 1, 1955, is the 1st day on which a disability "freeze" application may be accepted. (2) July 1955 is the 1st month for which an individual can be paid a benefit computed with the exclusion of a period of disability. (3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the coverage requirements described in B (3). (4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year.	
D. Disability determinations		(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability. (2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements.	

Comparison of provisions of present law and H. R. 7199—Continued

Item	Present law	H. R. 7199	Remarks
VII. DISABILITY "FREEZE"—Con.			
D. Disability determinations—Continued.		(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency. (4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law.	
E. Administrative expenses		Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations.	
F. Rehabilitation		The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services.	
VIII. FINANCING			
A. Maximum taxable amount.	$3,600 a year.	$4,200 a year after 1954.	
B. Tax rates.	Years: 1951–53: Employee 1½%, Employer 1½%, Self-employed 2¼%; 1954–59: 2, 2, 3; 1960–64: 2½, 2½, 3¾; 1965–69: 3, 3, 4½; 1970 and thereafter: 3¼, 3¼, 4⅞	Years: 1951–53: Same as present law; 1954–59: Same as present law; 1960–64: Same as present law; 1965–69: Same as present law; 1970 and thereafter: Employee 3¼%, Employer 3¼%, Self-employed 5¼%	

GPO 861-630

FOR IMMEDIATE RELEASE
MAY 20, 1954

FROM THE OFFICE OF THE
COMMITTEE ON WAYS AND MEANS
1102 New House Office Bldg.

Chairman Daniel A. Reed (R.-N.Y.) of the House Committee on Ways and Means today announced that the Committee continued its work on the provisions of H. R. 7199, which would expand OASI coverage to millions of employed and self-employed persons who under present law are denied the opportunity to obtain OASI coverage.

The Committee tentatively agreed to extend coverage to the following groups:

1. Fishing and Related Service -- Under present law persons engaged in fishing and similar activities are excluded from OASI coverage unless their services are performed in connection with commercial salmon or halibut fishing or on a vessel of more than ten net tons. The Committee adopted a provision which would repeal this exclusion and cover employment in fishing and similar activities generally. It is expected that this provision will extend OASI coverage to approximately 30,000 persons.

2. Homeworkers -- Present law covers individuals performing service for remuneration for any person working as a homeworker according to specifications and on materials furnished by such person only if the performance of such services is subject to state licensing laws. There are 15 states that have such licensing requirements. The Committee adopted a provision which would cover homeworkers in all states equally regardless of the existence or absence of a licensing requirement.

3. Farmers -- Present law provides for the exclusion from the definition of "net earnings from self-employment" for purposes of coverage under OASI, income derived from any trade or business which if carried on in an employee capacity, would constitute agricultural labor. This exclusion is repealed under the proposal adopted by the Committee and a new provision adopted which covers farm operators on the same basis as other self-employed persons, except that farmers whose annual gross earnings are $1800 or less may report either their actual earnings or 50% of their gross earnings. Farmers whose annual gross earnings are over $1800 may report either their actual net earnings or if these earnings are less than $900, they may report $900. This provision will extend OASI coverage to 3.6 million persons.

(more)

4. Professional Self-employed -- Present law now excludes from OASI coverage certain designated professions when practiced in a self-employed capacity; viz.: physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer. The Committee adopted a provision repealing this exclusion thereby covering the self-employment income derived from the practice of these professions. The Committee also approved the extension of OASI coverage to self-employed ministers. Previous action had been taken to extend coverage to employed ministers on an elective basis. This provision will extend OASI coverage to approximately 500,000 persons.

5. Internes and Student Nurses -- Present law excludes from employment covered under old-age and survivors insurance service performed by a student nurse or by an interne. The Committee approved a provision which would repeal the exclusion and bring such employment under OASI coverage. It is expected that this provision will extend coverage to approximately 25,000 persons.

6. Employees Covered by State or Local Retirement Systems -- Under existing law, State or local governmental employment which is not under an existing retirement system can be covered through voluntary agreement between the respective states and the Secretary of Health, Education and Welfare. Public employees who are covered by a State or local retirement system are in most cases mandatorily excluded from OASI coverage. The Committee adopted a provision to permit service performed in positions covered by a State or local retirement system to be included in the OASI program under prescribed conditions. As a prerequisite to such coverage an agreement must be executed between a state and the Secretary of Health, Education and Welfare. The employees affected must also through a referendum by two-thirds vote, with a majority of those eligible voting, express a desire for such coverage. The Committee action would give policemen and firemen an opportunity of electing this extension of coverage option. These changes approved by the Committee will have the general effect of providing that after enactment of the bill individuals in positions subject to a State or local retirement system can be covered if the State consents to such coverage and if the members of the State or local system vote, as prescribed in favor of coverage. The Committee also adopted a proposal granting coverage to persons employed in positions covered by a retirement system, who, because of age of entering employment or some other reason, are ineligible to be members of such system. The State would have to consent to such coverage before it became effective. This provision is expected to add an additional 3,500,000 persons to the coverage of the system if all those eligible to elect coverage actually do so.

My Social-Security Proposals

EXTENSION OF REMARKS
OF

HON. CARL T. CURTIS
OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 6, 1954

Mr. CURTIS of Nebraska. Mr. Speaker, today I have introduced a bill which represents my individual views for the improvement of social security. This proposal is H. R. 6863.

The following points represent the major items incorporated in this bill:

First. Coverage under title II of the Social Security Act—OASI—is extended to practically all occupations now excluded from coverage. This is along the line previously recommended by President Eisenhower. The coverage provisions of my bill are virtually identical with the bill introduced by Chairman Reed, H. R. 6812. Most people who have given any attention to social security are agreed that a national compulsory social security system cannot work with the greatest degree of success without universal coverage or nearly so. In addition to extending coverage to occupations now excluded from the act, it also makes coverage possible for State and local employees who are already covered by a retirement system, but with the exception of firemen and policemen.

Second. The eligibility requirements are liberalized in my bill. This is sometimes referred to as the $75 a month work clause. At the present time, if a beneficiary earns even a few cents more

than $75 in a given month, he loses all of the benefits for that month. I have placed this on an annual basis. This should be of great help to many people. If an OASI beneficiary has a chance to take seasonal work or to work for a few months and earn substantial wages, he can do so and he will not lose any benefits unless for the full year he exceeds the amount of permissible earnings. My bill also raises the amount of permissible earnings to $1,000 per year, but by placing it on an annual basis it is my belief that it will be much more workable and fair to a considerable number of people.

Third. At the present time there are over a million of our aged population who are eligible for benefits but are continuing to work. The reasons for their not asking for the benefits and for continuing to work may be many and varied. My proposal would remove the social security taxes on the earnings of all people after they reach the age of 66 if they have 40 quarters of coverage. The individual who declines the benefits and continues to work saves the system considerable money and it is certainly fair that if he has paid for 40 quarters that he be relieved from continuing to pay the social security tax.

Fourth. The bill that I am today introducing calls for a raise of the minimum benefit to $45 per month. At the present time the minimum benefit is $25. This will bring a raise in benefits to more than one-third of the present beneficiaries who are now receiving the very low benefits. This is a social program designed to meet a social need and the present minimum benefit is inadequate for that purpose.

Fifth. This bill also provides that the benefit paid to a widow or widower will not be less than the minimum primary benefit; to wit, $45 per month. At the present time a widow only receives three-fourths the amount of the husband's primary benefit. With the present very low primary benefit, three-fourths of that amount is an extremely small allowance. My bill says that the widow's or widower's benefit shall not be less than $45 per month.

Sixth. My bill also carries a provision that will eliminate a great many of the abuses in the payment of benefits to individuals living in foreign countries. Under the present law it is possible for individuals who are not our citizens—who in fact may never have been in the United States—to receive social-security benefits for years and years. In the calendar year 1952, the payments of social-security benefits to individuals residing in foreign lands were greater than the payments of social-security benefits to the people in any one of the following States: Arizona, Delaware, Idaho, Montana, Nevada, New Mexico, North Dakota, South Dakota, Utah, Vermont, Wyoming, and Mississippi.

There are situations where as a matter of fairness and equity an individual should draw his benefits even though he leaves the United States. I have not sought to disturb those.

Seventh. My bill would make the survivor benefits available now to fatherless children and their mothers where the father died without having become eligible for the survivor benefits. The manner of doing this and the reasons for it will be discussed in connection with the provision that follows:

Eighth. My proposal would make it possible to extend title II benefits—OASI—now to approximately 5 million more of the Nation's retired aged.

The 5 million aged people to whom I propose payment of the minimum OASI benefit are individuals of advanced age who as a class have been unable to qualify under the new-start provisions of the 1950 amendments to the social-security law. Much of the criticism against this proposal has arisen from a lack of information as to how the present system is working. These criticisms are erroneously based on the belief that the present system is one where an individual pays for his own benefits and that every individual who has a social-security card is buying and paying for his benefit or is laying up savings in the program.

The fact is that under the present law an individual can qualify for minimum benefits by paying as little as $4.50 taxes. But, lest I be charged with talking about the exceptional case, let us consider the individual who has paid the maximum tax. An individual who has paid the maximum tax since the act became effective in 1937 and who retires this year could not have paid more than $543 in social-security taxes throughout the period. Such an individual would draw the maximum benefit; and if his wife was likewise 65, together they would draw $127.50 per month, which is paid to them as a matter of right, regardless of their need or other income. At age 65 the life expectancy of a man is 12 years and that of his wife is 14 years. In other words, these benefits will total approximately $18,000.

Many individuals have already qualified for the maximum benefit above referred to for the payment of only $81 in taxes.

In other words, the system that we have now, in truth and in fact, provides that nearly all of the benefit that an aged person receives is paid from the current social-security taxes of the people now working.

The payment of benefits to substantially all of the retired aged now is in line with the previous amendments to the social-security law. The 1939 amendments moved up the effective date as to when individuals could draw benefits. The 1950 amendments did the same thing. The 1950 amendments had the provision referred to as the "new starts."

The adoption by Congress of the new-start provision was the first step toward the extension of OASI benefits to all the retired aged. When the 1950 act was written Congress made social-security benefits available to many people who were already aged. They accomplished this by shortening the time in which these old people would have to work under social security and pay social-security taxes to qualify for benefits. This is what the term "new starts" means. These new-start provisions which became law in 1950 made it possible for older people to qualify not only for benefits but for the maximum benefits by working in covered employment for as little as 6 quarters or 1½ years.

The people that I am talking about today are by and large the people who because of age or physical condition were unable to take advantage of the new-start provisions of the 1950 act. Had they been able to do so they would now be drawing benefits. But they would not have paid for their benefits, they would have made a mere token payment.

The partisan obstructionists who now scream at my proposal and raise the cry that it is unfair and unsound were silent in 1950—likewise for partisan reasons.

The late Senator Taft recognized the true nature of the present system and the effect of the 1950 amendments. In speaking on those amendments on June 14, 1950, Mr. Taft said:

> In the long run we have to recognize that the only way to pay those sums is for the people who are working at the time to pay the benefits for the people who are not working. There is no other way to do it.

In the course of that debate Senator SMITH of New Jersey asked Senator Taft the following question:

> Mr. SMITH. Is the Senator proposing that hereafter those presently working will be taxed to pay benefits to those who are 65 and over, but at the same time those presently working will not be contributing to their own retirement benefits?
>
> Mr. TAFT. That is correct. I would favor a universal old-age pension system. At the same time, we might just as well recognize what we are doing. In the old days children were supposed to take care of their parents. That was sometimes done, and sometimes it was not done. Sometimes there were no children to assume the responsibility. For that system we should substitute a system under which all the people under 65 are undertaking to say they will pay old-age pensions to everyone over 65, hoping that when they reach the age of 65 the people who are at that time working will assume the same obligation.

Mr. Taft went on to say:

> What I want to point out is that this bill already has gone far toward recognizing the principle of paying to those over 65 years of age a pension, with little relation to what they paid in during their life. In other words, it is no longer insurance. It is something called social insurance. It is not insurance, and, at least up to date, this system has not been very social either, because it has covered only a very small portion of the total number of people who are over 65 years of age.

Senator Taft further said:

> In other words, we are recognizing in this bill that we have an obligation to pay old-age pensions to people who are old. Simply because they are old and not because they paid money into the fund.

Senator Taft in specifically referring tc the new-start principle on that same day said:

> Under the new-start principle. a man who pays in practically nothing will get $70 a month. Why should we not give the man who does not pay in anything $70 a month, or at least $65 a month? As I see it, we have practically destroyed the theory of social insurance. All I regret is that we still use the name "insurance" when as a matter of fact there is no insurance about it.

The net effect of what I propose to do for the present retired aged is to give the minimum benefit to those retired aged who do not have a wage record which would entitle them to a benefit under existing law. The people who have a wage record and who have paid sufficient taxes would of course continue to get wage-related benefits up to the present maximum. It is interesting to note that this is substantially in line with what Senator Taft said in the debate in the other body on June 14, 1950, and I quote:

I personally, at the moment, should be inclined to favor a flat minimum and then have an increased benefit as people have paid taxes during their life or as they have earned money during the 10 years prior to the time they retired. Under that rule there would be some relation to the amount paid in. I think some relation should be recognized.

The method that I would use for giving an OASI benefit to the present retired aged who have an insufficient work record would be to make those aged eligible to apply for a benefit on a presumptive wage record which would give such an individual the minimum benefit. However, in order to hold down the cost of this provision and in order to prevent the sending of OASI checks to individuals of considerable income if they had never been in covered employment or paid any social-security tax, I would require an aged person who applies for the minimum benefit on the basis of a presumptive wage record to waive his extra personal exemption in the income-tax law. This provision of course would not apply to the individual who has established a wage record making him eligible for benefits.

There are many arguments pointing up the fairness and the equity of my proposal. First let us consider who these unprotected aged are. It is estimated that there are approximately 5.3 million additional aged persons who would draw a benefit under my proposal. More than half of these are widows. Some of them are in their 90's, some of them in their 80's, and many of them past 70. It is estimated that probably more than half of them are over 75 years of age. They were unable to qualify under the new-start provisions of the 1950 law. Had they been able to come under the 1950 law they could have, with the payment of as little as $4.50 tax, become eligible for a minimum benefit.

It must also be borne in mind that many of these people have paid some social-security taxes. Every Member of Congress has in his files letters from aged people who have paid social-security taxes but for one reason or another the quarters of coverage are not such as would make them eligible for benefits. No doubt many of these unprotected aged have paid considerable social-security tax as an employer in a small unincorporated business before self-employment was covered. There are, of course, many of them who have not paid any social-security tax. But we should not forget that many of them have paid and they may well have paid more in direct social-security taxes than others who are now drawing benefits. There are many cases of individuals who have paid considerable social-security taxes but technicalities in the law have prevented the payment of benefits to them or to their survivors. I want to quote from the testimony before the subcommittee studying social security:

COUNSEL. Suppose an individual had worked 24 quarters or 6 years, in covered employment, from January 1940 to January 1946 and died in January 1950, just before reaching age 65. Would his widow, upon reaching age 65, be eligible for an old-age benefit?

WITNESS. No. In the example you give he would not have met the insured status requirement in effect at the time he died. He would have been required to have 26 quarters of coverage, and he actually had 24.

COUNSEL. Suppose an individual with exactly the same wage record, that is, 24 quarters, or 6 years, in covered employment from January 1940 to January 1946, died in January 1951, just before reaching age 65. Would his widow upon reaching age 65 be eligible for an old-age benefit?

WITNESS. Yes. (Hearings, Nov. 20, 1953, p. 1163 of transcript.)

The critics of this proposal say they object to paying benefits where no tax has been paid or where there is no wage record. Can these people have forgotten what Congress has already done in the present social-security system?

When the 1950 law was passed the Congress raised the benefit schedule. Then in order to do justice and to carry out a social purpose they raised the benefits of the people who already had retired prior to the amendments of that year. These people who were already on the benefit rolls were given an additional benefit for which no taxes were paid. Some individuals received an additional benefit of as much as $30 a month for which no additional taxes were required. The total cost of these additional benefits for those already on the OASI rolls for which no added tax payments were required by the 1950 act is estimated at $5,460,000,000. A similar principle was followed by the Congress in 1952 and additional benefits were paid to those already on the rolls for which no added tax payments were required at a total estimated cost of $2,530,000,000.

Those who charge that my proposal to pay benefits to all the present retired aged is radical or is "a dishonest approach" either are totally ignorant as to what Congress has done in the past or they are deliberately attempting to mislead the public. I grant to anyone the right to disagree on what should or should not be done, but I suggest that we debate these things on their merits and not attempt to discredit proposals by smears and name calling.

Mr. Speaker, I submit that the payment of benefits to these 5 million aged people is an extension of the principle followed in previous amendments to the social-security law that permitted older people to become eligible upon the payment of a mere token tax. I submit that many of these people have already paid some social-security taxes and I further submit that in 1950 and in 1952, Congress did grant billions of dollars of additional benefits for which no added tax payments were required.

Mr. Speaker, from the standpoint of equity, fair play, and justice the Congress would be justified in extending the minimum benefit to these aged people who do not now receive a benefit. However, my proposal has a further important provision. It distinguishes it from any other proposal that has been made for blanketing in the unprotected retired aged. I provide for an additional source of revenue to the social security fund in lieu of the token taxes that these older people would have paid had they been able to qualify under the 1950 law.

Briefly, this added revenue would be obtained by applying the social-security tax at the employees' rate on the first $3,600 of income of all people regardless of its source. At the present time an individual who works for wages or is engaged in self-employment pays the social-security tax on his first $3,600. This would continue. But an individual whose sole income is from investments or rent or the like pays no direct social-security tax. My bill would require all individuals to pay the social-security tax, except those paying civil service and railroad retirement.

This added source of revenue will bring in a substantial amount to the social-security fund. It will be a continuing source of revenue. A fair and conservative estimate of it would be $200 million a year.

Mr. Speaker, if these 5.3 million aged to whom I propose the payment of a minimum benefit of $45 a month had qualified as "new starts" under the 1950 amendments at wage levels for 6 quarters sufficient to give them $45 monthly benefits, the combined employee and employer social-security taxes for them would have totaled $250 million. In other words, an amount equivalent to the total OASI taxes that would have been paid by these older people and by their employers under the new-start provisions will under my bill flow into the fund every 15 months.

Mr. Speaker, as the Congress proceeds to make social-security coverage universal, we are faced with our last good opportunity to make the program sound.

It is difficult for us to realize that the way to make OASI sound is to pay benefits to more of our aged now. This, however, is the way for us to act with responsibility. There is a reason why I say this. Most people are agreed that there is a limit as to how high benefits and taxes should go. Those who seek extremely high benefits can attain their goal while the number of beneficiaries is low because the cost isn't felt or realized. When the program begins to carry the full load of all the retired aged, then radical and extreme increases in benefits will be much less likely because we would be immediately faced with the increased expenditure of billions of dollars and the necessity for an immediate increase of the tax. It would minimize the present danger of hidden and delayed costs. It would put checks and balances in the system—checks and balances that do not now exist. Those who would propose radical and extremely high maximum benefits or the whole range of welfare-state benefits are opposed to assuming a realistic approach with reference to

our present retired aged. They are unwilling to take on the full load of the aged now—a load which they are expecting today's children to take on two decades hence.

My proposals will make for soundness now and in the future, and in addition, they will bring social-security benefits to approximately 6 million of our aged who are now denied those benefits.

August 21, 1953

Dear Mr. Curtis:

In your letter of July 6, 1953, you posed four questions which you requested be answered by the staff of this Department familiar with the policies and principles of old-age and survivors insurance and public assistance. The enclosed memorandum, prepared by staff, is submitted in answer to that request.

As you know, the President has already recommended extension of coverage under old-age and survivors insurance and we are and will be studying the extent to which other features of old-age and survivors insurance should be continued or modified. In addition, the Commission on Intergovernmental Relations recently established by the Congress will undoubtedly investigate the respective roles of the Federal, State, and local governments in the public assistance field and make appropriate recommendations with respect thereto.

As the result of these studies, investigations, and recommendations, and, of course, in the light of the information derived from the studies and investigations of your Subcommittee, we may well wish to recommend, and the Congress may choose to enact, changes (in addition to the already recommended extension of old-age and survivors insurance coverage) in the legislation governing these two programs.

Please do not hesitate to call on us for any further information you may desire.

Sincerely yours,

/S/ Oveta Culp Hobby

Secretary

Hon Carl T. Curtis
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington 25, D.C.

August 21, 1953

REPLIES TO QUESTIONS SUBMITTED BY THE

HON. CARL T. CURTIS

I. What Are the Basic Purposes and Fundamental Underlying Principles of Old-Age and Survivors Insurance, Old-Age Assistance, and Aid to Dependent Children?

A. Old-Age and Survivors Insurance

Basic Purpose

The basic purpose of old-age and survivors insurance is to provide a measure of protection against the risk of loss of earnings from retirement after age 65 or from death. The need for this protection arises because most individuals and family groups are primarily dependent on income from current work. An important objective, too, is to protect the interests of the country by helping to prevent widespread dependency, and thus to reduce the burden on general taxation of supporting persons who are in need. This is borne out by statements appearing in the "Final Report of the Advisory Council on Social Security," December 10, 1938, pages 9 and 13 (S. Doc. No. 4, 76th Cong.); S. Rep. No. 628, 74th Cong., page 7 (1935); H. Rep. No. 615, 74th Cong., page 5 (1935); and in the decision of the United States Supreme Court upholding the constitutionality of the original Social Security Act. Helvering v. Davis, 301 U.S. 619 (1937).

Fundamental Underlying Principles

The principles underlying the old-age and survivors insurance program are:

1. Ultimate inclusion, in so far as practicable and consistent with other considerations of public policy, of substantially all classes of gainfully employed individuals, whether they be employees or self-employed.

This principle is set forth in "A Report to the Senate Committee on Finance from the Advisory Council on Social Security" (S. Doc. No. 149 (1948) 80th Cong.) at page 6, as follows:

> "The basic protection afforded by the contributory social insurance system under the Social Security Act should be available to all who are dependent on income from work. The character of one's occupation should not force one to rely for basic protection on public assistance rather than insurance."

The principle of the inclusion of substantially all workers under the old-age and survivors insurance program likewise appears in "Issues in Social Security," a report to the Committee on Ways and Means by the Committee's social security technical staff in 1946. This report states (page 11):

> "Social insurance offers a protection generally regarded as more compatible with human dignity than relief based on need. Any person can readily appreciate the difference between receiving old-age and survivors insurance benefits, or unemployment-compensation benefits, based on prior earnings with respect to which contributions have been paid, and assistance based on an investigation of his needs. The eventual limits to the number of persons who will be protected under social insurance depend on (1) the extent to which administrative and other considerations permit extension to additional contributors and (2) the extent to which a philosophically justifiable approach can be evolved for including persons and dependents of persons who retire or die with little or no employment or contributions under the system."

This report further states (page 34):

> "As long as the coverage of OASI is limited, the eligibility requirements which are necessary because of the limited coverage will continue to give rise to anomalous and inequitable situations and to interfere

> with the attainment of the fullest social good possible under such a plan. The staff's study indicates that the only feasible method of eliminating such situations is a general extension of OASI coverage to employments now excluded, and that delay in this extension will result in greater rather than smaller problems in extending coverage.
>
> * * * * * * * * * * *
>
> "As has been indicated, the issues involved in removing the present exceptions to covered employment vary. In the case of agricultural labor, domestic service, and self-employment, the principal question is that of administrative feasibility; in the case of employment covered under the Railroad Retirement Act and the Civil Service Retirement Act, the principal issue is whether the needed protection cannot be achieved without extending OASI coverage; and in the case of charitable and religious employment and of employment for State and local governments, the principal issue has been that of imposing the social-security tax." (Some of these groups have since been covered under the Act in part.)

The Social Security Amendments of 1950 exemplify the application of this principle. These amendments extended coverage under the old-age and survivors insurance program to approximately 10 million additional individuals. See S. Rep. No. 1669, 81st Cong. (1950), page 5; H. Rep. No. 1300, 81st Cong. (1949), page 5. The Senate report (page 2) stated that to "keep assistance at a minimum in the future will *** require even further extension of coverage" than provided in the 1950 amendments, and both committees recommended further study with respect to groups still excluded.

In 1952 the Ways and Means Committee (H. Rep. No. 1944, page 2) recommended removal of the bar to coverage for certain persons who are under State and local retirement systems. While this provision was deleted in the Senate on the ground that there had not been sufficient time for full hearings on the matter, the Committee of Conference (H. Rep. No. 2491, 82d Cong., page 10) on the bill stressed that the deletion of the amendment was not intended in any way to imply that the inclusion of similar provisions in the law was not favored, it being "the intent of the conferees that the entire matter of the extension of Federal coverage to employees already covered by State and local retirement systems will be explored thoroughly early in 1953***". (For a recommendation to offer old-age and survivors insurance protection to approximately 10 1/2 million persons still excluded from coverage, see President Eisenhower's Message of August 1, 1953, (H. Doc. 225, 83d Cong.).)

2. Payment of benefits as a matter of enforceable legal right, in an amount fixed by law and related to prior earnings, without a means test, pursuant to objective statutory conditions of eligibility.

The payment of benefits related to prior earnings pursuant to objective and legally enforceable statutory conditions of eligibility, and without a means test, as a principle of

old-age and survivors insurance was reiterated by the Committee on Ways and Means in connection with the 1950 amendments to the Social Security Act, when the Committee recommended the continuance of the old-age and survivors insurance system as the basic method of preventing dependency. In its accompanying report (H. Rep. No. 1300, 81st Cong. (1949)), at page 2, the Committee stated:

> "Under social insurance, benefits are computed individually in each case, on the basis of earnings in covered employment. Because benefits are related to average earnings /of the insured worker/ and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased.
>
> "Because benefits under the insurance system are paid as a matter of right following cessation of substantial covered employment, the worker's dignity and independence are preserved.
>
> "Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encouraged to make private savings in order to supplement his social insurance benefits."

These statements were preceded by views to the same effect which had been expressed in "A Report to the Senate Committee on Finance from the Advisory Council on Social Security" (S. Doc. No. 149 (1948), 80th Cong.). The report at page 1 reads:

> "The Council favors as the foundation of the social security system the method of contributory social insurance with benefits related to prior earnings and awarded without a needs test. Differential benefits based on a work record are a reward for productive effort and are consistent with general economic incentives, while the knowledge that benefits will be paid--irrespective of whether the individual is in need--supports and stimulates his drive to add his personal savings to the basic security he has acquired through the insurance system. Under such a social insurance system, the individual earns a right to a benefit that is related to his contribution to production."

The foregoing were a reaffirmation of the same principle as previously stated by the House Ways and Means Committee in 1939 in its report accompanying the Social Security Act Amendments of 1939 (H. Rep. No. 728, 76th Cong.), which had stated at page 10:

> "Since the object of social insurance is to compensate for wage loss, it is imperative that benefits be reasonably related to the wages of the individual."

See also along the same line the final report of the Advisory Council on Social Security to the Senate Committee on Finance, December 10, 1938, S. Doc. No. 4, 76th Cong., page 11.

3. Financing of the benefits, on a contributory basis, by taxes collected from employers, employees and self-employed individuals, and by contributions under Federal-State agreements with respect to employees of States and local governmental units.

In 1948, the House of Representatives passed H. R. 6777. It was accompanied by a report of the Committee on Ways and Means (H. Rep. 2168, 80th Cong. (1948)), which contained the following statement (page 10):

> "Old-age and survivors benefit rights are acquired by a wage earner in covered employment through his own and the contributions made in his behalf by his employer. These contributions are generally referred to as payroll taxes. The amount of such contributions varies with the amount of wages received in specified occupations over a given period of time. This contributory principle is not found in other programs established under the Social Security Act, although a few States have required contributions from employed persons for unemployment compensation purposes. Your committee feels the preservation of this contributory principle is vital to an orderly and dignified system of social insurance designed to mitigate the effects of untimely death and loss of earning power in later years."

In discussing the proposed amendments to the Social Security Act subsequently enacted in 1950, the Committee on Ways and Means in its report (H. Rep. No. 1300, 81st Cong. (1949)) at page 2 said:

> "The time has come to reaffirm the basic principle that a contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system, in which both contributions and benefits are directly related to the individual's own productive efforts, prevents insecurity while preserving self-reliance and initiative."

It was further stated that the taxes paid should be sufficient to make the system self-supporting. The same report at page 31 reads as follows:

> "Your committee has very carefully considered the problems of cost in determining the benefit provisions recommended. Also your committee is firmly of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis. Accordingly, the bill eliminates the provision added in 1943 authorizing appropriations to the program from general revenues. At the same time, your committee has recommended a tax schedule which it believes will make the system self-supporting (or in other words, actuarially sound) as nearly as can be foreseen under present circumstances."

4. Affording proportionately greater protection for individuals with low earnings.

In framing the revised benefit formula contained in the Social Security Act Amendments of 1939, the Ways and Means Committee (H. Rep. No. 728, 76th Cong. (1939)) said at pages 13 and 14:

> "The proposed revision, while maintaining a reasonable relationship between past earnings and future benefits, provides proportionately greater protection for the low wage earner and the short-time wage earner than for those more favorably situated."

An identical statement was made by the Senate Committee on Finance, S. Rep. No. 734, 76th Cong. (1939), page 15.

This principle is further restated in S. Rep. No. 1669, 81st Cong. (1950) at pages 22 and 23, which reads:

> "The primary benefit is the amount payable to a retired insured worker and is also the amount used as a basis for determining supplementary benefits for his dependents or, in the event of his death, for his survivors. The benefit formula in the present Social Security Act provides a primary benefit representing 40 percent of the first $50 of average monthly wage and 10 percent of the next $200 of average monthly wage, the total then being increased by 1 percent for each year of coverage.

"This is a weighted formula designed to favor workers whose average wages are low."

5. Monthly benefits are, except in the case of beneficiaries 75 years or older, paid only to beneficiaries whose current earnings from work covered under the system do not exceed a limited amount. Where the insured worker (as a beneficiary) himself is denied benefits on this ground, benefits are likewise withheld from other beneficiaries whose benefits are based on his wage record.

In so far as benefit payments to living insured persons and their dependents are concerned, the purpose of the system, as noted at the outset, is to provide a measure of protection against the risk of loss of earnings from retirement after attainment of the age of 65 years. Hence, the original Social Security Act, which provided for monthly benefits only to qualified aged persons, denied benefits for any month in any part of which the individual, after attaining the age of 65, engaged in "regular employment" for which he had received wages. This provision, contained in the original bill, was reinserted in the Senate after its deletion in the House. The matter is explained in the Senate report (S. Rep. No. 628, 74th Cong.) as follows:

> "A further important change in the parts of this bill dealing with old-age security which we recommend is the amendment to section 202 of the effect that old-age benefits shall be paid only to employees over 65 years of age who are no longer regularly employed. This was provided in the original bill but as the measure comes to the Senate it permits payment of old-age benefits to workers who have reached age 65 but who still continue in regular employment. This is an anomaly which we believe should not be permitted. There is no need for payment of old-age benefits to employees who continue in employment. This feature of the House bill materially increases the costs and would have necessitated additional taxes in future years. The amendment we suggest to section 202 will prevent anyone from drawing an old-age benefit while regularly employed. This will reduce the costs under title II by many millions of dollars in the course of the decades."

In later amendments, beginning with 1939, this concept of "retirement" of the worker as a condition of receiving benefits was objectively expressed in terms of a limitation (now $75) upon earned income from covered work performed in any month. Since amendment of the law in 1939 to provide for survivors' benefits, this limitation has also been applied to work by beneficiaries other than the insured worker; moreover, earnings in excess of the limitation by the insured worker will result in loss of benefits for both him and other beneficiaries whose benefits are based on his wage record. For reasons stated below, since the enactment of the 1950 amendments no such income limitation is applied to insured workers or other beneficiaries who have attained the age of 75.

The principle and fiscal considerations involved are summarized in the report of the Ways and Means Committee on the 1952 amendments (H. Rep. No. 1944, 82nd Cong., page 5):

> "Payments to beneficiaries under 75 are designed as replacements for earnings lost through retirement or death and not as annuities payable to those who remain in full-time-work status. The objective of the retirement test should be to prevent the payment of benefits to a large number of persons working full time.
>
> "The removal of the test would be very expensive.
>
> "Under the present program the average age at which people first claim old-age-insurance benefits is 68 $\frac{1}{2}$ rather than 65. The contribution schedule which supports the program takes this into account. If there were no retirement test the long-run cost of the program would be increased by over 1 percent of payrolls; in 1953 alone it would cost the trust fund an additional billion dollars. This amount would be paid largely to people over 65 who are employed full time and who are no more in need of benefits than regularly employed people at younger ages.
>
> "Although it is not a desirable use of social insurance funds to pay benefits to persons employed full time, it is desirable to allow old-age beneficiaries and dependent and survivor beneficiaries to supplement their benefits with part-time work.***"

The considerations which gave rise to the exemption of beneficiaries 75 and over from the work income limitation are explained in the Committee's report on the 1950 amendments (H. Rep. No. 1300, 81st Cong., page 24):

> "There would be no limit upon the earnings of insured persons age 75 and over, or of their dependents age 75 and over, since comparatively few persons continue to work regularly at substantial wages after that age. This provision has particular significance for self-employed persons and others engaged in occupations in which retirement is customarily deferred to an advanced age."

6. As a transitional measure, adjustment of eligibility conditions and the computation of benefits for workers who are old when their occupational group is first brought under the system.

The report of the Advisory Council in 1948 "A Report to the Senate Committee on Finance from the Advisory Council on Social Security" (S. Doc. No. 149 (1948), 80th Cong.), expressed the belief that there was a need for making it easier for older workers who are newly covered by the system to qualify for benefits on page 9 of its report, the Council said:

> "Old-age and survivors insurance now offers basic retirement protection to the majority of younger workers, but many of those in the middle and higher-age groups will not be eligible for benefits when they retire. The worker who is now young and has a whole working lifetime of some 40 years ahead has ample opportunity to build up credits toward meeting the present eligibility requirements. Older workers, however, have only relatively limited opportunity to build up such credits, and many fail to qualify who would have done so had the program come into existence when they were young. The Council believes that, in establishing eligibility requirements, special allowance should be made for those who were already at the higher ages when the system began. Liberalization of the present eligibility requirements is made even more necessary if coverage is extended. As a group, newly covered workers will have had no opportunity to build up credits in the past and, unless some change is made in the requirements, very few of the older workers in the newly covered groups would ever be eligible for retirement benefits."

The Social Security Act Amendments of 1950 also recognized this need. In this connection, the Committee on

Ways and Means in H. Rep. No. 1300, 81st. Cong. (1949) stated at pages 25 and 26 the following:

> "Although persons who become fully insured on the basis of this new alternative will qualify for benefits in excess of the value of their contributions, this is not inconsistent with the principles of a contributory retirement program. In the early years of a retirement program special consideration has to be given to those already nearing retirement age who, otherwise, would not be able to build up adequate security."

The Committee on Finance in its report, S. Rep. No. 1669, 81st Cong. (1950) states this principle on page 31 as follows:

> "In a contributory social insurance system, as in a private pension plan, workers already old when the program is started should have their past service taken into account. The unavailability of records of past service prevents giving actual credits under old-age and survivors insurance for employment and wages before the coverage becomes effective, but eligibility requirements and the benefit formula can and should take prior service into account presumptively. In getting the system started, it is important to make due allowance for those who, because of age, will probably continue at work for only a short period."

B. Old-Age Assistance and Aid to Dependent Children

In view of the fact that the Committee is concerned with this subject from the point of view of Federal legislation and that at State and community level the principles upon which these programs are based may vary from one State to another, it is assumed here that it is intended that the questions posed should be answered from the point of view of the Federal programs rather than primarily the point of view of the State programs.

1. Basic purposes

(a) Old-Age Assistance.

The Federal-State old-age assistance program (title I of the Social Security Act) was intended as complementary to the Federal-State old-age insurance (now old-age and survivors insurance) program. As pointed out in answer to question IV and to the first part of question I, the insurance program was designed as the basic method for the prevention of dependency in old-age and the function of the old-age assistance program, with payments related to individual need, has been regarded as supplementary, "filling the gaps left by the social insurance program" and thus declining as the insurance program gradually matures and becomes extended to occupational groups not yet covered. In short, the role of old-age assistance from the Federal point of view is to cope with dependency in old age

in those cases in which the individual for one reason or another is not (or not yet) protected by the insurance system or in which the benefits received under the insurance system are not adequate to meet the individual's need, whether because of defects in the insurance system, because of no coverage, short-term coverage, special circumstances of the beneficiary, or other reasons. (See H. Rep. No. 1300, 81st Cong., pages 2, 3, 37.)

Projected against the background of this over-all design, then, the basic purpose of the old-age assistance program, specifically, is to "encourage States to adopt old-age (assistance) laws and to help them carry the burden of providing support for their aged dependents" (H. Rep. 615, 74th Cong., page 4) or, as expressed in the Act itself, to enable "each State to furnish financial assistance, as far as practicable under the conditions in such State, to aged needy individuals" (§ 1).

The conditions which led to the original enactment of the old-age assistance program included the fact that approximately one million men and women over 65 were then dependent upon the public for support--the great majority of them on relief--the growing proportion of aged persons in the population, and the limited ability of many States and local governments to cope adequately with the problem of old-age dependency. The Committee

on Ways and Means, in its report accompanying the bill (H. Rep. 615, 74th Cong., page 4) expressed its concern in this way:

> "Experience, both in this country and in other lands has demonstrated that the best way to provide for old people who are dependent upon the public for support is through old-age-assistance grants, more commonly called 'old-age pensions.' Twenty-nine States and the Territories of Alaska and Hawaii have old-age pension laws. Approximately 200,000 old people are now in receipt of old-age assistance under these laws, and while the grants are often inadequate, the lot of the pensioners is distinctly less hard than that of old people on relief. But due in part to restrictive provisions in the State laws, and still more to the financial embarrassment of many State and local governments, the old-age pension laws are limited in their application and do not provide adequately for all old people who are dependent upon the public for support."

(b) Aid to Dependent Children.

As in the case of old-age assistance, the Federal-State program of aid to dependent children was conceived as of "part of a common program to promote the security of the family and the home." (H. Rep. No. 728, 76th Cong., page 29.) Also, in those cases in which the child's dependency is due to the death or, more rarely, the parent's retirement on account of old age, the function of this program is supplementary to that of the Federal old-age and survivors insurance program. As said by the Ways and Means Committee in connection with the Social Security Act Amendments of 1950 (H. Rep. No. 1300, 81st Cong., page 44):

> "Benefits under the survivors provisions of the old-age and survivors insurance program are being paid to an increasing number of children as that program matures. In a substantial number of States more children are already receiving social-insurance benefits than aid to dependent children. The proposed extensions of coverage and increase in benefits under the social-insurance program would, of course, progressively diminish the need for aid to dependent children."

The various provisions made in the Social Security Act for the economic security, health, and welfare of children as well as explicit statements in the various committee reports through the years evidence the concern of the Congress with the welfare and security of this important group in our population, at least as much as the welfare and security of the aged.2/ And the report of the President's Committee on Economic Security (H. Doc. No. 81, 74th Cong., page 29) stated that it "must not for a moment be forgotten that the core of any social plan must be the child. Every proposition we make must adhere to this core."

The concept of aid to dependent children used in the Social Security Act stems from State assistance laws with the same general objective, but more limited in scope, which were

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2/ See, however, the criticism of the Senate Finance Committee's Advisory Council on Social Security as to the adequacy of Federal participation in aid to dependent children as compared to old-age assistance and aid to the blind (S. Doc. No. 208, 80th Cong., page 100).

in force in a number of States at the time of the enactment of the Social Security Act and went under such names as "Mothers' Aid", "Mothers' Pensions", and "Mothers' Allowance".3/ They were not designed primarily as aids to mothers but "to release from the wage-earning role the person whose natural function is to give her children the physical and affectionate guardianship necessary, not alone to keep them from falling into social misfortune, but more affirmatively to rear them into citizens capable of contributing to society." (H. Doc. 81, 74th Cong., page 30).

Their operation, however, as well as their scope was recognized to be seriously inadequate, largely because of the financial inability of a number of States and local governments to cope with the problem. Thus, the basic purpose of the Federal program of aid to dependent children was and is to encourage and assist the States "to furnish financial assistance, as far as practicable under conditions in such State(s), to needy dependent children" in their own homes. This was expressed in the following way by the Ways and Means Committee in reporting on the original bill (H. Rep. 615, 74th Cong., p. 10):

3/ See C. C. Carstens Social Security Through Aid for Dependent Children in Their Own Homes, 3 Law and Contemporary Problems 246 (1936) Duke University School of Law.

> "It has long been recognized in this country that the best provision that can be made for families of this description is public aid with respect to dependent children in their own homes. Forty-five States now have laws providing such aid, but in many of these States the laws are only partially operative or not at all so. With the financial exhaustion of State and local governments a situation has developed in which there are more than three times as many families eligible for such aid as are actually in receipt of it, and they are now being supported by emergency relief."

In this connection, considering that the scope of mothers' aid laws had proved inadequate and that the case of a needy child living with a near relative might be as deserving as that of a child living with his own mother, the Federal Act broadly defined the term "dependent child" so as to permit Federal aid to any State whose plan includes needy children deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, so long as the child is living with a parent or grandparent or certain other near relatives or step-relatives specified in the Act in a place of residence maintained by such a relative as his own home. (The maximum age of an eligible child is 16, except that a child regularly attending school is now eligible until 18.)

2. Underlying Principles

(a) Principles Common to Both Programs

1. These assistance programs are essentially a State responsibility and the Federal interest is secondary; hence, the role of the Federal Government in the provision of aid to the States is limited to that of setting minimum standards designed to carry out the purpose of such aid and, in connection therewith, providing technical advice and consultation on problems of administration when requested. (See report of Senate Finance Committee's Advisory Council on Social Security. S. Doc. 208, 80th Cong., page 98.)

This principle is self-explanatory. The minimum standards referred to, where of sufficient importance, are mentioned below. Except as substantial noncompliance with such minimum standards would result in loss of Federal aid, the States are thus left entirely free to adopt such policies and eligibility requirements as a part of the State plan as they may choose, whether as to means, moral character, etc. This principle also recognizes that a State plan may be less broad than the conditions of the Social Security Act with respect to Federal participation permit (but do not require). For example, in the program for aid to dependent children a State plan could, if the State chose, limit the class of relatives in whose care the child must be more narrowly than does the Federal act, without thereby

forfeiting the State's entitlement to Federal aid.

2. To be eligible for Federal aid, a State plan under either assistance program must be State-wide in operation, must, if administered by political subdivisions of the State, be mandatory upon them, and must charge a single State agency either with administration or supervision of the administration of the plan.

Once some Federal responsibility, though secondary, was recognized, it was logical that the Federal Government should look to the States rather than local political subdivisions as repositories of the State's primary responsibility in relation to the program and as assuring efficient administration of standards effective throughout the State. At the same time, the alternative of permitting local administration under State supervision enables the States to decentralize operation of the program and to permit such diversity of local administration as may be reasonable, subject to uniform standards. The "single State agency" concept, however, does not require that the functions of the State agency be limited to the particular Federally aided program.

The principle of State-wide operation and also the principle, mentioned below, of State financial participation recognized and accelerated a gradual trend already evident at the time of enactment of the Social Security Act. In the case of aid to dependent children, particularly, the principle

imbedded in the Federal Act has had an important bearing upon this program, especially in rural districts. Prior to the adoption of the Federal Act, for example, aid to dependent children in their own homes, in one State, was provided only in the country which contained the State's largest city and three other counties with large urban populations and, in another State, in the counties containing the largest city and the third largest city, respectively.

3. To be eligible for Federal aid, the State plan must provide for financial participation by the State in the assistance program, but this does not preclude financial participation by local political subdivisions.

This principle gives assurance that the States will have a financial stake in the effective administration of the program, thus coupling financial responsibility with administrative authority and tending to equalize financial resources available for the program throughout the State, thereby contributing toward the carrying out of the Federal objective.

4. As a condition of receiving Federal aid, the State plan must provide such methods of administration, including (since January 1, 1940) methods relating to the establishment and maintenance of personnel standards on a merit basis, as are found by the Secretary of Health, Education, and Welfare to be necessary for the proper and efficient operation of the State plan.

The Secretary is, however, especially precluded from exercising any authority with respect to the selection, tenure

of office, and compensation of any individual employed in accordance with such merit system methods. Moreover, the 1954 appropriation act (P. L. 170, 83d Cong., § 205) repeats a provision found in earlier appropriation acts, to the effect that appropriations to the Social Security Administration for grants-in-aid to State agencies to cover administrative expenses of such agencies shall not be withheld from any State agency which has established by law and has in operation "a merit system and classification and compensation plan covering the selection, tenure in office, and compensation of (its) employees, because of any disapproval of (its) personnel or the manner of their selection***, or the rates of pay ***." The requirement of a merit system is designed to promote administration of the State plan, and thus the application of Federal grants-in-aid in such administration, by competent personnel selected on a nonpartisan basis.

5. As a condition for receiving Federal aid, the State plan must provide safeguards to restrict the use or disclosure of information concerning applicants for assistance and recipients of assistance to purposes directly connected with the administration of the assistance program. (A recent provision 4/

4/ Revenue Act of 1951 (P. L. 183, 82d Cong.), § 618.

however, allows for State legislation under which public access may be had to records of assistance payments if such legislation prohibits the use of any list or names obtained through such access for commercial or political purposes.)

In recommending this requirement in connection with the 1939 amendments, the committees in charge of the legislation stated:

> "All three assistance titles would be thus amended, the obvious purpose being to insure efficient administration and to protect recipients from humiliation and exploitation." (H. Rep. No. 728, page 29; S. Rep. No. 734, p. 31, 76th Cong.)

6. As a condition of receiving Federal aid, only a needy aged person or a needy dependent child, as the case may be, may be eligible under the plan, and in determining need the State agency must take into consideration any other income and resources of such individual.

These requirements apply to both determinations of eligibility for assistance and determinations of the amount of assistance to be granted under the State plan. In commenting upon the "income and resources" provision in connection with the 1939 amendments, the Ways and Means Committee said (H. Rep. 728, 76th Cong., page 32):

> "This will make it clear that, regardless of its nature or source, any income or resources will have to be considered, including ordinary income from business or private sources, Federal benefit insurance payments

> under title II of the Social Security Act, and any other assets or means of support. The committee recommends this change to provide greater assurance that the limited amounts available for old-age assistance (or aid to dependent children) in the States will be distributed only among those actually in need and on as equitable a basis as possible."

7. As a condition of receiving Federal aid, the State assistance plan must provide that all individuals wishing to make application for assistance under the plan shall have an opportunity to do so and that assistance shall be furnished with reasonable promptness to all eligible individuals.

In essence, this principle, written into the law in 1950, is a requirement of equitable and nondiscriminatory treatment under the assistance program. Explaining this requirement in connection with the old-age assistance program in reporting on the 1950 amendments, the Ways and Means Committee said (H. Rep. No. 1300, 81st Cong., page 43):

> "In some States or localities, when funds are insufficient to provide for all eligible persons, assistance agencies discontinue taking applications. Applicants who have already been found eligible are kept waiting for assistance until persons on the rolls die or cease to receive assistance for other reasons. In a program supported from public funds such discrimination is unjustifiable. Available funds should be used for the benefit of all persons who meet the conditions of eligibility, even if the amount of assistance granted to those already on the rolls must be reduced. Moreover, prompt determination of eligibility should be made for all persons applying for aid."

Similar reasons were given for the corresponding provision under the program for aid to dependent children. (id., page 48)

8. As a condition of receiving Federal aid, the State's plan must provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance is denied or is not acted upon with reasonable promptness.

The fair-hearing requirement is a safeguard against administrative error or abuse of discretion, fortifies the requirement of State supervision where the plan is administered by political subdivisions of the State, and strengthens the requirement that all persons wishing to apply for assistance shall have an opportunity to do so and that assistance shall be furnished promptly to all eligible individuals. The fair-hearing requirement does not affect such right of further review by the State courts as may be available under State law.

9. While no State, as a condition of receiving Federal aid, is required to give assistance to nonresidents of the State, the length of State residence required as a condition of eligibility under the State assistance plan may not exceed a maximum fixed by the Federal Act.

The Federal Act rules out any residence requirement for old-age assistance which excludes any resident of the State who

has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and has resided therein continuously for 1 year immediately preceding the application. With respect to aid to dependent children the Federal Act rules out any State plan which imposes as a condition of eligibility a residence requirement which denies aid with respect to any child residing in the State (a) who has resided in the State for 1 year immediately preceding the application for such aid, or (b) who was born within 1 year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for 1 year immediately preceding the child's birth.

These requirements strike a compromise between the conflicting considerations of, on the one hand, the State's fear of increased financial responsibility if residence requirements, especially in the case of old-age assistance, should be eliminated or greatly liberalized, and, on the other hand, the national interest in maintaining the mobility of our population and the principle of the individual's freedom of movement. (Cf. the discussion of residence requirements in the report of the Advisory Council on Social Security to the Senate Committee on Finance (S. Doc. 208, 80th Cong., pages 116-118), which, however, recommends elimination of residence

requirements altogether except for a 1-year residence requirement for old-age assistance, the latter in recognition of the fear of liability on the part of those States to which older persons move on account of favorable climate and which have relatively adequate assistance for the aged.)

In connection with the Federal residence provisions, it should be noted, that, if the plan is administered by counties and county residence requirements are stricter than the maximum period specified in the Federal Act, such a person must nevertheless be entitled to assistance under the plan. (In such cases, payment could be made directly by the State, or the State could reimburse the county.)

10. Federal participation in expenditures made under State assistance plans is limited to expenditures under the State plan made as money payments (rather than assistance in kind), except that the Federal Government will participate in expenditures under the State plan for medical care (or other remedial care recognized under State law) in behalf of a needy aged person or dependent child.

Originally, under the Social Security Act, the Federal Government participated in State assistance expenditures only when made in the form of money payments to needy individuals. The authorization for participation in assistance through provision for medical or other remedial care was added in 1950

and is explained by the Committee on Ways and Means in the following way (H. Rep. No. 1300, 81st Cong., page 42):

> "*** Some assistance agencies consider it preferable to pay the medical practitioner or institution that supplies the medical care directly. Some State Agencies have wanted to insure their client's needs for medical care with organizations for group care such as the Blue Cross. Most agencies have found themselves hampered in making emergency arrangements or in helping needy individuals who are sick to make plans for needed medical care because they were not able to make payments directly to the doctor or hospital."

The expenditures for medical care under the State plan are, however, not separately matched but are subject to the individual maximum for assistance specified in the Act for Federal participation as well as the average maxima for Federal matching.

b. Old-Age Assistance (in addition to principles common to both assistance programs)

1. A State may not receive Federal aid if the State plan imposes any citizenship requirement which excludes any citizen of the United States.

As explained in the report of the Ways and Means Committee on the original social security bill (H. Rep. No. 615, 74th Cong., page 18):

> "A person shall not be denied assistance on the ground that he has not been a United States citizen for a number of years, if in fact, when he receives assistance, he is a United States citizen. This means

that a State may, if it wishes, assist only those who are citizens, but must not insist on their having been born citizens or on their having been naturalized citizens for a specified period of time."

2. The Federal Government will not share in the costs incurred by the States for payments to, or medical care in behalf of, any individual who is an inmate of a public institution, except that the Federal Government will share in the cost of furnishing assistance under the State plan to needy aged persons in public medical institutions (other than tuberculosis or mental institutions) if the patient is not there as the result of a diagnosis of tuberculosis or a psychosis.

The exception relating to inmates of public medical institutions was inserted in the Federal Act by the 1950 amendments in order to relieve the problem with respect to needy aged persons who were chronically ill and needed institutional care and who otherwise could not receive Federally-shared assistance under a State plan unless they were inmates of private institutions. With respect to assistance to aged persons residing in institutions for mental illness and tuberculosis, the committees did not favor Federal participation since the States had already in general provided for medical care of such cases (see H. Rep. No. 1300, 81st Cong., page 42). For this reason the Act now precludes Federal participation in assistance paid to patients in private (as well as public) institutions for tuberculosis or mental diseases or to patients in other private (as well as public) medical institutions who are there as a result of a diagnosis of tuberculosis or psychosis.

3. If the State plan includes assistance to persons in public or private institutions, the State may not receive Federal aid unless the plan also provides for the establishment or designation of a State authority or authorities responsible for establishing and maintaining standards for such institutions.

This requirement is explained by the Ways and Means Committee in connection with the 1950 amendments to the Act as follows (H. Rep. No. 1300, 81st Cong., page 43):

> "Some States now do not have agencies authorized to establish and maintain standards for the various kinds of institutional facilities in the State. Tragic instances of failure to maintain adequate standards of care and adequate protection against hazards threatening the health and safety of residents of institutions emphasize the importance of this function of State government. *** Persons who live in institutions, including nursing and convalescent homes, should be assured a reasonable standard of care and be protected against fire hazards, unsanitary conditions, and overcrowding."

c. Aid to Dependent Children (In addition to principles common to both assistance programs)

1. The relative with whom the dependent child is living should, if eligible under the State plan, be recognized for Federal matching purposes as a recipient of assistance to meet his own needs.

Prior to the 1950 amendments, no specific provision was made for Federal participation in State payments, under a

plan for aid to dependent children, to cover the need of the parent or other relative with whom the child is living. As said in the report of the Ways and Means Committee (H. Rep. No. 1300, 81st Cong., page 46):

> "*** Particularly in families with small children, it is necessary for the mother or another adult to be in the home full time to provide proper care and supervision. Since the person caring for the child must have food, clothing, and other essentials, amounts allotted to the children must be used in part for this purpose if no other provision is made to meet her needs."

Because of the lack of specific provision for Federal participation in assistance to the mother or other relative and the inadequacy of the Federally-specified maxima to cover the cost of essentials for the children and an adult as well, States were thus forced to make a very large proportion of payments in excess of the maximum amounts subject to Federal sharing. The amendment including the relative with whom the dependent child is living as a recipient for Federal matching purposes was therefore added to correct the then-existing anomalous situation, thus fortifying the basic objective of this program.

II. What Is Old-Age and Survivors Insurance? Give a Comprehensive Definition.

Old-age and survivors insurance, as established by the Social Security Act (title II) and Internal Revenue Code (Chap. 1, Subchap. 2; Chap. 9, Subchap. A), is a Federally administered, contributory plan or system of social insurance under which benefits related in amount (within statutory minima and maxima) to past earnings of insured persons are payable, upon the insured's retirement or death, to specified classes of beneficiaries. Pursuant to such plan or system, taxes 1/ are collected from employers, employees, and self-employed individuals and are appropriated by the Act to a trust fund established in the Treasury of the United States and invested in interest-bearing obligations of the United States, and the benefits are paid from the fund (26 U.S.C. 480 et seq., 1400 et seq.; 42 U.S. C. 401). Administrative decisions relating to benefit rights under the law are reviewable by the Federal courts (42 U.S.C. 405).

The tax levied on employers is an excise tax upon the privilege of having individuals in their employ, measured by the first $3,600 of wages paid to each such individual in a calendar year (26 U.S.C. 1410). The tax on employees is an income tax on the first $3,600 of wages received from their employers in a calendar year (26 U.S.C. 1400). The tax on self-employed individuals is an income tax on the first $3,600 of their net earnings from

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1/ In the case of earnings of covered employees of State and local governmental units, payments into the fund are made pursuant to Federal-State agreements rather than as taxes. (42 U.S.C. 418)

self-employment if such net earnings are $400 or more in a taxable year (26 U.S.C. 480, 481).

The same earnings on which taxes are payable under the system are credited for the purpose of determining eligibility for benefits and the benefit amount (42 U.S.C. 409-412; 26 U.S.C. 481, 1426). As a temporary provision, however, "free" wage credits of $160 a month are given to veterans of the armed forces of the United States under conditions prescribed by law, for their periods of service in the armed forces (42 U.S.C. 417).

Monthly benefits are payable to a qualified worker who has attained the age of 65, and to the worker's wife or widow (or dependent husband or widower) who is 65 years of age or older; to his unmarried children under 18 and his wife (or widow, or former wife divorced) under age 65 if she has such children in her care; and to his surviving dependent parents aged 65 if he left no other survivors who could ever qualify for monthly benefits (42 U.S.C. 402 (a)-(h)). A relatively small lump sum is also payable upon the worker's death to defray funeral expenses (42. U.S.C. 402(i)).

Benefits are payable in the case of a living worker only where he is "fully insured" under the system (42 U.S.C. 402(a)). In the long run, to be "fully insured", a person will require 10 years of work covered by the law (42 U.S.C. 414 (a)). For a limited time, however, those near (or over) age 65 can become so insured with as little as one and one-half years of coverage. This was first made possible by the 1939 amendments which advanced the

beginning date for the payment of monthly benefits to January 1, 1940, and permitted "fully insured" status to be acquired on the basis of one quarter of coverage for each two calendar quarters elapsing after 1936 (P.L. 379, 76th Cong.). The 1950 amendments, in order not to disadvantage the new occupational classes brought into the system by those amendments, permitted a "new start" in determining "fully insured" status (for persons living on September 1, 1950), i.e., they permitted a person to acquire "fully insured" status on the basis of one quarter of coverage (whenever acquired) for each calendar quarter elapsing after 1950 with a minimum of six quarters of coverage (42 U.S.C. 414 (a)).

In the case of a deceased worker benefits may also be paid to his children, widow, or former wife divorced if he was "currently insured," i.e., had at least one and a half years of covered work in the 3 years immediately preceding his death (42 U.S.C. 402, 414 (b)).

Except for persons over age 75, no monthly benefits are payable if the worker or beneficiary engages in covered work for more than $75 in wages or a comparable amount of net earnings from self-employment (42 U.S.C. 403 (b)-(h)).

The amount of benefits is related to the worker's average monthly earnings and ranges from $25 to $85 a month for the retired worker (42 U.S.C. 402, 403, 415). Benefits for dependents or survivors are in terms of a percentage of the amount payable

to the worker (42 U.S.C. 402, 415), with a family maximum not to exceed either $168.75 or, with certain exceptions, 80 per cent of the worker's average monthly wages, whichever is the lesser (42 U.S.C. 403). The present benefit formula replaces 55 per cent of the first $100 of average monthly wage plus 15 per cent of the next $200 (42 U.S.C. 402, 415).

III. What have been the criteria developed by the Bureau of Public Assistance on which the Bureau's officials have based their recommendations to Congress for larger grants in aid for public assistance to meet need?

Assuming that this question relates to requests for appropriations, the following is the procedure: In advance of each fiscal year, for budgetary purposes, the Bureau of Public Assistance estimates State requirements for Federal funds on the basis of recent past program trends in case loads and monthly payments in State public assistance programs, modified to give effect to (1) specified assumptions as to cost of living and employment levels provided by the Bureau of the Budget, (2) new Federal legislation not reflected in past program trends, and (3) the formula for Federal participation specified in the Social Security Act. These estimates are reviewed by the Social Security Administration and the Office of the Secretary of Health, Education, and Welfare, and the Bureau of Public Assistance incorporates changes made at either level. Following final approval in the Office of the Secretary these estimates are transmitted to the Bureau of the Budget where they are again reviewed and sometimes modified. The estimates approved by the Bureau of the Budget are then incorporated into the President's budget for transmittal to the Congress.

Assuming that this question relates to recommendations for changes in legislation affecting the public assistance titles of the Act, any such recommendations would not be submitted to

the Congress unless first considered by the Social Security Administration, approved by the Agency (now Department) head, and cleared with the Bureau of the Budget for consistency with or incorporation in the program of the President.

All of these recommendations and the reasons for them, antedating the present Administration, have been incorporated in the annual reports of the Social Security Administration and Federal Security Agency. The most comprehensive summary of these recommendations will be found in the annual report for 1948, pp. 177-195.

During the years 1939-1952 the Social Security Administration recommended variable grants based on the relative fiscal capacity of the several States, as measured by per capita income. Whether this recommendation, if adopted, would have resulted in greater Federal expenditures would have depended on the specific formula used.

The three McFarland amendments of 1946, 1948, and 1952, which have greatly increased the cost of public assistance to the Federal Government, were enacted by the Congress on its own initiative.

IV. What Are the Essential Differences Between Social Insurance, as Represented by Old-Age and Survivors Insurance, and Social Assistance, as Represented by Old-Age Assistance?

Old-Age and survivors insurance is wholly a Federally administered and financed program, while old-age assistance is a State-administered and in part State-financed program with financial aid from the Federal Government under conditions designed to insure use of the funds granted by the Federal Government for the purposes for which they are intended. Under old-age and survivors insurance, the funds used to pay the benefits come from a trust fund to which covered employers, employees, and the self-employed contribute through earmarked taxes. Funds for the old-age assistance program (i.e., those funds contributed by the Federal Government) come from general revenues.

Old-age and survivors insurance is payable under conditions specified by Congress in the statute and without regard to individual need. Under the Act, if an individual is denied a payment, he can have his case reviewed by a Federal court. The amount paid to an individual is a percentage of the insured worker's average monthly earnings computed pursuant to a formula contained in the law and represents replacement in part of earnings lost as the result of retirement or death. Under old-age assistance, the benefit payable depends upon whether the

individual meets the eligibility conditions of the State plan, including need as determined after consideration of all the individual's income and resources, the standard for such need being set by the State. The amount needed may vary from time to time as his other income and resources may increase or diminish. Any individual who is denied old-age assistance payments may have such denial reviewed in court only to the extent permitted by State law.

The underlying differences between the two programs were succinctly expressed in the final report of the Advisory Council on Social Security, December 10, 1938 (S. Doc. No. 4, 76th Cong.), as follows:

> "The Social Security Act became law on August 14, 1935. A major purpose of the statute was to provide a constructive program for meeting the growing national problem of old-age dependency. Under title I of the Act provision was made for Federal subsidies to approved State programs for old-age assistance. By the use of the method of assistance, encouraged and aided under this title, needy persons already old or becoming old in the future without the opportunity of accumulating sufficient rights to benefits under an insurance program were afforded basic protection against want. Under titles II and VIII, through separate provisions for old-age benefits and pay-roll taxes on employers and employees, there was established, in effect, a national system of old-age insurance. The method of insurance was approved by Congress as a means of <u>preventing</u> old-age dependency and of assuring protection to qualified individuals as a matter of right, without the use of the means test.***" (page 9) (Underscoring as in original.)

A fundamental difference is also the Congressional approach to the two programs. In this respect, Congress has regarded the old-age and survivors insurance program as the basic means of preventing old-age dependency and old-age assistance as a means of aiding the States to assist needy aged individuals who are either not covered by old-age insurance or whose benefits may be inadequate to meet their needs. See Report of Senate Finance Committee on Social Security Act Amendments of 1950 (S. Rep. No. 1669, 81st Cong., page 2 (1950)):

> "***We consider the assistance method to have serious disadvantages as a long-run approach to the Nation's social security problem. We believe that improvement of the American social security system should be in the direction of preventing dependency before it occurs, and of providing more effective income protection, free from the humiliation of a test of need. Accordingly your committee recommends action designed to immediately bolster and extend the system of old-age and survivors insurance by extension of coverage, increasing benefit amounts, liberalizing eligibility requirements, and otherwise improving this basic system for dealing with income losses."

In connection with the same amendments, the Ways and Means Committee (H. Rep. No. 1300, page 3) put it this way:

> "For these reasons the contributory system of old-age and survivors insurance, with benefits related to earnings and paid as a matter of right, should continue to be the basic method for preventing dependency. *** The assistance program, with payments related to need, should continue to serve the

> function of filling the gaps left by the social insurance program, and for this purpose it should be strengthened and improved. The function of assistance is to supplement insurance when necessary. The bill is designed to speed the day when most of the aged and of the Nation's dependent families will look to the insurance program for protection and when the role of public assistance can be drastically curtailed."

The same view was expressed in the consideration of the Social Security Act Amendments of 1952 (H. Rep. No. 1944, 82d Cong., page 3 (1952); S. Rep. No. 1806, 82d Cong., pages 2, 3 (1952)):

> "From the beginning of the social security program in 1935 it has been the intent of Congress to establish contributory social insurance, with benefits related to individual earnings, as the foundation, of social security. Public assistance is less satisfactory for the individual than the insurance program and the cost of assistance falls on the general taxpayer. Old-age and survivors insurance benefits, on the other hand, are payable without the humiliation of a test of need, and the cost of those benefits is met by the contributions of covered workers and their employers. A major objective of the amendments of 1950, therefore, was to strengthen the insurance program and thereby cut down the need for further expansion of public assistance."

April 29, 1954

Dear Congressman Curtis:

This letter is in response to the questions you raised during the hearings on H.R. 7199 about the philosophy underlying the proposal to raise the maximum creditable earnings under old-age and survivors insurance from $3,600 to $4,200.

The major reason for this proposal is to maintain the principle of old-age and survivors insurance (as embodied in the statutory benefit provisions) that benefits should, within limits, vary with the individual's previous earnings. Since the program is designed to partially replace earnings lost because of retirement or death, it follows that the basic factor in the determination of benefit amount should be the level of those earnings. Over three-fifths of the male workers regularly covered by the program now earn more than $3,600, the maximum amount counted for benefit purposes. It is our opinion that if the principle that benefits should vary with earnings is to be maintained, additional earnings above the $3,600 limit must be counted towards benefits. It follows that those who earn above that amount should receive higher benefits than those whose earnings are smaller.

In considering benefit increases for workers who earn more than $3,600, we should take into account the fact that earnings above $3,600 do not, under present conditions, mark a man as high-paid but are typical earnings in major sections of commerce and industry. Average annual full-time earnings[1/] in manufacturing industries in 1953 were about $4,000. The average for mining was about $4,400 and for transportation, almost $4,400. Of course skilled workers in any industry earn more than the average for the industry.

For workers who have earned maximum wages under the program, the benefit increases in the amendments of 1950 and 1952 did not

1/ Source: U.S. Dept. of Commerce, Office of Business Economics, Survey of Current Business, February 1954, p. 13, table 5.

quite compensate for the increase in prices which has taken place since the benefit levels were set in 1939. No recognition has been given to the substantial increase in the level of living as measured by the extent to which increases in wages have exceeded increases in prices. Under the formula provided in the 1939 law, a worker who earned maximum wages under the program would now be getting a benefit of $46.80. The increase in prices since 1939 has been such that this benefit of $46.80 would now need to be over $90[2] (rather than the $85 provided by present law) in order for this retired worker to buy the same level of living that was contemplated by the 1939 act. If benefits were to be increased in proportion to the increase which has occurred in wages, this benefit of $46.80 would now need to be somewhat over $110 a month.[3] H.R. 7199 would raise the benefit for the worker earning the maximum creditable wages to $108.50.

One might well ask why such an increase should not be given simply by a change in the formula without increasing the wage base. The answer to this is twofold:

(1) If benefit for workers who earn above the maximum are increased simply by a change in the formula, the result would be that all such workers received the same benefit amount. This is inconsistent with the basic principle of the old-age and survivors insurance program that benefits vary with past earnings. Already we have begun to depart substantially from this principle as a result of the present maximum wage base. Over one-fourth of the retired men whose old-age and survivors insurance benefits have been computed on the basis of their earnings after 1950 are receiving the $85 maximum. Altogether, almost one-half are receiving benefits at or within $10 of the maximum. These retired

2/ Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Consumer Price Index. The index for February 1954 is 192.3 as compared with 99.4 in 1939, an increase of about 93 percent.

3/ On the basis of estimates prepared by the Office of Business Economics of the U.S. Dept. of Commerce, the 1953 average annual full-time earnings of wage workers in all industries were 284 percent of such earnings in 1939. If this increase were applied to the benefit of $46.80 computed under the 1939 formula, the 1953 equivalent benefit would be $132. However, we estimate that wage workers at the $250 monthly wage level in 1939 experienced less of an increase than the average. We estimate that the 1953 earnings equivalent for such workers was slightly less than $2\frac{1}{2}$ times the 1939 wage.

workers are getting about the same benefit not because their earnings have been the same but because the $3,600 maximum is too low to reflect the differences in their earnings.

(2) If benefits were to be raised for workers earning more than the present maximum without increasing the wage base, the money needed to pay for their substantially greater protection would have to be secured from an increase in the contribution rates applicable to all workers under the system. We believe that increased benefits for persons earning over the present maximum should be financed from increased contributions paid by workers at this earnings level and by their employers.

As you are aware, to increase the wage base does have the effect of reducing the cost of the old-age and survivors insurance program as measured in terms of percent of covered payroll. Under our benefit proposals, workers who earn above $3,600 will receive in protection the full value of their increased contributions even at the ultimate contribution rate. However, because not all of the increased employer's contribution is necessary to cover the cost of the increased benefits to those earning above $3,600, the rise in the base results in a net saving to the system. I would like to make absolutely clear that this saving is a by-product of the increase in the base and is not the purpose of our recommending such increase.

The question has been raised why the wage base should be increased to $4,200 rather than to some other figure. In following our recommendation to raise the maximum wage base to $4,200, the Congress would be restoring the situation to what it was at the time of the 1950 amendments to the Social Security Act. These amendments raised the earnings base to $3,600. In the year the amendments were enacted, 36 percent of the regularly covered male workers earned above $3,600. In 1951, the first year the $3,600 base was in effect, 48 percent of the regularly covered male workers earned above the new creditable maximum. The provisions in H.R. 7199 to raise the earnings base to $4,200 would have resulted in 1953 in about the same proportion of covered workers (43 percent) with earnings above the creditable maximum as was the case at the time of the 1950 amendments. A failure to raise the wage base to $4,200 would mean that rising wages have been allowed to negate the decision the Congress made in 1950.

In conclusion, I would like to emphasize that we believe it is very important for the old-age and survivors insurance program to continue to be designed as a base to which a worker may be expected to add income from private pensions and personal savings. We do not believe that to increase the wage base to $4,200 would in any

way conflict with this concept of the program. The increase to $4,200 is necessary merely to maintain the relationship which the Congress decided upon at the time of the 1950 amendments.

The Advisory Council on Social Security appointed by the Senate Finance Committee of the 80th Congress considered the issues connected with raising the old-age and survivors insurance wage base. Their report (pages 64-67) contains an extended discussion of these issues. The Council recommended (pages 31-33) that the upper limit on earnings subject to contributions and credited for benefits should be raised to $4,200. In making this recommendation the Council stated:

> "Since the American system of relating benefits to past wages rests on the principle that considerations of individual security and individual incentive require a relationship between benefits and the previous standard of living of the retired person, benefits must be increased for higher-paid wage earners as well as for workers in the lower-income brackets."

I hope you will find this information useful in your consideration of this question.

Sincerely yours,

/s/ Roswell B. Perkins

Roswell B. Perkins
Assistant Secretary

Hon. Thomas B. Curtis
House of Representatives
Washington 25, D.C.

The Coverage Provisions of the Old-Age and Survivors Insurance Program

* * * *

Statement of Robert M. Ball,
Acting Director, Bureau of Old-Age and Survivors Insurance
before the Subcommittee on Social Security of the Ways and Means Committee of the House of Representatives

Mr. Chairman: I have a statement in reply to certain questions prepared by the staff of the Subcommittee about the coverage of the old-age and survivors insurance program.

The first two questions are as follows:

"(1) What are the basic old-age and survivors insurance coverage provisions, with respect to both employment for wages and salaries and to self-employment?

"(2) What specific types of employment and self-employment are excluded from old-age and survivors insurance coverage?"

In reply to the questions I will summarize briefly the coverage provisions of the program, since I understand that the Subcommittee wishes to have a brief nontechnical explanation. I would like also, however, to insert in the record a technical explanation of the coverage provisions in chart form.

Benefits under the old-age and survivors insurance program are intended as a partial replacement for earnings lost when a worker retires or dies. Coverage under the program is therefore related basically to earnings--that is, to income from work. The basic coverage provisions are contained in the definitions of "wages," "employment," "net earnings from self-employment," and "self-employment income" in title II of the Social Security Act and in parallel provisions in the Federal Insurance Contributions Act and the Self-Employment Contributions Act as well as provisions of the income tax law.

Only the first $3,600 of earnings from covered work received by an individual in a year is creditable toward benefits under the program. Moreover, certain types of payment are excluded from creditable wages. These include payments with respect to retirement (employer contributions and retirement payments); payments to, or contributions on behalf of, employees or any of their dependents under a plan or system providing benefits on account of sickness or accident disability, medical or hospitalization expenses in connection with

sickness or accident disability, or death; payments made to, or on behalf of, employees or their beneficiaries from a stock bonus or profit-sharing fund exempt from tax under Section 165 (a) of the Internal Revenue Code; sick pay under certain circumstances; payment of the employee's tax under the Federal Insurance Contributions Act or under a State unemployment compensation law; and stand-by pay other than vacation or sick pay to an employee aged 65 or over. Tips and other gratuities paid to the employee by someone other than the employer are also excluded from creditable wages unless the employer requires the employee to account for such payments. Other exclusions from creditable wages are reflected in the description of the coverage provisions which follows.

From a geographical standpoint, the coverage provisions of the program apply in the continental United States (including the outer continental shelf), Alaska, Hawaii, Puerto Rico, and the Virgin Islands, irrespective of residence or citizenship, except in the case of nonresident aliens who are self-employed and certain foreign agricultural workers. Outside of these geographical areas, only self-employed United States citizens, citizens who work abroad for American employers, and certain employees, irrespective of citizenship, on American vessels and aircraft are subject to the provisions of the program.

In general, old-age and survivors insurance covers employment for wages in commerce and industry--jobs in mills, mines, offices, stores, banks, garages, hotels, restaurants, beauty parlors, and the like. It also covers certain types of self-employment activities by individuals where their net earnings therefrom amount to at least $400 a year. Regardless of the amount of income derived, however, certain persons, such as farm operators and individuals in specified professions, are not covered.

Other major groups of covered employees are agricultural workers (except certain foreign agricultural workers) who are "regularly employed" (employed, generally speaking, full time for about 6 months by an employer) and are paid cash wages for agricultural labor of at least $50 a quarter by that employer; domestic workers in private homes who are "regularly employed" (24 days in a quarter) by an employer and are paid cash wages of at least $50 a quarter by that employer; and, with certain exceptions, civilian employees of the Federal Government not covered by a Federal staff retirement system. Coverage is available to employees of nonprofit organizations (other than clergymen and members of a religious order) on an elective group basis, and by means of voluntary agreements between the individual States and the Federal Government, to most State and local government employees not under State or local retirement systems.

Because of the high degree of coordination between the old-age and survivors insurance and railroad retirement programs, persons who work in the railroad industry may under certain conditions obtain

credit for such work under the old-age and survivors insurance program. In some cases, members of the armed forces are also given credits under old-age and survivors insurance for their active service with such forces. In general, for each month of such service in the armed forces from September 1940 through June 30, 1955, a wage credit of $160 is granted. Such wage credits may not be used in computing benefits, however, if a periodic benefit based on the same period of service is determined to be payable by a Federal agency other than in the case of a benefit determined to be payable by the Veterans' Administration.

The principal groups of employees not now eligible for old-age and survivors insurance coverage under Federal law are public employees covered under Federal, State, and local retirement systems; agricultural workers who do not work for one employer long enough to meet the "regularly employed" and $50-cash-wage tests contained in the law; domestic workers who do not meet similar tests which the law prescribes for such workers; and clergymen and members of religious orders.

Smaller groups excluded from coverage are certain fishermen, students and student nurses, internes, workers whose work is not in the course of the employer's trade or business and who do not meet specified tests as to regularity of employment and amount of wages, individuals in the employ of specified members of their immediate families, persons working for foreign governments, employees working for certain international organizations and newsboys under age 18 and certain newspaper and magazine distributors.

The chief groups of self-employed persons not covered are farm operators and specified self-employed professional groups, such as doctors, lawyers, dentists, and architects.

Certain types of income are not creditable toward benefits, including investment income such as dividends and interest (unless received by a dealer in stocks and securities), rentals from real estate (unless received by a real estate dealer), and gains or losses from the sale or exchange of capital assets. Also excluded from self-employment coverage are the performance of the functions of a public office; service covered by the Railroad Retirement Act; service by newsboys under age 18; and service performed by a minister in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order.

So much for the provisions in the law relating to coverage. As to the effect of the coverage provisions, statistically speaking, which is what the third question I have been asked to answer relates to, the question is in three parts. I will take each part separately.

> "(3) What are the basic statistics and estimates as to (1) the number of jobs and self-employment positions presently covered by old-age and survivors insurance and excluded from old-age and survivors insurance coverage . . .?"

We estimate that in December 1952, of the 60.2 million individuals in paid civilian employment, about 48.2 million were in jobs covered by old-age and survivors insurance. Thus about 8 out of 10 paid civilian jobs were covered under the program. Of the 48.2 million persons in covered jobs, about 46.7 million were covered on a compulsory basis and about 1.5 million under the special group-elective provisions applicable to employees of State and local governments and nonprofit organizations. An additional 500,000 or so State and local and nonprofit employees were eligible under Federal law but had not actually obtained coverage. Of the 46.7 million covered on a compulsory basis, 42.0 million were in wage and salary employment and 4.7 million were self-employed.

In addition, some 3.6 million members of the armed forces, who were not covered by the regular contributory provisions of the program, would be eligible under certain conditions for wage credits under the program for military service occurring after September 15, 1940, and before July 1, 1955.

Further breakdowns of these figures, with a statement describing their limitations, have been supplied to the staff of the subcommittee.

The second part of this third question is:

"(3) What are the basic statistics and estimates as to . . . (2) the number of individuals either receiving or being potentially eligible at the proper age for primary or secondary old-age and survivors insurance benefits . . .?"

As of December 31, 1952, somewhat over 5 million people were receiving monthly benefits under the program. (In general I am presenting figures as of the end of 1952, since most of the figures supplied to the staff of the subcommittee were as of that date, as requested by the staff. I think it is worth mentioning, though, that by September of this year the total number receiving benefits had risen to about 5.8 million.)

Of the 5 million or so people on the benefit rolls at the end of 1952, about 3.8 million were 65 or over. About 2.6 million--over 2 million men and almost 600,000 women--were retired workers receiving old-age (primary) insurance benefits. About 700,000 were receiving wife's or husband's benefits and almost 500,000 were receiving widow's, widower's or parent's benefits. Of the remaining 1.2 million, about 200,000 were mothers under age 65 having children in their care and almost a million were children.

At the end of 1952, 66 million people were fully insured under old-age and survivors insurance, 25 million of them permanently. About 4 out of 5 mothers under age 65 having children in their care and children were assured of receiving monthly benefits if the father of the family died.

This was the picture of the protection provided by old-age and survivors insurance at the end of 1952. I think the Committee may be interested, also, in what may be expected in the future, so far as the aged at least are concerned. We estimate that even with the present limited coverage of the program, about two-thirds of the 15.5 million people over 65 in 1960 will be eligible for benefits at that time, i.e., either getting benefits or able to get them on retirement. In 1980, with present coverage, we would expect that over four-fifths of the 22.8 million over 65 will be eligible.

This brings us, then, to the third part of question (3), which is:

> "(3) What are the basic statistics and estimates as to . . . (3) the number and classes of individuals not potentially eligible for primary or secondary benefits?"

The individuals who are not potentially eligible for benefits fall into several groups: First, workers, and the dependents of workers, who spend practically all of their working lifetimes in employment that is not now covered under the program; second, workers, and the dependents of workers, who have worked in employment that is now covered but who retired or died before that employment was brought into coverage; and third, those who never work to any significant extent in any kind of gainful employment and are not married to those who do. It is impossible, at a given point in time, to measure the number of people who fall into these classes because individuals who are in noncovered employment, or not employed, at one time may be in covered work at another time. Thus many of the people working in noncovered jobs in December of 1952 had already acquired insured status through covered work in the past; others will acquire it through covered work in the future.

With this qualification in mind, it may be said that the largest group not protected by the program are those who are working in noncovered jobs. In December of 1952 this included about 12 million people, the largest group being the 3.7 million farm operators. About 5 million of the 12 million are in jobs that are covered by other public retirement systems; many of them may qualify for retirement benefits under those systems.

So far as the present retired aged are concerned, only about 40 percent are now receiving old-age and survivors insurance benefits. If the number receiving benefits under other public retirement programs is added to this, the proportion now receiving some type of public retirement benefit is about 50 percent.

Even without any further extension of coverage, as time goes on a smaller and smaller proportion of the aged will be without protection under old-age and survivors insurance. Even in 1960--that is, 6 years from now--with present coverage the percentage who will be

unprotected--that is, who would not either be receiving benefits or be able to get them on retirement—is expected to be about 35, as compared with about 60 at present, and in 1980 about 18. But if the coverage of the program were extended so as to be practically universal, by 1960--6 years from now--probably only about 25 percent of the population age 65 and over would be ineligible for benefits, and by 1980 only about 5 percent.

Who would be in this 5 percent? Most of them would probably be women who had never worked to any extent in gainful employment or been married to working men. Some would be people who had never worked because of disabilities--congenital or acquired at an early age. So long as benefits under the program are based on gainful employment, individuals in these classes will not become eligible for benefits.

The fourth question which I have been asked to answer is:

"(4) What technical and administrative considerations (as differentiated from legislative policy) constitute reasons for differential treatment of different types of employment and self-employment?"

The following is a list--not necessarily complete--of technical and administrative questions which may have constituted reasons for differences in the treatment accorded various types of employment and self-employment. These technical and administrative factors were not necessarily the only reasons, from a legislative standpoint, for the differences in treatment.

It may be noted that while employees of nonprofit organizations, ministers and members of religious orders, professional self-employed people, members of the armed forces, railroad employees, and State and local government employees covered by retirement systems are treated differently from other groups, the reasons for the differential treatment of these groups and certain others appear to be matters of Congressional policy rather than administrative or technical.

1. State and local government employment

Employees of State and local governments are covered on a group voluntary basis, rather than on a compulsory basis, because of the constitutional barrier to Federal taxation of State and local governments. States pay their contributions to Federal Reserve Banks and make their reports to the Department of Health, Education, and Welfare rather than to the Internal Revenue Service.

2. Agricultural labor

Since agriculture was an entirely new and very different kind of area for the application of the old-age and survivors insurance provisions, it probably was anticipated that coverage in this area in the early years would be more difficult to administer than coverage in commerce and industry. Accordingly, the law provided for coverage of only those farm workers who are "regularly employed" by an employer and who are paid at least $50 in cash wages by the employer in a calendar quarter. It was believed that these regular, long-term workers would be the easiest for farm employers to keep records of and report, since they would be employed by the employer for relatively long periods.

Only cash wages for agricultural work are included for social security pruposes. Most other wage earners receive social security credit for wages-in-kind also. Wages-in-kind are considerably more frequent in agricultural employment than in commerce and industry, and the value of such wages might be more difficult to determine.

Domestic workers on farms are covered under the same conditions as hired farm workers; this eliminates the necessity for making administrative determinations as to whether the services rendered constitute domestic or farm work.

3. Domestic work in private homes

This, too, was an entirely new and different area for the application of the old-age and survivors insurance provisions and therefore it probably was thought desirable to limit initial coverage in this area to domestic workers who are "regularly employed" and who are paid at least $50 in cash wages by an employer in a calendar quarter. Apparently the thought was that it would be relatively easy for housewives to report only those domestic workers who worked for them on at least two days a week.

As in the case of agricultural workers, only cash payments for domestic work are included for social security purposes. Payments-in-kind are more frequent in domestic service than in most other types of employment and housewives are not accustomed to evaluating such payments and might find it difficult.

4. Services not in the course of the employer's trade or business

As with agricultural and domestic workers, apparently the thought was that it would be easier for employers to cover only those who worked for them with some regularity. Moreover, it apparently was thought desirable to cover such service on the same basis as domestic work in a private home because otherwise it would have been necessary in some instances to determine whether employment in or about a private home was or was not domestic service.

5. Self-employment as contrasted with wage employment

One major technical and administrative reason for treating self-employed people differently from wage earners in some respects is that earnings from self-employment are customarily determined on an annual basis; in most areas of self-employment it would be impracticable and unrealistic to determine earnings over a short period. Thus self-employed people report their earnings and pay their social security taxes annually when they file their individual income tax returns; wage earners are reported quarterly by their employers. As a corollary to this fact, the law provides a method for allocating annual self-employment income to calendar quarters for purposes of determining eligibility for benefits. Similarly, the retirement test for the self-employed is based on annual earnings while the test for wage earners is based on the amount of wages earned in each month.

The fact that self-employment earnings are reported on an annual basis also is responsible for some differences in the method of computing average monthly earnings, and resulting benefits, for the self-employed and for wage earners.

A second major technical reason for treating self-employed people differently from wage earners is that income from self-employment in most instances is a combination of income from work and income from investment. Since old-age and survivors insurance benefits are designed to replace income from work, it is desirable to distinguish, insofar as is feasible, between investment income and work income of the self-employed. The law therefore excludes from "net earnings from self-employment" certain types of income which are primarily investment income, such as rentals from real estate unless received by a real estate dealer and dividends and interest unless received by a dealer in stocks and securities.

For the same reason, in applying the retirement test to the self-employed, therefore, it was apparently thought desirable to include a concept of "substantial services." Thus a self-employed individual is considered retired, regardless of how much income he derives from his business, if he does not "render substantial services" in that business. If this provision had not been included, a self-employed individual, even though fully retired from gainful work, and receiving only an investment income from his business would have had to dispose of that business in many instances in order to qualify for benefits.

In order to exclude self-employment, the coverage of which would be the most difficult to enforce, the law limits coverage to self-employed persons whose annual net earnings are $400 or more a year.

* * * * * *

Not only is there special treatment of certain groups now covered because of technical and administrative factors, but the exclusion of certain types of work is to some extent the result of technical and administrative considerations.

1. Farm operators.--The report of the Ways and Means Committee (H.R. Report No. 1600, 81st Congress) to accompany the bill which became the Social Security Act Amendments of 1950 states relative to the coverage of farm operators that " ... further study must be given to the special problems involved in the coverage of these groups." The Committee may have had in mind problems such as whether special provisions were needed to facilitate the filing of social security reports by low-income farmers who are not accustomed to filing income tax reports.

2. Employees of foreign governments.--This type of employment is excluded because the United States Government cannot tax foreign governments.

3. Family employment.--Family employment is excluded chiefly to eliminate the necessity of making determinations as to whether alleged services in the enumerated family groups are performed in a bona fide employment relationship.

4. Elimination of certain nuisance reporting.--Certain types of employment are apparently excluded to eliminate nuisance reporting of inconsequential amounts for individuals who would be unlikely to benefit significantly therefrom. Among the exclusions incorporated in the law for this purpose are the exclusions of students and student nurses, employees of nonprofit organizations who earn less than $50 in a quarter, home workers (if employees) who earn less than $50 in a calendar quarter, and newsboys under age 18. Apparently somewhat similar in purpose was the exclusion of Mexican agricultural workers brought to this country under contract. While the amounts they earn may be substantial, they are in this country for relatively short periods and many would not benefit from coverage.

The fifth question I have been asked to answer is:

"(5) What are the special problems, if any, in the coverage of self-employed persons, and what procedures does the Bureau of Old-Age and Survivors Insurance follow to verify whether self-employment claimed as a basis for benefit entitlement is bona fide self-employment?"

Self-employment coverage is new. The first returns were for the year 1951 and in general were not due until March of last year. Some aspects of this coverage have required special attention because of its newness, and because of differences as compared with the coverage of services rendered by employees for wages. The coverage of employees involves reporting practices which are not applicable to the coverage of self-employed persons.

(a) Problems of Interpretation

Most of the concepts involved in the coverage of the self-employed are not new. Thus the substance of established income tax concepts is, in general, applicable to the coverage of the self-employed. The Internal Revenue Service has worked closely and cooperatively with this Bureau in making available its specialized knowledge in this field.

There have been some questions in connection with determinations as to what constitutes a "trade or business," which is a necessary basis for self-employment coverage. There are inevitably borderline activities, such as one-time operations (as building one house or writing one book), hobbies, and the like. The problem is often one of getting a complete factual picture, rather than a problem of interpretation.

Areas in which there are problems of interpretation include also those relating to the definition of "rentals from real estate" and to the exclusion of the various professions from coverage.

(b) Reporting Problems

The wages of an employee are reported by his employer and a statement of the amount reported is furnished to the employee. Self-employment income, however, is reported by the individual himself as a part of his yearly income tax return. It is the amount of gross income received from any trade or business carried on by the taxpayer, including partnership income, less expenses properly deductible. The cross-checking inherent in the diverse interests of employer and employee in reporting wages is lacking.

Certain features present in the reporting of self-employment income nevertheless tend to assure accuracy of reporting. Over-reporting is discouraged both by the amount of the self-employment tax and by the amount of the income tax. Underreporting means

less tax, but also means less benefit credits. Moreover, there are criminal penalties for false reporting under both the income tax and the social security statutes.

Because the reporting of self-employment income is integrated with the Internal Revenue income tax reporting procedures, and is also used as a basis for computing taxable business income, the auditing of self-employment income reports is primarily the function of the Internal Revenue Service. Our function in reviewing the reports has been principally in connection with the adjudication of claims for benefits, and in the examination of Schedule C-a of taxpayer returns prior to posting the income to social security records. The latter examination is for the purpose of making an investigation of any questionable or obviously erroneous entries, such as where the taxpayer's occupation is stated as being one of the professions expressly excluded from coverage.

It is likely that some of the individuals in covered self-employment are not reporting their income for social security purposes. Probably some are not aware that they are covered and that coverage is compulsory. Precise information on the extent of underreporting by the self-employed is not available.

(c) Questions of Coverage Content

Inherent in the coverage of the self-employed has always been the problem of the so-called silent or inactive partner. Inactive partners may have earnings from self-employment and thus be covered even though the purpose of the program is to compensate for loss of earnings. Moreover, they may draw benefits even though they continue to derive net earnings from self-employment. This is because they do not perform "substantial services." As previously indicated no benefits are withheld under the work clause in the case of a self-employed person unless he performs substantial services in self-employment. Elimination of this anomaly depends upon whether inactive partners can be excluded from coverage without unduly burdening taxpayers through requiring them to keep records which they do not otherwise keep and without unduly burdening the administration of the law. Additional experience and study will be necessary to determine how widespread the problem is and what, if any, action can be devised.

Under existing law, self-employment income is creditable without regard to the legality or illegality of the business. Where, for example, a person is convicted by a court of competent jurisdiction for engaging in an illegal business, it seems questionable public policy to allow credit under the program as a result of the operations that formed the basis for the conviction. Of course, this same question arises in the coverage of employees.

(d) Verification Procedures

As indicated above, self-employment returns are subject to the usual income tax audit procedure of the Internal Revenue Service and, in addition, our Bureau also examines Schedules C-a to discover whether or not they include income from any occupation specifically excluded under the Social Security Act. If the return does include such income, it is sent back to the Internal Revenue Service so that a corrected return may be filed by the taxpayer. Where there is doubt about whether such income may have been included, the return is referred to a field office for investigation to determine whether to post the earnings to our social security earnings records, or to refer the return for correction.

Field office employees have many local resources for determining the bona fides of a claimant's self-employment. It is primarily their responsibility to verify, within reason, any alleged self-employment income which may appear doubtful, either on the face of the return or as a result of a personal interview with the individual when he files his claim.

Special inquiry is made in such situations as the following: Net earnings are near $400; nature of business or activity indicates possible exclusion; there is question as to bona fides; apparently the taxpayer has not taken sufficient deductions for "business expenses" and the benefit amount is materially affected.

The claim as developed and initially adjudicated in the field office is reviewed in the area office. The field office determination may be affirmed or reversed on the record, or if the information is found to be incomplete further evidence may be requested prior to decision in the area office.

After a few years the problem of determining the bona fides of self-employment will have decreasing significance since the return for any one year will have relatively little effect on the "average monthly wage." Overstatement of earnings from self-employment will involve increased social security and income taxes over many years before benefits can be affected.

SOCIAL SECURITY AFTER 18 YEARS

A STAFF REPORT

TO

HON. CARL T. CURTIS, CHAIRMAN
SUBCOMMITTEE ON SOCIAL SECURITY

FOR THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
83D CONGRESS
2D SESSION

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KARL T. SCHLOTTERBECK, *Staff Director*

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, D. C., August 20, 1954.

Hon. CARL T. CURTIS,
Chairman, Subcommittee on Social Security,
Committee on Ways and Means,
House of Representatives, Washington 25, D. C.

DEAR MR. CHAIRMAN: Pursuant to a resolution of the Ways and Means Committee on May 21, 1953, a research staff was appointed July 1, 1953, to make an investigation of the social security program. The staff spent more than 4 months in research preparing for the public hearings held the following November. The subject matter of these hearings covered various factors relating directly or indirectly to social security and included the following topics:

United States population trends;
Tax treatment of individuals under private pension plans;
Economic status of the aged;
Public assistance;
Broad economic factors, and veterans benefits, in relation to OASI;
OASI: Coverage, eligibility, and benefits;
OASI benefits paid abroad;
OASI financial position; and
The legal status of OASI benefits.

These hearings were published in 8 parts, including 2 appendixes. One appendix contained basic statistical tables and the second a miscellany of pertinent documents.

During the course of this investigation, we found widespread misconceptions with respect to the fundamental principles and character of the social security program—beliefs not founded on fact. After extensive hearings in the spring of 1954, the 83d Congress amended title II of the Social Security Act, correcting many of the anomalies and inequities revealed in the hearings of this subcommittee.

We are herewith submitting to you a factual report showing what is the present social security program for the aged and their dependents, and for survivors. This report is based in large part on the facts developed in the investigation by this subcommittee. In the light of this report, an informed public may make known to its elected representatives in Congress the kind of program wanted and the adjustments desired. Since changes and improvements in social security involve overriding considerations of social and economic policy, the final decisions, of course, rest with the Congress.

Those participating in this research project included: Rita R. Campbell, James E. Finke, Howard Friend, Alice M. Hill, George R. Leighton, Harold W. Metz, Wallace M. Smith, W. Rulon Williamson, and Robert H. Winn.

Respectfully yours,

KARL T. SCHLOTTERBECK, *Staff Director.*

ACKNOWLEDGMENTS

The staff gratefully acknowledges the assistance received from many Federal and State agencies, and from individuals in connection with the subcommittee inquiry. The staff wishes that it might give a complete list of all those who have been helpful, and regrets that it must be content with this general expression of gratitude.

SOCIAL SECURITY AFTER 18 YEARS

INTRODUCTION

Obtaining the necessities of food, clothing, and shelter in the waning years of life is a problem facing aged persons who have not laid by enough to live on and who are no longer able to support themselves by working. This problem is not a new one—and it is one with which many of us may be confronted.

The shift in the nature of our society during the last half century from a predominantly agricultural way of life to an urban-industrial economy has drastically altered the character of the means with which these needs can be satisfied. In earlier times of greater self-sufficiency, most of the family material wants were provided through working on the farm. And there was usually a place in the farm family arrangement for aged relatives. In our present highly industrialized system, the vast majority of people work for money in the form of wages, salaries or self-employment income in order to buy the various goods and services to satisfy human desires. Money resources, either as income or invested savings, are today of primary importance in providing the necessities of living. Home ownership, one form of savings, supplies one of these necessities.

Other factors have had an important bearing on this problem of dependent, unproductive old age. Longer schooling, albeit to command higher pay, has shortened the working life of individuals. The premium on speed and endurance in our industrialized society has probably diminished the job opportunities for many in the higher age brackets. Thus, over the past 50 years, there has doubtless been some shrinkage at both ends of the working lives of individuals during which they can lay money aside for old age. And over the past half century, scientific advances have added a couple years of life to those in the retirement age range—2 to 3 more years of living for which earlier provision must be made. This reduction of one's working years and the lengthening of life beyond retirement age enlarges the job of the self-reliant to save for old age. Rising standards of living over the years expand the generally accepted concepts of "necessities" and thus increase dollar requirements for one's old age. The greater earning power resulting from more educational training is an offsetting factor to the shortened span of one's work life.

The tides of economic change can wear away and even engulf savings for old age. A prolonged period of increasing costs of living, such as we have experienced for the past decade and a half, renders once seemingly adequate retirement income quite insufficient. Economic depression, showing no favorites, can wipe out jobs for the many who through choice or necessity continue to work as long as they are able. Moreover, such economic reversal can and does greatly diminish the dollar value and income-producing capacity of an individual's invested savings for the "rainy day." Such was the experience of many in the 10 years of depression in the 1930's.

Not until relatively recent years has much public attention been focused on this problem. During the first three decades of this century, some of the older and larger companies and a few of the craft-type labor unions developed old-age income arrangements to meet their special situations. In 1929 the President appointed a Committee on Recent Social Trends, composed of leading economists and sociologists, to study and survey the general subject of social legislation, including old-age pensions, unemployment insurance, and related matters. This Committee submitted its report early in 1933.

The extensive and continued decline in the opportunities for people of all ages to earn their living during the years 1930–35 and the steady attrition of falling prices and investment values, and of business losses on people's life savings and incomes ultimately resulted in destitution and need in large proportions. During these early years of the depression, private charities and municipal authorities, and then State governments, exhausted their limited means in alleviating dire want on such a huge scale.

Midway through the depression another Presidential committee made a study of economic security. The following year, Congress took legislative action by passing the Social Security Act of 1935, nine parts of which dealt in one manner or another with need caused by persons being out of work and having little or no invested savings on which to live. In subsequent years, this act has been amended a number of times, chiefly to broaden the opportunities for eligibility for benefits and to increase money benefit payments.

The fact-finding investigation by the House Ways and Means Subcommittee on Social Security in public hearings in 1953 centered attention on 3 parts of the Social Security Act. These were the sections dealing with dependency of aged persons, survivors, and children. Old-age assistance (title I) was designed to meet the existing problem of the needy aged. Federal old-age benefits (title II) was arranged in such manner as to provide a "floor of income protection" for the aged. In 1939 this plan was amended to establish survivor benefits for family members who were dependents of the breadwinner. Aid to dependent children (title IV) was set up to provide financial assistance to needy dependent children.

The common objective of these 3 programs was approached through 2 methods of financing. The assistance programs, old-age assistance and aid to dependent children, have been financed in part by Federal grants-in-aid to individual States, Territories, and certain island possessions. This support depended upon each State or other government jurisdiction establishing plans which met Federal standards and which provided funds by the State government or State and local governments. Old-age assistance was regarded as a diminishing program, to be replaced largely by title II as the latter was gradually expanded in scope.

Title II, originally designated Federal old-age benefits, was renamed Federal old-age and survivors insurance benefits in the amendments of 1939. This program has always called for special income taxes on employees, more recently on many of the self-employed, and an excise tax on employers, the proceeds of which flow into the general funds of the United States Treasury. From its inception, this program has had a trust fund financed by annual appropriations from the general funds of the Treasury, generally equal in amount to the

special taxes. Although the social-security taxes are not legally earmarked for this specific purpose, nevertheless Congress has always regarded these taxes to have been levied for the support of this program.

Federal old-age and survivors insurance benefits has always been regarded as the permanent program which would ultimately provide benefits to virtually all the aged and to all children dependent as a result of the death of the father. Thus, this program would gradually reduce to a minimum the need for Federal financial support to these two assistance programs. In mid-1953 we find, of the 13.5 million aged persons in the country, roughly 30 percent were drawing benefits under title II and another 15 percent would be eligible to receive them if not still working, but more than 55 percent were not entitled to such benefits. In excess of 15 percent of the 13.5 million aged were needy persons relying solely on old-age assistance to supplement their own resources in meeting their living requirements. Forty percent were neither eligible for title II benefits nor receiving old-age assistance cash grants. In mid-1953, there were approximately 800,000 unremarried widows with children under age 18 and 2.1 million children under 18 who had lost their fathers. More than 25 percent of these widows were drawing benefits under title II and about 40 percent of the children were also receiving them. Another 13 percent of these widows, or 100,000, and 14 percent, or 300,000, of these orphaned children looked to aid to dependent children cash grants to supplement their own resources.

This report reviews the development of this twofold approach in meeting these problems of dependency. In the first three chapters, we will consider old-age assistance, aid to dependent children, and Federal old-age and survivors insurance benefits. In the fourth and final chapter, we will reexamine the underlying principles of grants-in-aid social assistance programs, on the one hand, and the title II program, or so-called "social insurance," on the other, to reveal their basic similarities and contrasts.

The purpose of this report is to present the true character of these programs. One will thus be better able to decide what adjustments and alterations should be made to meet the changed needs of the American people, together with all other demands on Government in the present-day economy—an economy vastly changed in complexion from that which prevailed at the time these programs were conceived.

This staff report to the chairman of the House Ways and Means Subcommittee on Social Security is based on information developed in public hearings in 1953 and on other facts and materials readily available in published form.

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I. OLD-AGE ASSISTANCE

The expressed purpose of title I of the Social Security Act—grants to States for old-age assistance—is to enable each State to furnish financial assistance as far as practicable under its prevailing conditions to needy individuals 65 years of age or over. Consequently, title I is not a single program but an aggregation of 53 programs, with each of the 48 States, 2 Territories, District of Columbia, and 2 island possessions setting up its own plan and definitions. Although each plan must be approved by the Federal agency administering the grants-in-aid, these plans vary widely with respect to their concepts and practices. In each State, a single agency must administer or supervise the administration of the plan, and the plan must be in effect in all subdivisions in the same State.

Under the original concept of old-age assistance financed in part by Federal grants-in-aid, payments were to be made to any aged person in need; that is, to one whose resources (including income) were less than the amount necessary for a reasonable subsistence. The amount of assistance to each needy aged recipient was to be the difference between the cost of maintaining a subsistence level of living and his available resources. Eligibility for this financial aid was thus tied in with a "means test," and the amount of assistance was to be determined by the extent of need in each case.[1]

In this chapter we will consider in turn the conditions of eligibility, the nature of the "right" to assistance, the benefits or cash payments provided by the State programs, and finally the costs and methods of financing.

Conditions of eligibility

The Social Security Act of 1935 prescribed conditions for receipt of federally aided old-age assistance grants. Payments were to be made only to individuals who were—

1. Needy.
2. 65 years of age or older.

Each State may impose other conditions of eligibility for old-age assistance except that no State plan for old-age assistance may be approved for Federal grants-in-aid which imposes as a condition of eligibility:

1. An age requirement of more than 65 years;
2. A residence requirement "which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and has resided therein continuously for 1 year immediately preceding the application"; or
3. "Any citizenship requirement which excludes any citizen of the United States." [2]

Beyond these specifications in the Federal act, each State prescribes its own additional conditions of eligibility including (1) limitations on

[1] See report of the Committee on Economic Security, hearings before the Committee on Ways and Means, 75th Cong., 1st sess., p. 41.
[2] Social Security Act, title I, sec. 2 (b).

the value of various kinds of property, (2) responsibility of relatives for support, and (3) the definition and the proof of "need." [2a] Ascertainment of the facts relating to these conditions is made through the "means test." This test involves an inquiry[3] into several phases of an applicant's personal affairs.[4]

In all but 1 State the minimum age requirement is 65 years. Colorado grants old-age assistance to persons aged 60–64 with 35 years' residence in the State but the Federal Government does not share the expenditures for assistance to those under 65. Residence requirements vary from State to State. One State pays assistance regardless of the length of time the individual has resided in the State. Another imposes the full residence requirement permitted under the Social Security Act. United States citizenship is required in some States but not in others.

1. *Property limitations.*—All plans specify maximum amounts of various kinds of property an applicant may own and still receive further consideration for old-age assistance. These include limitations on cash savings, the cash-surrender value of insurance, the value of other liquid assets, and real estate.

The maximum values an individual may own and yet qualify as a needy person vary from State to State.[5] In New Hampshire, for example, an applicant is not eligible if his net equity in real property exceeds $1,000, or if he has personal property worth more than $300.

In Oklahoma, a recipient of old-age assistance may own a home up to $8,000 in value, or 40 acres in area, plus other personal property not to exceed $350 for an individual or $500 for a couple.[6]

Minnesota limits property ownership to $7,500 in real property plus $800 in cash or liquid assets for a single recipient and $1,450 for a couple.[7]

Nebraska permits ownership of a home "in keeping with the neighborhood" and liquid assets not to exceed $500 per recipient.[8]

In New Jersey there is no fixed dollar limitation on real property used as a home. Most other property, real and personal, must be liquidated within 6 months.[9]

Individuals applying for old-age assistance who have property in excess of the limitations prescribed in the State plan are, if these provisions are effectively enforced, ineligible for old-age assistance.

2. *Responsibility of relatives.*—In applying the means test, some State plans require a determination as to whether the individual has close relatives who could support the applicant. Provisions relating to relatives' responsibilities fall into three broad classes. In the first group are those laws which provide that assistance may be granted to the individual but that the State may make recovery through court action against the relatives who are named responsible. In the

[2a] Congress intended that, subject to the few general standards enumerated above, each State should determine the character and reach of its assistance programs.

[3] The extent of enforcement has varied among States and even within a State. See Analysis of the Social Security System, hearings before a subcommittee of the Committee on Ways and Means, House of Representatives, 83d Cong., 1st sess., pt. 4, p. 603; pt. 5, pp. 682, 684, and 687–688. All subsequent references in this report to these documents will be cited as "hearings".

[4] Regulations of the Bureau of Public Assistance require the State plan to provide for a reconsideration once every 12 months of all conditions of eligibility, including at least 1 personal interview, to determine that the recipient continues to satisfy all such conditions. See Handbook of Public Assistance Administration, sec. 2231, 2 b.

[5] For a complete listing of the property limitations in each of the 48 State plans as of July 1, 1951, see hearings, appendix I, pp. 1188–1189.

[6] See testimony in hearings, pt. 4, p. 536.

[7] See testimony in hearings, pt. 5, p. 820.

[8] See testimony in hearings, pt. 4, p. 623.

[9] See testimony in hearings, pt. 5, p. 746.

second group are those provisions which affect eligibility only to the extent support actually is rendered by that responsible relative. The third class of provisions finds the applicant ineligible if there are relatives "legally liable and able to support him," regardless of whether that support is actually forthcoming.[10]

Data were presented in the hearings which showed the number of assistance recipients per 1,000 aged population in those States which had relatives' responsibility laws. As of July 1, 1951, 15 States had no condition of eligibility involving relatives' responsibility, 8 States had such provisions but no lien and/or recovery law, and 25 States had both types of laws. The data for the 8 States did not disclose that a relatives' responsibility law, without lien or recovery, resulted in a lower caseload. Public opinion and the degree of enforcement may be a partial explanation. One welfare director stated that because of public opinion, the relatives' responsibility law was "practically ignored" and later repealed.[11]

Another welfare director testified that repeal of a relatives' responsibility law in his State resulted in a larger case load and in higher assistance costs.[12] The part that lien or recovery plays in the assistance process and the effect on the caseload will be considered on page 8.

3. *The determination of need.*—In discussing need, the Social Security Board in its Annual Report for 1941, page 126, wrote:

> Economic need * * * bears a relationship to both the requirements [of living] and the resources of the individual and not to resources alone or to requirements alone.
>
> Thus a lack of resources to meet established requirements [of living] determines that need exists. A comparison between established requirements and all available income and other resources determines the deficit in resources and the amount of assistance needed.[13]

While the definition of need is left to each State, the Federal law requires that "the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance." [14]

Thus, the State plan must provide for a determination of each individual's living requirements, his resources, and his net need.[15]

In making this budget deficiency determination, each State sets up a standard of essential living requirements for an aged person, a standard likely to be defined differently in each State. One may include food, shelter, clothing, light and heat, and little if any more. Another may also provide for all needed medical care, recreation, and many special items, such as laundry for the invalided or telephone service for the isolated according to the special circumstances of the person concerned.

The State standards may prescribe a fixed dollar amount allowable for some budget items and a maximum, or a range between a stated minimum and maximum, for others. Occasionally they set forth that every aged individual in the State requires the same total amount for his "content of living." Ordinarily the standards permit variable budget item amounts related directly to the wants of the individual applicants.

[10] For more detailed information see hearings, pt. 3, pp. 353-355.
[11] See hearings, pt. 4, p. 536.
[12] See hearings, pt. 3, pp. 438-439.
[13] Quoted in hearings, pt. 3, p. 364.
[14] See Social Security Act as amended, title I, sec. 2 (a) (7).
[15] See testimony in hearings, pt. 3, p. 365.

The budget deficiency process establishes the money value of the applicant's income and resources. The amount of income and the value of resources available to the individual to meet his monthly requirements are deducted from the total requirements. The remainder is the "budget deficit."

To illustrate, an individual's need might be determined in the following manner:

Monthly budgeted living requirements:		
Food	$25.00	
Shelter	20.00	
Clothing	5.50	
Utilities (light and heat)	10.50	
Household equipment	3.00	
Medicine	3.00	
Personal items	16.50	
Total living requirements		$83.50
Less income and available resources:		
Wage from part-time work	$15.00	
Assistance from son	10.00	
Shelter value of home, less taxes and maintenance	8.00	
Food produced on farm, less cost of production	11.00	
Total income and resources		44.00
The need, or budget deficit, is		39.50

In the example above, the individual's necessary items of living requirements exceed his income and resources and he is, therefore, found to be in "need." The budget deficit is considered the extent to which he is in "need" and becomes the basis for determining his old-age assistance payment. If this applicant is not found ineligible because of ownership of property above the limitations or because of the existence of responsible relatives who could support him (if the State has specific limitations), he has a conditional right to assistance under the State statute. If his income and available resources should exceed the State standard of requirements, the applicant is deemed not to be in "need" and hence not eligible for assistance.

As may be observed from the illustration above, "resources" consisting of the income and assets of the applicant affect his ability to meet his living requirements and may be in cash or "in kind." An aged person may receive cash income from employment, private or public old-age income plans, sale of home-produced articles, rental income, and perhaps contributions from relatives or other sources. Income "in kind" includes any living requirements available to him in a form other than money. The most common forms of income in kind are shelter derived from his ownership of a home or in the home of relatives or friends, and food produced on a farm or garden or contributed by friends or relatives.

The level of total requirements and the extent to which resources are given effect in the computation of need vary widely from State to State. The definitions of "living requirements" and "resources" are left to each State and are of crucial importance in relation to the number of aged found to be in "need," the amount of assistance payment, and the total costs of the assistance program. Variations in the definitions account in substantial measure for the wide range from State to State in the proportion of the total aged population receiving old-age assistance. In June 1953 that proportion ranged from 599 OAA recipients per 1,000 aged persons in Louisiana to 49 recipients

per 1,000 aged persons in New Jersey. (A full discussion of various factors bearing on the relative size of the caseload may be found on page 15–20.) One witness in the hearings testified with respect to these variations as follows:

Some States specify legally responsible relatives of applicants for public assistance and require maximum support from such relatives before aid is given, while other States give no consideration to this resource. Some States file liens on the property of assistance recipients and other States do not. Some States expect otherwise eligible applicants to work if employment is available and suitable to their capabilities, while others do not follow this practice. There is great variation between States in liquid assets, life insurance, and other personal property, permitted to be held by the applicant, which affects tremendously the number of persons qualifying for aid and, therefore, the amount of Federal funds made available to the different States for public-assistance purposes.[16]

There are also variations between States in the general attitude to the concept of need. This is indicated by legislation enacted in 1953 on the consideration to be given income in determining eligibility for assistance and the amount of the assistant grant.

* * * The Florida Legislature determined that, in arriving at the amount of assistance an individual is to receive, the State welfare department should not consider the benefits derived from livestock and garden produce that are used only for consumption by the applicant and his family.[17]

* * * In Colorado a constitutional amendment is to be voted upon at the next general election to permit income to be disregarded in old-age assistance. The proposal would make the legislation inoperative if the Federal law does not permit such disregarding of income in an approved assistance plan.

Under legislation adopted in Missouri, the State welfare department is to disregard whatever earned income is permitted under Federal legislation for old-age assistance, aid to dependent children, and aid to the permanently and totally disabled. Nebraska adopted a similar provision for old-age assistance.

The legislatures of five States—California, New Mexico, Oregon, Washington, and Wisconsin—adopted resolutions recommending to Congress that the Federal law be changed to permit the States to disregard income of assistance recipients in programs other than aid to the blind without loss of Federal funds. * * *[18]

Other States enacted legislation to insure more nearly complete consideration of the income of assistance recipients.

* * * Connecticut legislation gives the commissioner of welfare authority to require the attendance and testimony of employers who refuse to disclose information on wages paid. A penalty is imposed for failure to comply. Vermont provided authority for the State welfare department to obtain information from banks and other organizations concerning the resources of assistance recipients.

In Pennsylvania an amendment to the unemployment insurance law provides that the State agency administering that program shall, on notification by the State welfare department, forward to the welfare department benefit checks equal to the amount of public assistance paid to an individual for necessities furnished him, his spouse, or his dependents during the time he was unemployed and eligible for unemployment insurance benefits. * * *[19]

An additional and significant feature in the process of approving payment to an applicant for assistance is the operation of the lien and recovery laws in those States which have such a statute on the books. In determining the applicant's budget deficiency or need, all plans give consideration to the use which an individual derives from his real property in meeting his living requirements. In none of the 53 plans is an applicant required to dispose of his home and use up in living the proceeds from such sale before he is found eligible for assistance. In 37 of these jurisdictions, however, there are provisions enabling the State to recoup as much as possible of the assistance granted to the applicant.

[16] See testimony, hearings, pt. 4, pp. 603–604.
[17] See Social Security Bulletin, January 1954, State Public Assistance Legislation, 1953, p. 3.
[18] See the same, p. 4.
[19] The same.

This recovery is made after the death of the recipient, and usually after the death of any dependents. These provisions are known as the lien and recovery laws.

There are two reasons advanced for such statutes. One is that old-age assistance is intended for the care of aged persons in need but not in a manner enabling them to pass on their property intact as a gift or inheritance to persons who had not provided support during the declining years of the recipient. The other reason offered is that, in the absence of relatives who are willing or able to support the aged person, the State has taken the place of the children, or other relatives by providing support. Therefore, at the time of liquidation of the recipient's estate, the State should occupy the position of the children to the extent that assistance was provided.[20]

The existence on the statute books of lien or recovery laws results in a smaller caseload and a lower cost than would otherwise obtain. Testimony and other evidence presented in the hearings revealed that a principal effect of the lien law was to act as a deterrent on aged persons applying for old-age assistance.[21]

The "right" to public assistance

Our complex society largely depends on various "rights." For example, mention is frequently made of an inherent "right"—derived perhaps from our concept of human or natural rights. There are also others, including constitutional, property, vested, contractual, statutory, conditional, and civil rights.[22]

Various government publications have often stated that public assistance is "paid as a matter of right based on a showing of need." In view of this myriad of "rights," it is not surprising that we find "paid as a matter of right" variously interpreted in different parts of the country. We learned in the hearings in 1953 that many people had come to believe they were entitled to old-age assistance, for example, as a matter of right regardless of need on reaching age 65. The director of the Department of Public Welfare for South Carolina testified that—

> * * * it requires constant interpretation on the part of all workers to the many persons in the community who feel that it is a matter of right, that it is not.
>
> * * * * * * *
>
> For instance, we find it necessary in many instances to explain to, we will say, wealthy sons or well-off sons or other wealthy relatives, that old-age assistance is not just a matter of right; that it is an assistance program and a conditional program; * * *[23]

The director of public welfare for the State of Oklahoma testified in the hearings as follows:

> I have found in Oklahoma that many people are misinformed as to the meaning of the statutory right to assistance. A great majority of these people over 65 years of age, and many who are under 65, are still of the opinion that Oklahoma adopted a social-security law that gave them a right to assistance upon reaching their 65th birthday, regardless of need. It is true that the social workers have had to constantly interpret that this is a program based upon need.
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> Chairman CURTIS. Is that misunderstanding among the public something that occurs on rare occasions, or does it happen occasionally in every community?
>
> Mr. RADER. I would say it is very general.[24]

[20] For more detailed information see hearings, pt. 3, pp. 352-353 and p. 358; pt. 4, p. 626; and pt. 5, p. 758.
[21] For more detailed information see hearings, pt. 3, pp. 348 and 364; pt. 4, p. 622; pt. 5, pp. 744, 758, and 819.
[22] If one side of a coin is a "right," the obverse side is an "obligation." In the case of a statutory right the obligation rests upon the government which passed the particular law.
[23] See hearings, pt. 3, p. 436.
[24] Hearings, pt. 4, p. 530.

A similar belief is widely held in Louisiana. Two independent and competent scholars who have been engaged in a thorough study of public assistance in that State testified before the subcommittee in 1953 as follows:

Mr. FRENCH. * * * insofar as the population of the State is concerned, I think there is no doubt that it is considered very much as a right. You would have no difficulty, I think, in reaching that conclusion.

If you were to talk to anyone in or out of the legislature, it is just considered that it is something that people have a right to get, and men who have run for public office in our State have repeated this over and over again. * * *

* * * * * * *

Mr. CARMON. * * * The attitude expressed by parish officers is one indication also. This is straight from our discussions with parish directors—that old-age assistance is considered to be a pension program in Louisiana, and the emphasis on need is underplayed considerably.[25]

The commissioner of public welfare in Minnesota indicated a similar attitude prevailed in that State. In the hearings of 1953 he reported as follows:

Mr. LIERFALLOM. * * * we have found that the public as a whole more or less develops its own ideas, as to whether there should be pensions, or what the old-age assistance payment means. To many of them it means "pension" in return for taxes paid over the years; "pension" for being a good citizen and having pioneered the country; cleared the forests, and all those things which we hear quoted so liberally during legislative time and election campaigns.[26]

A special commission, appointed by the Governor of Rhode Island, expressed similar views as follows:

It should be the privilege of every aged person to retire when he wishes to do so, or when he has to do so, without fear of economic disaster.

* * * * * * *

People who have spent their working lives as productive citizens, as fathers and mothers, as builders of our communities, should be assured of retirement income sufficient for a modest, American standard of living.[27]

Official Government publications, instructions from the Bureau of Public Assistance to regional, State, and local welfare workers, and "unofficial" study reports of the Bureau have doubtless played some part in the growth of this public attitude that aged persons, for example, have an unqualified right to assistance. A 1945 publication of the Bureau of Public Assistance entitled "Common Human Needs" stresses the notion that the individual has an inherent, unqualified right to public assistance.[28] This basic idea is implicit in the following guidance for social workers:

If we public assistance workers have a deep conviction ourselves that every individual has a rightful claim on society for assistance in time of need, we will reach out to help the person establish eligibility with an attitude which expresses our confidence in his application.[29]

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[25] See hearings, pt. 5, pp. 678–679.
[26] See hearings, pt. 5, p. 814.
[27] See Old Age in Rhode Island, Report of the Governor's Commission to Study Problems of the Aged, State of Rhode Island and Providence Plantations (July 1953), pp. 41, 72.
[28] Common Human Needs. an Interpretation for Staff in Public Assistance Agencies. The foreword of the publication states "Supervisors and training consultants in State agencies have emphasized the need for training materials which would widen and deepen the staff's understanding of individuals and would form the basis for developing skill in administering services which intimately touch people's lives. To meet these urgent requests, the present discussion of common human needs has been prepared by Charlotte Towle in consultation with the staff of the Bureau. * * * Supervisory personnel and persons with special responsibility for staff training will find the material of particular value in planning and conducting training sessions as well as in the less formal day-to-day individual and group conferences. Only as this content stimulates study, becomes a basis for discussion, and is thoughtfully applied, will it fully realize its educational aim."
[29] Common Human Needs, Public Assistance Report No. 8, p. 22.

At another point the Bureau's pamphlet asserts:

> If, as public assistance administrators, we have genuine conviction as to the applicant's rightful claim on society in time of need, if our feelings about this principle are not divided, we will be inclined to think and feel in terms of the applicant's needs and be less protective of the taxpayer.[30]

If assistance is a matter of right then it is logical to assume that there is a presumption that every applicant is qualified for old-age assistance until it is proved specifically that he is not qualified. Thus, a publication of the Bureau states:

> It is essential that the applicant feels that in our eyes he is eligible until proved ineligible.[31]

As a part of this assumption that the applicant is qualified until he is proved ineligible, the Bureau of Public Assistance urges that the States consider the applicant to be the primary source of information concerning his eligibility. The Handbook of Public Assistance (sec. 2241), prepared by and published by the Bureau of Public Assistance, advises the States as follows:

> The applicant as the primary source of information: By using the applicant as the primary source of information in determining eligibility as described in IV–2232, payments can be made promptly with no sacrifice of essential legal or administrative responsibility and without loss of Federal financial participation in initial payments. States are urged to simplify the initial exploration of eligibility in order not only to complete that part of the application process promptly but also to take advantage of increased assurance of Federal financial participation in initial payments.
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> * * * * * * *
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> The use of the applicant as the primary source of information in determining eligibility means that the exploration of the facts concerning eligibility is a joint responsibility of the applicant and the worker, and that, in general, a determination of eligibility can be made by the agency on the basis of facts supplied by the applicant.

Another part of the same section provides:

> An agency that desires to determine eligibility by using the applicant as the primary source of information to the fullest extent will include in its suggested sources of acceptable information, pertinent and consistent details presented orally by the applicant concerning his current circumstances or his personal and family history which, when related to other known facts and combined with the observations of the worker, substantiate the applicant's assertions concerning specific conditions of eligibility.
>
> * * * * * * *
>
> The worker takes no step in the operation of eligibility in which the applicant does not agree.

Thus, the assumption of an unqualified right is made an integral part of the crucial application process.

These statements by employees of the Bureau of Public Assistance do not make clear that any right to assistance is only derived from the statute and is not inherent. The implication tacitly conveyed is that the right is natural, inherent, and unqualified.

If it is accepted that public assistance is an inherent right, then the case worker "will be inclined to think and feel in terms of the applicant's need and be less protective of the taxpayer." [32] This guidance circulated by the Bureau of Public Assistance is significant because it means that the social worker in administering old-age assistance will place the interest of the applicant first and the rights and interests of

[30] The same, p. 23.
[31] The same, p. 22.
[32] The same, p. 23.

the taxpayer second. The publication of the Bureau from which this advice was quoted specifically goes on to say:

> If, however, we are in conflict in our thinking about the individual's right to public assistance, we may fear the community's attitude toward our spending and, instead of assuming responsibility for interpretation of the applicant's need, we may ease our fears by silently conserving public funds at the recipient's immediate, and the community's eventual, cost. We may then give our services grudgingly, inadequately, short-sightedly. In such instances, the negative feeling of the applicant for the agency may mount to such an extent that the agency experience in the long run is destructive for him.[33]

A conception that the aged individual has an unqualified "right" to public assistance will, directly or indirectly, affect the numbers receiving such aid and the total cost. We noted above the widespread public belief in Oklahoma that old-age assistance is a pension to which an aged person is automatically entitled on reaching age 65. As a result, practically no attention was given to the relative-responsibility laws then on the statute books. These requirements were later repealed.[34] Similarly, a broad interpretation of the "right" to old-age assistance by the case workers in Louisiana has resulted in little or no investigation with respect to the property resources of the applicant in the determination of his eligibility for assistance.[35]

It is clear that, unless there is a specific definition of the word "right" and this definition is widely understood, the boundaries and contents of the word "right" are likely to become increasingly more inclusive. In the hearings of 1953, the Associate Director of the Bureau of Public Assistance cleared away much of the confusion as to the nature of the right to public assistance. She observed that this right is conditional in nature and statutory in origin.[36]

A clear understanding of the nature of the "right" to assistance is important to any applicant, and also to the country as a whole. A moment's reflection will reveal that a "right" to assistance is important to the individual applicant because it is a right to something of value—cash benefits. Since it is a conditional right, the applicant for assistance must meet certain conditions of eligibility in order to become entitled to receive a cash payment. Moreover, the recipient of assistance must continue to meet the conditions of eligibility in order to exercise that "right" to benefits in the future. Since it is a statutory "right," the underlying conditions of eligibility and also the value of the "right"—expressed in terms of cash benefits—may be changed at any time by the sovereign government. A right to assistance as defined, understood, and administered, is important to the people as a whole because of its direct and indirect effect on the total costs of each assistance program.

This matter of "right" again arises in connection with the benefits under the title II program. Because there is a widespread misconception as to the nature of the right to title II benefits, attention will be given to it in chapter III. In chapter IV, we will compare the character of the "right" to benefits under public assistance with that to title II benefits to determine any fundamental similarities or contrasts.

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[33] The same, p. 23.
[34] See testimony in hearings, pt. 4, p. 536.
[35] See testimony in hearings, pt. 5, pp. 687-688.
[36] See hearings, pt. 3, p. 421.

Benefits

Old-age assistance as originally defined in the Social Security Act of 1935 meant "money payments to needy aged individuals." While this is still its principal meaning, the 1950 amendments provided for direct payments to physicians and others who furnish specified medical or other remedial care in behalf of the needy aged.[37] Some States had been making such payments out of their own funds in previous years but, with these amendments, such payments became subject to Federal participation.

The public assistance grant—that is, the cash payment to an individual or for his medical care [37a]—is based on the amount of assistance needed, determined by the budget deficiency method. (See pp. 6–7.) In a few States the amount determined by this method is not fully met by the cash grant. The scope or magnitude of the State's "standard of living requirements" in relation to the amount of State and local funds appropriated for this purpose is a determining factor in this regard.[38]

This old-age assistance program has always involved Federal participation in the cash payments to individuals, with a ceiling placed on the amount of participation. At the present time, the Federal Government supplies on the average $20 of the first $25 and half of the next $30, or a maximum of $35 in a $55 monthly payment. It should be noted that the Federal act does not limit the amount of money that a State may pay over and above its share called for in the participation arrangement.

The participation formula has been amended 4 times since 1935—in 1939, 1946, 1948, and again in 1952. In each case, the maximum subject to Federal participation has been increased, and in the last three amendments both the amount and the proportion of the maximum subject to participation from Federal funds has been increased.

Congress has amended the formula in this manner in order that old-age assistance recipients would receive larger monthly grants. The data below show the average old-age assistance grants to individuals in the month of June 1940 and 1953 for selected States and for the United States as a whole.[39]

	June 1940	June 1953		June 1940	June 1953
United States	$19.92	$49.48	Minnesota	$20.99	$45.28
Arkansas	7.56	32.25	Nebraska	16.51	43.23
California	37.95	69.39	New Jersey	20.49	59.85
Colorado	33.57	78.70	Oklahoma	17.72	65.88
Louisiana	11.89	51.19	Virginia	9.82	26.74
Massachusetts	28.51	66.70			

As may be seen from the figures above, the average monthly grant in June 1940 ranged from a low of $7.56 in Arkansas to a high of $37.95 in California and amounted to $19.92 for the entire United States. Between 1940 and 1953, the maximum grant subject to Federal participation has been increased from $40 to $55, and the maximum potential Federal participation has been raised from $20 to

[37] See Social Security Act, title I, sec. 6.

[37a] It may be noted in passing that the grant to the individual is a gift or gratuity and is therefore not subject to the Federal income tax.

[38] See hearings, appendix I, p. 1161, for further details.

[39] Data are from the Department of Health, Education, and Welfare. Figures for all States for these and selected intervening years are given in the appendix, p. 57.

$35. The figures show that average grants in June 1953 ranged from a low of $26.74 in Virginia to a high of $78.70 in Colorado, and the average for the United States as a whole was $49.48.[40] It may be observed that these average monthly payment figures do not reflect the total income on which an old-age assistance recipient has on the average to live. These cash payments are granted to cover all or part of the balance of his living requirements after allowance for his resources and other income. These items may include financial help from relatives, money from the liquidation of some property, the rental value derived through living in his own home, food grown on his property, earnings from odd jobs, and any old-age income such as Federal old-age and survivors insurance benefits.[41]

Costs and financing

As was indicated earlier, State and local governments did not have sufficient fiscal resources in the mid-1930's to meet their sharply rising relief burdens. To provide financial assistance to three categories of needy people, Federal grants-in-aid were offered to each State, if matched by State or by State and local funds. These groups of persons were the needy aged, needy dependent children, and needy blind. We are here concerned with the costs and financing of the program providing assistance to the needy aged.

Total costs for old-age assistance payments and for administration have increased greatly in the period 1940 to 1952. The figures showing the rise in aggregate costs in millions of dollars for the old-age assistance programs of the 48 States and 3 other governmental jurisdictions [42] are as follows for specified calendar years: [43]

[In millions]

	1940	1952
Federal	$245.6	$858.3
State	202.3	653.2
Local	52.4	104.3
Total	500.3	1,615.8

The data show that over this 12-year period total expenditures have risen from $500 million to $1.6 billion.[44]

While the proportion of the total supplied by the Federal Government has increased very slightly from approximately 49 to 53 percent, in absolute terms the rise has been from $246 million to $858 million, or 249 percent. The data above include payments to individuals in excess of the maximum grants subject to Federal participation. If the figures were adjusted to show only those expenditures in which there was sharing, the Federal participation in 1952 would be in the neighborhood of 60 percent.

Over this span of years, the aged population of the United States increased from 9 million in 1940 to an estimated 13.1 million in 1952, or roughly 45 percent. The number receiving old-age assistance

[40] Puerto Rico and the Virgin Islands were added to the old-age assistance program by the 1950 amendments. For purposes of comparability, the United States average for June 1953 has been calculated exclusive of the figures for these 2 island possessions.
[41] For more complete discussion see pp. 6-7.
[42] These are the District of Columbia, Alaska, and Hawaii.
[43] Data are from the Department of Health, Education, and Welfare. For detailed figures by States, see hearings, appendix I, pp. 1167 and 1171.
[44] These data include assistance payments made in excess of the maximum subject to Federal participation. Payments above the ceiling are from State, or State and local funds.

meanwhile increased from 2,066,000 in December 1940 to 2,640,000 in December 1952,[45] or slightly less than 30 percent.[46] During this same period of years, the number of aged persons drawing benefits under the permanent program, Federal old-age and survivors insurance benefits, rose from 147,000 in December 1940 to 3,825,000 in December 1952. Since title II benefit payments were initiated in 1940, the rise in the number of beneficiaries naturally was much greater than the growth in the total aged population.

The foregoing data show that the number of aged drawing benefits under the permanent program, title II, has increased very materially but that the number receiving payments under old-age assistance [47] has risen less percentagewise than the growth in the aged population. Despite this relatively smaller increase in the number of old-age assistance recipients, total costs for this grant-in-aid program have increased by over 200 percent.

Several factors account for this increase in the costs of old-age assistance. It is impossible to measure exactly the effect of the various influences on total expenditures, but, in addition to the extensive rise in the cost of living, (of 90 percent), probably the two other most important elements have been the conditions of eligibility prescribed in each State plan, together with the implementing regulations, and congressional changes in the Federal participating formula for financial support.

The discussion and analysis on pages 4–12 have indicated how the conditions of eligibility, the definitions of resources, the regulations and the administration of these provisions in each of the State programs affect the number of individuals found to be eligible for old-age assistance cash grants [48] and the level of cash payments made. The product of these factors determines the total expenditures for old-age assistance in each of the States, which in turn form the basis for automatically determining [49] the aggregate Federal grants-in-aid.

The Federal participation formula exerts its influence directly on total expenditures.[50] This formula has been liberalized three times since the amendments of 1939 to provide more funds to all States, particularly to States whose average payments were relatively low. It should be noted that, because of the extensive rise in the cost of living, it was hoped that all States would increase the amount of individual monthly cash grants. Before showing the bearing of the formula on costs we will first briefly describe the manner in which it operates and how it was liberalized.

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[45] Includes grants for vendor payments for medical care only, for 11,202 individuals.

[46] The peak in the number on the old-age assistance rolls of 2,810,000 was reached in September 1950.

[47] In recent years roughly 10 percent of aged beneficiaries under title II have also received cash grants under old-age assistance.

[48] Congressman BAKER. Miss Goodwin, does the Federal Government have no jurisdiction whatever in determing the number of recipients. * * *

* * * * * * *

Miss GOODWIN. (Associate Director, Bureau of Public Assistance). I think that it needs to be understood that the State agency determines who is to be eligible under its program. That in itself is the major factor in determining how many persons will come within the program in that State. It also determines the level of assistance that it expects to pay and defines what it regards as need. * * * (Hearings, pt. 3, p. 343.)

[49] Under existing law and practice, Congress does not exercise the same kind of review and appraisal of the amount of money that is to be appropriated and spent in any 1 year for old-age assistance or for any other form of public assistance, as it exercises in connection with other requests for funds. The House Committee on Appropriations feels that it is precluded from reviewing on their merits requests for funds for such purposes. Thus, this committee reported to the House of Representatives that, "The Committee on Appropriations is powerless to control such items as grants for old-age assistance, aid to the blind, and so forth, as the only control is in the formula in the statute itself, and desires to express the hope that these matters may have the attention of the appropriate legislative committees of the Congress" (House Appropriations Committee report on Report of Labor, Federal Security Agency bill for 1948, 80th Cong. 1st sess., H. Rept. 178. See p. 29.)

[50] See testimony, hearings, pt. 3, pp. 342–343.

In its original program of old-age assistance, the Federal Government matched dollar for dollar the monthly cash grants to needy aged recipients with a ceiling placed at $30 on the grant subject to Federal participation. The data below show how the changes in later years in the grants-in-aid formula have increased the maximum old-age assistance monthly payment subject to Federal participation.

Effect of amendments to title I of the Social Security Act on Federal and State shares of maximum OAA payment subject to Federal participation [1]

Effective date of amendment	Maximum amount subject to Federal participation	Federal share	State share (including local)
Feb. 1, 1936	$30	$15	$15
Jan. 1, 1940	40	20	20
Oct. 1, 1946	45	25	20
Oct. 1, 1948	50	30	20
Oct. 1, 1952	55	35	20

[1] From hearings, pt. 3, p. 378.

As may be seen from the table, the maximum amount subject to Federal participation has risen from $30 a month in 1935 to $55 a month and the Federal share has increased from $15 to $35. It should be noted that there has never been a provision in the Federal statute which prevented any State from making cash payments from State, or from State and local funds, to individuals in excess of the participating maximum. In fact, a number of the States have regularly done so.

In the process of legislative change, the original matching arrangement has been discarded. By amendments in 1946, again in 1948, and again in 1952, the Federal Government has progressively raised the maximum subject to participation, and increased its overall share in this from 50 percent to something in excess of 60 percent.

The table below shows how the formula provides a larger share of Federal funds for the maximum grant subject to participation.

Legislative chronology of provisions for Federal participation in payments of old-age assistance

Legislation [1]	Maximum amounts of individual monthly payments to OAA recipients subject to Federal participation	Federal share of expenditures within specified maximums to aged
1935 original act	$30	½.
1939 amendments	40	½.
1946 amendments	45	¾ of 1st $15 (average), plus ½ of the balance.
1948 amendments	50	¾ of 1st $20 (average), plus ½ of the balance.
1950 amendments	50	¾ of 1st $20 (average), plus ½ of the balance.
Puerto Rico [2] and Virgin Islands [3]	30	½.
1952 amendments [4]	55	⅔ of 1st $25 (average), plus ½ of the balance.
Puerto Rico [2] and Virgin Islands [3]	([5])	([5]).

[1] Effective date of legislation: The 1935 original act was effective February 1936, the 1939 amendments in January 1940, and subsequent amendments in October of the year in which enacted.
[2] Maximum Federal payment in a fiscal year, $4,250,000, under titles I, IV, X, and XIV.
[3] Maximum Federal payment in a fiscal year, $160,000, under titles I, IV, X, and XIV.
[4] The amendments expire Sept. 30, 1954.
[5] No change.

As may be observed from the table, the dollar for dollar matching was increased from a maximum of $30 to $40 with the 1939 amendments. Thereafter the Federal share has steadily been increased for a portion of the grant, and the balance up to the maximum is on a matching basis.[52] In contrast with this steady increase in the Federal share, not only in percentage terms but in absolute terms, the maximum amount required of the State has been held in this arrangement at $20 since 1939.

The staggered grants-in-aid formula has a direct bearing on the level of total costs and has been changed by Congress in order to supply additional funds to all States, especially to those making cash payments which, on the average, are substantially below the United States average. Data show that certain States consistently have had relatively low average old-age assistance monthly payments to aged recipients and a higher proportion of their aged population on old-age assistance rolls. Examination of other data reveals that a comparatively small portion of the aged in these States received Federal old-age and survivors insurance benefits, and that per capita income, viewed as a measure of taxpaying capacity, was low in comparison with that for other States. These facts have been analyzed in a manner to support greater Federal grants-in-aid.

For example, we find that in June 1953 only 20 percent of the aged population in Georgia received Federal OASI benefits as compared with a national average of 32 percent. According to this analysis, we are likely to find a higher proportion of the aged in Georgia on the OAA rolls than is true for the country as a whole. The data show that such is the case, with 39 percent of Georgia's aged population receiving OAA as compared with 19 percent for the United States. Georgia has had a relatively low per capita income, ranking 44th among all States in 1947, 42d in 1949, and 42d in 1952. Because of the relatively large proportion of its aged on the OAA rolls and its low "taxpaying capacity," (per capita income) the average cash grant is likely to be comparatively low. We find such expectations confirmed with respect to average cash grants, with Georgia ranking 48th in 1947, 47th in 1949, and 42d in 1952. Data for other States could have been selected tending to show that the Federal OASI recipient rate and per capita income apparently explained the large portion of the aged population in a State on old-age assistance and the relatively small average cash grants. This line of analysis has induced Congress to increase the Federal share in the participating formula.

The willingness or unwillingness of the people in a State to be taxed more for this program, however, may be of greater importance than the State's OASI recipiency rate and per capita income in explaining the numbers on the OAA rolls and level of average payment. Louisiana, for example, has likewise had a low proportion of its aged receiving OASI benefits—roughly 22 percent, as compared with 32 percent for the United States as a whole in June 1953. It has also had a high proportion on the OAA rolls—60 percent as compared with the United States average of 19 percent. In per capita income, Louisiana was 42d in 1947, 40th in 1949, and 41st in 1952—in other words, exhibiting a relatively low taxpaying capacity. However, in average OAA cash

[52] The present participating arrangement may be described in general terms as follows: The Federal Government furnishes 80 percent of the first $25 of all monthly old-age assistance grants in a State, and half of the remaining $30 within the $55 limit for an individual. For a detailed description, see hearings, pt. 3, pp. 384–387.

grants, it advanced from 38th in 1947, to 17th in 1949 and ranked 19th in 1952. In 1948, Louisiana passed a 2-percent sales tax earmarked for the support of public welfare, the major share of which was devoted to OAA. Here the most significant factor appears to be a willingness on the part of the people to be taxed more heavily to support this specific program.[53]

Oklahoma, with a similar experience in respect to its OASI recipiency rate, has a high proportion of its aged on the OAA rolls and a relatively low taxpaying capacity, as measured by per capita income, but nevertheless makes a comparatively high cash payment on the average to OAA recipients. In this instance, an earmarked sales tax was passed in 1936. The people in this State likewise indicated a willingness to be taxed for this program.[54]

The data for some States indicate that their people either are unwilling to pay more taxes for larger State activities, including public assistance, or else there is a consensus that the prevailing OAA cash grants are adequate.[55] In 1953, for example, Virginia had only 25 percent of her aged receiving OASI as compared with the national average of 32 percent. Contrary to expectations, we find not a large portion of its aged are on the OAA rolls, but only 7 percent as compared with the national average of 19 percent. In average cash grants, Virginia ranked 44th in 1947 and 48th in 1949 and 1952. However, in per capita income, the State also ranked relatively low, being 38th in 1947, 39th in 1949, and 35th in 1952. Since 1950, the State has had a statute on the books which provides "for a reduction in income taxes upon a surplus of tax receipts over the budget expenditures." This resulted in a total tax saving to taxpayers in 1951 of roughly $10 million.[56] Data for Maryland reveal a similar although not so striking a situation.[57] These facts clearly show a taxpaying capacity existed in these two States. The relatively low per capita income in Virginia did not reflect a low taxpaying capacity on the part of the residents of Virginia. Maryland had a much higher per capita income. One can only conclude that the people of these States were unwilling to be taxed more or they regarded the OAA payments as adequate.[57a]

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[53] Mr. WINN (counsel). Doctor, would you say, as a result of the earmarked tax and the high OAA recipiency rate, that despite the low per capita income and the relatively low OASI recipiency rate in Louisiana this program indicates that the people of Louisiana are willing to be taxed more to support this categorical program?

Mr. FRENCH. I believe that you cannot come to any other conclusion * * *

* * * * * * *

Mr. FRENCH. * * * The people voted for that program by voting for a candidate for governor. In that campaign it was indicated that the people of the State would have to pay for this program because the State had no surpluses to support such an expanded program and so the legislature under the leadership of that administration passed a 2 percent sales tax, the incidence of which bears very heavily upon the common people of the State of Louisiana, and so one can only conclude, I believe, that it was an open case of willingness to be taxed to support this particular program (hearings, pt. 5, pp. 691–692).

* * * * * * *

Mr. WINN. Then actually what you are saying about Louisiana is that, despite a relatively small proportion of the aged population receiving old-age and survivors insurance benefits and despite a low per capita income, Louisiana has paid a high old-age assistances cash payment as a result of a willingness on the part of the people of the State of Louisiana to be taxed more for this program; is that not correct?

Miss GEDDES (Chief, Division of Program Statistics and Analysis, Bureau of Public Assistance, Social Security Administration). That is correct (hearings, pt. 3, p. 414).

[54] See hearings, pt. 4, pp. 531–532.

[55] In the 1953 hearings, the Associate Director of the Bureau of Public Assistance testified that after the Federal participation share in the formula was increased in 1952, "Some States had ample funds and were already paying at a level which they felt was adequate, and did not believe it was necessary or desirable to increase individual payments." See hearings, pt. 3, pp. 379–380.

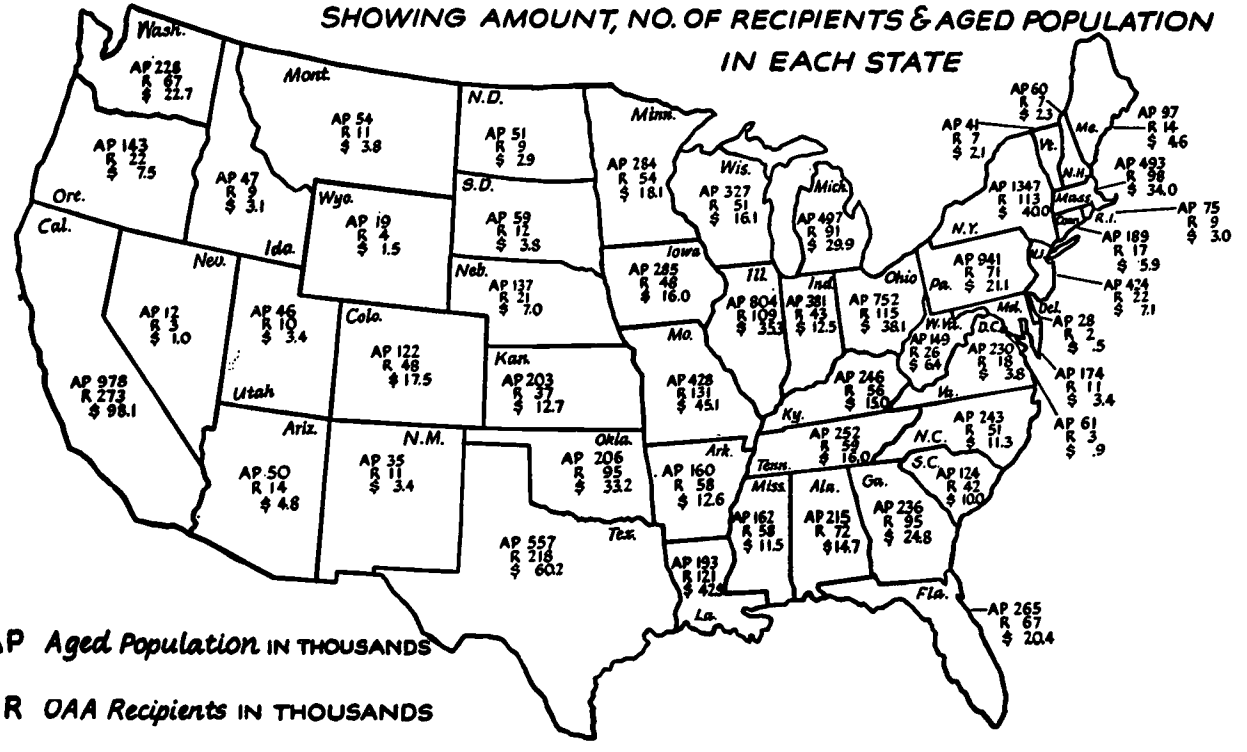
[56] See hearings, pt. 3, pp. 414–416.

[57] For detailed testimony, see hearings, pt. 3, pp. 402–416.

[57a] As we noted earlier, Congress intended that each assistance plan be geared to the conditions within each State. In part this was because the necessary "living requirements" vary substantially between industrial States and agricultural States, and also between urban areas and rural regions within a State. In consequence, we would expect to find the average cash payments materially lower in agricultural States as compared with those that are highly industrialized.

FEDERAL MONEY FOR OAA CASH PAYMENTS IN 1952

SHOWING AMOUNT, NO. OF RECIPIENTS & AGED POPULATION IN EACH STATE



AP *Aged Population* IN THOUSANDS

R *OAA Recipients* IN THOUSANDS

$ *Federal Money in* MILLIONS *excluding Administrative Grants*

Source: For data, see appendix, p. 57.

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There are other factors, of course, which have influenced the cost of OAA. The rise in the cost of living of 90 percent from 1940 to 1952 has meant larger payments to meet the same degree of individual need. The expansion of coverage, liberalization of the eligibility requirements, and the large benefit increases in the 1950 amendments to title II and the further raises in benefits in the 1952 amendments to this title have had an effect directly or indirectly on OAA costs. The benefit increases resulted chiefly in lowering the amount of OAA assistance to those persons drawing benefits under both programs.[58] However, expanded coverage and liberalized eligibility conditions under the 1950 amendments to Federal old-age and survivors insurance benefits will reduce the OAA caseload rather gradually. This is because roughly half of the OAA recipients were of such an age that probably few could take advantage of the easier work requirements to qualify for OASI benefits. In the period December 1952 to May 1953 roughly 30 percent of the OAA recipients were 70 to 74 years of age and 50 percent were 75 and over.[59] The expanded coverage and liberalized eligibility conditions in the 1954 amendments to Federal old-age and survivors insurance benefits will similarly lighten the OAA caseload very slowly.

The composite effect of these various factors—including eligibility conditions of State plans, the rise in the cost of living, the Federal participation formula, the willingness or unwillingness of persons of each of the States to be taxed more for government programs or for public assistance specifically, and a consensus within a State that the prevailing OAA cash grant is adequate—is reflected directly or indirectly in the amount the Federal Government pays to each State for OAA.

The map on page 19 shows the amount of Federal grants-in-aid to each State in 1952 for OAA. A comparison of any pair of States with approximately equal aged population and reasonably similar economic characteristics reveals the manner in which these various factors have affected Federal financial support for OAA.

Chairman CURTIS. I see one thing on this map that I would like to call attention to and that is my own State of Nebraska as compared with its neighbor on the west, Colorado. I think I am quite familiar with the economy of both States. I find that Nebraska has 137,000 aged people, that 21,000 are recipients of old-age assistance, and that the Federal Government is sending in $7 million for that purpose.

Colorado has a smaller population. They have an aged population of 122,000 but they have 48,000 recipients of old-age assistance or almost 2½ times as many. The Federal taxpayers over the United States are sending into that State $17½ million.

I think that is quite significant because our economies are not identical but they are not too much different, and not too much different in the application of OASI which in due time we will show with a similar chart.

I would also like to call attention to the fact that the State with the largest number on old-age assistance of their population, Louisiana, has 193,000 aged persons, while my State had 137,000. It is not half again as large. There are six times as many aged persons receiving assistance in Louisiana as in Nebraska, and the Federal Government is contributing to this program in Louisiana $42.9 million.

A similar comparison might be made between Oklahoma and Kansas. The aged population is so close. Kansas has 203,000 aged persons, Oklahoma has 206,000.

Kansas has 37,000 recipients, Oklahoma has 95,000 recipients. The Federal Government pays into Kansas $12.7 million and into Oklahoma $33.2 million.

[58] "The bulk of all [OAA] cases with increased [OASI] benefits continued to need assistance but their payments were usually reduced." See Public Assistance: Effect of the Increase in the Current Old-Age and Survivors Benefits, Social Security Bulletin, September 1951, p. 5.

[59] Data are from the Department of Health, Education, and Welfare. See hearings, appendix I, p. 1181.

In other words, of an approximately equal aged population, Oklahoma has about 2½ times as many on OAA.[60]

The financing of Federal-State public-assistance programs, including OAA, has been a joint undertaking since their inception. The draft on Federal funds and on State and local tax revenues for OAA has increased from $500 million in 1940 to $1.6 billion in 1952. The State and local funds are derived from a wide range of taxes—in some States, such as Oklahoma and Louisiana, financial support is provided wholly from earmarked sales taxes, but in others by drafts on general tax revenues. A very modest form of capacity-to-pay taxes is employed in a few States.

Federal grants-in-aid are appropriated from the general funds of the United States Treasury. During the war years, of course, a very substantial part of these was obtained by borrowing, but during the 3 fiscal years 1950–53 not more than roughly 5 percent have been derived in this manner. Approximately 40 percent of the general funds of the Treasury for the fiscal years 1950–53 represented receipts from graduated individual income taxes—levied in relation to the capacity of individuals to pay—and the remaining 55 percent have been receipts from corporate income taxes and excises on a miscellany of commodities, consumer goods and services. The dollars in the general funds are indistinguishable as to their specific source, whether from one tax or another, or borrowed. Thus, of the $860 million of Federal funds for old-age assistance in 1952 (see table on p. 14), about $350 million may be attributed to capacity-to-pay taxes. This is approximately 22 percent of the $1.6 billion total expenditure that year. Making some allowance for State and local funds from this type of tax, probably 25 percent of these expenditures might be said to have been financed by capacity-to-pay taxes.

[60] See hearings, pt. 3, pp. 341–342.

II. AID TO DEPENDENT CHILDREN

Title IV—Aid to Dependent Children—was developed to meet a growing problem. Prior to 1935, 45 States had plans in operation providing financial help to needy children. These plans were generally known as mother's aid. By 1935 there were more fatherless-children families on Federal emergency relief rolls than were on the State and locally financed mother's-aid programs. It was contended at the time that the need existing among fatherless children was not of an emergency character since this kind of situation would continue even with the return of prosperity. Moreover, the contemplated termination of Federal-relief programs would throw the entire cost of care for those families upon State and local governments. Since less than one-half of the local government units authorized to grant mothers' aid were actually doing so, it was argued that Federal grants-in-aid and increased State financial participation were essential to meet the problem effectively.

The purpose, therefore, of aid to dependent children was to offer such grants-in-aid to any State which set up an assistance program to provide financial help for all needy children deprived of parental support or care who were living in the home of an adult relative. Title IV was enacted in 1935 to carry out this objective. By 1940, 1 Territory, Hawaii; 40 States; and the District of Columbia had developed aid-to-dependent-children programs. At the present time aid-to-dependent-children plans are in effect in all States, Territories, and possessions, with the single exception of Nevada.

In this chapter we will present facts concerning the conditions of eligibility, benefits, and the costs and method of financing the programs under title IV.

Conditions of eligibility

Eligibility consists of meeting certain conditions in order to acquire a "right" to assistance. The Social Security Act lays down four conditions for receipt of aid to dependent children. The dependent child must be—

1. In need;
2. Under 16 years of age, or under 18 if attending school; [61]
3. Deprived of parental support or care; and
4. Living with a relative of specified degree in the home maintained by one or more of such relatives.

The Federal law further provides that the State may not impose a residence requirement which denies aid to a child—

1. Who has resided in the State for 1 year immediately preceding the application for aid; or
2. If less than 1 year of age, is living with a relative who has resided in the State for 1 year immediately preceding the child's birth.

[61] Prior to 1940, Federal funds could not be used for aid to children 16 years of age or older.

All other conditions of eligibility, including the determination of "need," are left to each State in setting up its plan, provided by State law and by implementing regulations. The discussion on the "means test" in the chapter on old-age assistance (see pp. 4–7) shows the nature of these conditions and how the "need" is established. The aid to dependent children programs employ the same budget deficiency method of determining "need"—a process which involves a "standard of living requirements," evaluation of the resources and income of the applicant, and determination of the unsatisfied "need."

As was true in the case of old-age assistance, there are variations among the State plans with respect to "standard of living requirements" and the treatment of "resources and income." Employability of the mother as a "resource" in determining "need" provides an example of differing interpretations. The position of the Bureau of Public Assistance in this respect has been that the mother should have the final decision whether or not she could hold a job.[62] Some States, however, regard as a "resource" the employability of a mother where suitable work is available, providing her children are of a more mature age, in school, and suitable arrangements made for their care.[63]

The right to assistance

This matter was fully discussed in the chapter on old-age assistance and the same general principles are applicable here. (See pp. 9–12.)

Benefits

The level of the aid to dependent children payment per child has been strongly influenced by the Federal grants-in-aid formula. To provide larger money payments to the child or children in the family, this participation arrangement has been amended upward four times since 1935. At the present time the maximum grant in which the Federal Government participates is $30 for the first needy dependent child in the family plus $30 for 1 adult caretaker, and $21 for each additional needy child in the family. The Federal participation amounts to 80 percent of the first $15 of each single grant plus 50 percent of the balance. The effect of the participation formula on costs is discussed more fully in the next section.

There has always been a wide range in the average aid to dependent children payments per family. The average assistance payment per family in States receiving Federal grants-in-aid in June 1940 ranged from $12.01 in Arkansas to $58.56 in Massachusetts, and by June 1953, from $27.91 in Mississippi to $120.56 in Washington.[64]

The average monthly payment per family for the country as a whole increased from $31.74 in June 1940 to $87.10 in June 1953. The data for June 1953 include payments to the needy adult caretakers with whom dependent children were living. Grants to such persons were made subject to Federal participation by the amendments of 1950. Prior to this change, a number of States were making such payments from their own funds.

Costs and financing

We noted earlier that not all States developed aid to dependent children plans immediately following the passage of the Social Security Act of 1935. In fact, even in 1940, 7 States and 1 Territory had failed

[62] See hearings, pt. 4, pp. 630–631.
[63] See hearings, pt. 4, pp. 628 and 632.
[64] See hearings, appendix I, table 126, p. 1134.

to do so and another State received Federal grants for only the last 2 months of the calendar year. By 1952, one State, Nevada, still had not adopted a plan which would enable it to receive Federal participation. However, it operated its own State plan for providing financial aid to needy children.

The overall costs for aid to dependent children have shown a very sharp increase since 1940. The data below show the rise in total expenditures for assistance payments and for administration, by source of funds, for specified years. The figures in millions of dollars are as follows: [65]

	1940	1945	1952
Federal	$57.5	$56.9	$320.8
State	53.4	78.0	218.8
Local	33.0	28.6	65.5
Total	143.9	163.5	605.1

As may be seen in the table above, total costs have increased from roughly $145 million in 1940 to $605 million in 1952, or by approximately 300 percent. The Federal share of aid to dependent children costs has grown by 450 percent as compared with 300 percent for the States and 100 percent for local governments. The most striking fact revealed by these figures is that the bulk of the rise in total costs has taken place since 1945.

Several factors, in addition to the rise in the cost of living, have accounted for this large rise in expenditures for aid to dependent children. Expenditures are, of course, the result of the amount of grants to individual cases and the numbers on the rolls. The data below show the numbers of persons receiving aid to children grants for the month of June in three specified years. The number of recipients in thousands are as follows: [66]

	June 1940	June 1945	June 1952
Children	835.0	646.8	1,528.1
Adults			515.0
Total	835.0	646.8	2,043.1

One factor affecting the size of the caseload was the increase in the number of States and Territories adopting plans according to the standards of title IV and, therefore, subject to Federal participation. In 1940, there were 8 States, 2 possessions, and 1 Territory that received little or no funds. By 1952, all of these 11 jurisdictions, with the exception of Nevada, had developed plans involving Federal grants-in-aid.

In 1940, the age ceiling was raised from 16 to 18 years and the number of needy children receiving cash grants rose during 1940–41 by roughly 20 percent.[67]

The figures above on the size of the caseload in 1940, 1945, and 1952 show that the number of child recipients declined from 835,000 in

[65] Data are from the Department of Health, Education, and Welfare. See hearings, appendix I, pp. 1135–1136 and 1139.

[66] The data for these years and for June of other years, 1936 through 1953, are from the Department of Health, Education, and Welfare, and may be found in hearings, pt. 3, p. 294.

[67] The data for number of child recipients by months may be found in hearings, appendix I, pp. 1112–1113.

1940 to 647,000 in 1945 and then increased to 1.5 millions in 1952. Thus, the rise from 1940 to 1952 has been strictly a postwar development.

Liberalization in the conditions of eligibility in various States is the major factor explaining the rise in the caseload and, of course, in the growth in total expenditures. The Associate Director of the Bureau of Public Assistance said:

> Most of the early plans for aid to dependent children simply carried over from the old mothers' aid programs, which included primarily only children whose parents were dead or permanently out of the picture. As the program has developed more, the States have tended to include more of the situations in which children are temporarily disadvantaged by the absence of the father or an incapacity which is not a permanent incapacity.[68]

It may be noted that there are 3 underlying causes for needy child dependency. These arise from loss of parental support or care by reason of (1) death of the father, (2) his continued absence from the home, or (3) physical or mental incapacity of a parent. The only available data show that the number of families receiving aid to dependent children as a result of death of the father have decreased from 138,000 in 1942 to 133,000 in 1951. This decrease may be attributable in substantial measure to the expansion in benefit payments to orphaned or dependent children under the title II program. This is the only area in which aid to dependent children and Federal old-age and survivors insurance benefits overlap. Dependency occasioned by incapacitation of the parent has increased in the period 1942 to 1951 from 82,000 to 152,000 and the number of families receiving aid to dependent children as a result of the father's absence from the home has increased from 145,000 to 326,000.[69]

It may be observed that the most significant cause in the rise in the numbers of families on aid to dependent children rolls is absence of the father from the home and that desertion or abandonment by the father is the chief explanation.[70]

The increase in child dependency due to desertion of the father has given rise to serious concern among the States. Forty-six States have legislated reciprocal arrangements "* * * designed to catch up with the person who shirks his legal liability for support by absconding across State lines." [71] This legislation has been in effect for too short a period to provide statistical information on the results obtained in reducing child dependency from this cause. Moreover, its greatest effect may prove to be deterrent in character and, therefore, not subject to measurement.[72] It was observed in the hearings that the aid to dependent children benefits in some States were sufficiently large to families with several children to act as an inducement for fathers to claim disability or to desert their families.[73] Testimony before the Senate Finance Committee in 1950 indicates that this incentive to desertion is not a recent development.[74] Another factor contributing to the rise in the number aided, and thus in total cost, has been a change in a condition of eligibility in the 1950 amendments to title IV. This was the liberalization which made cash payments to the adult caretaker of needy dependent children subject to Federal par-

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[68] See hearings, pt. 3, p. 299.
[69] These data are from the Department of Health, Education, and Welfare and may be found in the hearings, pt. 3, p. 303.
[70] See hearings, pt. 3, pp. 301–304; also pt. 4, p. 362.
[71] Hearings, pt. 3, p. 307, exhibit 44.
[72] See hearings, pt. 4, p. 540.
[73] See hearings, pt. 5, pp. 690–691.
[74] See the statement of the Right Reverend Monsignor John O'Grady, secretary, National Conference of Catholic Charities, in Social Security Revision hearings, Senate Finance Committee, 81st Cong., 2d sess., vol. 1, p. 605.

ticipation. The data on page 24 show that there were 515,000 such adults receiving aid to dependent children cash grants in connection with care for needy dependent children.[75]

The third major factor contributing to the increase in cost has been the rise in the amount of cash payment per recipient, influenced chiefly by the progressive advances in the Federal participation formula. The table below shows the congressional changes in this formula from the original act through the 1952 amendments.

Changes in the Federal Participation Formula[1]

Legislation[2]	Maximum amounts of individual monthly payments subject to Federal participation		Federal share of expenditures within specified maximums
	1st child	Each additional child	
1935 original act	$18	$12	⅓.
1939 amendments	$18	12	½.
1946 amendments	$24	15	⅔ of 1st $9 (average per child) plus ½ of the balance.
1948 amendments	$27	18	¾ of 1st $12 (average per child) plus ½ of the balance.
1950 amendments	$27 plus $27 for 1 needy adult in each family.	18	¾ of 1st $12 (average per person) plus ½ of the balance.
Puerto Rico[3] and Virgin Islands.[4]	$18	12	½.
1952 amendments[5]	$30 plus $30 for 1 needy adult in each family.	21	⅔ of 1st $15 (average per person) plus ½ of the balance.
Puerto Rico[3] and Virgin Islands.[4]	(6)	(6)	(6).

[1] Hearings, pt. 3, p. 370.
[2] Effective date of legislation: The 1935 original act was effective February 1936, the 1939 amendments in January 1940, and subsequent amendments in October of the year in which enacted.
[3] Maximum Federal payment in a fiscal year, under titles I, IV, X, and XIV, $4,250,000.
[4] Maximum Federal payment in a fiscal year, under titles I, IV, X, and XIV, $160,000.
[5] The amendments expire Sept. 30, 1954.
[6] No change.

As may be observed, there is a ceiling placed on the amount in which the Federal Government participates and the ceiling is higher for the first child than is the case for any additional children. Moreover, the Federal participation has been progressively increased from one-third of the maximum of $18 for the first child and of the $12 maximum for each additional child provided in the original act to four-fifths of the first $15 and half of the next $15 for the first child, the same for one needy adult, and four-fifths of the first $15 and half of the next $6 for each additional child in the family in 1952.[76] The influence on the total cost resulting from the advances in the participation formula is indicated by the rise in the average cash payment per family for the country as a whole. This increase was from $31.74 in June 1940 to $87.10 in June 1953.

The financing of aid to dependent children, like old-age assistance, has been a joint effort between the Federal Government on the one hand and State or State and local governments on the other hand. The sources of Federal participation are identical with those for old-age assistance; that is, from the general funds of the United States Treasury. Undoubtedly, a much smaller proportion of State and local financial support is raised by means of earmarked taxes. Thus, reliance is placed for the most part on appropriations from general State and local tax revenues.

[75] For further discussion, see "Some Major Findings," an interim staff report to the chairman (December 23, 1953), appendix, pp. 61–62.
[76] These maximums apply only to the Federal participation and do not prevent any State from making an additional payment in each case.

III. FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

Title I—Old-Age Assistance was designed to meet the existing problem of old-age dependency. Title II—Federal Old-Age Benefits was a program looking to the future. This was intended to be the permanent program for dealing with old-age dependency and, thus, ultimately to take over virtually the full load of aged workers. Title IV—Aid to Dependent Children was, as noted earlier, concerned solely with the problem of child dependency, arising from a lack of parental care. The amendments to title II in 1939 extended its scope to dependents of retired workers and survivors of deceased workers. With this change, there was a complete overlap of title II with title I so far as the classes of persons were involved, and a partial overlap with title IV.

In this chapter, we will present facts with respect to basic changes in title II resulting from these amendments. As in the two preceding chapters, the order of presentation will deal with (1) conditions of eligibility, (2) the nature of the "right" to benefits, (3) benefits, and (4) the costs and method of financing.

Conditions of eligibility

To acquire a "right" to title II benefits, certain conditions of eligibility must be met. These include (1) a record of employment in any of the several specified occupations; (2) a minimum average income in such jobs and for a specified minimum amount of time; (3) an age test; (4) for a "right" to survivor or dependents' benefits, a close family relationship; and (5) for a person to exercise this "right" to benefits over the years, he must meet a continuing condition of eligibility known as the "work test."

Coverage.—The first and basic condition for the building up of eligibility for OASI benefits by an individual for himself and members of his immediate family is that of his working in and having income from specified types of employment and self-employment in the United States and its principal possessions (and outside the United States, under certain conditions).

When any person is engaged in employment and is receiving income subject to Federal Insurance Contributions Act taxation, he at least is working toward eligibility for title II benefits. Whether he and members of his family eventually qualify for the benefits is dependent upon their satisfying a number of eligibility conditions, of which an essential one is that the individual must have earned a specified minimum amount of income during a qualifying length of time in employment covered by this program.

Under the original 1935 Social Security Act, when title II was known as the Federal old-age benefits system, the coverage extended to a majority of the wage and salary jobs in private employment in

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the United States. It was limited, however, to service of an employee for his employer, as differentiated from self-employment. Types of employment excluded from the coverage of the program were the following:[77]

1. Agricultural labor.
2. Domestic service in a private home.
3. Casual labor not in the course of the employer's trade or business.
4. Maritime employment.
5. Service in the employ of the United States Government and its instrumentalities.
6. Service in the employ of State and local governmental units and their instrumentalities.
7. Service in the employ "of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual."
8. Employment of individuals aged 65 and over.
9. Self-employed.

Furthermore, railroad employees, for whom the special railroad retirement system had been established by an act of Congress a few weeks after the passage of the Social Security Act, were taken out from under the title II program.

In 1939 when the Social Security Act was largely rewritten and the old-age benefits system became the Federal old-age and survivors insurance benefits program (Public Law 379, 76th Cong.), coverage was expanded in some respects and clarified and restricted in other respects. The principal expansions of coverage were (1) the making of employment of persons aged 65 and over in covered areas of employment subject to and taxable under the program, and (2) the bringing into coverage of maritime services on American vessels.

Along with numerous technical clarifications of the types of employment covered and not covered by the title II program, the 1939 amendments specifically excluded from coverage certain types of service such as that of newsboys under the age of 18, certain types of commercial fishing, services of student nurses and interns under specified conditions, and the employment of a person by his son, daughter, or spouse, or the employment of a minor by his parent. The 1939 amendments also contained a new detailed definition of excluded agricultural labor and other new definitions of excluded services with respect to employment by foreign governments within the United States, services for voluntary employees' beneficiary associations, and casual service for nonprofit associations.

For 11 years there were no outright OASI coverage extensions (although wage credit rights were granted to war veterans in a manner that will be described later). In the Social Security Act Amendments of 1950, the following major occupational groups were covered by the program, beginning in 1951:

1. "Regularly employed" agricultural laborers.
2. "Regularly employed" domestic workers.

[77] 1935 Social Security Act: title II, sec. 210 (b) and title VIII, sec. 811 (b).

3. Civilian employees of the Federal Government, with certain exceptions, in governmental service not already covered by civil service or other Federal retirement systems.

4. Employees of State and local governments not already covered by public retirement systems, on a permissive basis, subject to the option of the States and their subdivisions.

5. Employees of nonprofit religious, charitable, educational, and similar organizations (exempt from income tax under sec. 101 (6) of the Internal Revenue Code), on a permissive basis, subject to the option of the organizations and their employees by a two-thirds vote.

6. Persons engaged in self-employment, with exceptions as to specified professions, the operating of farms, and certain other minor self-employment classifications.

In addition to these major coverage expansions, the 1950 amendments brought into the program the employment outside the United States of citizens of the United States working as employees of American employers. Other technical adjustments of definitions of covered employment were made.

From a geographical standpoint, the operation of the OASI program was extended in 1950 to include Puerto Rico and the Virgin Islands. With this extension, the program was in effect, beginning in 1951, in all of the continental United States, Alaska, Hawaii, the Virgin Islands, and Puerto Rico.

There have been several coverage changes of a special nature affecting war veterans and railroad employees. Under a 1946 amendment to the Social Security Act, any person who served in the active military or naval services after September 15, 1940, and before the date of termination of World War II and had been discharged, other than dishonorably, after at least 90 days of service (or had been discharged, because of a service-connected disability) was, in the event of death within 3 years of discharge, treated as being fully insured with an average monthly wage of $160. The purpose of this grant of insured status was to bridge the gap in respect to survivorship benefits only for servicemen until they could earn title II-insured status in civilian employment.

In 1950, a Title II military service credit of $160 a month was granted on a month-to-month basis for all types of benefits. The purpose now was to give World War II veterans the status they might have had if military service had not interfered with their employment. The effective time period for the granting of this credit ran to July 24, 1947, and in 1952 and again in 1953, further time extensions were made.

The net effect of these laws has been to extend coverage to persons in the Armed Forces by providing title II wage credits for such service through the 15-year period from September 16, 1940, to July 1955, and in connection with which no FICA taxes are paid. Originally the cost of these special provisions for military service was paid for out of the general funds of the Treasury. Since the extensions under the amendments of 1950 and thereafter, however, costs have been charged to the trust fund.

Amendments dealing somewhat indirectly with coverage under OASI of railroad workers came in 1946 and 1951. As has been indicated previously, railroad employment was excluded from OASI

coverage when the railroad retirement system was created. Amendments to the Railroad Retirement Act in 1946 and 1951 represented steps in the direction of coordination of railroad retirement and title II benefit rights for persons with an employment history under the coverage of both programs.

The first step was the 1946 introduction into the railroad retirement system of survivor benefits coordinated to a certain degree with those under title II. The more significant step was taken in 1951 when, among other changes, it was provided that for deaths and retirements of persons with less than 10 years of railroad service, the wage credits for railroad service after 1936 are transferred to the OASI program for utilization in the payment of OASI benefits. In line with this and other interlocking arrangements, it is provided that financial interchanges will be made between the title II and the railroad retirement programs that will have the effect of placing the trust fund of title II in the same position it would have been in if all railroad employment had always been covered by it.

In 1954, Congress again extended social security so that virtually universal coverage of jobs will be achieved beginning in 1955. These amendments covered the following occupations:

1. Self-employed farm operators.
2. Self-employed professionals, including architects, engineers, accountants and funeral directors.
3. Ministers, Christian Science practitioners and members of most religious orders. (Persons in these occupations are covered on an individual elective basis.)
4. State and local government employees already covered by a retirement plan, on a permissive basis, subject to the options of the State and their subdivisions.
5. Certain farm workers and domestic workers who, because of the old complicated test of "regularly employed," were unable to obtain coverage.
6. A miscellany of jobs, including fishing and related activities, homeworkers, American citizens employed abroad by American-owned subsidiaries incorporated in foreign countries, and certain civilian employees of the Federal Government not under retirement systems.

These amendments specifically exclude firemen and policemen under retirement plans, self-employed lawyers, and self-employed doctors, dentists and others in the medical practices.

Extent of coverage, 1955.—In consequence of the original 1935 Social Security Act and subsequent amendments, what is the prospective title II coverage of employment and self-employment as of 1955? Several facts should be noted: Title II coverage follows the job, rather than the person. Because many people move into and out of the labor force and employment, the number who acquire wage or self-employment income credits in covered jobs during the year will exceed the numbers employed at any one time. The level of covered employment and self-employment for next year is, of course, unknown. The jobs specifically excluded or not included may be estimated at roughly 2.5 millions. Thus, if gainful employment in 1955 averages 68 millions, the number of covered jobs would aggregate 65.5 millions.

In connection with this section on coverage, it should be noted that certain types of income do not meet the coverage conditions of eligibility. For example, investment income such as dividends and interest (unless received by a dealer in stocks and securities), rentals from real estate (unless received by a real estate dealer), and gains from the sale or exchange of capital assets are not acceptable for OASI coverage purposes. Hence, individuals whose income may be derived entirely from such sources cannot thereby acquire eligibility for Federal old-age and survivors insurance benefits. It has been noted that self-employment income is not creditable if it amounts to less than $400 in a taxable year for an individual. But if an individual has both taxable wage income and self-employment income, the self-employment income is taxable and creditable toward benefits only to the extent, if any, that the taxable wage income does not reach the annual taxable wage base limit of $4,200. In no instance is income of an individual in excess of $4,200 a year taxable for title II purposes—except where he may have been employed by two or more employers in a year, in which case the employee (but not the employer) is entitled to a refund for the excess amount of taxes.

Other conditions of eligibility

The wage credit test.—Eligibility for all types of benefits is based upon someone's earnings record. In the case of primary old-age benefits, the eligibility is based upon the individual's own earnings record. The earnings record of the individual also provides the basis for eligibility for benefits of his dependents and survivors.

The number of quarters of coverage standing to a person's credit is the key to whether the wage credit test can be met. A quarter of coverage for a wage earner is a calendar quarter in which he has been paid $50 or more in wages for services in employment covered by the social security program. For the self-employed person, a quarter of coverage is a calendar quarter for which he has been credited with $100 or more of self-employment income.

No quarter after that in which a person died may be a quarter of coverage. Where covered wages, paid to a person in a calendar year after 1954, equal or exceed $4,200, or self-employment income or both self-employment income and wages in a taxable year equal $4,200, each quarter having any part falling in the calendar or taxable year is a quarter of coverage.

To be "fully insured," a person who was living on or after September 1, 1950, must have not less than 1 quarter of coverage, acquired any time since 1936, for each 2 calendar quarters that have elapsed after 1950 or after the quarter in which he attained age 21 (whichever is later) and up to but excluding the quarter in which he attained age 65 or died—except that he must have a minimum of 6 quarters of coverage. When a person acquires 40 quarters of coverage, he is "fully insured" for life, regardless of his employment experience thereafter.[78]

In connection with the recent extension of coverage, the 1954 amendments provided an alternative method of acquiring a "fully insured" status. The law provides that anyone is "fully insured" at age 65, or at death, who has continuous coverage after 1954, and with a minimum of 6 quarters. This is a transitional device, benefiting chiefly elderly persons in jobs newly covered by the 1954 amendments.

[78] This assumes, of course, that Congress does not change this condition of eligibility.

Under either method, he has satisfied this condition of eligibility, as now provided in the law. The "fully insured" status is necessary to establish eligibility for old-age primary benefits and to give eligibility to dependents and survivors for wife's, widow's, and parent's benefits.

To be "currently insured," a person must have not less than 6 quarters of coverage during the 13-quarter period ending with the quarter in which he died or with the quarter in which he became entitled to old-age benefits. This, primarily, is a test of recent covered employment experience, and the general test of half of the elapsed time is not applicable.

For a person to be eligible for a husband's benefit, the aged wife upon whose earnings the benefit is based, must have been both "fully" and "currently insured" at the time she became entitled to her own old-age benefit. Similarly, the deceased wife must have been both fully and currently insured at the time of her death to give eligibility for benefits to a widower.

For eligibility for survivor child's and mother's benefits and for lump-sum death payments, the person upon whose earnings the benefits are based needs to have been either "fully insured" or "currently insured".

The existing conditions for the "fully insured" status, as adopted in 1950, are identical in pattern to those originated in 1939 except for a significant difference in the starting date of the elapsed period during which an individual must meet the general rule of being in covered employment at least half the time. Under the 1939 amendments, this starting date began with January 1, 1937. Under the 1950 amendments, the starting date begins with January 1, 1951.

This change in the starting date and other eligibility ramifications represent the "new start" of the 1950 legislation.

In other words, prior to the September 1, 1950, effective date of the 1950 legislation, for a person to establish eligibility for benefits for himself and his survivors he had to have at least 1 quarter of coverage for each 2 calendar quarters elapsing between the end of 1936 and the date of his death or attainment of age 65 (also a minimum of 6 such quarters of coverage). For example, the person who reached age 65 or died on August 31, 1950, had to have at least 27 quarters of coverage (unless he was in early adulthood) in order to be fully insured and thus establish eligibility for himself or his survivors—since there would have been 54 full quarters elapsing.

Under the "new start" provisions of the 1950 legislation, however, the individual dying or reaching age 65 on or after September 1, 1950, needed only a minimum of 6 quarters of coverage, acquired any time after 1936, to establish the fully insured status, as did also the person living then who had previously attained age 65. Hence, the person aged 65 or over, living on September 1, 1950, or who died on September 1, 1950, needed only 6 quarters of coverage to establish benefit eligibility, as contrasted to the individual who, on the day before, needed 27 quarters of coverage. This was because the number of quarters elapsing after the end of 1950 was zero, and the required minimum of 6 quarters of coverage represented "at least half" of a zero elapse of time.

It should be noted that even though an individual had attained age 65 prior to September 1, 1950, but was still living, the "new start" on the basis of 6 quarters of coverage was available to him. Similarly,

quarters of coverage acquired after 1950 could be utilized by such individuals as well as previously acquired quarters of coverage.

Except for the temporary device provided in the 1954 amendments, the number of required quarters of coverage to establish eligibility again becomes progressively larger. In other words, future beneficiaries have to meet the rule of having covered employment or self-employment for at least half the time (up to 40 quarters) elapsing after 1950. This means that at least 40 quarters of coverage will be needed to establish eligibility for retirement benefits by all persons who attain age 48 after 1953. Older persons will require a smaller number of quarters of coverage to be eligible for the retirement benefits.

An illustration of one of the effects of the 1950 "new start" provision was that as of September 1, 1950, there were an estimated 675,000 aged persons not previously eligible for benefits who became automatically eligible without having to work any more in covered employment, since they already had the necessary 6 quarters of coverage.[79]

Another illustration of the workings of the 1950 "new start" provision is given by the following quotations[80] from hearings of the Subcommittee on Social Security, the exchange being between the counsel for the subcommittee and the Acting Director of the Bureau of Old-Age and Survivors Insurance:

Mr. WINN. Suppose an individual had worked 24 quarters, or 6 years, in covered employment, from January 1940 to January 1946, and died on January 1950 just before reaching age 65, would his widow, upon reaching age 65, be eligible for an old-age benefit?

Mr. BALL. No. In the example you give he would not have met the insured status requirement in effect at the time he died. He would have been required to have 26 quarters of coverage, and he actually had 24.

Mr. WINN. Suppose an individual with exactly the same wage record, that is, 24 quarters, or 6 years, in covered employment from January 1940 to January 1946 died in January 1951, just before reaching age 65, would his widow upon reaching age 65 be eligible for an old-age benefit?

Mr. BALL. Yes.

Chairman CURTIS. This is by operation of the 1950 amendments, is it?

Mr. BALL. Well, it is by operation of the fact, Mr. Chairman, that in the 1950 amendments the cases of people who had already died prior to September 1, 1950, were not picked up and there was really no going back and giving benefits to that group.

The 1954 amendments corrected this situation by defining as "fully insured" any person who died before September 1, 1950 and after 1939 with at least 6 quarters of coverage. All survivors of such individuals are thereby eligible for survivors benefits.

The broad general effect of the "new start" provision, however, was that at least for the time being it abbreviated the period of covered employment or self-employment necessary to establish eligibility to benefits to a minimum of 18 months and thus established a minimum of 18 months of covered employment as the dividing line between eligibility for benefits for many aged persons and noneligibility for benefits for the some 6 out of 10 aged persons who, at the end of 1952, were neither drawing nor eligible for the benefits.

The thinness of the line separating persons able to qualify for benefits with the minimum amount of coverage from the some 8 million aged persons unable to qualify for primary or secondary benefits is illustrated by the following exchange between the subcommittee

[79] Hearings, pt. 4, p. 656.
[80] Hearings, pt. 4, p. 658.

counsel and the Acting Director of the Bureau of Old-Age and Survivors Insurance:

Mr. WINN. Is it true that as of the end of 1952, 6 quarters of OASI coverage or 18 months represented the minimum amount of service in OASI-covered employment or self-employment that was required for a person to be fully insured?

Mr. BALL. Yes; that is the extreme.

Mr. WINN. At existing rates of taxation for OASI purposes, the total tax contributions in this instance would have been $4.50 paid by the employee and $4.50 paid by the employer; is that correct?

Mr. BALL. Yes.

Mr. WINN. May it be concluded, then, that amounts of wage credits which required the payment by an individual of $4.50 in taxes with the same amount by his employer could have meant the difference between eligibility for minimum benefits of $25 monthly and lack of eligibility for such benefits?

Mr. BALL. Yes, Mr. Winn, in that extreme case.

Mr. WINN. Actually, if a person had some coverage experience but lacked the full six quarters' wages, that would have required only a few cents in taxes, it could mean the difference between eligibility or lack of eligibility for benefits; is that not correct?

Mr. BALL. Yes.

Mr. WINN. Is it also true that for a person at or beyond the retirement age in the latter part of 1952, employment for 18 months at a level wage of at least $300 monthly requiring the payment of $162 in employer and employee OASI taxes could have qualified the individual to receive the maximum OASI benefits of $85 per month?

Mr. BALL. Yes Mr. Winn. You understand that situation is only possible for a limited period of time; that, for instance, people retiring now, becoming 65 and retiring now and qualifying on the maximum wages for that 6-quarter period would not get the $85. That would be down to about $70.[81]

The 1954 amendments contain a temporary "new start" provision. Anyone is "fully insured" who dies or retires after 1954 providing all the elapsed quarters since that year are quarters of coverage, with a minimum of 6 quarters required. This is a transitional provision, since anyone first covered by the 1954 amendments and with subsequent continuous coverage who dies or reaches age 65 in the fourth quarter of 1958 or thereafter would be "fully insured" under the 1950 "new start" provision.

The disability freeze.—The 1954 amendments added a new provision affecting the "insured status" condition of eligibility. If a person has a "currently insured," "fully insured" status, or both, and becomes totally disabled for an extended period, he might over time lose his right to benefits for himself, his dependents or survivors. In these amendments Congress has provided that a person totally disabled could have his "insured status" frozen at the time of disablement. To qualify for this freeze, 6 of the last 13, and 20 of the last 40 quarters must have been quarters of coverage. Six months of total disability must have elapsed before the person may file for an application of disablement. This provision has been made retroactive for all who may have suffered extended total disability at any time since the third quarter of 1941, provided they are alive on July 1, 1955, and file a claim.

The age test.—The tests of eligibility with respect to age are simple. An individual must have attained age 65 to be eligible for primary old-age benefits based upon his own earnings records or for husband's, widow's, widower's, or parent's benefits. For a wife's benefit, the person must be aged 65 unless she has in her care a child entitled to a child's benefit on the basis of her living aged husband's earnings. The 65-year age limit is applicable alike to both males and females.

[81] Hearings, pt. 4, p. 524.

A child's benefit, based upon the earnings of a deceased father or mother upon whom he had been dependent (or on the earnings of a living parent if the parent is beyond age 65 and drawing primary benefits) is payable only so long as the child is under the age of 18.

Age is not a condition of eligibility for a mother's benefit or lump-sum death payment. Similarly, the age at which a covered worker died makes no difference as to the eligibility for benefits of his survivors.

It is to be noted that a widow without an entitled child in her care cannot be eligible for benefits until she reaches age 65.

Marital status and family relationship tests.—The principal conditions with respect to marital status and other family relationships required to meet one of the conditions of eligibility for survivors' or dependents' benefits under the title II program are summarized below.

Wife's benefits: The applicant must be the wife of a wage earner (used here and hereafter as referring also to the self-employment "earner") who is himself entitled to primary old-age benefits on the basis of his own earnings. If she is under age 65, she must have a child in her care who is eligible for benefits on the basis of the father's earnings. She must be the wage earner's wife under the laws of the State of his domicile and be either (1) the natural mother of his son or daughter, born alive but not necessarily surviving, or (2) have been married to him not less than 3 years prior to her application for benefits. In any event, she must have been living with the husband at the time her application was filed.

Husband's benefits: The applicant must be the husband of a wage earner who was currently insured as well as "fully insured" when she became eligible to primary old-age benefits in her own right; have been living with her when he filed his application, and have been receiving at least half of his support from her at the time she became entitled to her benefits. He must be her husband under laws of the State in which she is domiciled and also either must be the natural father of her child, born alive but not necessarily surviving, or must have been married to her for at least 3 years.

Child's benefits: The applicant must be the unmarried child of a wage earner who is eligible for a primary old-age benefit or of a wage earner who died "fully" or "currently insured" after December 31, 1939. The child also must have been dependent upon the wage earner when the application was filed or when the wage earner (who may be either the father or mother) died.

Widow's benefits: The applicant must be the widow of a wage earner who died fully insured after December 31, 1939; must have been living with the husband at the time of his death, and must not have remarried (unless the later marriage was annulled). She must have been married to the wage earner for at least 1 year preceding his death; or be the mother of his child, born alive but not necessarily surviving; or have legally adopted his child while she was married to him and the child was under 18, or have been married to him when they both legally adopted a child under age 18.

Widower's benefits: The applicant must meet conditions as a widower identical to those outlined for widow's benefits, plus the facts that he must have been receiving at least half of his support from the wage earner wife at the time of her death or at the time she became

entitled to primary benefits in her own right, that she must have been both "fully and currently insured," and that she died after August 31, 1950.

Mother's benefits: If the applicant is the widow of the wage earner, she must not have remarried, must have been living with him at the time of his death, and must have in her care a child of the wage earner's who is entitled to child's benefits. If she is the divorced former wife of the wage earner, she must have been receiving at least half her support from her former husband, the wage earner, at the time of his death, she must not have remarried and she must have in her care a child of the deceased wage earner entitled to child's benefits.

Parent's benefits: The applicant must be the parent of a wage earner who died fully insured after 1939; he must have been receiving at least half his support from the wage earner at the time of the latter's death, and he must not have married after the wage earner's death. In addition, parent's benefits are not payable if the wage earner (son or daughter) was survived, generally speaking, by a child or spouse immediately or potentially eligible for OASI benefits.

The "work test."—From the inception of the title II program, one of its basic concepts has been that of conditioning the payment of benefits on an individual's lack of employment income. As applied to aged beneficiaries, the "work test," in effect, requires retirement as a condition of eligibility for benefits.[82]

Beginning in 1955, the "work test" provides that no one who has met all other conditions for a right to primary, dependents, or survivors benefits is eligible for benefits each month when earning more than $1,200 in a year. This test applies to earnings from employment or self-employment, whether covered by title II or not, with certain special rules applicable to employment outside the United States. Dependents are not eligible for benefits, if the "insured person" fails to meet this retirement test. However, this ineligibility does not apply to those months in which the person earns no more than $80 in wages, or in which he renders no substantial services in self-employment.

In the original 1935 act there was a prohibition against benefits being paid to any person receiving wages in regular employment. Under the 1939 amendments, the earnings limitation was fixed at $14.99 monthly in covered employment. It was increased to $50 monthly by the 1950 amendments and $75 monthly by the 1952 amendments. Beginning in 1951, the "work test" was made not applicable to persons 75 or over, and the 1954 amendments reduced the age limit to 72, after 1954.

The original 1935 Social Security Act did not provide for the employment of a person beyond the age of 65. Primarily for the purpose of permitting a person beyond age 65 to accumulate earnings credits toward the establishment of eligibility for benefits, however, the 1939 amendments recognized covered employment of an individual at any age to be acceptable toward eligibility. Such employment was also made subject to the FICA tax. This means that those who choose to continue to work are ineligible and must pay FICA taxes. By quitting work, they become eligible—and of course no longer pay FICA taxes.

[82] See hearings, pt. 5, pp. 696-730, for statement and testimony on this subject.

Studies by the Social Security Administration indicate that if the "work test" as a condition of eligibility were repealed, the long-range costs of the OASI program would be increased by approximately 15 percent, and in 1954 these additional costs would aggregate $1.4 billions. These costs would be incurred to pay benefits to those still working.

This presentation on the conditions of eligibility may be concluded by a summary statement showing the eligibility status of the United States population aged 14 years and over. The figures for the end of 1952 are as follows: [83]

Population aged 65 and over	13, 305, 000
Number drawing OASI benefits	3, 824, 000
Number "fully insured" [1] but not drawing primary benefits (presumably working)	1, 440, 000
Number neither insured nor drawing benefits	8, 041, 000
Population aged 14–64	102, 700, 000
Number "fully insured" [1]	61, 900, 000
Number "uninsured" but with some earnings credited under title II	22, 700, 000
Number with no earnings credited under title II	18, 100, 000

[1] A person "fully insured" means that if he or she had died with that status, the immediate survivors could receive title II benefits providing they met the respective tests of eligibility as to family relationship, age, and the "work test." "Fully insured" does not mean that the individual so identified necessarily had an eligibility for old-age benefits that would remain with him until he reached age 65.

It may be observed that neither residence within the United States or its possessions nor American citizenship is a condition of eligibility in acquiring a right to benefits. It is for this reason that we find a substantial number of aged and child beneficiaries residing in various countries around the world.[84] However, if a noncitizen is to be deported, he loses his right to primary benefits. Any of his dependents or survivors, if residing in a foreign country, lose their right to benefits.

The "right" to benefits

During the 18 years in which title II of the Social Security Act has been in effect, a belief [85] has developed in the minds of many in this country that title II benefits are paid as the result of a contractual obligation on the part of the United States Government.[86] Any such obligation would of necessity confer upon the beneficiary a contractual right to payment of the benefit specified.[87] This belief has been fostered to a considerable extent by publications and other statements of responsible officials of the Social Security Administration.[88]

Testimony and other evidence in the 1953 hearings clearly established that there is no contract involved in title II of the Social Security Act.[89] Moreover, it was shown that section 1104 of the act,

[83] See hearings, pt. 4, pp. 478 and 518.

[84] For further information, see appendix, pp. 64–65 and also hearings, pt. 2, pp. 79–188, and appendix II, p. 1571.

[85] See hearings, pt. 6, pp. 966, 985–992, and 1010–1013.

[86] *Lynch* v. *United States*, 292 U. S. 571. See hearings, appendix 2, p. 1419.

[87] Such oft-repeated statements as "old-age and survivors insurance is insurance" have doubtless contributed to this belief. It may be observed that, whatever its structural similarities to "insurance" as that term has been understood in this country, title II as now established cannot provide insurance protection to any individual. Only through a contractual right can the individual surely look forward to the payment of a stated sum of money upon the occurrence of a specified event. This is the essence of insurance to any individual. For further discussion, see appendix, pp. 70–72.

[88] That this belief has been widely held is indisputable. For example, 2 Congressional committee minority reports reflect this view. (See appendix, pp. 70–72.) Since the insertion of a contractual right is all that is required, Congress if it so chose could consider the desirability of making this program insurance in fact, as well as in name. It should be noted, however, that sound improvements consistent with our national well-being are difficult to achieve, if such fundamental misconceptions are widespread.

[89] See hearings, pt. 6, pp. 912–923.

by which Congress retained "the right to alter, amend, or repeal any provision of this act" at any time had always been contained in the statute. Obviously, no contractual obligation on the part of the Government and no contractual right of a beneficiary could coexist with this reservation of power. Heretofore, these facts and their implications have not, for some reason, been conveyed to the public.[90]

Once an individual meets the conditions of eligibility, he has a statutory, conditional right to receive title II benefits. This right continues so long as the statute creating the right is in effect and the individual can exercise this right so long as he continues to meet the conditions of eligibility. The value of this conditional right may be measured by the amount of benefits to which he is entitled.

Since it is a statutory right, Congress may expand or reduce the conditions of eligibility and also the benefit values of the right.[91] Moreover, Congress has changed each of these in both directions. These changes in the conditions of eligibility and in the benefit values of the rights have been retroactive in effect. That is, persons who have been in jobs covered by the act (and of course have paid the special taxes for a number of years), but were not yet eligible for benefits, were affected thenceforth.

Some persons who had already become eligible for benefits and had been receiving them have subsequently been affected favorably, while other have been adversely affected. For example, the 1939 amendments prescribed new conditions of eligibility extending a conditional right to benefits to classes of persons theretofore not affected—such as dependent wives and survivors. The same amendments reduced the prospective benefit right of some persons.[92]

The provision for lump-sum benefits amounting to 3½ percent of the worker's pay for the period of covered employment was repealed by these amendments and a materially smaller lump-sum payment substituted therefor. Thus, it may be seen that both the conditions of eligibility underlying the right and the benefit value of the right itself were changed by the 1939 amendments, although the character of the right—statutory and conditional—was not altered.

Another example of how Congress by legislative action affected the right to title II benefits may be cited. It will be recalled that a beneficiary must continue to meet one condition of eligibility—that is the condition contained in the "work test." By 1950 some persons drawing primary benefits had developed self-employment occupations. The 1950 amendments expanded coverage to certain self-employment occupations. In 1951 these persons found that, with the new conditions of eligibility, they no longer had a right to benefits, although they had made no change themselves with respect to their productive

[90] See hearings, pt. 6, p. 995.

[91] Congress has reduced the value of the statutory right in at least two other programs. In the Economy Act of 1933, it reduced the non-service-connected disability benefits to veterans by 15 percent—another statutory conditional benefit program (see 48 Stat. 12–14, sec. 1 (b), 3 (b)). In the 1946 amendments to the Railroad Retirement plan, another so-called contributory social insurance program, Congress eliminated lump-sum "refund to contributors" benefits, but restored them in 1948. In the 1951 amendments to Railroad Retirement, Congress raised all benefits. However, it reduced the increase for some 30,000 beneficiaries also eligible, then or in the future, to title II benefits. This reduction affected only those whose railroad retirement benefits were based on service prior to 1937, but in no case was it to result in a benefit lower than received prior to these amendments. This reduction was eliminated retroactively in 1954.

[92] We are here referring to persons not married at the time of retirement. This reduction in the prospective benefits has been justified by some by the explanation that these individuals were subject to the "risk of getting married," and hence the greater family benefits resulted in a more valuable right. This is, of course, true for those single individuals who subsequently marry and have families. However, experience has shown that a substantial number of men and women go through life unwilling to swap single blessedness for married bliss. Such persons covered by the 1935 act had the benefit value of their rights reduced.

employment.[93] The only way these persons could again become eligible for benefits which they had been receiving up to this point was by changing their own way of life—that is, by ceasing their productive self employment.[94] The 1954 amendments extended the "work test" to all earnings from any gainful occupation. Beginning in 1955, there will be situations where beneficiaries in noncovered work will not have a right to benefits in the future—unless those earnings total $1,200 or less for the year.

Thus, it may be seen that Congress has exercised its power contained in section 1104 to alter or amend any provision in the Social Security Act. Presumably such changes have been made to meet changing social conditions as observed by Congress. However, such alterations could not have been made had the underlying right of the individual and the obligations of the Government been contractual in character.

There are some persons who are devotees of the engaging semantics of the "contributory social insurance" philosophy. These people contend that the special taxes are "contributions" and that by virtue of having paid "contributions" (FICA taxes), or such "contributions" having been made on his or her behalf, a special "luster" is given to their underlying right to benefits. They argue that the payment of title II benefits to persons for whom no "contributions" (FICA taxes) have been paid would violate a fundamental principle of "contributory social insurance" and would tend to destroy the system.

This principle has already been violated in the title II program. For example a person who had retired by 1950 and was drawing a maximum primary monthly benefit amounting to $45.60 found his benefit increased by the amendments in 1950, 1952 and 1954 to $88.50—a benefit increase of $42.90 in connection with which not 1 cent of "contribution" (FICA taxes) has ever been paid. Another example was the payment of title II benefits to persons who were ruled by the Bureau of Old-Age and Survivors Insurance to be employees. The Bureau of Internal Revenue however had not collected any taxes from them or on their behalf because the Bureau employed a different definition of employee. It may be noted that the Bureau of OASI was upheld by the courts in their interpretation of the term "employee" and that such persons had an enforceable but conditional right to benefits. Another example is provided by the free title II wage credits to servicemen. Some of these individuals have already retired and are drawing benefits although no "contributions" (FICA taxes) have been paid by them or on their behalf.

This contributory principle has also been disregarded in railroad retirement, another so-called "contributory social insurance" program. When railroad retirement initiated benefits, payments were made to all retired railroad workers who had been receiving private pensions from their former employer railroad companies. Benefits were also paid to the thousands of aged railroad workers who retired immediately after payments were started. No "contributions" (railroad retirement taxes) had been paid by or on behalf of any of these beneficiaries.

[93] See hearings, pt. 6, pp. 985-992.

[94] Some have rationalized this by contending that these individuals are building toward a "right" of greater value. However, these persons were over 65 and receiving cash benefits. Any person at that stage in life must certainly regard "a bird in the hand to be worth two in the bush."

In an endeavor to add more substance and validity to this "right," disciples of the "contributory social insurance" philosophy also contend that the beneficiaries have "bought and paid for" their benefits. No supporting explanation, evidence, or analysis has ever been forthcoming—but repetition of this slogan has gained many believers.

Of course, no one has "bought" anything. This was shown to be true, for example, in the case of the self-employed primary beneficiary who no longer had a "right" to benefits after January 1, 1951, while he earned too much in his newly-covered self-employment occupation.

If "paid for" relates to the FICA taxes paid by a primary beneficiary compared with his aggregate primary benefits, the reader may draw his own conclusions from the facts presented below.

A man aged 65 in 1954 with approximately $13,000 at 2¼ percent interest could, by using some of the capital and the interest earnings on the declining balance, have a $100 monthly retirement income for life. If he retired at 66 a slightly smaller principal sum would be required. And, if he were to receive $108.50, $85, $80, or $47 monthly (the maximum primary benefits in this case under the 1954, 1952, 1950, and 1939 amendments), still other principal sums at retirement would be necessary.

An employee at the maximum covered wage pays most in FICA taxes in relation to his scheduled primary monthly benefit. For example, a man at a $100 monthly wage will pay $24 in FICA taxes in 1955 and is scheduled to receive $55 primary monthly benefits. A person at a $350 wage level will pay $84 in FICA taxes in 1955 and, according to the present benefit schedule, will receive a primary monthly benefit of $108.50. Over many years, each will pay a substantial total in FICA taxes.

The act has always called for a periodic stepup in the tax rate. Under the 1939 amendment, the highest tax rate would have begun in 1949 and under the 1950 amendment, in 1970. Under the present law, the peak rate of 4 percent on each employee and 6 percent on the self-employed will also be reached in 1975. Thus, beginning in that year a worker with a $100 monthly wage will pay $48 a year, while the man with a $350 monthly wage will pay $168 annually, and the self-employed $252. The scheduled primary monthly benefits for these persons are $55, $108.50, and $108.50, respectively. Assuming the FICA taxes paid by the individual at the maximum covered wage level were accumulated for an entire working life at 2¼ percent interest compounded annually, the figures below reveal that, under the present act, a youth of 21 starting to work in 1975 at the maximum covered wage will, in 46 years, pay approximately the amount which would be required to provide him $108.50 in primary monthly benefits for life beginning at age 67. Based on the Standard Annuity Table of Mortality, the data below show for the amendments of 1939, 1950, 1952, and 1954 the age at which such an individual could have retired and the year of retirement, under such conditions.

	1939	1950	1952	1954
Age at retirement	67.97	68.61	69.45	67.80
Year of retirement	1995	2017	2018	2021

These data clearly reveal that it will be a good many years—in fact more than half a century—before the first employee will have "paid for" his primary benefit, in the sense that his FICA taxes accumulated at 2¼ percent compound interest would equal the "present value" of his future primary monthly benefits. For the self-employed individual who pays at a 50 percent higher rate, it will be a different story.

We are here assuming no further congressional changes in the scheduled tax rates and benefits, and in conditions of eligibility. It should be noted that, by the amendments in 1950, Congress pushed back this date by 22 years—from 1995 to 2017; in the amendments 2 years later, pushed it back another year; and in 1954, back three more years. No allowance has been made in these calculations for additional benefits, if any, to his dependents or survivors.

Benefits

The purpose of title II of the Social Security Act of 1935, and as amended, has been to meet a social problem of dependency by providing benefits to persons who meet specified conditions of eligibility. In achieving this objective, Congress has never contemplated making these benefits large enough for a recipient to live without supplementation from his own resources. This supplementation has always been envisaged as including an individual's home, invested savings, and various kinds of old-age income.[95]

Title II benefits have always been conceived of as a "first line of defense against dependency." We will here consider the benefit provisions under the original act and subsequent amendments.

The 1935 act.—The benefits provided under title II in the original act were markedly different than those now established in the statute today. This is true both as to the size of the benefits and as to the persons eligible to receive them.

Under the 1935 act only retired workers covered by the act were eligible to receive title II monthly benefits. The size of the benefits was based on the length of the worker's covered employment and the amount of his covered wage. Thus a worker in covered employment for 10 years with a total wage at the rate of $250 a month could, under the 1935 act, look forward to benefits at age 65 at the rate of $37.50 per month; a worker with 20 years in covered employment at the rate of $250 per month would receive $56.25 per month while a worker with 40 years in covered employment whose wages during those 40 years were at the rate of $250 per month would receive $81.25.[96]

The statute then provided in cases where the covered worker had not received in benefits an amount equal to 3½ percent of his total covered wages (which would always be somewhat more than what he had paid in social-security taxes), his estate would receive the difference between benefits received and that amount. For example, a worker in covered employment for 10 years with total wages amounting to $30,000 would have built up a fund of $1,050; after 20 years with wages totalling $60,000 his fund was $2,100; after 40 years his fund was $4,200. On the death of any of these workers before retirement, the estate would, of course, have received an amount equal to 3½ percent of his total covered wages.[96]

[95] See hearings, pt. 6, p. 939.
[96] See hearings, pt. 5, p. 832.

The 1939 act.—The amendments of 1939 made three radical changes in the benefit picture of title II. The first was to broaden the conditions of eligibility to include monthly benefits for survivors and dependents of workers with covered wage records. The second related to the calculation of benefits and involved credit for a presumptive work record for the middle-aged and older workers for employment prior to the time of first coverage. The third important change drastically reduced the lump-sum payment provision, so that no individual (or his estate) would receive an amount at least equal to what he had paid in special taxes. A change of lesser importance was the advancement of the date for initiating monthly benefit payments from 1942 to 1940.

By a change in conditions of eligibility, close relatives of persons with specified covered work records could become entitled to monthly benefits. These relatives included the wife or widow 65 years of age or over, the dependent children (under age of 18), the children of a deceased worker and their mother regardless of her age, and dependent aged parents of a deceased worker if there were no surviving wife or child under 18. The amount of benefit to any one of these close relatives was based on the covered wage record of the worker.

Credit for a presumptive work record prior to the date of first coverage was accomplished by the new method of calculating the primary benefit. It will be recalled that in the original act the benefit was based on the total covered wage record. Under the 1939 amendments the primary benefit was determined on the basis of the average monthly covered wage. Thus the assumption was made that the wage record of a primary beneficiary was the same throughout his entire working life as that of his "average covered wage" for benefit purposes. Recognition for longer periods of actual coverage was retained through increasing the benefit by a small annual increment factor. This increment reflected the number of years of coverage in his work record.

The modification of the lump-sum arrangement reflected a major change in the underlying principle. Originally, the lump-sum arrangement provided for the payment to the estate of the deceased retired worker an amount equal to 3½ percent of his total covered wages less any old-age benefits received. In the case of a worker deceased before retirement the lump-sum amounted to 3½ percent of the worker's total covered wages. By the 1939 amendment, these lump-sum arrangements were repealed and the new arrangement substituted called for a payment equal to 6 times the calculated primary monthly benefit.

Some downward adjustments were also made in the benefits scheduled to be paid in the future. These reductions applied only to the retirement benefits of single individuals who would not become eligible for some 20 to 30 years or more. For instance, a single worker with 40 years in covered employment at a wage of $250 a month would have received on retirement under the 1935 act a primary benefit of $81.25 a month. Under the 1939 amendment his retirement benefit amounted to only $56 per month. The benefits for all workers who would probably retire within the ensuing 20 years were increased. It should be noted that these changes, both in conditions of eligibility and in the benefit value of the "right" to title II benefits, were made

by Congress pursuant to its retention of the power to amend, alter, or repeal any provision of the act.

These changes in benefits and eligibility for benefits reflect a fundamental shift in the basic character of the title II program. Originally it involved monthly benefits to aged workers only—benefits related to the total wage record. The 1939 amendments redirected the program toward meeting a social problem of individual and family dependency.

The 1950 amendments.—As noted in preceding sections, the 1950 amendments dealt with broadened coverage, liberalized other conditions of eligibility to benefits, and raised benefits. The amounts of benefits for all those on the rolls by the end of 1950 were increased, on the average, by 77.5 percent in response to the large rise in the cost of living since 1939. A new benefit schedule on a somewhat higher plane was established for those whose covered earnings occurred for the most part or entirely after 1950. The lump-sum benefit was reduced to equal three times the primary benefit.

The 1952 amendments.—An across-the-board increase in the benefit schedules was provided in the amendments of 1952. These increases are attributable to a further rise in the cost of living during the period 1950–52.

The 1954 amendments.—Benefits to all beneficiaries were again raised beginning in September 1954. Increases in primary benefits ranged from $5 to $13.50.

It should be recognized that the increases in 1950 and 1952 and 1954 again reflect the fundamental character of the title II program as one focused on the social problem of dependency arising either from a person reaching old age when he presumably can no longer support his dependents and himself by working, or from loss of income of the breadwinner through death.

Amount of benefits.—All benefits [97] are determined on the basis of a primary benefit—that is the benefit calculated in relation to the covered worker's wage record. In computing the average earnings record, as many as 5 years of low or zero earnings may be dropped out. Periods of total and extended disability are also disregarded in calculating the average earnings record. This provision was inserted so that one's old age or survivor's benefits would not be reduced on account of periods of zero earnings when disability prevented the individual from working and maintaining his earnings record. The primary benefit is equal to 55 percent of the first $110 of average covered monthly wage plus 20 percent of any additional amount up to and including $240, with a minimum of $30. The maximum family benefit is $200 or, if lower, 80 percent of the average wage (but in no case is the maximum lower than $50, or 1½ times the primary benefit, whichever is smaller. The minimum family benefit is $30). The present schedule of benefits for dependents or survivors is as follows:

For an aged wife	½ the primary benefit.
For an aged husband	½ the wife's primary benefit.
For a child's benefit (parents living)	½ the primary benefit.

[97] The Bureau of Internal Revenue has ruled that title II lump-sum payments and also monthly benefits are not subject to Federal income taxes. For further information, see hearings, pt. 6, pp. 970–975.

For an orphaned child (no other children)	¾ the primary benefit.
For each of 2 or more orphaned children	½ the primary benefit plus ¼ primary amount among all children.
Aged widow's benefit	¾ primary benefit.
For aged widower	¾ of the wife's benefit.
For a widowed mother (with 1 or more children under 18).	¾ the primary benefit.
For an aged parent (no closer relatives living).	¾ the primary benefit.
Lump-sum payment	3 times the primary benefit, and with a maximum of $255.

When title II monthly benefits were initiated in 1940, and at the end of the year, 222,000 were receiving benefits at a rate of $4 million a month. The data below show for the month of December 1952 the various classes of monthly beneficiaries and the amount of their benefits for December 1953. These data are as follows: [98]

	Beneficiaries (in thousands)	Benefits paid (in millions)
Old-age (primary)	3,222	$164.7
Aged wife or husband (secondary)	888	24.0
Widow's or widower's (secondary)	541	22.1
Parent's (secondary)	24	1.0
Mother's (secondary)	254	9.5
Child's (secondary)	1,053	32.5
Total	5,982	253.8

The data in the table below show the distribution of benefit payments to persons according to their age. As may be observed, the share of total disbursements going to aged recipients has increased from 73 percent in 1940 to an estimated 83 percent in 1953.

Amount and percent distribution of OASI monthly benefits paid, by selected age groups and by calendar year, 1940–53 [1]

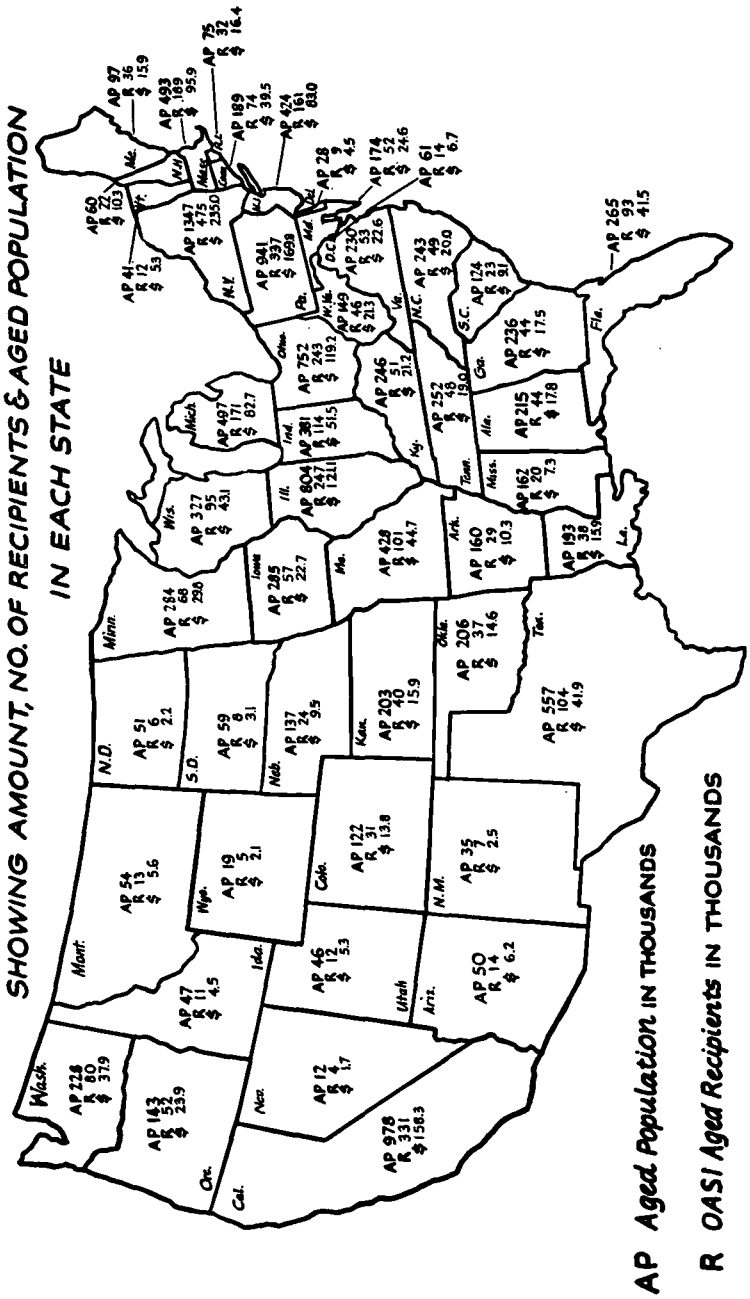
[Amounts in millions]

Calendar year	Amount and percent of total annual benefits paid to or on behalf of individuals by age							
	Total		65 years and over		18–64 years		Under 18 years	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1940	$28.9	100	$21.2	73.4	$3.0	10.3	$4.7	16.3
1941	80.6	100	57.1	70.8	8.9	11.0	14.7	18.2
1942	122.0	100	85.2	69.8	13.4	11.0	23.4	19.2
1943	155.0	100	106.3	68.6	16.8	10.8	31.9	20.6
1944	196.0	100	133.0	67.9	21.0	10.7	41.9	21.4
1945	261.6	100	177.5	67.9	28.0	10.7	56.1	21.4
1946	360.4	100	257.9	71.6	33.1	9.2	69.4	19.2
1947	452.9	100	336.0	74.2	35.3	7.8	81.6	18.0
1948	543.6	100	414.0	76.2	37.7	6.9	91.9	16.9
1949	655.9	100	513.8	78.3	40.2	6.1	101.9	15.6
1950	1,018.1	100	810.6	79.6	52.6	5.2	154.9	15.2
1951	1,884.5	100	1,517.6	80.5	85.7	4.5	281.2	14.9
1952	2,229.0	100	1,808.2	81.1	97.0	4.4	323.7	14.5
1953 [2]	2,907.5	100	2,406.2	82.7	115.7	4.0	385.5	13.3

[1] Amount of monthly benefits certified for payment.
[2] Estimated at twice the amount of monthly benefits certified for payment January–June, 1953.

Source: For data, see hearings, appendix I, table 107, p. 1107.

[98] Data are from Social Security Bulletin, September 1954, p. 62. In June 1954, the number of beneficiaries aggregated 6,468,777 and the benefits paid in that month totaled 287.7 millions.



Source: For data, see appendix, p. 69.

The map on page 45 shows the aged population, the number of aged recipients of title II benefits, and the estimated amount received during 1952 by States. Measuring the size of States by their aged population, a comparison reflects in part the result of coverage exclusions, particularly with respect to agricultural areas. For example, Michigan with an aged population of 497,000 is somewhat smaller than Texas with 557,000. However, 171,000 of the aged of Michigan were receiving title II benefits amounting to roughly $83 million in 1952 whereas Texas had only 104,000 aged beneficiaries who received about half as much as those in Michigan. Other comparisons between industrial and agricultural States would show like contrasts.

Benefit anomalies.—The attention of the public has been called to various apparently anomalous benefit situations. For example, considerable criticism has been made with respect to the benefit treatment of aged wives. One aged wife with no covered wage record of her own draws a benefit equal to half of her aged husband's primary benefit or three-fourths of that benefit if her husband has died. In comparison, another aged wife with her own covered wage record has a "right" to a benefit based on her husband's wage record or on her own, whichever yields the larger benefit, but she is not entitled to both—although she herself has paid FICA taxes.

Another seemingly anomalous situation is the comparative treatment of those retiring on the basis of 6 quarters of coverage with those who have had a much longer covered wage record. The criticism is based on the much smaller amount of taxes paid by the former as compared to that paid by the latter. Other apparently anomalous situations could be presented. However, as we will observe later, these criticisms are rooted in a fundamental misconception as to the character of this program. (See pp. 38–40 and 53.) Title II itself is a program for distributing social benefits to selected classes of persons who, presumably, are unable to support themselves by working.

Financing and costs

There have been special taxes associated with the title II program ever since the passage of the Social Security Act of 1935. In the original act, the taxing authority was contained in title VIII and was called "Taxes With Respect to Employment". In the 1939 amendments, the taxing authority was placed in the Internal Revenue Code and was renamed the "Federal Insurance Contributions Act." When coverage was extended to many of the self-employment occupations in 1950, the taxing authority in connection with these jobs was placed in a new chapter of the Internal Revenue Code and entitled "Tax on Self-Employment Income."

Two taxes have been related to employees in covered jobs— one at a specified rate on gross wage or salary income of the worker, and an excise tax on the employer with a rate equal to that paid by the employee. The tax on those persons in self-employment occupations is levied at a specified rate of the self-employment net income, as such income is determined according to the Internal Revenue Code. This rate is 50 percent higher than that on the employee. Until 1951, the maximum gross wage or salary income subject to the tax was $3,000 per year. In 1951, the maximum wage, salary, or self-employment income subject to the tax was increased to $3,600 per year, and has been raised to $4,200 beginning in 1955.

The graduated increase in the tax has always been contained in the law. The 1935 act and the 1939 amendments called for a periodic rise in the rate, reaching a peak in 1949 of 3 percent on the employee and on the employer. Owing to a change in basic policy, the increases scheduled during the 1940's were not allowed to go into effect.

In 1950, the rate was increased from the level then prevailing of 1 percent on the employee and on the employer to 1½ percent on each. The present act calls for periodic advances in this rate, rising ultimately in 1975 to 4 percent on the employee and on the employer, and to 6 percent on the self-employment income.

The receipts from these and all other taxes and from borrowings have flowed into the general funds of the United States Treasury. The law now provides for an automatic annual appropriation from the general funds to the Federal old-age and survivors insurance benefits trust fund in the amounts equal to the FICA taxes collected. All benefit payments, and the costs of collecting these special taxes and of administering title II are met from the trust fund. The managing trustee is directed to "invest such portions as is not, in his judgment, required to meet current withdrawals." [99]

These investments must be made in interest bearing United States Government obligations. The Board of Trustees is directed to notify Congress when it believes that the fund "* * * will exceed 3 times the highest annual expenditures anticipated during that 5-fiscal-year" and whenever it believes "* * * that the amount of the trust fund is unduly small * * *." [1]

The legal directive with respect to notification of Congress as to the prevailing or prospective size of the trust fund reflects a change in basic policy. Until the amendments of 1939, the Congress had envisaged a gradual increase in the trust fund to a magnitude in the neighborhood of $47 billion during the ensuing 4 decades or so. In 1939, this policy was revised so that there would be a more gradual growth in the trust fund to a more moderate size. Thus, it may be seen that although the system is currently on more than a breakeven basis, the Congress contemplates a trust fund which will be more in the nature of a contingency fund. That is, in good times there will be accretions to the fund. In other years there may be some decrease owing to an unforeseen rise in costs and also to a decline in FICA tax receipts and, hence, in appropriations to the fund.

The trust fund has been operating for 18 years with special taxes collected since January 1, 1937, and monthly benefits paid since January 1, 1940. The chart on page 48 shows the financial status of the trust fund after 16 years.

This chart shows a total of $23.8 billion has been collected by the United States Treasury in taxes associated with this program, and an equal amount appropriated to the trust fund. During this period, 98 million persons have paid a total of $11.9 billion in taxes and [2] employers have paid virtually a like amount.

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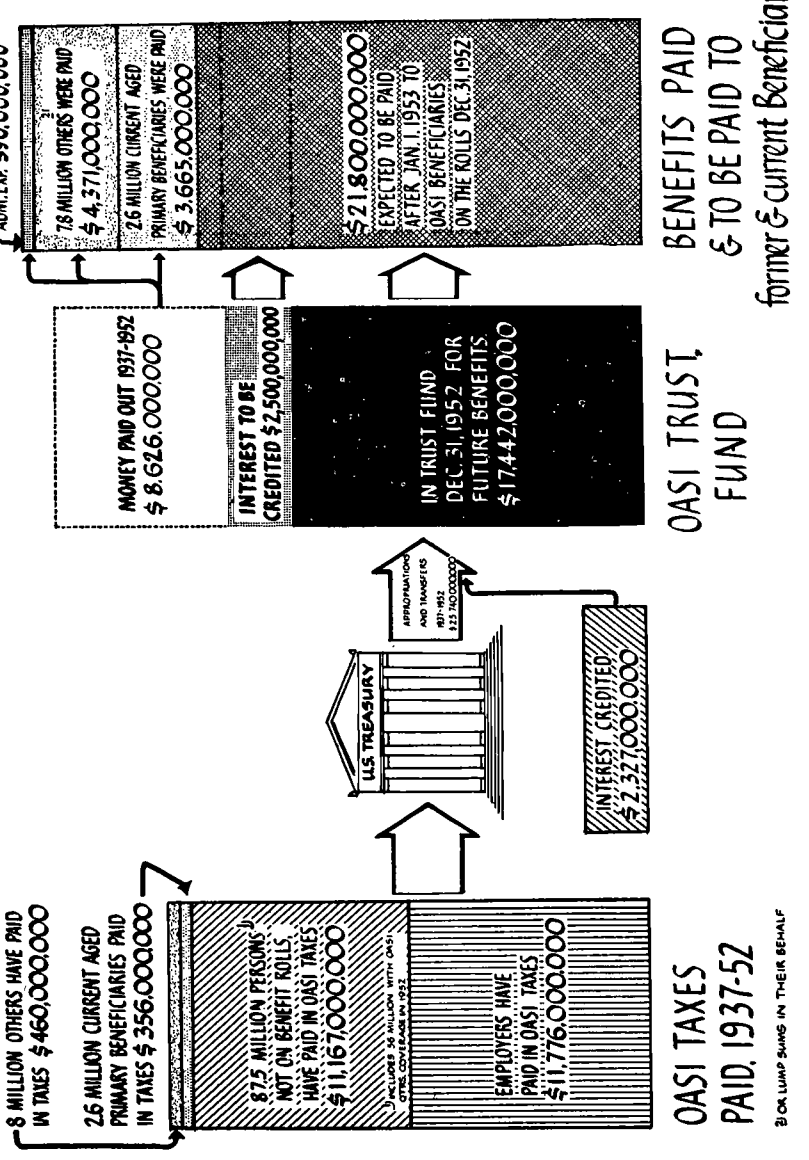
[99] Sec. 201 (c).
[1] Sec. 201 (d) (3).
[2] Detailed data show that the self-employed had paid an estimated $207 million in the 2 years of coverage 1951–52. See hearings, pt. 5, p. 762.



Source: For data, see appendix, p. 60.

By the close of 1952, an aggregate of $26.1 billion, including $2.3 billion of interest credited, has been appropriated to the trust fund. As of December 31, 1952, the fund aggregated $17.4 billion, which means that roughly $8.6 billion has been paid out. Of this amount, a little more than $8.0 billion represents benefit payments and $0.6 billion administrative costs.

Looking at the chart, we find that 2.6 million individuals who have paid a total of $356 million in FICA taxes were currently receiving primary benefits. By the end of 1952, they had received $3.7 billion in benefits. Another 8 million individuals had paid $460 million in taxes. Some of these have died, others are not currently drawing benefits. However, 7.8 million persons had drawn $4.4 billion in benefits as a result of the covered wage records of these 8 million taxpayers. It was estimated that all those on the beneficiary rolls on December 31, 1952, would, assuming an average life expectancy, draw an additional $21.8 billion in benefits. The future benefits of $21.8 billion to those on the rolls at the end of 1952 may be compared with the $17.4 billion trust fund.

The excess of these benefit commitments over the size of the trust fund reveals the present nature of this program. That is, it is a program in connection with which those with jobs in their productive years and employers pay taxes chiefly to provide the funds for current benefits to aged beneficiaries and other eligible survivors. Since this program has been conceived in perpetuity, this means the present individual taxpayers may anticipate that in their old age those persons then in their productive years would do likewise.

The long-run objective of the program has been to have universal coverage of all jobs and virtually all the aged and survivors eligible (unless earning too much in wages, salaries, or self-employment income) for benefits, either as primary or as secondary beneficiaries. It is, therefore, of interest to consider briefly the 1954 status of the program in this respect. Approximately 80 percent of all workers are in jobs covered by this program and, thus, are paying special taxes—with matching taxes from the employers. A large proportion of the self-employed are also covered and paying FICA taxes. However, only 30 percent of the aged are eligible and drawing benefits.[3] Were there universal coverage of all jobs in 1954 with taxes levied at the present 2 percent rate on both employees and employers, and 3 percent on the self-employed, the total amount appropriated to the trust fund would be in the neighborhood of $6.5 billion. Another half billion dollars would represent interest credited. But with virtually all aged and dependent survivors eligible and drawing benefits, title II disbursements would aggregate roughly $8 billions.[4]

This excess of benefit costs in relation to tax receipts, if the system were mature, may be compared with what we may actually expect in 1954. Estimated benefits will aggregate in the neighborhood of $3.6 billion, and appropriations to the fund, resulting from FICA tax

[3] Approximately another 15 percent would be eligible were it not for the fact that they or their spouses are still working.

[4] We are here assuming the same distribution of all aged by amounts of monthly benefits as obtained for those actually receiving benefits in 1952. (See hearings, appendix I, pp. 1029–1036.)

collections, will approximate $5.2 billion. Interest credited would amount to a half billion dollars. In other words, with taxes collected from or on behalf of 80 percent of the workers and with benefits paid only to some 30 percent of the aged and 40 percent of the unremarried widows with their dependent children and the children whose fathers had died, there will be a $2.1 billion excess of appropriations over benefit costs. But it is this excess which gives a misleading impression as to the ultimate relative cost burden—when virtually all retired aged, dependents, and survivors are drawing benefits.

IV. THE UNDERLYING PRINCIPLES OF PUBLIC ASSISTANCE AND TITLE II

In the three preceding chapters, we have presented facts with respect to the old-age assistance, the aid to dependent children, and the Federal old-age and survivors insurance benefits programs. We have also reported the more important statutory modifications and alterations during the period 1935 through 1954.

In this chapter, we will reexamine the underlying principles of the two assistance programs, old-age assistance and aid to dependent children, on the one hand, and of Federal old-age and survivors insurance benefits, the title II program, on the other, in order to reveal the fundamental similarities and contrasts. In the light of this comparison, we will thus see where we stand today with respect to social security for the aged, survivors, and needy dependent children—and be better able to decide what should be done, and what can be done.

In making this comparison, attention will be centered on four fundamental questions:

1. Are there basic similarities or differences in the character of the right to cash benefits under old-age assistance and aid to dependent children as compared with that under title II?
2. Are there basic similarities or differences in the conditions of eligibility which must be met to acquire these rights?
3. Is there a basic similarity in the purpose which these benefits are designed to serve?
4. Have the costs of these two programs been financed in a relatively similar manner?

The first three questions are inextricably interrelated. The right to a benefit can be acquired only by meeting certain conditions of eligibility. The right itself would be meaningless unless there is a right to something of value—in this case, cash benefits.

The right under both of the programs, old-age assistance and aid to dependent children, is established by statute and is conditional

In the chapter on old-age assistance, the wide differences in the understanding by segments of the public and by welfare officials of the nature of the right to assistance were revealed. To avoid any ambiguity or confusion, the following testimony from the hearings in 1953 is quoted.

Mr. WINN (Chief Counsel). Miss Goodwin, we have seen numerous excerpts from articles and other writings in which the word "right" is used in connection with old-age assistance payments. Can you tell me what the policy of the Bureau of Public Assistance has been as to the matter of the payments of these public-assistance cash payments as a matter of right?

Miss GOODWIN (Associate Director, Bureau of Public Assistance). As you know, the old-age assistance and old-age insurance programs had their birth in the same kind of planning, and except for the accident of what employment is covered in the insurance program, the people are very much the same.

We have said on many occasions that we believe that when an assistance program is established by law setting forth its eligibility conditions, persons who meet

those eligibility conditions and continue to meet them have a right to receive assistance and not be subject to the judgment or whims of individuals within the program. If other conditions are to be imposed, they should be imposed as part of the law or the policy and regulations of the agency, and not on a basis which is individually applied. It is in that sense a conditional right. It is the right to receive in accordance with the rules and regulations of the State.

* * * * * * *

Mr. MILLS (subcommittee member). In other words, the right that may exist under State law actually is prompted by Federal law, though there is not a right under Federal law individually?

Miss GOODWIN. The State would have to meet this requirement of offering an opportunity for a fair hearing in order to qualify for Federal law. Many States' laws contain that kind of provision and have the same meaning quite independent of the Federal act.

Mr. MILLS. I asked the question, Mr. Chairman, because I have been under the impression for some time that the applicants, the people within a State, and perhaps some State administrators of the program, proceed on the basis that there is a right. I had never so interpreted the matter as constituting a statutory right. However, as I think of the Federal statute setting up conditions under which State plans must be approved, it would seem rather clear on second thought that those State laws would, in order to qualify the State for Federal assistance, have to provide some degree of right, at least a conditional right, certainly a statutory type of right, to this assistance if he is eligible under the law.[5]

The "right" under title II is statutory and conditional

In chapter III, we indicated the widely held misconception with respect to the right to a benefit in this program and also presented the facts bearing on this issue. The following colloquy between the subcommittee chairman and the former Commissioner for Social Security occurred in the 1953 hearings:

Chairman CURTIS. The individual who perhaps was 21 years of age in 1937 and who has been in covered employment since then, since 1937, and will have to continue to pay these taxes until he is 65, has no contract? Is that your position?

Mr. ALTMEYER. That is right.

Chairman CURTIS. And he has no insurance contract?

Mr. ALTMEYER. That is right.

Chairman CURTIS. It is a statutory right?

Mr. ALTMEYER. It is a statutory right enforceable by law.[6]

These statutory rights can be changed at any time by legislative action

As we indicated in the chapters on old-age assistance and aid to dependent children, State legislatures have changed some conditions of eligibility to make them more restrictive than formerly and have thus in effect extinguished the rights of certain individuals. Similarly, the conditions of eligibility under title II have been changed and, thus, have terminated the "rights" of some individuals. The benefit value of the "rights" has been increased in most cases—but it has also been reduced.

Mr. ALTMEYER. * * * Now, the question of whether it is a contractual right or a noncontractual right is immaterial and unimportant, so long as it is statutory right, enforceable by law, and not subject to the whim or caprice of any political body or administrative official.

Chairman CURTIS. Now, a statutory right can be changed by the duly constituted elected body, can it not?

Mr. ALTMEYER. It certainly can.[7]

As was noted earlier, the amendments of 1950 terminated the right to receive title II benefits by those then receiving them but who, after retirement, had developed a profitable self-employment occupation.

[5] *Hearings*, pt. 3, pp. 421-422.
[6] Hearings, pt. 6, p. 918.
[7] Hearings, pt. 6, p. 919.

The statutory "right" of a person to receive benefits under either type of program does not depend upon a previous record of having paid any kind of tax

We noted above (see pp. 21 and 26) that the assistance programs are financed in part by Federal appropriations from the general funds of the United States Treasury, and in a number of States by appropriations from general tax revenues. It is true that in a few States there are taxes earmarked for the financial support of public assistance. However, no applicant is obliged to show payment of any tax in order to receive public assistance benefits.

In the case of the title II program, however, there has always been a special tax related to the financing. Some persons have believed that the payment of this tax provides one of the bases for eligibility to title II benefits. For example, a publication of the Social Security Board, Old-Age and Survivors Insurance for Workers and Their Families (January 1940) implies this to be true by stating on page 10:

> If you work on a job covered by this law, you pay a tax to the Federal Government and so does your employer. These taxes go into the fund, out of which your benefits will be paid later on. The tax is a sort of premium on what might be called an insurance policy which will begin to pay payments when you qualify at age 65 or over, or in case of death.

By subsequent statements, the former Commissioner for Social Security, Mr. Altmeyer, has swept away any confusion on this. In 1943, he commented in a discussion group as follows:

> * * * I hope that this group will not cease discussing this question of what is insurance as contrasted with assistance. I think it is very interesting and necessary that we clarify our ideas on that distinction, *if there is a distinction*, and it seems to me that we have to come back to some basic first principles as to what is meant by insurance, and secondly as to what is meant by contributory insurance.[8]

In 1945, he stated:

> The Federal Social Security Act provides two kinds of programs—public assistance and social insurance. In the one, rights are conditioned on need; in the other, on wage loss, yet they are the same kind although people sometimes hold that those arising out of contributions paid by a person, or on his behalf, are the more valid. *I do not believe that such a distinction can be made.*[9]

In the hearings in 1953 before the Subcommittee on Social Security, there occurred the following colloquy:

> Mr. WINN. Under title II of the social-security law the payment of the social security tax, though, has not been the test in determining eligibility for benefits has it?
>
> Mr. ALTMEYER. Under the law it cannot be a test.[10]

Conditions of eligibility for benefits under the two assistance programs are determined on a State-by-State basis, whereas under title II they are applicable nationwide

As was shown in the first chapter, the minimum qualifying age for old-age assistance payments subject to Federal participation is fixed at 65 years. Need, as another condition of eligibility, is determined according to a budgetary standard as defined by each State in its plan, and takes into account any resources or income of the individual. In aid to dependent children, a child is defined as a person under 18 years

[8] Provisional Record of the Social Security Consultation on Income Maintenance and Medical Care, under the auspices of the International Labour Office, July 9–12, 1943, Montreal, Canada (Hearings, appendix II, p. 1249). Italics supplied

[9] From the Survey Graphic, September 1945, and quoted in the hearings, pt. 4, p. 529. Italics supplied.

[10] See hearings, pt. 6, p. 963.

of age. The other condition, "need," is determined on an individual basis in relation to a budget standard in each State plan. Thus, eligibility is determined, in part, on the personal situation of the individual applicant. It may be noted that if individuals receiving cash payments under either of these programs should hold a job and earn a wage or salary, he would in all probability no longer be in need and his right to benefits thereby would be extinguished. Ownership of assets valued higher than stated maximums renders the applicant ineligible.

The age tests for eligibility to title II benefits are of two kinds—those applicable to primary beneficiaries, and those for the secondary beneficiaries. In the case of the primary beneficiary, there is a minimum age requirement of 65 years. For the secondary beneficiary, a close family relationship is required. For surviving children, there is an age limitation of 18 years. For the dependent spouse, the minimum age is 65 whether the primary beneficiary is living or has passed on except where she is caring for dependent children under 18. The age limitation involved in the eligibility of the widowed mother (or the wife of a retired worker) with children is applied only to the dependent children who must be under the age of 18. Thus, it may be seen that age as a condition of eligibility for children and aged is the same in these programs, and there is no age limitation for widowed mothers with dependent children.

Under title II no inquiry is made with respect to the applicant's resources or income to establish eligibility. There is an automatic continuing condition of eligibility. If the applicant or beneficiary is receiving more than a stated amount from wages, salary, or self-employment income in specified occupations, he does not meet the eligibility requirement for a "right" to a benefit. This "work test" is waived for those 72 years of age or older.

The purpose of benefits under both types of programs is to deal with need

A Ways and Means Committee report in 1939 defined the purpose of the benefit under public assistance and under title II as follows:

> Old-age insurance is to prevent future old-age dependency. Old-age assistance is designed to relieve existing need.[11]

In an article expressing his personal views, the general counsel for the Bureau of Public Assistance stripped off the semantics as follows:

> It is true that "economic need" is not made a condition of eligibility to the benefit payments themselves in the Federal old-age insurance program, as it is in the State-operated programs [public assistance], but one must engage in some mental gymnastics to show the difference in theory between paying because there is need and paying so there will not be need.[12]

Both types of benefits are essentially supplemental in character

The resources and income of the applicant for public assistance are taken into account in determining the size of the cash benefit. It is true, of course, that many an applicant has no resources or income and the need is then found to be equivalent to the total living requirements. The benefit under title II is not intended to be wholly adequate to meet the individual's total living needs. A report of the

[11] From Ways and Means Committee report, 76th Cong., 1st sess. (1939), and quoted in the hearings, pt. 6, p. 942.

[12] See Public Assistance as a Social Obligation, by A. Delafield Smith, Harvard Law Review, vol. 63, p. 274 (1949). This article is printed in full in the hearings, appendix II, pp. 1196-1208 and this quotation is found on p. 1200.

Social Security Board, making recommendations for improvement of the Social Security Act, stated:

> It is impossible, under any social-insurance system, to provide ideal security for every individual. The practical objective is to pay benefits that provide a minimum degree of social security as a basis upon which the worker, through his own efforts, will have a better chance to provide adequately for his individual security.[13]

Benefit payments under both types of programs have been financed, for the most part, out of current taxes—out of taxes levied on workers and other persons with income, in their productive years, and on employers

The facts and the discussion with respect to the cost and financing of old-age assistance and aid to dependent children showed that the bulk of the funds was derived from general tax revenues with less than 25 percent from capacity-to-pay taxes. In the case of title II, there have always been special taxes associated with the program. These taxes have been levied on covered workers and employers and, to date, the tax receipts have exceeded the benefit disbursements in each year. The excess of receipts is reflected in the trust fund.

It may be observed that the "means test" provides a measure of control over the expenditures for the assistance programs. In contrast, the title II programs has no means test. Reiteration that this program must be self-sustaining from the dedicated social security taxes and interest credited to the trust fund reveals the character of expenditure control in which Congress has placed its reliance.

Both types of programs may be adjusted to fit changing social conditions and needs of the people

We have observed that these programs involve a diversion of money income chiefly from the productive to the nonproductive aged and other dependents. An important consideration for Congress in improving these Federal programs has always been how much of the national money income may safely be diverted. As we have seen, Congress has complete financial control in one program and only partial control in old-age assistance and aid to dependent children.

In the Social Security Act, Congress has always reserved to itself the power to alter and amend any provision of that law. In the case of title II, it has provided new benefits, increased the scheduled benefits, also has decreased or suspended some benefits, and has also readjusted the special taxes. Thus, Congress has direct and complete control over the amount of money income channeled through this program to eligible recipients.

For old-age assistance and aid to dependent children, the situation is quite different. We showed in chapters I and II how the determination of need by each State, the operation of the participation formula, and the automatic Federal appropriating device in these two programs place in the hands of the States a large share of control over how much money income is diverted through Federal taxes to the same general classes of dependents with which the title II program is concerned. Thus, the grants-in-aid arrangement widely disperses control among the participating States, Territories, and island possessions—among 53 governmental jurisdictions in the case of old-age assistance and among 52 in aid to dependent children.

[13] Quoted in the hearings, pt. 6, p. 939.

In summary, these three programs with which this report has been concerned may be described in the following general terms. All are programs providing social benefits to the aged and the young who are dependent. The necessary funds to pay the benefits are derived in the main through taxes on workers and on others with income in their productive years, and on employers. The inability of most on old-age assistance, perhaps 20 percent of those on aid to dependent children, and many other persons—young and old—to qualify for benefits under title II is attributable solely to the lack of an adequate wage, salary, or self-employment income record in specified occupations. As we have seen, this situation has resulted from piecemeal expansion of title II, or is due to the fact that these "unprotected aged" were born too early, or their husbands (or fathers as the case may be) died too early.

The singular importance of the work record as a condition of eligibility for title II benefits has been to provide the basis for calculating these benefits. The former Chairman of the Social Security Board testified before the Ways and Means Committee in 1939 as follows:

> * * * Even though it were considered reasonable to pay benefits to those who have already passed retirement age, regardless of the fact that no contributions had been made in their behalf, it would be impossible to secure the wage records necessary to determine benefits.[14]

Actual wage data have not always been required. In the case of the free wage credits to servicemen, Congress ignored the actual pay records and provided for a flat $160 monthly wage record for each person, regardless of what his pay had been—whether it was substantially below or at least equal to the maximum for coverage and benefit purposes.

The most striking difference between the assistance programs, on the one hand, and title II, on the other, is that the latter program accomplishes the distribution of social benefits without a means test—an inquiry into all the various resources and income of the individual beneficiary.

[14] See hearings, Committee on Ways and Means, 76th Cong., 1st sess., vol. 1, p. 57. This may also be found in hearings, pt. 6, p. 889.

APPENDIX

TABLE 1

OLD-AGE ASSISTANCE: AVERAGE ASSISTANCE PAYMENT PER RECIPIENT, BY STATE, JUNE OF 1940, 1945, 1947, 1949, AND 1953

Excludes cases receiving only vendor payments for medical care and total amount of such payments]

State	June 1940	June 1945	June 1947	June 1949	June 1953
Total	$19.92	$29.46	$36.06	$43.59	[1] $48.74
Alabama	9.35	15.51	17.54	22.61	27.50
Alaska	28.06	34.49	39.79	55.97	58.13
Arizona	27.69	38.55	47.58	54.86	55.53
Arkansas	7.56	17.99	18.25	20.95	32.25
California	37.95	47.31	52.61	[2] 70.55	69.39
Colorado [2]	33.57	41.35	65.11	67.08	78.70
Connecticut	26.65	36.73	43.87	54.01	66.40
Delaware	11.33	15.84	22.66	28.06	38.39
District of Columbia	25.33	31.89	40.07	41.67	53.95
Florida	12.01	28.88	36.59	40.19	43.36
Georgia	8.00	11.42	17.04	20.54	36.56
Hawaii	12.67	22.59	35.38	35.33	34.62
Idaho	21.99	30.22	41.71	46.57	54.39
Illinois	20.84	31.93	39.57	44.87	41.01
Indiana	17.82	25.63	30.33	35.22	37.63
Iowa	20.50	31.72	39.72	48.08	56.85
Kansas	19.15	29.82	34.74	50.10	57.72
Kentucky	8.74	11.46	17.38	20.83	35.17
Louisiana	11.89	23.65	24.28	47.05	51.19
Maine	20.90	29.59	34.21	41.34	46.25
Maryland	17.50	27.77	30.88	36.88	43.27
Massachusetts	28.51	42.76	50.60	61.10	66.70
Michigan	16.58	30.65	35.94	42.88	51.47
Minnesota	20.99	30.12	37.07	47.15	45.28
Mississippi	8.30	15.42	17.32	18.80	28.21
Missouri	16.09	23.36	35.05	42.57	50.03
Montana	18.07	31.10	37.80	44.93	57.98
Nebraska	16.51	28.74	40.27	42.00	43.23
Nevada	26.54	38.42	47.47	54.05	56.22
New Hampshire	21.15	30.03	36.70	43.48	45.75
New Jersey	20.49	31.74	40.76	47.80	59.85
New Mexico	14.45	31.81	35.85	34.22	44.76
New York	24.52	34.79	46.99	52.74	57.74
North Carolina	10.14	12.50	18.05	21.55	29.74
North Dakota	16.78	33.32	39.45	46.56	55.36
Ohio	22.85	29.85	39.56	46.72	51.57
Oklahoma	17.72	29.27	42.33	52.10	65.88
Oregon	21.38	35.37	41.87	48.21	62.41
Pennsylvania	21.90	30.00	33.96	40.01	42.80
Puerto Rico					7.61
Rhode Island	19.51	33.67	39.66	45.04	49.49
South Carolina	8.24	14.14	20.23	24.70	31.44
South Dakota	19.70	24.53	32.42	38.02	44.47
Tennessee	10.08	16.08	18.38	27.15	36.45
Texas	10.31	23.90	28.92	34.23	38.43
Utah	21.17	38.73	47.06	50.27	59.43
Vermont	15.99	22.30	30.81	32.13	41.12
Virgin Islands					11.02
Virginia	9.82	13.70	17.63	20.28	26.74
Washington	22.08	48.29	53.02	67.11	62.68
West Virginia	13.89	17.98	15.08	21.35	33.38
Wisconsin	22.24	29.14	36.00	41.60	51.51
Wyoming	23.71	36.30	48.72	55.63	59.72

[1] Average excluding Puerto Rico and the Virgin Islands $49.48.
[2] Average based on totals that include recipients under 65 years of age and payments to these recipients.

Source: Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, Division of Program Statistics and Analysis, Sept. 9, 1953.

TABLE 2

POPULATION 65 YEARS OF AGE AND OVER, NUMBER RECEIVING OLD-AGE ASSISTANCE, AND FEDERAL EXPENDITURES FOR OLD-AGE ASSISTANCE, BY STATE, 1952

State	Population 65 years of age and over, July 1, 1952	Old-age assistance	
		Number of recipients, July 1952 [1]	Expenditures from Federal funds for assistance to recipients, calendar year 1952 (in thousands) [2]
Continental United States	13,108,345	2,603,236	$811,582
Alabama	214,780	71,725	14,685
Arizona	49,669	14,042	4,816
Arkansas	159,736	57,758	12,631
California	977,672	272,904	98,111
Colorado	122,408	[3] 47,749	17,466
Connecticut	188,742	17,064	5,907
Delaware	28,438	1,744	475
District of Columbia	60,559	2,748	905
Florida	265,336	67,026	20,362
Georgia	235,526	95,123	24,832
Idaho	46,670	9,206	3,063
Illinois	804,334	109,437	35,254
Indiana	380,583	42,711	12,496
Iowa	285,204	47,695	16,023
Kansas	203,299	36,797	12,653
Kentucky	246,370	56,186	15,011
Louisiana	192,828	120,685	42,859
Maine	96,957	14,087	4,555
Maryland	174,269	11,200	3,351
Massachusetts	493,053	97,927	34,048
Michigan	496,738	90,813	29,937
Minnesota	283,634	54,257	18,077
Mississippi	162,144	58,085	11,479
Missouri	428,441	131,203	45,074
Montana	54,220	10,981	3,781
Nebraska	136,508	20,562	6,975
Nevada	11,927	2,708	986
New Hampshire	60,008	7,012	2,286
New Jersey	424,042	22,003	7,116
New Mexico	35,140	10,752	3,358
New York	1,346,825	113,228	40,022
North Carolina	243,075	51,304	11,287
North Dakota	51,079	8,774	2,865
Ohio	752,060	114,539	38,052
Oklahoma	206,030	95,166	33,186
Oregon	142,978	22,372	7,482
Pennsylvania	941,192	71,485	21,135
Rhode Island	74,621	9,227	2,992
South Carolina	124,178	42,372	9,977
South Dakota	58,534	11,731	3,779
Tennessee	251,680	59,316	15,963
Texas	557,143	218,193	60,248
Utah	45,785	9,730	3,430
Vermont	41,198	6,985	2,143
Virginia	229,918	18,486	3,840
Washington	227,949	66,750	22,711
West Virginia	148,538	26,314	6,376
Wisconsin	327,144	50,910	16,058
Wyoming	19,183	4,164	1,464

[1] Excludes 10,516 recipients receiving only vendor payments for medical care, as follows: Illinois, 4,193; Indiana, 324; Kansas, 193; Massachusetts, 71; Michigan, 934; Minnesota, 412; Nebraska, 527; Nevada, 14; New Hampshire, 21; New York, 3,629; Rhode Island, 192; Wisconsin, 6. Vendor payments for medical care were made without Federal participation in Kansas, Michigan, and Wisconsin.

[2] Including vendor payments for medical care. The amount of expenditures from Federal funds for vendor payments for medical care of the recipients shown in footnote 1 is not available.

[3] Excludes 3,896 recipients under 65 years of age to whom payments were made without Federal participation.

Source: For "Population 65 years of age and over," see hearings, appendix I, table 134, p. 1142; for "Number of recipients," Social Security Bulletin, October 1952, p. 34, table 14; and for "Expenditures from Federal funds," appendix I, table 147, p. 1158.

TABLE 3

ESTIMATED POPULATION AGE 65 YEARS AND OVER, NUMBER OF AGED OASI BENEFICIARIES AND TOTAL AMOUNT OF OASI BENEFITS CERTIFIED FOR PAYMENT TO AGED PERSONS, BY STATE, 1952

	Estimated population age 65 or more, July 1, 1952 [1]	Number of aged beneficiaries, Dec. 31, 1952 [2]	Estimated total amount of monthly benefits certified for payment to aged beneficiaries, calendar year 1952 [2]
United States	13, 108, 345	3, 826, 219	$1, 794, 124, 000
Alabama	214, 780	44, 186	17, 841, 000
Arizona	49, 669	13, 893	6, 212, 000
Arkansas	159, 736	28, 751	10, 315, 000
California	977, 672	331, 317	158, 264, 000
Colorado	122, 408	31, 194	13, 757, 000
Connecticut	188, 742	74. 144	39, 530, 000
Delaware	28, 438	9, 235	4, 535, 000
District of Columbia	60, 559	14, 145	6, 657, 000
Florida	265, 336	92, 609	41, 474, 000
Georgia	235, 526	43, 886	17. 544, 000
Idaho	46, 670	11, 418	4, 525, 000
Illinois	804, 334	246, 503	121, 105, 000
Indiana	380, 583	113, 651	51, 459, 000
Iowa	285, 204	56, 826	22, 673, 000
Kansas	203, 299	40, 018	15, 872, 000
Kentucky	246, 370	51, 483	21, 179, 000
Louisiana	192, 828	38, 387	15, 925, 000
Maine	96, 957	35, 524	15, 931, 000
Maryland	174, 269	51, 717	24, 574, 000
Massachusetts	493, 053	189, 191	95, 929, 000
Michigan	496, 738	170, 795	82, 672, 000
Minnesota	283, 634	67, 802	29, 779, 000
Mississippi	162, 144	20, 401	7, 327, 000
Missouri	428, 441	101, 103	44, 709, 000
Montana	54, 220	12, 741	5, 605, 000
Nebraska	136, 508	24, 357	9, 462, 000
Nevada	11, 927	3, 674	1, 731, 000
New Hampshire	60, 008	22, 003	10, 292, 000
New Jersey	424, 042	161, 347	83, 014, 000
New Mexico	35, 140	6, 539	2, 541, 000
New York	1, 346, 825	475, 374	234, 988, 000
North Carolina	243, 075	48, 991	19, 940, 000
North Dakota	51, 079	6, 195	2, 218, 000
Ohio	752, 060	242, 764	119, 161, 000
Oklahoma	206, 030	37, 271	14, 593, 000
Oregon	142, 978	52, 084	23, 893, 000
Pennsylvania	941, 192	336, 565	169, 803, 000
Rhode Island	74, 621	32, 445	16, 413, 000
South Carolina	124, 178	22, 613	9, 112, 000
South Dakota	58, 534	8, 124	3, 081, 000
Tennessee	251, 680	47, 844	18, 952, 000
Texas	557, 143	104, 458	41, 916, 000
Utah	45, 785	12, 225	5, 347, 000
Vermont	41, 198	11, 802	5, 253, 000
Virginia	229, 918	52, 849	22, 574, 000
Washington	227, 949	79, 638	37, 921, 000
West Virginia	148, 538	46, 486	21, 321, 000
Wisconsin	327, 144	94, 919	43, 096, 000
Wyoming	19, 183	4, 732	2, 109, 000

[1] Estimated by U. S. Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age Assistance based on available census data.

[2] Excludes 33,784 "young wives" under age 65 and an estimated $6 million certified for payment in 1952 to "young wives" for which State distribution is not available.

Source: For data, see hearings, appendix I, tables 101, 104, and 102, pp. 1099, 1104, and 1100, respectively.

TABLE 4

STATUS OF OASI TRUST FUND, DEC. 31, 1952 [1]

Estimated FICA tax collections:	
From employers, 1937 through 1952	$11, 775, 795, 000
From living persons with OASI earnings credits, not beneficiaries in current payment status, on Dec. 31, 1952—for period of 1937 through 1952	11, 167, 200, 000
From all individuals who were primary beneficiaries on Dec. 31, 1952—for period of 1937 through 1952	356, 470, 000
From all other individuals with OASI earnings, 1937 through 1952	459, 515, 000
Total estimated FICA tax collections [2]	23, 758, 980, 000
Net adjustment (subtract) [3]	18, 512, 000
Net contribution income and transfers, 1937–52	23, 740, 468, 000
Interest credited to trust fund, 1937–52	2, 327, 353, 000
Total receipts, 1937–52	26, 067, 821, 000
Benefit payments to old-age (primary) beneficiaries in current payment status, Dec. 31, 1952—for period of 1937 through 1952	3, 665, 400, 000
All other monthly benefit and lump-sum payments, 1937 through 1952	4, 371, 000, 000
Administrative expenses	589, 908, 000
Adjustment (subtract) [4]	206, 000
Total net expenditures, 1937–52	8, 626, 102, 000
Total balance of trust fund, Dec. 31, 1952	17, 441, 719, 000
"Present values" ("actuarial reserve liability") of OASI benefits in current payment status, Dec. 31, 1952, taking into account expected future interest creditings at 2½ percent rate [5]	18, 826, 000, 000
Estimated amount of interest creditings represented in "present values" (approximate)	3, 000, 000, 000
Estimated total benefits expected to be paid after Dec. 31, 1952, to OASI beneficiaries in current payment status on that date	21, 826, 000, 000
Amount theoretically available Dec. 31, 1952 ($17,441,719,000 fund balance plus $2,500,000,000 to be credited on such balance as it is utilized) for payment of benefits to beneficiaries in current payment status on that date	19, 941, 719, 000

[1] Basic data are from the Department of Health, Education, and Welfare. See *Hearings*, pt. 5, pp. 762–64.
[2] This total and its components are as computed by the Bureau of Old-Age and Survivors Insurance on the basis of sample surveys of wage records, rather than being exact FICA tax-receipts data, and are subject to limitations and adjustments as outlined in exhibit 95 and in basic tables 63–68, which were supplied by the Bureau. See hearings, appendix I, pp. 1078–1080.
[3] See hearings, pt. 5, p. 764, footnote 2.
[4] See the same, footnote 3.
[5] As shown in Present Values of OASI Benefits in Current Payment Status, Actuarial Study No. 35, U. S. Department of Health, Education, and Welfare, Social Security Administration, Division of the Actuary, table 3, p. 8.

SOME MAJOR FINDINGS

A MEMORANDUM TO HON. CARL T. CURTIS, CHAIRMAN OF THE SUBCOMMITTEE ON SOCIAL SECURITY, DECEMBER 23, 1953

A total of 13 days of public hearings were held, the last on Friday, November 27, 1953. Since the appointments of virtually all of the research staff terminate December 31, and since several weeks will be required to organize the material and prepare a factual report, you requested an interim report prior to the expiration of the staff appointments.

We are herewith submitting to you a preliminary staff report on some major findings of the investigation.

Fifty-two programs supported in large part by Federal funds provide financial aid to dependent children in need

In the continental United States and its possessions, 47 States and 5 other jurisdictions have aid to dependent children plans supported in large measure by Federal grants-in-aid. One State alone, Nevada, does not participate.

There is a vast number of variations in the factors affecting conditions of eligibility and the administration of these plans. The number receiving aid and the amount of assistance payment differs from State to State, as in old-age assistance plans, varying with State definition of requirements, resources, and need, and with State policies and practices in regard to such factors as acceptance of employment by the mother and older children and contributions from close relatives. Children, therefore, receive widely different treatment under aid to dependent children, depending on the State in which they live.

The Federal Government shares in the expenditures under each of the State plans on the basis of one formula. The plans and practices of the individual State, however, determine the amount of the Federal grant-in-aid to the State.

States with "liberal" policies and practices in extending assistance to large numbers of families benefit, through Federal aid, at the expense of other States which safeguard their plans against abuse through the combined efforts of law-enforcement officials, the courts, and an informed public opinion.

Aid to dependent children plans relieve chiefly dependency caused by factors not reached by the national program, OASI

Payments under aid to dependent children are made to families where the breadwinner, usually the father, is deceased, incapacitated, or absent from the home. Old-age and survivors insurance benefits are paid to some families with dependent children only where the breadwinner (again usually the father) is deceased.

The number of aid to dependent children families where dependency was due to death of the father has constituted a decreasing proportion of the total caseload receiving such assistance. This classification accounted for 37.2 percent of all aid to dependent children families in 1942, 24.0 percent in 1948, and an estimated 21.0 percent in 1951. Owing to a large increase in the total number of aid to dependent children families over this period, the smaller proportion in 1951 does not reveal the change in the actual number of families receiving aid to dependent children where the parent is deceased. There were, however, fewer families in the death-of-father classification in 1951 than in 1942, despite a sharp growth in the child as well as the family population from 1942 to 1951.

The absolute decrease in aid-to-dependent-children families where dependency was caused by death of the father was accompanied by a vast rise in the number of children receiving benefits under the old-age and survivors insurance program. OASI monthly benefits to children rose from 147,674 in June 1942 to 787,311 in June 1951, or an increase of more than 400 percent. Over this period from 1942 to 1951 the total number of families receiving aid to dependent children increased from 395,552 in June 1942 to 449,202 in June 1948 and to 633,285 in June 1951. The rise was not a steady one, however, since there was a substantial decline during the war years.

Receipt of aid-to-dependent-children payments because of the reported incapacity of the father as a proportion of all families receiving aid to dependent children was remarkably stable over these years. In 1942, this classification accounted for 22.1 percent of all the aid-to-dependent-children families, 23.2 percent in 1948 and 24.0 in 1951.

The major cause for the increase in the number of families on aid to dependent children was due to the absence of the father from the home. This group comprised 39.0 percent of all aid-to-dependent-children families in 1942 and rose to 49.5 percent in 1948 and an estimated 51.5 percent in 1951. The actual number of

families on the rolls in the father-absent-from-home group in 1951 was more than double the number in 1942 and approximately 45 percent greater than the number in 1948.

The "father absent from home" classification includes cases where the father has deserted his family or is "separated" from the mother without court decree, father not married to mother, and parents divorced or legally separated. For 50 States and other jurisdictions in 1948, those three groups accounted for 19.3 percent, 14.8 percent, and 11.4 percent, respectively, or a total of 45.5 percent, of all families receiving ADC. Fathers absent from home for other reasons accounted for an additional 4 percent of all aid-to-dependent-children families.

One expert testifying before the subcommittee on basis of the findings of an extensive study of public assistance in one State declared, in reference to the aid-to-dependent-children program:

" * * * in some cases families would be better off if the breadwinner deserted and so the effect of the program has certainly been, we feel, to encourage desertion. With the relationships existing between the grants which are made under these programs and the general level of living of the State, there is some feeling, too, that in some cases when the family faces a situation, it would be better for the breadwinner to become disabled and for the State to take over under an assistance program. So it has been our feeling * * * that our program has increased the amount of desertion and certainly encouraged disability."

The contradiction between an increasing aid to dependent children caseload paralleling an expansion of OASI benefit payments to surviving children appears best explained by testimony before the subcommittee wherein the Associate Director of the Bureau of Public Assistance stated her belief that the States have adopted more liberal programs with reference to aid to dependent children. That would not be uniformly true of all States and, for that reason, has resulted in further variations between State aid to dependent children plans.

The number of children receiving aid to dependent children has declined since 1950 to a total of 1,493,670 in June 1953. The 1953 total, however, exceeds the 835,030 total of June 1940 by 658,640, and the 1945 figures of 646,808 by 846,862.

When States not having federally approved aid to dependent children plans in 1940 are excluded, comparison shows that the number of children receiving ADC has increased by 46.5 percent from 1940 to 1953 although the child population under 18 years increased only 29.0 percent in the same period. The result is that a larger proportion of the total child population is now receiving aid to dependent children than in 1940 although the old-age and survivors' insurance program was providing monthly benefits for more than 1 million children in 1953 compared with about 23,000 in 1940.

While the aid to dependent children programs were regarded by some as in an early stage of development in 1940, this was no longer true by 1945. The percentage increase in the numbers on aid to dependent children rolls since that year is far greater than the growth in the child and family population.

Old-age assistance is an aggregation of 53 programs to care for needy aged persons

The purpose of Federal grants for old-age assistance is to enable each State and five other jurisdictions to furnish financial aid to needy individuals 65 years of age and over. Each State determines who will be eligible for this assistance, the items essential for living, and the level of assistance to be paid. All States are subject to the same Federal matching formula, but in the final analysis, each State or possession determines the amount of its own cash grants.

A needy individual's "essential requirements" are defined differently in each State and the definitions vary widely. In general, a budget is drawn up defining them in money terms. One State, however, may provide that any aged individual requires $90 monthly to meet his needs. Another will establish amounts for food, shelter, clothing, light, and heat and little, if any, more. A third will provide in addition all needed medical care and many special items in given circumstances.

The Federal statute specifies that resources and income must be taken into consideration in determining the need to be met by cash grants. The Federal statute, however, does not define "resources." Thus, the ability of close relatives to provide support and the availability of suitable employment to the recipient may be considered resources in one State and completely disregarded in another. One State may allow an aged person to own real and personal property and receive old-age assistance payments while another would require him to convert these resources to cash and use the money for current living expenses. Although "resources" may receive consideration in the actual plan, they may be ignored in practice as testimony concerning Louisiana showed. The degree of utilization of many types of resources affects the number of aged given assistance and the

amount of the grant. A Nebraska administrator said "we provide for the use of as many resources as possible." In Louisiana, recipients are permitted to retain real or personal property up to a maximum of $1,500 for a single individual, $2,500 for a married couple, in addition to the home which as reported has had an actual value as high as $15,000 or more; on the other hand, South Carolina, while permitting retention of the homestead, limits to $300 the savings for death and last illness expense. Each administrator testifying in the recent hearings mentioned different property limitations.

The ability of aged persons with marketable skills to earn something is regarded as a resource by some administrators. One (New Jersey) testified that in helping persons with such skills obtain employment the State had had very gratifying results. He added "* * * elderly people need to work, not only because they can make a little money, but because of the good psychological effect." The commissioner of public welfare in Minnesota reported that when the demand for labor became acute 2 years ago, instructions were issued that "marketable skills in the employment market constituted a tangible and practically a very good resource and, therefore," * * * aid (should be) withheld or diminished in accordance with the value of that resource.

The attitude toward relative responsibility as a resource varies in the different jurisdictions from repeal of such laws in Louisiana and Oklahoma (where public opinion caused the law to be ignored while still on the books) to strict enforcement under detailed provisions, with legal proceedings against the relative who has not fulfilled his obligation. A local Nebraska director of public welfare testified that the relative responsibility law in his State is the most important factor of eligibility without any question and that the caseload in his county would be double the current figure were it not for the relative support requirement.

Tied in with resources, particularly real estate, are lien laws and recovery provisions. Under the former, a lien accrues against the real estate owned by the recipient in the amount of assistance that he or she receives. The Minnesota Director of Public Assistance estimated that were it not for such a law in his State, a law he considers fair and equitable, the caseload would be in the neighborhood of one-third higher. He stressed that the $1 million or thereabouts, recovered each year has become available to people more greatly in need than those from whom it was reimbursed. As expressed by a former member of the advisory board of the Nebraska Welfare Department, the State in advancing assistance money for the support of the recipient is taking the place of the children to whom the house would go after the death of the recipient or his dependent; therefore, when the time comes to liquidate the recipient's estate, the State should likewise take the place of the children to the extent that it furnished assistance to the parent.

The public assistance grant is designed to represent the difference between the living requirements of an individual and his resources, including income. This difference, or the amount of "need" as determined by the State, may be paid in full or in part, depending upon the adequacy of the funds appropriated for such purpose. In June 1953, when the average cash payment in the United States as a whole was $49.48, this figure ranged from a high of $78.70 in Colorado to a low of $27.50 in Alabama, exclusive of vendor payments for medical care and cases receiving only such payments. This represented an increase over the preceding June, an increase ascribable to the change in the Federal share provided for in the 1952 amendments. It was noted in the hearings, however, that some States had ample funds at the time the amendments went into effect, were already paying at a level they considered adequate, and did not believe it necessary or desirable to increase individual payments.

Willingness to pay more taxes has been a major factor determining the size of grant to aged persons in some States

For several years the Bureau of Public Assistance has contended that the Federal Government must offer greater financial support to the assistance programs. The reason given is that some States, particularly in the agricultural South, have a large burden of needy aged and a relatively low per capita income, or, in other words, a presumably low taxpaying capacity. Consequently, they have been unable to provide more than what appears to be relatively meager monthly payments to needy aged individuals. Congress has responded to these arguments by amending the matching formula three times since 1945, with each amendment providing for a larger share to be granted by the Federal Government. Meanwhile, the numbers of people receiving old-age assistance have risen from 2,038,395 in June 1945 to 2,608,898 in June 1953, reaching a peak of 2,809,537 in September 1950. Total Federal expenditures to help finance cash grants to recipients

of old-age assistance have risen from $702 million in 1945 to $1,581 million in fiscal 1953.

Analysis indicates that the willingness or unwillingness of persons in a State to be taxed more for a program such as old-age assistance is a major factor in determining State and local financial support. For example, Louisiana in 1947 and 1949 ranked relatively low in per capita income—presumed to reflect taxpaying capacity. It ranked 41st among the States in per capita income in 1947 and 40th in 1949. Meanwhile, Louisiana rose from 38th in 1947 to 17th in 1949 in the size of the average cash grant for old-age assistance. The passage of a 2 percent sales tax in 1948 earmarked for old-age assistance provided very substantial financial support and explains this rise in average cash grants. Thus, despite a supposedly low taxpaying capacity as reflected by per capita income, the people in the State demonstrated their willingness to be taxed more for this program.

In contrast, the State of Virginia between 1947 and 1952 has, despite a slight advance in its rank in per capita income (taxpaying capacity) from 37th to 35th, nevertheless declined from 44th in rank to 47th so far as average cash grants are concerned. Over the same period, Maryland has risen in per capita income from 23d to 12th and has registered virtually no change in its rank in average cash grants, standing 34th in 1947 and 33d in 1952. Since 1950, both States have passed statutes which provide for tax credits to its income-tax payers when a substantial excess of estimated tax receipts over budgeted expenditures appears in prospect. In 1951 and 1952, individual income-taxpayers in both States received material reductions in their tax liabilities as a result of these statutes. Thus, both of these States have demonstrated an unwillingness to be taxed more to support larger average grants for old-age assistance, despite a demonstrated taxpaying capacity.

The "right" of a needy aged person to assistance is a conditional, statutory right—subject always to legislative change

The attitudes within the several States vary widely on this question. An expert on public assistance in Louisiana testified in the hearings there is no doubt that the people in his State believe they have an unqualified right to old-age assistance. He noted that little attention is given to determining need of the applicant. In fact, nowhere does the State's program have a stated well-defined objective.

The Oklahoma welfare director testified that the great majority of the aged there, and many not aged, are of the opinion that the State has adopted a law giving them a right to assistance upon reaching their 65th birthday regardless of need. In contrast, under the New Jersey law, as administered, the person who has attained the age of 65 is not eligible for assistance unless he lacks adequate support, is unable to support himself, is without parents, spouse, children, and grandchildren able to support him, and without other persons able and willing to support him, and is found after due investigation to be in need. The Minnesota Supreme Court, according to the Minnesota Commissioner of Public Welfare, has said: "that the recipient or applicant has no right, that it is the charitable attitude of the sovereign State for its people that is the basis for public assistance."

Testimony and other evidence in the hearings brought out that public assistance does not provide vested rights, but is a government program for distributing gratuities. Moreover, these rights can be changed at any time by legislative action. The Acting Director of the Bureau of Public Assistance in the Social Security Administration stated that people have a right to assistance providing they meet the qualifying conditions in the State law or plan. "It is the statutory right." The basic compendium of American court decisions, Corpus Juris Secundum (1953), states that "Old-age assistance benefits are not a matter of right, but are gratuities and dependent on statute; persons eligible under a statute have enforceable rights to assistance thereunder, but they do not acquire a vested right to continuance of benefits which are subject to a change in, or repeal of the statute."

"The intended function of the insurance program is to serve as a primary source of protection against economic insecurity for the American people" (Annual Report, Federal Security Agency, 1951)

By the end of 1952, OASI benefit payments had reached an annual rate of $3 billion. The total amount of OASI benefits paid to recipients living outside of the United States increased, 1940 to 1953, at a more rapid rate than that paid to residents of the United States. In 1940 only $37,000 was paid to residents living abroad; by 1947, $1.6 million; by 1950, $6.7 million; by 1952, $13 million; by 1953, $16 million. The number of recipients of old-age and survivors insurance benefits living abroad in 1953 was 30,000.

Average monthly primary old-age and survivors insurance benefits paid to aged persons living outside of the United States in December 1952 were higher than the average paid in the country as a whole and, in fact, higher than the average payment in all but 2 of the 48 States—Connecticut and New Jersey. In December 1952 the average monthly primary old-age and survivors insurance benefit paid to aged persons living abroad was $53.34 per month; to those living within the United States, $49.25.

Individuals receiving old-age and survivors insurance benefits and living abroad are not subject to suspension of benefits whenever they earn wages of $75 per month or more. This is because work abroad, except that performed by an American citizen for an American employer, is not covered employment within the terms of the Social Security Act and monthly benefits are suspended only when monthly wages of $75 or more are made in covered employment.

The United States has negotiated treaties generally known as friendship-commerce-navigation treaties with several countries, which contain the following clause:

"In addition to the rights and privileges provided in paragraph 1 of the present Article, nationals of either Party shall, within the territories of the other Party, be accorded national treatment in the application of laws and regulations establishing systems of compulsory insurance, under which benefits are paid without an individual test of financial need: (a) against loss of wages or earnings due to old age, unemployment, sickness or disability, or (b) against loss of financial support due to the death of father, husband or other persons on whom such support had depended."

According to the State Department's interpretation the United States Congress may not, without violating the spirit of the treaties containing the above clause, amend the Social Security Act to deny old-age and survivors insurance payments to a noncitizen residing in a country with which United States has the treaty unless at the same time it denies OASI payments to United States citizens residing in that country. In the words of Thorsten Kalijarvi, Deputy Assistant Secretary of State for Economic Affairs, "modification in this practice could not be done without adversely affecting the treaty and the basic underlying principle and raise the question of whether we are living up to the treaty obligations or international obligations we have entered into." (Hearings, part 3, p. 161.)

Treaties containing the above or a very similar clause are in force between the United States and the countries of Italy, Ireland, and Japan and others have been signed and ratified but are not yet in force with Uruguay, Greece, and Israel. Treaties containing the clause are now being negotiated with other countries. Although these are reciprocal treaties, some of the countries with which the United States has such treaties do not provide social-security benefits comparable to those provided for in the United States.

In addition, United States has negotiated a treaty with Italy containing a clause which would permit individuals to count as covered employment work in either Italy or the United States for eligibility for social-security benefits provided by either Italy or the United States. This means that if an Italian national works in this country in employment covered by social security, but not long enough to become eligible for benefits, he may upon his return to Italy complete his required work period in Italy and the United States will be liable for the proportionate share of his old-age benefit. A claim could also be made against the United States for the proportionate share of any child's, aged wife's, widow's, or orphan's benefits. A citizen of the United States who works in covered employment for a period, but insufficient to become eligible for benefits, and remains in this country, doesn't get any benefit or any part of the benefit.

Implementation of this clause of the treaty requires domestic legislation passed by both the House and the Senate.

After 16 years of social security, 60 percent of the aged still cannot get OASI benefits

As of December 31, 1952, there were an estimated 13,305,000 persons age 65 and over in the United States, and of that number, 3,824,030 were drawing OASI benefits. This left 9,481,000 aged persons not drawing the benefits. This number accounted for 71 percent of the aged population who were not drawing benefits. However, of this latter number, there were 1,440,000, or approximately 11 percent of the aged population, who were fully eligible for the OASI monthly benefit payments but who, for reasons of their own—primarily because most of them were working—were not currently on the benefit rolls.

The remaining number of aged persons in the United States, approximately 8,041,000, or 6 out of 10, neither were drawing OASI benefits of any kind, nor eligible for such benefits. This was true despite the fact that the program,

which originally had been created primarily for the purpose of offering a limited source of income for the retired aged segment of the population, had been in operation for 16 years.

Although it is recognized that some of the more than 8 million aged persons neither drawing nor eligible for benefits subsequently would be able to establish eligibility, either as primary or secondary beneficiaries, available evidence indicated that this number would be relatively small. For example, of the entire group of more than 8 million such persons, not more than approximately 300,000 appeared to still have been working in employment or self-employment covered by the OASI program during 1952. Consequently, only these 300,000, among those persons who had not yet established permanent eligibility for benefits, appeared still to be working in pursuits that would create future eligibility for the benefits. An additional unknown number could be expected to qualify for aged wives' or widows' benefits. However, there was a general agreement that the great bulk of the group of persons age 65 and over represented by the 6 out of 10, neither drawing nor eligible for the OASI benefits, would remain ineligible under the existing OASI program for as long as they lived.

Continued incompleteness of OASI coverage largely explains the existing double standard treatment of the aged

From the inception of the OASI program, both its purpose and the mechanics of its operation have been to offer eligibility for benefits only upon the basis of a required amount of employment by each individual in types of employment covered by the program. No one could qualify for the benefits except upon the basis of the employment occurring after the start of 1937. Consequently, all persons who already have retired at the time of the establishment of the program and who were not able to enter OASI-coverage employment for a sufficient length of time have been unable to establish eligibility for benefits for themselves, or for their aged wives and widows. At the same time, under both the 1939 and the 1950 social-security amendments, there still remained large gaps in the types of employment and self-employment covered by the OASI program. All persons in the labor market nearing the retirement age who work in these noncovered types of employment and self-employment thus still are not creating eligibility for benefits for themselves and their aged dependents.

The 6 out of 10 aged persons, neither drawing nor eligible for benefits, thus represent those persons who were members of the labor market, and their wives and widows—plus others never in the labor market—who, because of the accident of age and occupation, were not able to build up sufficient earnings credits to qualify themselves and their aged dependents for the OASI benefits. This has been true despite the fact that, under both the 1939 and 1950 amendments, opportunities were given for individuals to establish eligibility for benefits with a minimum of six calendar quarters of OASI employment.

Illustrating the degree of chance involved in whether an aged individual has been able to establish OASI benefit eligibility is the fact that earnings from OASI covered employment or self-employment that are representative of as little as a few cents in social-security taxes could have spelled the difference between no benefits, on the one hand, or monthly benefits, on the other hand, totaling more than $21,000 for an aged couple living out their normal life expectancies.

Incomplete OASI coverage is resulting in anomalous, unequal treatment of today's workers

In December of 1952, 51,740,000 persons were employed in types of employment and self-employment covered by the OASI program, and 12,030,000 persons were engaged in employment and self-employment not covered by the program. This number, not covered by the program, represented 18.9 percent of the total number of persons gainfully employed in that month.

Whether discriminatory treatment runs against the persons not covered by the OASI program, or against those covered by the program, depends upon the viewpoints of the individuals who are involved. However, it is a fact that when persons are employed in the four-fifths of the available types of employment and self-employment in the United States covered by the program, they are compelled to pay the required social-security taxes, and, in turn, are building up eligibility for future OASI benefits, whereas those in the positions not covered by the program are denied the right of establishing benefit eligibility and are not required to pay the social-security taxes. This difference of treatment amounts to unequal treatment.

As a result of the complicated nature of coverage provisions for farm laborers, there are circumstances under which a person originally employed as a farm

worker on April 1 could be working in and attaining OASI coverage in the July through September quarter of that same year, whereas if he first had been employed or April 2 rather than April 1, he would be denied OASI coverage until the October through December quarter of the year.

Under the prescribed conditions for the OASI coverage of domestic workers, a person working in domestic service in a single household may build up benefit eligibility by working only 24 days per calendar quarter in the single household, whereas another person doing similar work may fail to obtain coverage by working a total of 69 days, for example, in a calendar quarter if she works in 3 or more different households and does not work more than 23 days in a quarter in any 1 household.

Where a farmer carries on a subsidiary business on his farm, such as the cleaning of beans for himself and his neighbors, he would be treated as being in self-employment covered by the OASI program in the cleaning of the beans if 51 percent or more of the bean cleaning is done for neighbors, but he would not be in covered self-employment if 51 percent or more of the cleaning were done on beans produced by himself.

A person engaged commercially in the threshing of grain on farms is denied OASI coverage as to such self-employment even though he is not in any sense a farm operator, whereas a carpenter, who constructs buildings on a farm under a contract arrangement, would have self-employment status.

In the case of employed officers or members of a crew engaged in commercial fishing on a vessel of less than 10 net tons in size, the officers and crew members are treated as being in employment covered by the OASI program if they are fishing for salmon or halibut—but they are not covered by OASI if they are fishing for some other kind of fish. If they are employed on a vessel of more than 10 net tons in size, they are under OASI coverage regardless of the kinds of fish for which they are fishing.

Generally speaking, employees of the executive branch of the Federal Government are included under OASI coverage if they are not already under a civil service or other Federal retirement system, whereas employees of the legislative branch of the Federal Government cannot be covered into the OASI program under any circumstances.

If a father is employed by his son on a bona fide basis, his employment cannot be covered by the OASI program—whereas, if the same individual had been employed on a bona fide basis by his son-in-law, the work would be within OASI coverage. Types of family employment excluded from OASI coverage are those of service of a son, daughter, or spouse, and the service of a minor working for a parent. Other family relationships between the employer and an employee, if the employment is on a bona fide basis, do not set up a barrier to OASI coverage.

Where an owner-operator of an apartment house supplies linen and other services that are primarily for the convenience of tenants, then the entire net income from the rental of the apartments is counted as self-employment income to establish OASI eligibility—whereas, if the owner-operator does not provide the linen and similar services, then none of the income counts toward the establishment of eligibility for OASI benefits.

Although lawyers, doctors, and other specified groups of professional people are excluded from the OASI coverage with respect to self-employment in their professional pursuits; they, nevertheless, are under OASI coverage when following such professional pursuits as salaried employees of an employer covered by the program.

The above are illustrative examples only of anomalies and inconsistencies in the operation of coverage provisions of the OASI program and do not represent an exhaustive list of such anomalies and inconsistencies.

Incomplete OASI coverage inevitably penalizes retiring workers, benefitwise

The OASI monthly benefit amount is computed under the benefit formula upon the basis of the calculated average wages or self-employment earnings of an individual from covered employment or self-employment over a period of time that may include periods during which the individual was not engaged in covered employment. Under the method by which average monthly wages are calculated, gaps which occur in the service of an individual in covered employment have the effect of reducing the average monthly wage upon which the benefit amount is computed—and these reductions, in turn, result in lower monthly OASI benefits for the person who has experienced such gaps than would be the case if there had been no such gaps.

This effect may be illustrated through the hypothetical case of individuals who were age 55 on January 1, 1951, and who will be awarded benefits upon applica-

tion therefor upon reaching age 65 on January 1, 1961. Where a person under these circumstances worked continuously over the 10-year period in covered employment at a wage of $300 monthly, his monthly benefit amount upon retirement would be $85—whereas, if he worked only three-fourths of the months at $300 monthly during that period, his monthly benefit amount would be $73.80. If he worked only one-half of the months at $300 monthly in covered employment, the monthly benefit amount at the end of the period would be only $62.50.

In the instances of persons working under circumstances outlined above at monthly wages of $200 under OASI-covered employment, the benefit amount for the person who worked continuously would be $70 per month; for the person who worked three-fourths of the months, $62.50 monthly; and for the person who worked one-half of the months, $55 monthly.

The present test of retirement discriminates against the wage earner as compared with the self-employed person

The wage earner loses his monthly benefit payment for any month in which his earnings from covered employment exceeds $75. In contrast, the self-employed person can accumulate his earnings up to $900 a year before he loses any benefits, and then the benefits are lost only to the extent that self-employment earnings for the year exceeded, in multiples of $75 for each monthly benefit, the $900 annual limitation. For example, if a self-employed person has earnings over a calendar year at the level rate of $100 per month, he would lose only 4 months benefits of the year as a result of the earnings test, whereas an employed person earning $100 per month over the year would lose all 12 months of his benefits. Consequently, the self-employed can have a substantial amount of earnings for a short period of time without losing any of his benefits, while the employed person will lose all his benefits for any months in which the earnings exceed $75 per month. The difference in treatment is particularly pronounced in instances of seasonal work.

A second major difference is that self-employed person may have an unlimited amount of income from self-employment and still not lose any benefits for months in which he contributed no substantial amount of personal services to his self-employment enterprise. This privilege is not open to the employed person.

It also is to be noted that persons who have both employment and self-employment earnings, obviously an unusual few, may enjoy, in effect, a double exemption, since earnings from the two sources are not combined for purposes of the test. For example, if an individual had employment income of exactly $75 per month and self-employment income of exactly $900 for the year in question, his double set of earnings would not cause any loss of benefits even though the combined earnings totaled $1,800 in the year.

When eligible persons aged 65–75 earn too much, they must forego their benefits as well as continue to pay OASI taxes

The original 1935 Social Security Act did not provide for the taxation of earnings of a person beyond the age of 65. Primarily for the purpose of permitting a person beyond age 65 to accumulate earnings credits toward the establishment of eligibility for benefits, however, the 1939 amendments made earnings in covered employment of an individual at any age subject to OASI taxation.

While this arrangement permits workers to build up earnings credits establishing eligibility for benefits after they pass age 65, it also means that those who choose to continue to work instead of drawing benefits for which they otherwise are eligible, not only must forego the benefits but also must continue to pay OASI taxes.

As of December 31, 1952, there were 1,440,000 persons age 65 and over who, being "fully insured", were potentially eligible for primary old-age benefits but were not drawing the benefits. In nearly all cases they were not drawing the benefits because they were employed. This number included approximately 1,130,000 persons who never had applied for the benefits and 310,000 primary old-age beneficiaries who previously had established entitlement to benefits but whose benefits temporarily were being withheld because of their employment.

The group of persons age 65 and over who were fully insured at the end of 1952 but had never drawn primary benefits had contributed, during 1937 through 1952, approximately $281 million in OASI employee and self-employment taxes, and their employers had contributed another $270 million in taxes on their wages and salaries.

There is not enough in the $17 billion OASI trust fund to pay future benefits to the present beneficiaries

As of December 31, 1952, there was a balance in the OASI trust fund of $17,441,719,000 available for the payment of future benefits. However, as of that same date, there were 2,644,000 aged persons currently drawing primary old-age benefits and another 2,382,000 persons currently drawing secondary benefits in the form of benefits for wives, husbands, children, widows, widowers, mothers, and parents.

These 5,026,000 persons currently drawing OASI benefits at the end of 1952 already had received in benefits a total of $6,010,700,000 and, according to estimates by actuaries of the Bureau of Old-Age and Survivors Insurance, these same persons would draw an additional $21,826 million in future benefits before their entitlement to the benefits ended.

Thus, as against a balance in the trust fund of approximately $17,442 million there was a liability for future benefits payable to persons already on OASI rolls of approximately $21,800 million. This liability did not take into account any of the benefits to be payable to persons who were to become beneficiaries after December 31, 1952.

It was further estimated by the Bureau of Old-Age and Survivors Insurance that, while an amount of money equal to that of the balance in the trust fund as of the end of 1952 was being paid out in future benefits to persons currently drawing benefits at the end of the year, interest amounting to $2,500 million would be credited to the trust fund on such money. Thus, the balance in the fund, plus this interest to be credited, represented approximately $19,942 million theoretically available at the end of 1952 to pay future benefits totaling $21,800 million to persons then currently drawing benefits.

The difference of $1,858 million represented the amount by which the OASI trust fund was "short" in its accumulation of social-security tax money for the payment of future benefits to persons already on the OASI rolls.

This deficiency of nearly $2 billion does not mean that the OASI trust fund is in any imminent danger of being exhausted. Under existing Federal insurance contributions tax rate schedules, the tax revenues of the future are expected, for at least a considerable period of years, to continue to exceed expenditures.

Today's OASI taxpayers who become beneficiaries tomorrow must look to those then working and paying OASI taxes for their benefits

The OASI trust fund as of December 31, 1952, was short by nearly $2 million of having a large enough balance to pay future benefits to persons already entitled to and drawing the benefits.

In the hearings before the Subcommittee on Social Security, the conclusion was stated by Robert J. Myers, Chief Actuary, Social Security Administration, as follows:

"The present trust fund is not quite large enough to pay off the benefits of the existing beneficiaries. Therefore, you may say under that basis or conception that there is nothing left in the fund for other contributors."

On December 31, 1952, there were an estimated 87,200,000 living persons in the United States who had paid OASI taxes at some time during their work history, but who never had received OASI benefits. This number included approximately 56 million persons actively working during 1952 in OASI-covered employment and self-employment to the extent of having qualified for one or more "quarters of coverage" in that year.

These 87,200,000 who had paid OASI taxes but never received benefits had contributed over the period of 1937 through 1952 a total of $11,100 million in employee and self-employment taxes and their employers had contributed another $10,897 million in their behalf—or a total of $21,997 million.

This total of nearly $22 billion, paid by or in behalf of living persons who not yet had become beneficiaries, represented 93 percent of all OASI taxes collected since the start of the program. It was the amount which, although theoretically collected to finance the payment of future benefits to these persons and their dependents and survivors not yet on the OASI rolls, actually already had been used or committed for the payment of past and future benefits to an entirely different group of persons—those already drawing benefits at the end of 1952.

As a group, today's aged on OASI will receive in benefits almost 50 times the amount they paid in OASI taxes

As of December 31, 1952, there were 2,644,000 persons currently drawing OASI primary benefits. They themselves had paid $356,470,000 in OASI taxes.

They already had drawn $3,665,400,000 in benefits—or more than 10 times the amount of their own tax contributions.

These same 2,644,000 primary beneficiaries can expect to receive, under existing law, an additional $13,500 million in benefits before they are removed from the rolls by death or for other reasons, according to actuarial estimates of the Bureau of Old-Age and Survivors Insurance. Thus, the total of past and future benefits for this group will be approximately $17,165 million—or a ratio of benefits as compared to taxes of 48 to 1.

If OASI taxes previously paid by employers on the past wages and salaries of the 2,644,000 primary beneficiaries at the end of 1952 are taken into account, the total OASI benefits ultimately payable to them will be equal to approximately 24 times the amount of taxes paid by and for them.

Meanwhile, as of the end of 1952, $4,371 million in monthly benefits and lump-sum payments already had been paid to or in behalf of other beneficiaries, including deceased former primary beneficiaries and current and former dependents and survivors. And an additional $8,300 million was expected to be paid in benefits after December 31, 1952, to the 2,382,000 secondary beneficiaries (dependents and survivors) currently drawing benefits at that time. As compared with the $12,671 million total of these two benefits figures, OASI employee, self-employment and employer taxes of $1,050,500,000 had been paid by and in behalf of living and deceased persons other than the 2,644,000 current primary beneficiaries and the 87,200,000 living persons who had paid OASI taxes but never had drawn benefits.

Total benefits to some aged couples may aggregate several hundred times the amounts they paid in OASI taxes

Under the existing OASI program, it has been possible in an extreme case for an aged couple, on the basis of wages requiring the payment of only $9 in employee and employer OASI taxes, to qualify for monthly and lump-sum benefits having a normally expected worth of $6,428. This would be true in the instance of an aged couple where the wage earner qualified for benefits under "new start" provisions by working 6 calendar quarters at minimum wages of $50 per quarter. In this case, the ratio of the value of the benefits to the amount of the tax payments would be 714 to 1.

On the other hand, where the wage earner had worked continuously from the start of 1937 through 1952 at maximum wage rates for OASI taxing purposes of $250 monthly through 1950 and $300 monthly through 1952, he and his employer would have paid $1,086 in OASI taxes and the benefits payable to him and his aged spouse would be worth $21,905. In this instance, the ratio of benefits value to tax payments would be 20 to 1. The normal life expectancy at age 65 of a white male is 13 years and of a white female is 15.3 years.

These illustrations do not take into account the fact that many persons, upon whose wages OASI taxes have been paid, do not live to age 65; that others do not have spouses who attain age 65, and that still others continue to work instead of drawing benefits upon reaching age 65. In the general magnitude of the relationship of benefits values of tax payments, however, they are illustrative of a reason why, in the overall picture, payments to beneficiaries have exceeded greatly the amounts of OASI taxes paid upon the wages and salaries of those beneficiaries.

The line between "insurance" benefits and no "insurance" benefits is often a seemingly whimsical one for an insurance program

Such elements as the date of the wage earner's birth and, in case of survivor benefits, the date of the wage earner's death may determine eligibility to benefits. Take, for example, testimony of the Acting Director of the Bureau of Old-Age and Survivors Insurance in the hearings, as follows:

"COUNSEL. Suppose an individual had worked 24 quarters or 6 years, in covered employment, from January 1940, to January 1946, and died in January 1950, just before reaching age 65. Would his widow, upon reaching age 65, be eligible for an old-age benefit?

"WITNESS. No. In the example you give he would not have met the insured status requirement in effect at the time he died. He would have been required to have 26 quarters of coverage, and he actually had 24.

"COUNSEL. Suppose an individual with exactly the same wage record, that is, 24 quarters, or 6 years, in covered employment from January 1940, to January 1946, died in January 1951, just before reaching age 65. Would his widow upon reaching age 65 be eligible for an old-age benefit?

"WITNESS. Yes" (hearings, pt. 4, p. 658).

As a result, there are within the group of aged not entitled to OASI benefits and who are not working and may be too old to work, widows whose husbands had substantial periods of covered employment, in the case above 6 years.

The public has been misled into believing OASI is insurance

The original Social Security Act of 1935 at no place contained the word "insurance." In none of the publicity in the year or so immediately subsequent to the passage of this act was the word "insurance" employed. The reverse side of the social-security card, distributed to millions of workers, referred to the program under title II (now known as OASI) as "Federal old-age retirement benefits."

On May 24, 1937, the Supreme Court upheld the constitutionality of title II and title VIII (taxing authority) of the act. At no place in this decision did the Supreme Court refer to title II and title VIII as "insurance." The defendant, the United States Government, in its brief stated: "The act cannot be said to constitute a plan for compulsory insurance within the accepted meaning of the term 'insurance'." Two of the gentlemen signing this brief were Stanley Reed, Solicitor General, and Robert H. Jackson, Assistant Attorney General, Department of Justice, now Justices of the Supreme Court.

Notwithstanding this statement in the Government's brief (prepared and signed by leading legal officials of the United States Department of Justice and the Social Security Board), the former Chairman of the Social Security Board in a press conference the following day stated: "The decisions handed down yesterday by the United States Supreme Court completely validate the unemployment compensation and the Federal old-age insurance provisions of the Social Security Act."

Subsequently, various insurance terms were liberally employed in publicizing the program under title II. And by 1939, the reverse side of the social-security cards carried by individuals referred to the title II program as "Federal old-age insurance." In a press conference in 1939, following the passage of the amendments of that year, the former Commissioner referred to the original program as an old-age insurance system stating, "You take this old-age insurance system that is going into effect next January 1. It has been changed into an old-age and survivors insurance system, with 45 million people."

In the same press conference (August 7, 1939) reference to the 1939 amendments was made as follows: "Think of it! It is just as if you had written a group insurance policy, covering 45 million people, and it is because it is like trying to read the fine print in that insurance policy that it is hard to understand." A publication by the Social Security Board (January 1940) said: "The tax is a sort of premium on what might be called an insurance policy which will begin to pay benefits when you qualify at age 65 or over or in case of your death."

Before a congressional committee in 1944, the former Commissioner for Social Security testified: "The result of that (1939 amendments), as I said, was to put into effect overnight about $50 billion face value of what is really life insurance." In another publication (June 1948) a former Federal Security Administrator stated: "Old-age and survivors insurance and unemployment insurance are insurance." A publication of the Social Security Administration (April 1951) read as follows: "Treat this card like an insurance policy." And again in 1952 an official pamphlet stated: "Your card is the symbol of your insurance policy under the Federal social-security law."

What are the facts?

The American courts of law have consistently held, both prior and subsequent to the Supreme Court decision of May 24, 1937, that "insurance," within the accepted meaning of the term involves a contract. In 1923, for example, the Federal court in Missouri (253 S. W. 1029, 1033) held, "Insurance is a matter of contract * * *." In 1935, a Maryland court (196 N. E., 254) observed, "Insurance has been defined as a contract where one undertakes to indemnify another against loss, damage, or liability arising from an unknown or contingent event * * *." And again, the recently published compendium of American law (44 Corpus Juris Secundum, sec. 471) states: "Insurance broadly defined, is a contract * * *."

Within the last four decades, the Federal Government has established several programs which truly constitute insurance. These include war-risk insurance, national service life insurance, Federal crop insurance, Federal mortgage insurance, and postal insurance. In each case, the individual has a contract guaranteeing indemnification in the event of a specified loss. Court decisions as to the content of "insurance," within the accepted meaning of the term, apply to insurance issued by the United States Government as well as by private concerns. The

immunity of such Government insurance contracts from congressional abrogation was established in the case decided by the Supreme Court, *Lynch* v. *United States*. The Court's decision, delivered by Justice Brandeis, stated that "War-risk policies, being contracts, are property and create vested rights * * *. 'The fifth amendment commends that property be not taken without making compensation'."

Many of the letters received from people throughout the country indicate clearly that their complaints arise from their belief that the program under title II of the Social Security Act is insurance.

Members of the Congress have also been misled. A committee minority report stated with respect to the proposed amendments (1939): "It puts the Government in the position of changing the terms of a contract." Another minority report (1949) contended: "We should not bind them (our children and our grandchildren) by contract to pay untold billions each year, as the present system does."

Some people in labor have also been misled. For example, in a recent article in the Machinist's Monthly Journal (International Association of Machinists, AFL) the author stated: "I believe that OASI is insurance and that payroll deductions are the same as premiums and, further, feel strongly that there is a definite contractual relation between the individual and the Federal Government. * * *"

Insurance terms were first employed, and liberally so, in the Social Security Act when amended in 1939. The then Chairman of the Social Security Board urgently pressed for the inclusion of such terminology. The basic substance of the act, however, was not changed by the mere insertion of the word "insurance."

None of the various publications of the Social Security Administration nor speeches of its former officials informed the public that the Social Security Act, from its inception, has contained the following reservation of power (sec. 1104): "The right to alter, amend, or repeal any provision of this act is hereby reserved to the Congress."

Through title II of the Social Security Act, Congress has created a system providing statutory rights to statutory benefits

Testimony in the hearings brought out the fact that the rights of individuals to title II benefits are statutory, and are neither natural, constitutional nor contractual rights. In this, the rights are like those existing under veterans' benefit programs and under public assistance.

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SOCIAL SECURITY AFTER 18 YEARS

STATEMENT

OF THE

DEMOCRATIC MEMBERS OF THE SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

FOR RELEASE CONCURRENTLY WITH THE ISSUANCE OF THE REPORT OF THE STAFF TO THE CHAIRMAN OF THE SUBCOMMITTEE ON SOCIAL SECURITY

EIGHTY-THIRD CONGRESS
SECOND SESSION

WASHINGTON : 1955

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SOCIAL SECURITY AFTER 18 YEARS

Statement of Representatives Jere Cooper (Democrat, Tennessee), John D. Dingell (Democrat, Michigan), and Wilbur D. Mills (Democrat, Arkansas), Members of the Subcommittee on Social Security of the Committee on Ways and Means

HEARINGS AND STUDY

We deeply regret that we feel compelled to issue this statement criticizing the manner in which the Social Security Subcommittee hearings were conducted. In our opinion, the hearings were not conducted on a sound basis and the taxpayers' money has been wasted and much valuable time has been lost.

We presume that the staff report of the subcommittee which is being issued today will contain alleged findings of fact based on the hearings. However, we have neither seen, nor were we consulted on, any part of the staff report. This is the first time in our memory that any such procedure has been followed in any subcommittee of the committee or in the full committee.

We fully supported the establishment of the subcommittee and voted for the appropriation of $100,000 for it to employ a staff to carry on its study, investigation, and the hearings.

The motion in the Committee on Ways and Means establishing the subcommittee stated that its purpose was "to conduct thorough studies and investigations of all matters pertaining to our social security laws." The motion further provided:

> Such studies and investigations shall include (but shall not be limited to) the basic concepts and principles of the old-age and survivors insurance and old-age assistance programs, costs, taxes, benefits, commitments, retirement tests, reserves, coverage, administration, inequities, inadequacies, fiscal soundness, and suggested amendments, changes and improvements. * * *

We would like to make it known that we were not consulted nor did we have any part in determining the agenda of the subcommittee, the selection of witnesses, or the course of the hearings.

HEARINGS WERE NOT WELL ROUNDED

Several conclusions can be drawn from a careful study of the printed hearings by anyone who cares to examine them.

1. Not a single independent social security expert from any of the colleges or universities was called to testify on any of the aspects of the social security program studied by the subcommittee or to contribute any factual information on the program.

2. Not a single member of the Advisory Councils on Social Security in 1935, 1938, or 1948 was called to testify to give factual information on the reasons for the proposals incorporated into the law which were under attack.

3. Not a single representative of labor, business, or the general public was invited to give factual information bearing on needed improvements in the law or on any of the provisions of the law under attack. The only recognized expert in the field of social security who was asked to appear was denied permission to give his suggestions and recommendations for needed improvements in the system.

4. The hearings contain no information bearing on the adequacy of insurance benefits or whether or not there is a need for increased benefits for the millions of persons now drawing them.

5. The hearings contain no information bearing on the need for insurance benefits of persons who become disabled prior to retirement age.

6. Although representatives of the Public Affairs Research Council of Louisiana were invited to testify on the public assistance programs in Louisiana, no invitation was extended to the State officials of Louisiana to testify on the subject or rebut the testimony given by this private organization.

These are just a few of what we consider the serious limitations of the "factual" hearings and study undertaken by the subcommittee staff. We believe that even a superficial analysis of the printed testimony will indicate that it is not a balanced and complete record of the "basic concepts and principles" of our social security system or of information needed to improve the social security program. We urge those who read or utilize the hearings to exercise caution and discretion in assuming the hearings are a complete and balanced "analysis of the social security system," as the title indicates. We also caution persons studying the hearings that they by no means reflect our attitude on the system, nor, in our belief, that of a majority of the members of the Committee on Ways and Means.

The incomplete and one-sided nature of the testimony obtained from witnesses carefully selected by the subcommittee staff is demonstrated by the following episode.

Mr. Philip Vogt, administrator of the Douglas County Welfare Board of Nebraska, testified before the subcommittee on November 20, 1953 (pp. 602–636). On the morning that Mr. Vogt testified, a press release was issued in the name of the subcommittee. The press release was captioned "Omaha Public Welfare Official Hits Federal Controls; Calls Public Assistance Operations a Monstrosity." The press release contained the following statement:

> "The Nebraska Legislature has voted to discontinue our medical care program at the end of this year," Mr. Vogt told members of the Curtis subcommittee. "After 5 years' experience in trying to fit Washington (Federal) requirements to conditions in Nebraska, the State legislature threw up its hands and decided to leave medical care entirely to county officials," he said.

The press release also stated "that Nebraska's medical care program would have worked" except for what Mr. Vogt termed "Federal meddling."

Mr. Vogt did not speak for the State agency administering the program in Nebraska. Nor was an attempt made in any further hearings to obtain all the facts by asking the State agency to testify before the subcommittee or by giving the State agency an opportunity to refute the charges.

We are advised that the State officials in Nebraska have repudiated Mr. Vogt's testimony and that they have stated that the problem involved in the medical care program in Nebraska was merely a

question between the State and the counties, not between the Federal and State Governments. According to the State officials, Mr. Vogt was "reading into the legislation something which was not there, because of his personal bias."

If there was a desire on the part of the subcommittee staff to get at all the facts in this case, the record does not show it. We believe that the State agency should have been given an opportunity to examine Mr. Vogt's testimony and rebut his charges and interpretations. The way in which this episode was handled casts considerable light on the manner in which the entire hearings were planned and conducted.

Mr. Vogt's preplanned role in the hearings differed sharply with the way in which Dr. Arthur J. Altmeyer, the former Commissioner for Social Security, was handled. Dr. Altmeyer was not even advised of the subjects on which he was to testify.

We will let the printed record of Dr. Altmeyer's testimony speak for itself, and we invite the interested public to read it (pp. 879–1013). It will show that Dr. Altmeyer, a recognized and outstanding expert on social security, was not permitted to testify in such a way as to give all the facts on the social security program which he could have given the subcommittee.

The Vogt and Altmeyer incidents were only two of a number of incidents which indicated that the subcommittee staff was desirous of bringing before the committee carefully selected witnesses to criticize the program but not to afford an opportunity to anyone to give favorable and constructive testimony.

PRESS RELEASE OF STAFF MEMORANDUM ON SOME MAJOR FINDINGS

We were never consulted about the staff memorandum on Some Major Findings dated December 23, 1953, which was issued for release on December 27, 1953, nor was it shown to us prior to its release. If it had been, we would have opposed its release because it was a confusing, negative, misleading, and incomplete report. It contained no constructive findings. It omitted reference to the many positive and valuable aspects of the social security program. It failed to review the important contribution which the State assistance programs have made to the welfare of the country. As far as we can see, it was issued solely for the purpose of getting publicity and without regard for the views of the members of the subcommittee, certainly the minority members. It appears that the staff of the subcommittee were more interested in newspaper publicity than in gaining the advice of the entire subcommittee as to means for improving the social security program.

BIAS OF STAFF DIRECTOR

When the employment of the staff director of the Social Security Subcommittee was being discussed by the committee, we expressed our concern about the fact that he was coauthor of a book which is very critical of the basic principles of the present social security insurance system. We were assured that the staff director contributed to this book only as a researcher who was asked to help carry out a particular assignment. Since he was primarily a researcher, we were told that this would be his function as staff director, and that he would be objective and fair in his work for the subcommittee. His employ-

ment was urged upon the committee on the basis of his being a competent and impartial researcher. We regret that we must state that our concern, as things have developed, has proved to have been well-founded.

Many of the charges made about the present social security system during the course of the hearings were taken from the book of which the staff director is the coauthor. This book is entitled "The Cost and Financing of Social Security," and was issued by the Brookings Institution in 1950. If anyone should care to verify our statement by checking this book, they will find that it is true.

A review of this book in the Washington Post, April 23, 1950, contains the following summary and evaluation, with which we agree:

> In summary, they (the authors) (*a*) deplore the growing costs, (*b*) contend that the present "trust fund" for financing old-age and survivors insurance is a fiction, serving only to confuse, and (*c*) object that the system is not "insurance" in any real sense.
>
> * * * * * * *
>
> As for the two criticisms of the financing of old-age and survivors insurance, they were disposed of by eminent authorities repeatedly within the past decade. Old-age and survivors insurance is insurance in the sense that it constitutes an orderly provision in advance for a future contingency. Certainly it differs from private insurance; Congress learned in 1939 that it is folly to pattern this social insurance strictly along the forms of private insurance.
>
> Congress has studied, too, the criticisms of the old-age reserve. It consulted with an advisory council of leading citizens in 1939, and concluded then that the reserve did not, as these authors contend, encourage wasteful spending or dissipate the funds contributed by those who would subsequently expect security. In 1947 the reserve was again reviewed and approved by a second advisory council.
>
> In the hands of these authors, the problem of subsistence for an increasing number of aged, orphaned, widowed, unemployed, and sick bccomes an abstract matter of taxes, cost, prices, and profits. Whether Americans—flesh and blood men and women—want something better than relief when they are old, unemployed, or sick is not considered.
>
> Whether Americans want to contribute (as Sir William Beveridge contended the Britons do) toward the cost of their own security through direct taxes would, to these writers, seem wholly irrelevant. Such evidence as there is that the American people generally approve of existing social security arrangements and want them expanded and improved, is not found here.

TIME AND MONEY WASTED

We are the first to admit that our present social security system is not perfect, and that improvements are needed. We shall support amendments to the law to improve the system. However, we do believe that the basic principles of our present system are sound and that it is well accepted throughout the country. It was our thought when the subcommittee was established, and it is still our opinion when we read the motion establishing the subcommittee, that the whole purpose of the subcommittee was to study the operation of our present system and its shortcomings toward the end that practical improvements could be recommended for consideration and adoption in this session of Congress.

We believe that any fair reading of the hearings, and we presume of the staff report, will indicate that there was a concentration on the atypical case as illustrative of so-called inequities and inadequacies and on petty points and issues to the almost complete exclusion of any constructive efforts to develop testimony or secure information looking toward possible improvements in the system in which most people are interested, such as an extension of coverage, increase in benefits,

a more realistic and liberalized retirement test, waiver of premium for insured persons who become disabled, and so on. About all we can say for the hearings is that they are a rather complete documentation of so-called inequities and inadequacies, discriminations, criticisms, and other information and material, based in many instances on exceptional, unusual, and hypothetical cases, in an attempt to indict the principles of our present system, which we believe have caused nothing but confusion and tended to destroy confidence in it.

A considerable amount of time was spent developing testimony on so-called discriminations and shortcomings in present law, without any effort being made to bring out the reasons why the Congress enacted many of these provisions in the law. For instance, much was made of the fact that for the same amount of contributions different beneficiaries under the system stand to receive varying amounts of benefits and of the fact that with a minimum amount of coverage, some beneficiaries can and do get benefits equal to the benefits of long-time workers under the system.

We all know that Congress has purposefully provided that persons who are aged when coverage is extended to them for the first time will not have to meet the same eligibility requirements as younger workers. At the same time, provision has been made for these persons to receive benefits comparable to persons who retire after having a longer time in the system. As recently as 1950, the new-start provision contained in the Social Security Act amendments of that year reaffirmed these principles.

The Senate report, in explaining the new-start provision, had this to say:

> In order to qualify for old-age and survivors insurance benefits under present law, an individual must have either (*a*) quarters of coverage at least equal to one-half of the number of quarters elapsing since 1936 and before age 65 or death, or (*b*) 40 quarters of coverage.
>
> The great majority of younger workers now in covered employment will be able to meet these requirements and thus will have retirement protection when they need it. However, that is not the case for many middle and higher age groups. Eligibility requirements for the older workers as difficult to meet as those of the present program (27 quarters of coverage will be required under present provisions for those attaining age 65 in July 1950) mean an unwarranted postponement of the effectiveness of the insurance method in furnishing income for the aged. In a contributory social-insurance system, as in a private pension plan, workers already old when the program is started should have their past service taken into account. The unavailability of records of past service prevents giving actual credits under old-age and survivors insurance for employment and wages before the coverage becomes effective, but eligibility requirements and the benefit formula can and should take prior service into account presumptively. In getting the system started, it is important to make due allowance for those who, because of age, will probably continue at work for only a short period.

This is typical of many instances in the hearings where it seems to us there was inadequate attention given to congressional intent and the legislative history of the program. We could point up many other such instances where the hearings are inadequate.

From the very beginning of the system, the Congress has also intentionally provided for the payment of larger proportionate benefits to low-wage earners than high-wage earners, when compared to their respective contributions.

These principles about which a considerable amount of critical testimony was introduced are the distinguishing features of a social security insurance system.

Practically all of the hearings was devoted to developing a long-drawn-out record, by questions carefully prepared in advance, concerning information and material which was either already available or easily ascertainable. If the same amount of time, energy, and money had been spent on other more productive issues, the end result might have been improvements in the social security program for the 6 million beneficiaries now drawing insurance benefits and those who will draw them in the future.

Hours were devoted to semantics, relating to such things as the words "insurance" and "rights," and whether or not rights under the social security insurance system are understood to be contractual rights, vested rights, or statutory rights. It seems to us that this sort of time-consuming detail produced no new or helpful information, and certainly contributed little, if anything, to the record which could be used as a basis for recommending improvements. We believe that, by and large, the principal provisions of our social security insurance system are well understood by the public generally, and what the public wants and expects is the improvement of these provisions, not semantics.

Not only were we surprised at the elementary and incomplete nature of much of the information which the hearings developed, but we were also somewhat concerned because it was our impression that much of the information being included in the hearings was for the purpose of advancing preconceived ideas, proposals, and conclusions.

We are particularly distressed because in our opinion, despite the time and money spent, the subcommittee's staff study and hearings will be of little use to the full committee in its consideration of practical revisions of the social security laws in the present session of Congress. Our committee and the Senate Committee on Finance are already faced with unusually heavy legislative schedules on other subjects in our jurisdiction, and time will be very short within which either committee can hold hearings and give due deliberation to constructive improvements in the social security laws. Thus, the waste of time and money by the subcommittee staff may have actually retarded the improvement of our social security system, rather than advanced it, since the very purpose in establishing the subcommittee and staff, well over a year ago, was to gather information and material which would be helpful to the full committee when it came to consider social security revision. We regret that such an excellent opportunity was lost to help the full committee in its work.

We would like to comment further on a few of the points raised during the hearings with the hope of clearing up some of the confusion which the hearings have created.

The Insurance Element

Several hours of time and many pages of repetitious testimony were devoted to the definition and understanding of "insurance" in our social security insurance system.

Dr. Arthur J. Altmeyer, who was the Commissioner of the Social Security Administration from the inception of the system until about a year ago, aptly described this phase of the hearings when he stated, on page 899 of the hearings:

> Mr. Chairman, I want to make it clear, either you accept my statement, which I am prepared to stand on, that this is a contributory social-insurance system,

and forego this meticulous, long-drawn-out, dreary quotation of speeches and statements made over the years, or you incorporate all of the material from which you quote. I have no objection to either one. I would prefer the first because I think it saves time, money, and reduces the hearings to a minimum, so that the full committee may have some chance to determine what was done by the subcommittee.

We are not too certain as to what it was hoped would be accomplished by questioning on this point, since the plan of the subcommittee counsel seemed to be to compound confusion where it may exist with no effort being made to clarify it.

One big issue seemed to be whether or not—and apparently the law to the contrary notwithstanding—some people believe there is an insurance "contract" involved. It has been self-evident to us since the social security system was established in 1935 that there is no insurance contract involved. The provisions and benefits of the system have been extended and improved by the Congress over the years since that time. The very fact that these extensions and improvements have been made would seem to be evidence to anyone interested that the benefits established under the system are a matter of statutory right. In any event, if anyone had any serious doubts as to whether or not the rights under the social security insurance system are statutory rights or contractual rights, a minimum amount of legal research or consultation with appropriate officials or independent social security experts would have established that the rights are statutory.

The next step in the predetermined testimony was an attempt to prove that there is no element of insurance whatever in the present social security system. This was done primarily by introducing testimony to the effect that social security insurance and private insurance differ in varying respects, and by trying to apply the definition of private insurance to social insurance.

We would like to state that our social security insurance system, like all other insurance systems, is a means of pooling risks. The risks which the system is designed to insure workers against is the risk of loss of earning power due to age or the loss of earnings to a family in the event of the death of the breadwinner.

Just as in other insurance, contributions are made by potential beneficiaries under the system regularly and beforehand. The kind and amounts of benefits are predetermined by being set out in the law, along with eligibility requirements and contingencies upon which the benefits are payable. There is a definite overall relation between contributions and benefits. These features of our social security insurance system are comparable to the features of private insurance—particularly private group insurance which has been so widely sold by private insurance companies in recent years and which is so popular with employers and employees alike.

The objectives of social insurance and private insurance are different in some respects. Social insurance is limited to certain fields and risks, and is intended to provide a minimum standard desirable in the interest of society as a whole. Private insurance, on the other hand, seeks to make available to all people the maximum benefits which each individual may aspire to for himself or his family. The Congress intended that social security insurance benefits should be a base upon which private insurance can be built. This feature of encouraging initiative, thrift, self-reliance, and added protection on the part of

workers has been an acknowledged boon to the insurance industry and to private enterprise.

Considerable testimony was introduced during the hearings attempting to show a lack of correlation between contributions and benefits under our social security system. The Congress never intended that there should be the same relationship between contributions and benefits for all individuals. However, the Congress did intend to provide a basic floor of protection to workers and their families. This, of necessity, means that a worker with a family is eligible for larger potential benefits than a worker without a family. The system was also intentionally established so that larger benefits are paid to low-average-wage workers in accordance to contributions than to high-average-wage workers. In other words, as in any sound social insurance system, our system combines individual equity and social adequacy. Another way in which this combination is manifested in our system is the payment of benefits to persons retiring in the earlier years of the system which are greater in proportion to the contributions which they make than to workers who retire later on after the system has been in operation for some time. This same principle is well recognized in private pension plans, and in other systems established by the Federal Government, such as the civil service and railroad retirement systems.

A system of social insurance patterned strictly after private insurance could meet the problems which our social security insurance system is designed to meet in only a limited way.

Many people became concerned from the newspaper accounts during the hearings because much comment was made to the effect that the Congress can take away benefits which now exist under our social security insurance system. These comments were made after the obvious fact was "established" that there is no insurance contract involved.

Section 1104 of the social security laws which reserves to the Congress the right to alter, amend, or repeal any provisions of the Social Security Act was read into the record. This seemed to be a new discovery. The Congress intentionally wrote this provision into the law in 1935 on the recommendation of the Committee on Ways and Means so that Congress could make amendments as the need for them developed, and it has made many important changes and improvements.

If the voluminous and costly testimony on types of rights was intended to indicate that there are better ways of establishing insurance rights under our system, we failed to discover any help from it. Obviously, it would be impractical, if not impossible, to establish a system of contractual benefits.

The payment of social security insurance benefits is made as a matter of statutory right. It is inconceivable to us that our democratic Government would repudiate such obligations to its citizens, and to infer such a happening is a reflection on the integrity and honesty of our Government.

The statement of Dr. Altmeyer on page 919 of the hearings reflects our views on the subject of rights under the system, wherein he said:

> The point I wish to make, Mr. Chairman, is that a statutory right which is enforceable by law is the important element in this insurance system, this old-age and survivors insurance system, and under the State unemployment insurance laws, and under workmen's compensation, and under other types of social insurance. Now, the question of whether it is a contractual right or a noncontractual right is immaterial and unimportant, so long as it is statutory right, enforceable

by law, and not subject to the whim or caprice of any * * * political administrative agency.

The important thing is that social security benefits are paid as a matter of right under a system that is not only well accepted throughout the country, but which has been overwhelmingly endorsed and improved by the Congress time and again.

We note that despite the attacks on the insurance principle, the chairman of the subcommittee did not propose repealing the term "insurance" in the bill (H. R. 6863) which he introduced.

WINDFALL BENEFITS

Considerable time was spent during the hearings pointing out the well-known facts that it is possible for low-paid workers, workers who are aged when they are first brought into the system, and workers with survivors to receive substantial benefits with a relatively small amount in contributions having been made to the system on their part.

These principles are a distinguishing mark of any sound social insurance system. They were written into our law when the provisions were first adopted by Congress, and they have been repeatedly endorsed by both the Committee on Ways and Means and the Committee on Finance, and the Congress, as well as being endorsed by both advisory councils to the Senate Committee on Finance.

The report of the Committee on Economic Security to the President in 1935, which committee recommended the establishment of the social security system, had this to say in regard to their recommendation for the establishment of a contributory social insurance system:

> Workers now middle-aged or older will receive annuities which are substantially larger than could be purchased by their own and the matching contributions (of employers) * * *. [Parenthetical expression inserted.]

In his January 16, 1939, message to the Congress urging a revision of the social security laws, President Roosevelt stated:

> Even without amendments, the old-age insurance benefits payable in the early years are very liberal in comparison with the taxes paid.

The Advisory Council on Social Security to the Senate Committee on Finance in 1939 had this to say on the subject:

> The policy of paying higher benefits to persons retiring in the early years of this system than are equivalent of the contributions is already established in the act. Such a policy is not only sound social insurance practice, but has long been recognized as necessary in private pension programs. Only through the payment of reasonable benefits can older workers be retired. It is believed that that reasoning which led to the application of the principle in the law in 1935 inevitably leads to that further application of the principle in the light of the experience now available.

Mr. M. Albert Linton, chairman of the board of the Provident Mutual Life Insurance Co., and a member of the 1938 and 1948 Advisory Councils on Social Security, has said, in reference to this subject:

> Hence, under any true social insurance plan, as under any satisfactory private pension plan, workers advanced in years when the plan is set up will receive pensions which are tremendous "bargains."

The Current Aged in the United States

Much was made in the hearings of the point that of the current aged—that is, persons 65 years of age and over—6 out of 10 are not receiving old-age and survivors insurance benefits. While this is true, we believe that these statistics on the aged give only a partial and misleading story. The actual fact is that 6 out of 10 retired persons are drawing Government retirement benefits in the United States or are the wives of such beneficiaries. This is quite a different picture from the one given by the staff.

Of the total number of 13.5 million aged persons in the country, as of June 1953, it was estimated that there were 3.1 million still working, and that they have 1 million aged wives who are dependent upon them. This leaves 9.4 million aged persons who are neither working nor are the aged wives of workers. Of this number, 4.3 million aged persons were drawing old-age and survivors insurance benefits and 1.3 million aged persons were drawing railroad retirement benefits, benefits under the civil service retirement system, benefits as veterans, benefits under State and local government retirement systems, or were the aged wives of male beneficiaries under programs other than old-age and survivors insurance and railroad retirement. Thus, about 5.6 million persons were drawing insurance benefits out of the 9.4 million retired persons. These facts give a truer picture as to the benefit status of the aged.

Old-Age and Survivors Insurance Benefit Payments to Persons Residing Abroad

The hearings indicated that total benefit payments to persons residing abroad are larger than total benefit payments in any one of several States. This aspect of the hearings was played up out of all proportion to its importance. Certain additional information is necessary here to get the full picture and we hope that it is contained in the staff report. We brought out some of the additional information in the hearings.

For instance, as of December 31, 1952, there were around 5½ million total beneficiaries on the old-age and survivors insurance benefit rolls. Of this total, approximately 25,000 beneficiaries were residing abroad, or in other words, one-half of 1 percent of the total beneficiaries resided abroad.

It was implied that the Congress and the members of the Committee on Ways and Means and the Senate Committee on Finance did not realize that payments are being made to persons abroad. Anyone who is familiar with the provisions of the law knew that such payments are being made and that the Congress has considered this subject. In 1939, a Senate amendment specifically on this point, which would have prohibited payments to persons residing abroad, was proposed on the Senate floor. This amendment did not become law, although it was taken to conference, and rejected by the conferees.

On numerous other occasions, consideration has been given to the coverage of persons working outside the United States and, as a corollary to this, the fact has arisen that under the law payments are made to persons who reside outside the United States. For instance, there is a provision in existing law which excludes "services performed by foreign agricultural workers under contracts entered into in

accordance with title V of the Agricultural Act of 1949, as amended." This provision applies specifically to Mexican workers, and its intent is to exempt these workers from the definition of employment for social security tax purposes and, of course, this means that such workers would not be entitled to social security insurance benefits.

The 1950 amendments to the Social Security Act contained a provision which includes within the definition of "employment" services performed "outside the United States by a citizen of the United States as an employee for an American employer." Again Congress recognized the fact that payments were made to persons who reside outside the United States, because under this provision citizens of other countries were precluded from benefits unless they work in the United States.

Under the old-age and survivors insurance system, contributions and wage credits are based on wages earned in covered "employment" as defined in the law. Since persons eligible for insurance benefit payments are entitled to them as a matter of statutory rights, they are now made regardless of the recipient's place of residence, provided he is not in an Iron Curtain country, in which case benefits are accumulated pending the beneficiary's leaving such a country.

Without taking a position on whether or not some changes should be made as to insurance benefit payments to persons residing outside of the United States, we would like to point out that there would appear to be certain complex problems involved which should be evaluated if consideration is given to this subject.

Some of the beneficiaries residing abroad are United States citizens. If persons residing abroad should now be denied benefit payments, there would be a problem of whether to refund contributions which they have made to the trust fund. If refunds were provided, it would mean that such persons would have an advantage which citizens in this country would not have, in that persons not eligible for benefits here are not entitled to a refund of their contributions. Also, if, as a corollary to barring payments, noncitizens or citizens who may eventually go abroad upon retirement are exempted from the social security taxes, their take-home pay would be increased to that extent, and this would lead to a discrimination as against citizens in this country who plan to stay here.

It is also possible that the barring of payments to persons residing abroad, particularly if noncitizens are singled out, would be in conflict with certain policies of our State Department in our foreign relations, and this would undoubtedly play into the hands of the Communists in their propaganda. This is a matter which should be carefully considered. We believe the views of the Secretary of State should be obtained on it before any action is taken.

If thought is given to the barring of payments to persons residing abroad, there would be the problem of what to do in the case of United States citizens who leave this country temporarily, either for a short or prolonged period of time, and their insurance benefit payments while they are abroad.

If it is felt that payments should be barred to persons residing abroad, it would seem to be quite difficult administratively to determine, when a person is working in this country, if he is a noncitizen, whether or not he plans to return to his home country, or go to some other country. Also, there would be the problem of citizens of the United States who may eventually want to return to their homeland,

or the homeland of their parents, or reside in some other foreign country.

In addition, there is the problem involving our treaties of friendship, commerce, and navigation with other nations. These are reciprocal treaties, and contain numerous provisions, including such things as taxes, private investments, social security, and so on. The provision relating to social security in such treaties is known as the equal-treatment-of-nationals provision. In effect, this provision provides that there shall be no discrimination on the part of either country against the nationals of the other country insofar as social security is concerned while the nationals involved are working in either of the respective countries.

These treaties have been ratified by the Senate, and to do anything which would affect their provisions would be a violation of the treaties. Since the treaties are reciprocal treaties, involving complex economic and property rights, any change on the part of either country would possibly lead to retaliatory action on the part of the other country involved.

Old-Age Assistance Programs

A considerable part of the time and money spent on the hearings was devoted to establishing the "fact" that there are variations in the various public assistance programs for the aged in the different States.

Here again, this is the result of the way in which the Congress knowingly wrote the law, after careful consideration of many alternatives. Since 1935, when the social security system was established, the Congress has provided for financial assistance to the States in carrying on their public assistance programs under matching formulas. In order for a State to qualify for these Federal funds, there are certain broad and general standards which the public assistance programs in the States must meet. The details of administration of the public assistance programs are left up to the States, including such things as the determination of need and the extent of need in the case of each applicant.

This flexibility in the Federal-State programs is one of the biggest advantages of this type of public assistance arrangement. The rights of the States are preserved, leaving them free to determine just how much financial effort they want to make themselves in financing public assistance programs and in manifesting their public policy on such things as lien, recovery, and relative responsibility laws.

This flexibility permits each State to establish public assistance programs which suit its economic conditions, the living costs within the State, and, as a counterpart of this, the ability and the desire of its people to finance public assistance programs.

We will not spend time commenting upon the voluminous testimony which was developed as to the type of right which persons in the various States have, or believe they have, to public assistance payments, except to say that obviously, since these moneys are paid out of the public treasuries by virtue of legislative enactments, rights to them are statutory rights which are conditioned upon the specified eligibility requirements in each State. The long drawn-out and costly hearings to demonstrate these "facts" were a waste of time and money.

Blanketing In of Aged Persons

We are concerned that there is still being urged in some quarters today inadequate, unsound, and ill-advised systems of noncontributory pensions for the aged. We believe that the old-age assistance programs should adequately provide for needy persons, but we do not believe that it is desirable or practicable that arbitrary flat benefits should be paid to all aged persons regardless of their need.

We oppose in particular the proposals to pay all aged persons who are not now receiving old-age and survivors insurance benefit payments from the old-age and survivors insurance trust fund. During the course of the subcommittee hearings, it seemed to us that much time and testimony was devoted to paving the way for making such a proposal.

We doubt that the Congress will seriously consider such a drastic departure from the principles of our present system. However, there are a few comments which we would like to make.

The fact that all the current aged are not drawing benefits under the old-age and survivors insurance system does not indicate a weakness in the system, but results primarily from the fact that we have had limited coverage under the system so far.

We can see the political appeal of proposing free pensions to noncontributors from the old-age and survivors insurance trust fund. However, should such a step be taken, it would not be long before there would be pressure for all persons to receive flat payments regardless of whether or not they have contributed toward them. This would remove all ties of benefits to wages, eliminate the contributory principle from our present system, and eventually be disastrous for beneficiaries since the Government could not afford to pay more than minimum benefits out of general revenues.

There would be no control over such flat pension payments as we now have under our contributory system, where contributions, and benefits in turn, are based on wages. Even a limited provision for payment of flat benefits to all aged out of the trust fund would be a serious drain on the trust fund.

The interest earnings of the trust fund would be considerably reduced by reducing its size. We would like to point out that these interest earnings have been considerable. As of December 31, 1952, interest earnings had amounted to $2½ billion since 1937.

We believe that aged and needy persons in the future should continue to be taken care of from the general revenues of the Treasury which consist primarily of collections from our graduated income taxes. This is the humanitarian way for all to help the unfortunate, and it is not only good social policy but sound public policy. Putting the burden on employers and their employees would be switching from taxes based on ability to pay to payroll taxes, which are regressive.

The current proposals to pay all aged persons from the old-age and survivors insurance trust fund, who are not now receiving such payments, make no exception in the case of persons of independent means or who are receiving retirement payments as Federal employees, railroad employees, State and local employees, or as retired persons receiving payments from other sources.

If a low flat payment were provided, there would still be the problem of meeting the need of aged persons for the States. If a high minimum

payment were to be set, there would be many cases where present recipients of old-age assistance would get more than they are now receiving based on their need. As of June 1, 1953, 22 States and Puerto Rico and the Virgin Islands were making public assistance payments which averaged under $45 a month, 4 States were making average payments under $30, 10 States were making average payments between $30 and $40, 12 States between $40 and $50, 18 States between $50 and $60, 6 States between $60 and $70, and 1 State was making an average old-age assistance payment of $78.70. Puerto Rico was paying an average payment of $7.61, and the Virgin Islands, $11.02.

The Principles of Our Present Social Security System Are Sound

The basic principles and framework of our present social security system are sound and well accepted. Our system hits the problem of destitution and insecurity on two fronts: First, by the old-age and survivors insurance program which provides a basic floor of protection for present and future insurance beneficiaries, and, second, by the public assistance programs which are designed to meet existing need.

OLD-AGE AND SURVIVORS INSURANCE

Our old-age and survivors insurance system encourages industry, initiative, and thrift in potential beneficiaries by gearing benefits to past wages. This promotes savings, the buying of insurance, the making of investments, the purchasing of homes, and those many other ways of taking care of one's self and planning for one's future which is truly the mark of our American way of life.

The payment of insurance benefits as a matter of right provides assurance of income when it is needed while preserving the self-respect of the persons under the system.

Our system recognizes the wide differences in living costs and standards of living in various parts of the country by correlating insurance benefits with the only definite and objective measure of the customary requirements of workers which is available—their wages. This is a manifestation of our American philosophy that an individual and not a social system should determine his economic status.

Keeping benefits at a level which provides a reasonable floor of protection is all-important. If benefits are too low, they would be unacceptable. If they are too high or free, the cost would be dangerous to our economy and to the soundness of the system.

Our present insurance system has the merit, since it is supported by the contributions of both employers and employees, of keeping costs at a reasonable level while assuring financial soundness.

The most fundamental element in our present social security insurance system is the contributory principle. A contributory system of social insurance is unquestionably preferable to a noncontributory system of pensions. It facilitates the financing of a social insurance system. It assures a basic income for the aged as an earned right, and avoids paternalistic methods of providing old-age security.

Since our contributory system is designed to provide for the loss of earning power in the case of an aged person, or the loss of earnings in the case of the death of the breadwinner in a family, there is a relationship to the customary wage standards of workers. On the other hand, a gratuitous pension can, at best, provide only for subsistence and is subject to political changes and reductions in periods of budgetary restrictions and a tightened economy.

The Advisory Council on Social Security to the Senate Committee on Finance, in 1948, wholeheartedly endorsed the contributory principle in our present old-age and survivors insurance system when it stated:

> The council favors as the foundation of the social-security system the method of contributory social insurance with benefits related to prior earnings and awarded without a needs test. Differential benefits based on a work record are a reward for productive effort and are consistent with general economic incentives, while the knowledge that benefits will be paid—irrespective of whether the individual is in need—supports and stimulates his drive to add his personal savings to the basic security he has acquired through the insurance system. Under such a social insurance system, the individual earns a right to a benefit that is related to his contribution to production. This earned right is his best guaranty that he will receive the benefits promised and that they will not be conditioned on his accepting either scrutiny of his personal affairs or restrictions from which others are free.

OLD-AGE ASSISTANCE

Assistance for the unfortunate aged has come a long way from the days when such persons were removed from familiar surroundings and home life and sent to poor houses. Our present old-age assistance programs reflect a much more humanitarian public conscience. They rest upon the preservation of an individual's dignity and worth, and entitlement, on moral grounds, to aid from society as a whole.

From the beginning, the Congress intended that the old-age assistance programs should supplement the old-age and survivors insurance program by meeting existing needs.

Since insurance coverage was broadened on January 1, 1951, old-age assistance has occupied a secondary role to the insurance system. Through September 1953, there had been a decrease in the number of recipients of old-age assistance payments for 36 consecutive months. The Social Security Bulletin for December 1953, in referring to the current aged, states that as of June 1953, 32 aged in every 100 were receiving old-age and survivors insurance benefit payments. About 30 in every 100 aged persons were receiving income from employment either as earners or as the aged wives of earners. (This latter figure includes some old-age and survivors insurance beneficiaries.) In addition, about 19 in every 100 aged persons were receiving old-age assistance payments.

We are very pleased with these statistics, since they show that the old-age and survivors insurance program is assuming the role which was originally intended for it, and the gap which was intended to be filled by the old-age assistance program has been narrowed considerably and is continuing to be narrowed each month.

As time goes on, even under the present social-security laws, the relative importance of the old-age assistance programs will decrease. With an extension of coverage under the old-age and survivors insurance program, this decrease in importance will be stepped up.

There will always be a need for public assistance to needy persons who are chronically disabled or who are invalids, but with extended coverage under the old-age and survivors insurance program, these programs will be relatively small.

We believe that the proper approach to the problem of the aged is to extend and improve the old-age and survivors insurance provision of the social-security laws, while at the same time providing adequately for the needy aged.

○

JOHN J. WILLIAMS
DELAWARE

United States Senate

WASHINGTON, D. C.

March 13, 1953

The Honorable Oveta Culp Hobby
Federal Security Administrator
Washington 25, D. C.

My dear Mrs. Hobby:

It is my understanding that a substantial number of Federal employees are claiming Social Security coverage by reason of their federal employment.

Will you please advise me to what extent this has been done, and also without names will you furnish ten specific examples of former federal employees who are currently drawing Social Security benefits as a result of the 1950 act as amended. With this information I would want the total amount of deductions made from the pay check of each employee involved, during his term of employment, as well as the amount of the Social Security check which he is currently receiving. In addition please furnish the age of the employees.

I am willing to accept this information on the basis of "Case No. ___" since it is merely for a study of how the program operates; however, I do request that you select ten representative cases and that you keep on file the cases should a committee later explore the subject further.

Your sincerely,

JOHN J. WILLIAMS

July 20, 1954

Dear Senator Williams:

During the public hearings on H.R. 9366 you raised a question regarding the fact that at present the same period of Federal employment may be credited under both the civil service retirement system and old-age and survivors insurance.

Under present law, Federal employment is not credited simultaneously under the two systems in question. It is possible, however, for a Federal employee to be covered for a time by old-age and survivors insurance and later, upon acquiring permanent civil service status, to receive at least partial credit under the civil service retirement system for the period of Federal employment which was covered by old-age and survivors insurance. His old-age and survivors insurance coverage is terminated at the time he acquires permanent civil service status although he does not lose the old-age and survivors insurance credits already acquired.

The possibility for duplication of retirement credit in these instances arises from the fact that the Civil Service Retirement Act provides at least partial credit for all Federal civilian employment performed prior to the time that an employee becomes a contributing member of the retirement system. In effect, the employee receives partial credit for the portion of his benefit attributable to the Government's contribution to the retirement system for the "past service" in question; the employee can receive full retirement credit for his "past service" by paying an amount equal to the unpaid employee contributions plus interest.

Several solutions to this problem have been suggested. One approach would prohibit or restrict the granting of civil service retirement credit for the period of Federal employment covered by old-age and survivors insurance. If the employee were prohibited from receiving civil service retirement credit, there would of course be no problem of duplicate credit. In many instances, however, this would penalize the employee who remains in Federal service for the rest of his working life; since the period of his old-age and survivors insurance coverage could be too short to establish retirement benefits under old-age and survivors insurance, that period would, in effect, not count toward any retirement protection. Another approach would prohibit civil service retirement credit for the Federal employment covered by old-age and survivors insurance unless the employee paid into the civil service retirement system the full amount of the unpaid employee contributions plus interest. Under this approach there would of course continue to be duplication of credit for the same service, but the credit would not be "free." Both of these proposals would apparently require amendment of the Civil Service Retirement Act.

Duplicate credit could also be prevented by deleting old-age and survivors insurance credit for any Federal employment which is later credited towards a civil service retirement annuity. If this type of approach were adopted, the individuals affected could never be certain of their status under old-age and survivors insurance until they reached retirement age; moreover, there might be serious administrative difficulties. On the other

hand, if the proposal should be modified so as to wipe out an employee's old-age and survivors insurance credits at the moment he becomes a contributing member of the civil service retirement system, there would be serious disadvantages for the employees affected. Most of these employees are unlikely to remain in the Federal service until retirement, and for this group the old-age and survivors insurance coverage would probably be more valuable than credits under the civil service retirement system. Even for those who do become career employees, the elimination of old-age and survivors insurance credit would mean the immediate loss of valuable survivorship protection under old-age and survivors insurance. The employees in question could not acquire any survivorship protection under the civil service retirement system until they had completed five years of service and therefore would be without any survivorship protection for this period; even after they had completed five years of service, the survivorship protection acquired under the civil service retirement system would be much less valuable than the protection they would have had under old-age and survivors insurance.

The Committee on Retirement Policy for Federal Personnel has recently completed a broad study of the Federal employee retirement systems and has submitted to the Congress its recommendations based on this study. In its third report, dealing with the civil service retirement system, the Committee pointed out the disadvantages of removing the indefinite employees from old-age and survivors insurance coverage and transferring them to civil service retirement coverage at this time. The Committee recommended that these employees remain under old-age and survivors insurance until an arrangement for coordination between civil service retirement and old-age and survivors insurance can be established.

While the Department desires that problems of duplicate retirement credit be resolved as soon as possible, it would appear that such questions should be temporarily deferred until the Congress considers the recommendations of the Committee on Retirement Policy. This would also afford the Civil Service Commission an opportunity to state its position with respect to the possible solutions to the problem of duplicate retirement credit for the same period of Federal service; several of these proposals, as I have indicated, would involve amendment of the Civil Service Retirement Act.

In view of these considerations we suggest that an amendment to H.R. 9366 would not be the most desirable approach to the correction of the problem which you pointed out in the hearings.

Sincerely yours,

Roswell B. Perkins
Assistant Secretary

Hon. John J. Williams
United States Senate
Washington 25, D.C.

SUMMARY OF THE EFFECTS OF THE WILLIAMS AMENDMENT

Enactment of the Williams amendment would affect retirement protection of Federal employees and employees of certain Federal instrumentalities as follows:

A. Cases involving the civil service retirement system and OASI

EFFECT: No retirement credit would be allowed under either CSR or OASI for the employment covered by OASI unless the employee worked long enough under OASI to be insured. (In the majority of these cases, 10 years of employment would be required for insured status; employees who lack the necessary insured status might not qualify for benefits under either system.)

B. Cases involving a Federal instrumentality and OASI

EFFECT: A number of privately established supplementary retirement systems which use OASI as a base, such as the retirement systems of the national banks, would be forced to terminate. These supplementary systems are an integral part of the over-all personnel programs of the instrumentalities in question and are similar to the retirement systems common to large segments of private industry.

Other considerations: The instances of actual duplication of retirement credit at which the Williams amendment is directed are but only one of a number of related problems concerning Federal staff retirement systems. The Committee on Retirement Policy for Federal Personnel, which was created by the Congress to study these problems, including the question of duplication of benefit credit, has recently submitted to the Congress its recommendations for a broad solution to the existing problems. Efforts to remedy these problems on a piece-meal basis are likely to create additional difficulties and might prevent an effective over-all solution.

ANALYSIS OF EFFECT OF WILLIAMS AMENDMENT UPON OASI AND OTHER FEDERAL RETIREMENT SYSTEMS

The "Williams Amendment," added by the Senate Finance Committee, would prohibit crediting any Federal employment performed after 1954 that was covered by old-age and survivors insurance toward benefits under any other retirement system (except railroad retirement) established by the United States or any instrumentality thereof.

I. Summary

A. There are two general situations in which a Federal employee may receive credit under OASI and another Federal retirement system for the same period of service:

1. Employees of the Federal Government who have OASI coverage and a Federal pension plan specifically designed to be supplementary to OASI.

2. Employees of the Federal Government who are on a temporary indefinite basis (covered by OASI) but who subsequently receive permanent appointments and hence come under civil service retirement.

B. These two categories are discussed under II and III below.

II. Supplementary Federal Pension Plans

A. Situation: Several instrumentalities of the Federal Government employ civilians who are covered concurrently by both OASI and a retirement system established by the instrumentality to which employer contributions are made from nonappropriated funds:

	Estimated number of employees with OASI and supplemental protection	Total employees covered by OASI
Exchange services and similar services of the Army, Air Force, Navy, and Marine Corps	7,586	19,384
Federal Credit Unions (7,000 Federally chartered)	100	6,000
Federal Reserve Banks (12 main banks and 24 branch banks; member banks are private banks covered since 1/1/37)	20,465	20,465
National Banks (4,874)	160,000	235,000
National Farm Loan Associations (1,180)	2,150	2,300
Production Credit Associations (498)	2,400	2,400
Total	192,701	285,549

1. The retirement protection of these 192,701 civilian employees of certain instrumentalities of the Federal Government is comparable to that of many employees in other types of employment covered by OASI.

2. In commerce and industry, for example, between 12 and 13 million workers are covered by company pension plans as well as by OASI, and a significant number of nonprofit organizations maintain private pension plans to supplement the OASI coverage of their employees.

3. State and local government employee retirement systems will in many cases operate on a similar basis: they will supplement OASI protection.

B. Effect of H.R. 9366 as passed by the House

1. Makes no change except to extend OASI coverage to two groups now covered by supplementing retirement systems, thereby adding them to the list under "A" above.

   a. Federal Home Loan Bank employees (about 200 in all).

   b. TVA employees (about 13,000 employees).

      (1) It is to be noted that 40 percent of the employer contributions under the TVA system do come from appropriated funds.

C. Effect of Williams Amendment

1. Would, in effect, practically eliminate supplementary Federal retirement systems unless the OASI law were amended to exclude the employee groups covered by such supplementary systems.

2. Would mean Government employees not under civil service, including employees of border-line Federal instrumentalities, could not have the same retirement opportunities as workers in private industry; i.e., could not have OASI plus a supplementary plan to improve their total retirement protection.

EXAMPLE:
Employee of a Federal Reserve Bank works for 30 years after 1954 and retires at age 65 with a high 5-year average pay of $6,000.

Results--

If Williams Amendment is enacted:	
Social security only	$1,300
If Williams Amendment is not enacted:	
Federal Reserve Bank retirement annuity	$1,974
Social security (H.R. 9366)	1,300
Total annual retirement pay	$3,274

NOTE: The preceding example illustrates the general rule as to the effect of Section 114 of H.R. 9366 on the retirement benefits of employees of National Banks, Federal credit unions, and other Federal instrumentalities to which the section would apply. The employees of such institutions upon retirement after age 65, would receive only the social security benefit. The supplemental retirement systems established by these organizations as an integral part of their overall personnel program would be rendered inoperative.

III. Temporary-Indefinite Federal Employees Who Become Permanent

A. Situation: Approximately 600,000 Federal civilian employees are excluded from civil service retirement system coverage (due in part to current restrictions on permanent civil service appointments) and are covered exclusively by OASI. When any of these indefinite employees obtain permanent status they are taken out from OASI coverage and are placed under civil service retirement coverage. Duplicate credit then occurs as follows:

1. If the employee pays retroactive civil service retirement contributions for the employment covered by OASI he receives full civil service retirement credit for that service.

2. If the employee does not pay the retroactive contributions he receives partial civil service retirement credit for the service under OASI.

B. Effect of H.R. 9366 as passed by House:

1. Extends coverage to about 130,000 persons who perform substantial services for the Federal Government and who are not covered under any retirement system, thereby increasing somewhat the potential for duplicate credit described in "A" above.

C. Effect of Williams Amendment:

1. Would prevent duplicate credit in cases where the employee has enough OASI employment to be insured.

EXAMPLE:

Employee works 10 years in Federal employment as an "indefinite" covered by OASI. He then acquires permenent status, and is therefore taken out from OASI and placed under civil service retirement. He retires in 1985 at age 65 after a total of 30 years' Federal service with a high 5-year average pay of $6,000.

Results--

If Williams Amendment is enacted:

CSR annuity	$1,800
Social security (approx.)	800
Total annual retirement pay	$2,600

If Williams Amendment is not enacted:

CSR annuity	$2,700
Social security (approx.)	800
Total annual retirement pay	$3,500

(Assumes that employee pays retroactive CSR employee contributions for the 10 years under OASI; if employee does not pay the retroactive contribution the CSR annuity would be reduced by approximately $400.)

2. Would impair the retirement and survivor protection of employees who do not become insured under OASI since no credit would be given under either system for the Federal service under OASI.

EXAMPLE:

Employee with the same work history as in the previous example under "C 1" except that the employee works for 9 years in Federal employment under OASI and then for 21 years in employment covered by CSR.

Results--

If Williams Amendment is enacted:

CSR annuity $1,890
No social security

If Williams Amendment is not enacted:

CSR annuity $2,700
(would be reduced by about $350 if retroactive employee contributions are not paid.)

No social security.

Summary of Recommendations of the Committee
on Retirement Policy for Federal Personnel

The Committee on Retirement Policy for Federal Personnel, created pursuant to Public Law 555, 82d Congress, was directed to study and report on four major areas:

"(1) The types and amounts of retirement and other related benefits provided to Federal personnel, including their role in the compensation system as a whole;

"(2) The necessity for special benefit provisions for selected employee groups, including overseas personnel and employees in hazardous occupations;

"(3) The relationship of these retirement systems to one another, to the Federal employee' compensation system, and to such general systems as old-age and survivors insurance; and

"(4) The current financial status of the several systems, the most desirable methods of cost determination and funding, the division of costs between the Government and the members of the systems, and the policies that should be followed in meeting the Government's portion of these costs of the various systems."

The Committee consisted of a Chairman appointed by the President, the Chairman of the Civil Service Commission, the Director of the Bureau of the Budget, the Secretary of Defense, the Secretary of the Treasury, and the Chairman of the Board of Governors of the Federal Reserve System.

The Committee's first report (submitted January 15, 1954, and printed as Senate Document No. 89) is a comprehensive collation of descriptive data relating to all existing retirement plans for Federal personnel. This report contains a number of comparative analyses of the various systems, but no recommendations.

The Committee's second report (submitted May 13, 1954, and printed as Senate Document No. 89, part 2) contains the Committee's recommendations concerning the uniformed services retirement system. The Committee recommended that the old-age and survivors insurance provisions of the Social Security Act be extended to members of the uniformed services on the usual contributory basis which applies to civilian employment. The present complex structure of compensation payments provided to survivors of military personnel should be replaced by a new service-compensation benefit; the existing "free" social security wage credits for military service, veterans' compensation, soldiers' indemnity, and Federal employees' compensation provisions relating to active-duty personnel should be discontinued. These changes, according to the Committee, would establish a sound and equitable program of survivor protection for members of the services, improve the retirement protection of career servicemen, and insure continuity of protection for a large number of individuals who normally work in civilian employment but are required to serve a few years in the armed forces. The Committee stated that the enactment of these recommendation would save the United States more than $100,000,000 a year and at the same time would greatly simplify the present cumbersome, overlapping structure of survivor benefits which has been criticized by members of the Congress.

The Committee's third report (submitted May 20, 1954, and printed as Senate Document No. 89, part 3) contained the Committee's recommendations with respect to the relationship between the civil service retirement system and the old-age and survivors insurance system. The Committee recommended that old-age and survivors insurance coverage be extended to employment subject to the Civil Service Retirement Act, with the civil service retirement benefits reduced to take into account that old-age and survivors insurance benefits would be payable. The Committee pointed out that there is a very considerable movement of workers between private industry covered by old-age and survivors insurance and the Federal service covered chiefly by the Civil Service Retirement Act. This shifting of employees between industry and Federal employment results in inequities in benefit payments. Some of these workers who move lose valuable rights acquired under old-age and survivors insurance; others may qualify under both civil service retirement and old-age and survivors insurance and receive a total benefit which may be unwarranted in relation to service and contributions. Some may fail to qualify under either the civil service retirement system or old-age and survivors insurance Under the Committee's recommendation the employee whose work life is divided between employment covered by civil service retirement and employment covered by old-age and survivors insurance (including certain Federal employment) would receive a total retirement benefit which would be closely related to his lifetime service. The employee who did not remain in Federal service long enough to qualify under civil service retirement would get at least a social security benefit, and this benefit would include some retirement credit for his period of Federal service.

Specifically the Committee recommended that, in view of the proposed old-age and survivors insurance coverage, the civil service retirement annuity formula be reduced by the equivalent of at least $25 annuity credit for each year of service. The Committee stated that the adoption of the coordination plan would effect an initial saving of approximately $114 million a year, while improving the retirement and survivor protection of Federal employees and removing many inequities which now exist.

With reference to the indefinite Federal employees now covered by social security, the Committee recommended that these employees remain under social security until the date of coordination between civil service retirement and old-age and survivors insurance. At that time they would begin to be covered by both old-age and survivors insurance and civil service retirement but the latter benefit would be reduced to take the social security benefit into account. Thus, there could be no "windfall" benefits and the basic old-age and survivors insurance protection of these employees would not be impaired.

An additional recommendation of the Committee was to the effect that eligibility for an annuity under the Civil Service Retirement Act should, in general, not arise with less than 10 years Federal employment, rather than with 5 years of service as now provided.

The Committee's fourth report (submitted June 29, 1954, and printed as Senate Document No. 89, part 4) contained the Committee's recommendations with respect to funding and financing policies of the retirement systems for Federal personnel. The Committee recommended, in part, that the costs of Federal retirement systems should generally be allocated to the period in which the costs are incurred, that the civilian Federal retirement systems should be funded where

practicable on a "normal cost plus interest" funding basis (rather than full reserve funding), and that the interest rate payable by the Government on the special bonds held by the civil service retirement system should be reduced to three percent from the present four percent rate.

The Committee's final report (submitted June 29, 1954, and printed as Senate Document No. 89, part 5) dealt with special benefit provisions in the Federal retirement systems. The Committee recommended, in part, that old-age and survivors insurance coverage be extended to most of the minor Federal civilian retirement systems with the benefits of these systems reduced accordingly; that certain improvements be made in the disability retirement provisions of all the civilian systems in order to prevent misuse of these provisions; that existing provisions for special benefits in case of hazardous employment be carefully restricted; and that adequate safeguards be established to prevent inequities in benefit payments made possible by the transfer of an employee from one Federal staff-retirement system to another. In connection with the last-mentioned point the Committee recommended that no separation from service should result in annuity retirement unless it is preceded by at least one year of service subject to the retirement act out of the preceding two years.

In this report the Committee also recommended that a civil service retirement annuitant who is re-employed should receive additional credit under civil service retirement for the period of additional service. At present these re-employed annuitants are barred from civil service retirement coverage and thus become covered by old-age and survivors insurance with the result that some can qualify for a substantial social security benefit after a relatively short period of additional Federal service. The Committee's recommendation would prevent these annuitants from qualifying for such unwarranted benefits.

April 30, 1954

Dear Congressman Kean:

In connection with our discussion at the meeting this afternoon I am enclosing herewith a brief memorandum setting forth the Department's suggestion for a technical amendment which would meet the problem with which you are concerned; namely, the situation of State and local employees in positions covered by the retirement system, but who (for one reason or another) are themselves excluded from that retirement system.

I would be glad to get your comments on this proposal.

With warm personal regards,

Sincerely yours,

/S/ Roswell B. Perkins

Rosewell B. Perkins
Assistant Secretary

Honorable Robert W. Kean
House of Representatives
Washington 25, D.C.

Enclosure: Memorandum

Coverage of individuals in positions covered by retirement systems who are not themselves members of system (pages 9 and 10 of the bill)

Under present law employees in positions covered by retirement systems may not be brought under old-age and survivors insurance even though they are not themselves members of the system. Similarly, under H.R. 7199 such employees could not be covered unless there were a favorable referendum among the members of the system. They would not be eligible to vote in the referendum. (The principal reasons why employees in covered positions may not be members of the system are that they are over the age limit, that there is a waiting period for membership, that the individual does not meet prescribed job standards, or that he has not elected coverage under the system during the period allowed for election.)

In some instances this provision may actually make coverage impossible for a group of employees even if there is a favorable referendum. This could happen, for example, where none of the employees of a political subdivision are members of a retirement system and where each political subdivision is treated separately under the referendum provision. In other instances employees in covered positions who are not members may be unable to obtain coverage because the members of the system vote against it.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Washington 25, D.C.

July 13, 1954

Dear Mr. Chairman:

The Committee's interest in the question of voluntary coverage for self-employed farm operators and professional people has been brought to my attention. I am glad to have this opportunity to present the Department's views on this proposal.

In its review of the old-age and survivors insurance program this Department gave a great deal of study to the possibility of voluntary coverage for the self-employed who are now excluded. We concluded, however, that: (1) voluntary coverage contains a serious threat to the financial stability of old-age and survivors insurance; (2) to hold down these losses resulting from voluntary coverage as much as possible would require an aggressive selling campaign that would bring the government into direct competition with private insurance organizations; (3) voluntary coverage would not make it possible to shift substantially from the method of public assistance to the method of social insurance; (4) voluntary coverage for the 4 million or so self-employed people now excluded would be unfair to the 58 million (including 5 million self-employed) who during the year now work in jobs that are subject to compulsory coverage; and (5) voluntary coverage would create additional problems for the future, such as pressures to change the terms under which the option is offered.

1. The threat to the financial stability of the system.

As you know, OASI contains provisions which, especially in the early years of its operation and in the case of workers with large families, allow for the payment of benefits, in individual cases, that are considerably in excess of the value of the contribution paid. (If this were not true, the program could not be effective in providing individual economic security for a great many years.) These provisions, although desirable in compulsory social insurance, make the program vulnerable to adverse selection if coverage is made available on the basis of the individual choice. The provisions of the program are not designed for voluntary coverage; and we know of no proposal for voluntary coverage that does not contain a serious threat to the financial stability of the program.

If, for example, from one-fourth to one-half of those eligible for voluntary coverage under the specific proposal which I understand has been made by Senator Bennett were to elect such coverage, (since

the persons coming in would undoubtedly be the "high cost" risks) the cost to the Trust Fund of adverse selection would be between $20 and $30 billion. This loss to the system would be small in the first year of operation, but in a few years would increase to as much as $1\frac{1}{2}$ billion a year. Thus the covered group as a whole would have to bear a substantial extra cost arising from the bargains provided for those--the older people and people with large families--who would stand to receive a large return of benefits relative to contributions. Accordingly, the contribution rate paid by those now under the system would have to be increased in order that the bargain benefits could be paid.

2. The problem of conflict with private insurance companies.

It is true that if it were possible to obtain practically universal coverage under a voluntary plan--instead of one-fourth to one-half coverage, for example--the cost effects would be the same as under compulsory coverage. It follows, therefore, that to hold down the losses resulting from voluntary coverage as much as possible would require the government to enter into an aggressive selling campaign. Such a campaign might meet with serious objections from the insurance industry, since the government would then be on an actively competitive basis with private companies. Instead of selling private insurance, as they do now, to build on the base provided by old-age and survivors insurance, the private companies would find the protection they offer being compared by the customer with what he could get from the government plan.

3. Voluntary coverage would not make it possible to shift substantially from the method of public assistance to the method of social insurance.

Voluntary coverage will not result in protection for all who need it. Actually, the individuals who would choose to participate under voluntary coverage provisions would tend to be those who could most easily spare the money as well as those who would get the best bargain. Many people of low income, even though they would usually be concerned about their security and that of their family, would not elect coverage because of the day-by-day pressure to obtain the basic necessities of living, to educate their children, and to keep any savings available for more immediate risks, such as illness and unemployment.

The non-election of coverage will mean that many individuals and families would still have to be supported by public assistance. This is particularly true in farm areas, where, as shown in our testimony on H.R. 9366, the proportion of assistance recipients as compared with OASI beneficiaries among the aged population is extremely high. Public assistance is, of course, much less satisfactory for the individual than social insurance, as well as constituting a burden on the general taxpayer.

4. Voluntary coverage for the 4 million or so self-employed people now excluded would be unfair to the 58 million who are subject to compulsory coverage.

It seems to us to be basically unfair to require that individuals in most occupations be covered compulsorily and to allow others to elect. The larger group would be paying the major part of the increased cost arising from adverse selection, and yet they would have no choice about whether or not to participate. Moreover, as indicated above, there would be a tendency for the higher-income individual to be the one who elected coverage. Thus the higher cost for the group compulsorily covered would be incurred to provide bargain benefits for people who on the average would be better off financially. Those compulsorily covered would also have to continue to bear a large part of the burden of assistance arising out of the fact that many people of modest income would not choose to participate under voluntary coverage.

5. Additional problems created by voluntary coverage.

We believe that the introduction of the principle of voluntary coverage on an individual basis would create strong pressures for various types of undesirable changes in the program which the Congress would find it difficult to withstand once the precedent of individual voluntary coverage were established. First of all, the small minority now covered on a compulsory basis who are opposed to compulsory coverage would find it difficult to understand why their coverage could not also be put on a voluntary basis. Secondly, we believe that it would be very difficult to withstand pressures for modifications in restrictive features necessary to keep down the costs of the voluntary provisions themselves. For example, Senator Bennett's proposal requires that the option be exercised within two years after extension of coverage or after the individual first enters one of the special groups, if later. Once elected, the coverage is irrevocable, Individuals who later on indicated that they had not heard of the option or had misunderstood it could make a good case for a relaxation in the law. Such a relaxation, even if it provided for back contributions, would very much increase costs, since it would be comparable to allowing an individual to pay his premium after the risk occurred.

These pressures would be reinforced by the fact that under a system part compulsory and part voluntary many persons will be covered compulsorily during part of their careers. For example, a doctor employed by an industrial concern or a lawyer employed for a law firm is compulsorily covered. A farm operator who previously had been a farm worker might be covered compulsorily for the first part of his working life. This mixture of compulsory and voluntary coverage creates new opportunity for adverse selection, since those who obtain minimum coverage on a compulsory basis might not elect to continue and would have received the most favorable possible relationship of benefits to contributions. On the other hand, in moving from compulsory to voluntary coverage some people would make bad decisions, or would think that they had done so, and would find it difficult to understand why they could not at a later date rectify their mistake or correct their failure to act.

Thirdly, if voluntary coverage is allowed for certain occupations it would make it more difficult to resist the pressure of those already retired who would ask for the privilege of paying in on a retroactive basis for a year and a half in order to obtain minimum benefits. (This would be very close to the proposal of blanketing-in the present aged, made by the United States Chamber of Commerce, and with a $30 minimum benefit would cost the Fund an estimated additional $10 to $15 billion.) Once the principle of individual election is established it would also seem more difficult to resist allowing to all covered workers the privilege of buying additional protection over and above their actual earnings as they desire. Changes along this line would of course change the nature of the system entirely and transform it from a social measure providing basic protection to a government-operated competitor of private insurance.

If coverage under the old-age and survivors insurance system is not made substantially universal at this time, on a compulsory basis, there will still be many who do not participate in the system. If the Congress later wishes to correct this situation by providing for compulsory coverage there would be the problem created by successive devices for bringing people into old-age and survivors insurance without penalty for years of non-contribution. In 1950 this was done by the "new start." In H.R. 9366 the "drop-out" in computing average wage, with a minor modification in the insured status requirements, achieves substantially the same purpose. While these devices have been necessary and appropriate, a series of liberalizations of the system along these lines would weaken the contributory wage-related nature of the program and increase costs. Thus, to keep the system on a sound basis, we believe that coverage should be made as universal as possible on a compulsory basis at this time.

To summarize, we do not believe that it would be feasible to provide for any scheme of individual voluntary coverage under the OASI program that would not have very undesirable effects. On the other hand, we do believe that it would be very much to the advantage of the individuals involved and to the Nation to extend coverage on a mandatory basis. There is no way to tell ahead of time whether a particular individual or group of individuals will or will not be seriously disadvantaged in the absence of OASI coverage. An individual may plan to work into advanced age, but he may find he is unable to do so because of a disability. (Two-thirds of those over 65 and now drawing OASI benefits report themselves unable to take even part-time jobs.) The savings that another individual has counted on to care for his family may be greatly depreciated or even lost. Still another may not be able to save as he might like. For all, however, the social insurance program serves as a base to which the individual may add whatever other provision he is able to make. Just as protection under private plans is in the great majority of cases an automatic accompaniment of employment in a particular industry or by a particular employer, protection under OASI needs to grow automatically out of work so that protection can be universal.

Perhaps the best summing-up of the serious objections to voluntary coverage under old-age and survivors insurance is contained in the report of the 1948 Advisory Council of your Committee. The Council stated:

> "In the opinion of the Council, voluntary coverage is defensible only where the Federal Government cannot under the Constitution apply compulsion. Since it is apparently unconstitutional for the Federal Government to tax the States and localities, we believe it necessary to allow these units to enter into voluntary compacts for the coverage of their employees. We are convinced that to offer voluntary coverage in any area where it can possibly be avoided would be a grave mistake.... We see no justification whatever in offering insurance protection at extreme bargain rates to a select group, considering primarily of those who recognize the opportunity for a bargain and are well able to take advantage of it, and in requiring the covered group as a whole to bear the cost of the difference between what the select group pays and what it receives."

In addition to the group voluntary coverage referred to by the Advisory Council, the Congress, as you know, also introduced a type of voluntary coverage on a group basis in the area of employment by non-profit organizations because of the traditional tax exempt status of these organizations and a concern for the possibility that the separation of Church and State might be affected by compulsory coverage of religious institutions. Neither a constitutional question nor a traditional tax exempt status, however, is involved in the question of coverage of additional self-employed persons.

This Department strongly recommends, therefore, that voluntary participation not be permitted to the self-employed groups who are now excluded. Provision of voluntary coverage for those groups could not fail, we believe, to cause severe apprehension and antagonism among most of the working people of the Nation, who look to the program as the chief basis of their economic security, who have built up the Trust Fund with their contributions, and who feel that they have a vital interest in the financial stability of the program.

Sincerely yours,

/S/ OVETA CULP HOBBY

Secretary

Hon. Eugene D. Millikin
Chairman, Senate Committee on Finance
United States Senate
Washington 25, D.C.

July 22, 1954

Dear Mr. Chairman:

I am enclosing a letter signed jointly by the Trustees of the Old-Age and Survivors Insurance Trust Fund pointing out the disadvantages for the system which voluntary coverage would have.

This letter was about to be transmitted when we received the word concerning the reversal of the Committee's original action. However, I am transmitting the letter for your records in the event the matter should come up again, either on the Senate floor or in conference.

I wish to take this opportunity to thank you and your Committee for all your fine work on the social security bill. The speed and decisiveness with which your Committee acted is a great tribute to your leadership. The President and the entire Administration are truly grateful for all you have achieved.

Sincerely yours,

/S/ Oveta Culp Hobby

Secretary

Honorable Eugene D. Millikin
Chairman, Finance Committee
United States Senate
Washington 25, D.C.

Enclosure

July 19, 1954

Dear Mr. Chairman:

The Social Security Act creates a Board of Trustees for the Old-age and Survivors Insurance Trust Fund, consisting of the Secretaries of Treasury, Labor, and Health, Education and Welfare. It is the duty of the Trustees to report to the Congress annually on the operation and status of the Trust Fund. It is also among the Trustees' duties to report to the Congress whenever, in their opinion, the amount of the Trust Fund is unduly small.

We believe it to be inherent in the concept of trusteeship and within the spirit and purpose of this statute that we as Trustees should report to the Congress when we believe that some pending move constitutes a serious threat to the financial stability of the Old-Age and Survivors Insurance system.

The tentative decision of the Senate Committee on Finance to allow self-employed farmers and professional people to participate in the social security system on a voluntary basis would, be believe, have a serious adverse financial effect on the system.

The eligibility conditions, benefit formula and contribution schedule in the social security law are all based on the fact that individual election is not permitted. In particular, in order to accomplish the social objectives of the program, the law allows some beneficiaries to receive much more in benefits in relation to their contributions than do others. For example, in order to make the system more effective in the early years of the program persons now nearing retirement age will receive benefits of a value many times greater than the contributions made by them and their employers.

Under an elective system of coverage, it is only natural that the persons who are quite sure that they will get more out of the system than they are likely to put into it will be the ones to elect coverage. The loss to the system arising from such "adverse selection" would be small in the first year of operation, but in a few years would increase to as much as $\$1\frac{1}{2}$ billion a year. The cumulative effect of the probable election of coverage only by the most favored individuals may, as indicated in Mrs. Hobby's letter to you of July 13, 1954 (copy enclosed), amount to a cost of as much as $20 to $30 billion to the Trust Fund not met by existing financing arrangements.

It should be noted that the benefits resulting in these increased costs would not be paid primarily to those who most need the protection. Experience in other countries has demonstrated that those who take advantage of voluntary Government annuity systems are principally those with higher incomes who understand the favorable price and terms.

It is for these reasons, among others, that the Advisory Council on Social Security in its 1948 Report to the Senate Finance Committee strongly disapproved of voluntary coverage.

As Trustees of this fund, we believe we have an obligation to point out to your Committee the disadvantage which voluntary coverage for a special group will have for those who have contributed and will contribute to the system on a compulsory basis. Therefore we strongly urge that the extension of coverage to farm operators and to self-employed professional persons be on a compulsory basis.

Sincerely yours,

/S/ G. M. Humphrey

Secretary of the Treasury
(Managing Trustee)

/S/ James P. Mitchell

Secretary of Labor

/S/ Oveta Culp Hobby

Secretary of Health, Education, and Welfare

Honorable Eugene D. Millikin
Chairman, Senate Finance Committee
United States Senate
Washington 25, D.C.

Enclosure

July 31, 1954

Congressman Jere Cooper
House Office Building
Washington, D.C.

Dear Jere:

I have been following with interest the progress of the social security bill in the Senate Finance Committee and am presuming to write you regarding the changes that were made. I was particularly concerned about the proposal to extend coverage to farm operators and professional groups on an individual elective basis. Therefore, I wrote Senator George, pointing out that this would probably cost the Trust Fund between 20 and 30 billion dollars in the next 20 years due to adverse selection.

I did say to Senator George that I shared his basic concern that no major group is be covered unless we are certain that the overwhelming majority desires coverage. I suggested two amendments to him that I thought would assure general acceptance: 1. Reduction from 75 to 72 or even 70 years of the age at which benefits would be pa able without a retirement test, and 2. An increase of 4% in the monthly benefit for each year after reaching 65 years of age that a person delayed retirement, so that, for example, a person retiring at age 70 would draw a 20% higher monthly benefit than a person retiring at age 65.

I am mentioning these two ways of making coverage of farm operators and professional groups more attractive because I know you have always been particularly concerned about the reaction of farmers to being covered. I think these two changes would meet the argument that coverage of farmers and self-employed persons generally is not so advantageous because they retire at a later date than persons working for others. I also believe these changes are highly desirable for persons already covered as well as for the newly covered groups. Moreover, the cost is amazingly low--less than 1% on covered payroll. Therefore, I do not believe the new schedule of rates contained in the bill reported out by the Ways and Means Committee would need to be increased further. As you know, the cost estimates did not take into account the fact that in this country for the last 100 years or more we have had a steadily increasing wage level and presumably will continue to have, a fact which automatically reduces greatly the percentage of the payroll necessary to cover the cost of the benefits.

The reduction I suggested in the age at which the retirement test would no longer be applicable is included in the Senate bill. However, the other suggested change increasing the monthly benefit for every year a person delays retiring is not included. Therefore, it probably cannot be considered in conference. But I thought you would like to bear in mind the possibility of such a change at a later date. The main change in the Senate bill that would be necessary would merely be to add in line 8 on page 31 the words "+-sr-the resulting amount to be increased by 4 per centum for every full year elapsing from the date he attained age 65 before he filed application for old age insurance benefits; or"

You may recall that Congressman Curtis made a great fuss about paying benefits to persons who live abroad. As a result a subsection was added to section 203 of the present Social Security Act which would deprive a large proportion of dependents and survivors living abroad of benefits they would otherwise be entitled to if living in this country. I also wrote Senator George that I believed this proposed exclusion was unnecessary, illogical, unjust and un-Christian. He agreed and succeeded in having it eliminated. There are only about 12,000 dependents and survivors living abroad and receiving benefits at the present time out of a total of 6,500,000 beneficiaries. Moreover, we already have a statute which authorizes the Treasury to withhold payments when conditions in a foreign country are such that there is no reasonable assurance that the payee will actually receive the money. Under this statute payments have been suspended in the case of all countries behind the Iron Curtain.

Please forgive me for presuming to write you at such length. There are a number of other changes that the Senate Finance Committee made which I will not comment upon, although I believe some of them are not desirable. I hope you and Miss Hart will get some vacation before the grind of the next session begins, but I am afraid you won't. In any event I am looking forward to addressing you as Chairman of the Committee on Ways and Means of the House of Representatives beginning next January!

Sincerely,

/S/ A. J. Altmeyer*

*Former Commissioner of Social Security Administration

Summary of a Report on
"The Minimum Benefit Under OASI"

A Report on a Study Called for
by P.L. 761, 83rd Congress
("The Long Amendment Study")

The Secretary of Health, Education, and Welfare was directed by the Social Security Act Amendments of 1954 to study the feasibility of increasing the minimum old-age insurance benefit to (1) $55 per month, (2) $60 per month, and (3) $75 per month. As required, the study included an analysis of the estimated increase in cost in the old-age and survivors insurance program that would result from the proposed increases, estimates of the impact of those increases on the Federal Old-Age and Survivors Insurance Trust Fund, and estimates of the effect of the increases on Federal grants for public assistance. The study also included an analysis of the relationship of the proposed increases to employment patterns, earnings and benefit levels with a view to determining who would be helped, and who would be hurt, by the proposed benefit increases and the consequent increases in cost.

The proposed increases in the minimum would result in appreciable increases in the cost of the old-age and survivors insurance program. The increase in cost on a level-premium basis for the $55 minimum would be 0.6 percent of payroll; for the $60 minimum, 0.9 percent; for the $75 minimum, 1.8 percent.

With a $55 minimum the savings in Federal grants to States for old-age assistance would amount to about 4 percent at present and about 8 percent in 1960. The comparable figures for a $75 minimum would be 10 percent now and somewhat under 19 percent in 1960. The additional expenditures for old-age and survivors insurance in 1955 would amount to from 5 to 7 times the reduction in the Federal share of assistance costs; in 1960, from 8 to 11 times.

It can be expected that in the future most regular, full-time, lifetime workers who support themselves and their families throughout their lives by working in covered jobs will receive benefits above the proposed minimums. This is true because of amendments to the law adopted in recent years to protect the average monthly wage and benefit amount of persons who are normally dependent on their own earnings. First, the coverage of the program has been made very nearly universal, so that persons who move from one kind of job to another will have earnings from all of their jobs covered and creditable toward benefits. Second, under the new start adopted in 1950 most retired workers coming in on the rolls in the future will have the relatively low wages of the late 30's and 40's omitted from the computation of their benefit amounts, so that their benefits will not be depressed by those low wages. Third, the provision for the drop-out adopted in 1954 will permit the exclusion of periods of temporary unemployment, apprentice earnings and "tapering off" toward retirement. Finally, the provision

adopted in 1954 for "freezing" the benefit amount of workers who had become totally and permanently disabled will mean that such workers will be able to receive full old-age benefits when they reach retirement age.

In general, these changes will provide relatively high benefits for those who normally support themselves and their families. As a result, the effect of increasing the minimum would be limited largely to raising benefits for part-time and intermittent workers. Specifically, those who would benefit from the proposed increases in the minimum, aside from those people now on the rolls, would be widows whose husbands died before the recent improvements in old-age and survivors insurance, families where the wife had barely enough covered work to be insured, and people who had spent most of their lives outside of covered work such as doctors, lawyers, Federal employees, and investors. In addition there would be some regular lifetime workers in low-wage areas, such as Puerto Rico and the Virgin Islands, or in farming, with its low cash wage and considerable remuneration in kind. The chief group that would be hurt by reason of paying additional contributions without any benefit increases would be the regular, full-time, lifetime workers who supported themselves and their families throughout their lives by work in covered jobs.

It would seem very difficult to justify to the long-term contributors to the system, who even under present law receive less in proportion to their contributions than do the short-term contributors, that they must pay still higher contributions to help finance benefit increases for others while not getting additional benefits themselves. Especially would this be true when it is considered that among those who would receive the increased amounts would be self-employed doctors and lawyers, Federal workers, investors and others whose major source of support--income from noncovered work or investments--is not subject to the taxes that support the program.

Thus the provision of high minimum benefits not only would increase the cost of the program but it might also jeopardize the financing of the program by decreasing the willingness of the long-term regular worker to support the system. In the opinion of the Department of Health, Education, and Welfare there are values inherent in the contributory, variable-benefit system that make it most important that no step be taken, however expedient it may seem in the short run, that would weaken the financial basis of the system.

THE MINIMUM BENEFIT UNDER OLD-AGE AND SURVIVORS INSURANCE

* * *

A REPORT ON A STUDY CALLED FOR BY
PUBLIC LAW 761, 83rd CONGRESS

Department of Health, Education, and Welfare
Washington: 1955

Introduction

Public Law 761, the Social Security Act Amendments of 1954, contains the following section calling for a study of the minimum benefits under the old-age and survivors insurance program:

> "Sec. 404. (a). The Secretary of Health, Education, and Welfare shall conduct a full and complete study with a view to determining the feasibility of increasing the minimum old-age insurance benefit under Title II of the Social Security Act to (1) $55 per month, (2) $60 per month, and (3) $75 per month.
>
> "(b) Such study shall include (1) a detailed analysis of the estimated increase in cost, if any, involved in increasing such minimum benefit to each of the above referred to amounts, (2) estimates of the financial impact such increase would have upon the Old-Age and Survivors Insurance Trust Fund, and (3) an estimate of the amount, if any, by which Federal grants to the States for public assistance would be reduced by reason of such increase in minimum old-age insurance benefits.
>
> "(c) The Secretary shall report to the Congress at the earliest practicable date the results of the study provided for by this section."

In accordance with this directive the Department of Health, Education, and Welfare has conducted a study of the feasibility of increasing the minimum benefit to the specified amounts. This report sets forth the findings of the study.

Scope of the study

Subsection (b) of sec. 404 requires that the study include an analysis of the estimated increase in the cost of the old-age and survivors insurance program that would result from the proposed benefit increases, estimates of the impact of those increases on the Federal Old-Age and Survivors Insurance Trust Fund, and estimates of the effect of the increases on Federal grants for public assistance. Accordingly, this report sets forth the Department's findings on each of these questions.

The Department does not believe, however, that the feasibility of the proposed increases in the minimum benefit can be evaluated solely in terms of cost. It believes rather that in order to assess adequately the effect of the increases, attention must also be given to the question of who will benefit from, and who will be worse off as a result of, the consequent increases in costs. The report therefore includes, in addition to the Department's findings on the specific questions enumerated in sec. 404, an analysis of the relationship of the proposed increases to employment patterns, earnings and benefit levels of workers and of beneficiaries with a view to determining who would be helped and who would be hurt by the proposals.

Nature of the OASI program

Old-age and survivors insurance is a program under which individuals pay contributions from their earnings while they are working, and, when earnings are cut off by retirement in old age or by the death of the worker, payments are made to the worker and his dependents or to his survivors. The benefits are related to the past earnings of the worker and the regularity of his work under the program.

Types of benefits.--Monthly benefits are payable under the program, upon retirement of a qualified worker at or after age 65, to: the retired worker, the wife or dependent husband at age 65, the worker's unmarried children under age 18, and his wife at any age while she has such children in her care. Monthly survivors benefits are payable, upon the death of a qualified worker, to: the widow or dependent widower at age 65, the unmarried dependent children under age 18, the widow (and in some cases divorced wife) at any age while she has such children in her care, and dependent parents at age 65 if the worker left no other survivor who could ever qualify for monthly benefits. A lump-sum payment is also payable on the death of a qualified worker. In June 1955 some 6.1 million persons 65 and over and 1.5 million younger widows and children were receiving benefits.

Qualifications for benefits.--Retirement benefits are payable only to persons who are "fully insured" under the system and to their dependents. In the long run a person will need to be in covered employment 10 years to be fully insured at retirement. For the early years, however, in order to make it easier for those already near age 65 when the program went into effect to qualify, a shorter period of work is sufficient. Before the amendments of 1950 an individual was fully insured if he worked in covered employment at least half the time after January 1, 1937, and before reaching age 65, with a minimum of one and one-half years. Now the starting point is January 1, 1951, rather than 1937, and covered work before as well as after that date counts toward meeting the new requirements. The 1954 amendments, which extended the coverage of the program to several million additional persons, included an alternative provision designed to make it easier for persons who were already close to age 65 when first covered by the program on January 1, 1955, to become insured. Under it a person is fully insured if he has earnings credits in each calendar quarter after 1954 and prior to the quarter of death or of attainment of age 65; there must be at least six such quarters. This alternative way of becoming insured will "wash out" by the end of 1958, since at that time the "one-half the time since 1950" requirement will be easier to meet. At the end of 1954 about 70 million people were fully insured under the program.

The 1954 amendments also provide that an individual under 65 who becomes totally disabled (with the disability expected to be of long-continued and indefinite duration) can have his benefit rights "frozen" for as long

as he is unable to work. To be eligible for the "freeze," he must have worked in covered employment at least half the time in the last 10 years before becoming disabled and at least half the time in the last 3 years before becoming disabled. When the worker retires or dies, the period during which he was disabled is disregarded in determining his insured status and the benefit amount payable.

Survivors' benefits for a worker's children and their mother may be paid if the deceased worker was either fully insured or "currently insured," i.e., has at least one and one-half years of covered work within the three years immediately preceding his death.

Retirement test.--For persons under age 72, payment of benefits is conditioned upon substantial retirement. If a person's earnings (whether from covered or noncovered work) for a year are not more than $1,200, none of his benefits will be suspended because of such earnings. Each $80 of earnings (or fraction thereof) over $1,200 will result in withholding of one month's benefit, except that benefits will be paid for any month in which the individual neither rendered substantial services in self-employment nor worked for wages of more than $80. Persons age 72 and over receive their benefits as annuities, without regard to the amount of their earnings.

Amount of benefits.--The amount of insurance benefit is based on the worker's own earnings in employment covered by the law. The benefit formula provides for paying in benefits a larger proportion of the average earnings of low-paid workers than of higher paid workers. The formula is 55 percent of the first $110 of average monthly wage plus 20 percent of the next $240. The average monthly wage, on which benefits are based, is computed in general by dividing the worker's total earnings in covered work by the number of months in which he could have been expected to work under the program. Under the law in effect prior to the 1950 amendments the computation, in general, took into account all months beginning with 1937; under the 1950 amendments, for workers with 6 quarters of coverage after 1950, the computation may start with either 1937 or 1951. Under new provisions adopted in 1954, periods of disability and up to 5 years of low earnings may be omitted from the computation under certain circumstances.

Benefit payments for an individual retired worker now range from a minimum of $30 a month to a maximum of $103.50. The maximum will be $108.50 for those retiring after March 1956. (In order to qualify for $108.50 an individual must have had covered earnings at the rate of $4,200 a year since January 1, 1955.) Benefits for dependents and survivors are figured as percentages of the benefit payable to the worker.

The maximum benefits payable for a month to a family on the basis of any one persons's record are the lesser of 80 percent of his average monthly earnings or $200. If family payments as initially figured would total more than either of these amounts, each dependent's benefit is proportionately reduced to bring the total down to the applicable maximum; but application of the 80 percent maximum may not reduce the family benefit below $50 or one and one-half times the worker's own benefit amount, whichever is larger. The minimum benefit payable on a worker's wage record is $30.

In December 1954 the average payment for retired workers with no dependents receiving benefits was about $56.50 monthly; the payment for retired aged couples averaged $98.50; for widows with two children the average family payment was $126.

Reflecting the new computation provisions of the 1954 amendments, the benefit awards for persons now coming on the rolls for the first time are considerably higher than those given above for all beneficiaries. Among beneficiaries who came on the rolls in December 1954 and whose benefits are based on earnings after 1950 with years of lowest earnings omitted, the average for a retired worker alone was about $78 per month; for an aged couple, about $125; and for a widow with two children, about $180.

Coverage.--About 9 out of 10 paid civilian jobs are covered by the program--in absolute figures, about 54 million out of a total of 60 million. Because many people change jobs and move in and out of the labor force during the course of a year, a much larger number contribute under the program during a year than are covered at any one time. In 1955 nearly 69 million people are expected to contribute under old-age and survivors insurance. About 8 million of them will be self-employed; the rest will have worked for nearly 5 million employers who also make contributions.

Because the old-age and survivors insurance and railroad retirement systems are coordinated, persons who work in the railroad industry may be said to be covered under both of these systems, and 2.0 million railroad employees are included above as being covered under old-age and survivors insurance. In a sense members of the armed forces are also covered under old-age and survivors insurance, although on a temporary basis; wage credits of $160 are given under the old-age and survivors insurance system for each month of active service in the armed forces from September 1940 through June 30, 1955, if credit for the same service is not given under another Federal retirement system. Career servicemen will generally receive credit under the retirement systems of the armed forces but not under old-age and survivors insurance. Also included in the above figures are some 4.5 million

jobs in the employ of State and local governments. Only about 1.2 million of the employees in these jobs are already receiving credit under old-age and survivors insurance, but Federal law authorizes the coverage of the rest by agreements between the State and the Federal government. Employees covered under a State or local retirement system can be brought into old-age and survivors insurance only if a majority vote in favor of old-age and survivors insurance coverage.

The only major groups not under old-age and survivors insurance or eligible for OASI coverage are about 1.8 million Federal employees covered under retirement systems of the Federal government and about 200,000 policemen and firemen covered under State and local retirement systems; about 300,000 self-employed lawyers, dentists, doctors and members of certain medically related professions; and those domestic and agricultural workers who do not earn sufficient wages from any one employer to meet the coverage requirements of the law. The total number of domestic and farm workers not covered varies from around 800,000 to some 2 million, depending on the season of the year. There are also about 1.6 million persons who at any one time are in self-employment but who, usually because of failure to work throughout a given year, do not have net income of as much as $400 in that year and are therefore not in covered work for that particular year. About 400,000 others--newsboys, members of religious orders, student nurses, and other smaller groups--are also excluded.

Many persons who in a given year do some work in self-employment or perform services as farm or domestic workers and yet do not meet the tests for coverage spend comparatively little time in gainful employment and a considerable number of them are not ordinarily in the labor market. Included in this group are semiretired or partially disabled persons, housewives, and children. Most of the housewives are protected under old-age and survivors insurance through their husbands' employment, and the school children and college students will generally become covered when they enter full-time employment. On the other hand, these groups do include some people who are full-time participants in the labor force but who fail to meet the tests in a particular year.

It should be noted that the coverage of ministers, of employees of nonprofit organizations and of State and local governments, and of certain Americans employed abroad has certain voluntary aspects. The 1954 amendments to the Social Security Act made coverage possible for a substantially increased number of persons in these groups, but the extent to which they will elect coverage is not yet known.

How the system is financed.--Benefits are financed by contributions of covered employees and employers and self-employed persons. Each year an amount equal to 100 percent of the taxes collected is automatically

appropriated to the Federal Old-Age and Survivors Insurance Trust Fund. The money in the fund can be used only to pay the benefits and administrative expenses of the program. Money not needed to meet current payments is invested in interest-bearing obligations of the United States.

Contributions are a percentage of the first $4,200 earned in a year. The contribution rate, currently 2 percent each for employer and employee, is scheduled to increase in a series of step-ups to 4 percent each in 1975. The rate for self-employed persons is 1½ times the employee rate. The contribution schedule is designed to make the insurance system self-supporting.

Contributions under old-age and survivors insurance during the calendar year 1954 totalled $5.2 billion and benefit payments totalled $3.7 billion, of which $3.0 billion was for aged persons. At the end of 1954 the trust fund amounted to about $20.6 billion.

Description of the specific proposals considered

In order to make the study called for by section 404 two minor assumptions were made as to how the proposed minimum provisions would operate. First, it was assumed that the proposed increases in the minimum benefits would be effective for July 1955 (variations of several months, however, would have little effect on cost from a long-range standpoint). Second, it was assumed that the proposed minimum amounts would be applicable not only to the benefit payable to the retired worker and to the amount on which dependents' and survivors' benefits are based, but also as the benefit payable to a single survivor beneficiary. (The 1954 amendments provide that a single survivor beneficiary, such as an aged widow or parent, shall receive the same minimum payment as a retired worker--$30.)

Specifically, then, the proposals considered in the study were as follows:

The minimum amount payable to a retired worker,
the minimum amount payable when only one survivor is entitled to benefits on a given wage record, and
the minimum amount on which a dependent's or survivor's benefits would be based--
would be $55
$60, or
$75.
All other provisions would remain unchanged.

Effect of the Proposals on Cost and Financing of Old-Age and Survivors Insurance

The estimates of the effects of the proposals on the old-age and survivors insurance program presented in the following paragraph correspond, both in form and in the assumptions on which they are based, to those presented in the Fifteenth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (Senate Document No. 39, 84th Congress, 1st Session). The Social Security Act requires the Board of Trustees to report annually to the Congress on the expected operations and status of the trust fund during the next five years and on the actuarial status of the fund; and accordingly the Trustees' Report presents short-range and long-range cost estimates separately. That practice has been followed here also. Detailed information on the bases underlying the estimates that follow can be obtained from the Trustees' Report.

Short-range effects 1/

Table 1 shows, for the years 1955 through 1960, the estimated amount of benefit payments under present law and the estimated increases in benefit payments resulting from each of the proposed higher minima. It will be noted that, for each full year of payments at the higher amounts, with the $55 minimum benefit payments would be increased by about $600 million; with the $60 minimum, by about $800 million; and with the $75 minimum, by about $1.7 billion.

Table 2 presents detailed estimates of the expected operations and status of the trust fund over the years 1955 through 1960 under the present law and with the proposed higher minima. The contribution income is of course assumed to be the same under present law and under each of the proposals, as are the administrative expenses. Because benefit payments increase, the interest income to the fund decreases with the decreasing size of the funds available for investment.

The aggregate increase in the fund over the six-year period is considerably larger under present law than it would be under the proposed minima. At the end of 1954 the trust fund amounted to $20,576 million. The aggregate net increase in the fund in the years 1955-60 under present law is expected to be about $8 billion. Under a $55 minimum it would be $4.6 billion and with a $60 minimum it would be $3.4 billion. With a $75 minimum disbursements would exceed income in four of the six years and there would be a net decrease in the size of the fund of $1.9 billion.

1/ The short-range estimates are based on the assumption of a continuance of a relatively high level of economic activity, as explained in the Fifteenth Annual Trustees' Report, p. 14, in the description of "Alternative I."

Table 1.--Estimated amount of benefit payments under present law and increase in benefit payments resulting from proposed higher minima, 1955–1960.[1]

(in millions)

Calendar year	Present law	Increase in benefit payments resulting from raising the minimum to:		
		$55	$60	$75
1955	$4,980	$226	$307	$ 651
1956	5,681	591	800	1,703
1957	6,233	601	816	1,744
1958	6,718	600	814	1,746
1959	7,175	590	800	1,727
1960	7,618	571	775	1,685

[1]Increases in minimum assumed to be effective July 1, 1955.

Note: Estimates based on assumption of a relatively high level of economic activity as described in the Fifteenth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, p. 14, under "Alternative I."

Table 2.--Expected operations of the trust fund under present law and with proposed higher minima, 1955–1960.[1]
(in millions)

Calendar year	Transactions during period					Fund at end of period
	Income		Disbursements		Net increase in fund	
	Contributions	Interest on investments	Benefit payments	Administrative expenses		
			Present law			
1955	$5,595	$474	$4,980	$113	$ 976	$21,552
1956	6,454	498	5,681	122	1,149	22,701
1957	7,001	523	6,233	124	1,167	23,868
1958	7,385	747	6,718	118	1,096	24,964
1959	7,726	569	7,175	116	1,004	25,968
1960	9,715	609	7,618	117	2,589	28,557
			Minimum of $55			
1955	5,595	471	5,206	113	747	21,323
1956	6,454	486	6,272	122	546	21,869
1957	7,001	497	6,834	124	540	22,409
1958	7,385	508	7,318	118	457	22,866
1959	7,726	515	7,765	116	360	23,226
1960	9,715	541	8,189	117	1,950	25,176
			Minimum of $60			
1955	5,595	470	5,287	113	665	21,241
1956	6,454	483	6,481	122	333	21,574
1957	7,001	488	7,049	124	316	21,890
1958	7,385	494	7,532	118	229	22,119
1959	7,726	496	7,975	116	131	22,250
1960	9,715	517	8,393	117	1,722	23,972
			Minimum of $75			
1955	5,595	466	5,631	113	317	20,893
1956	6,454	463	7,384	122	-589	20,304
1957	7,001	449	7,977	124	-651	19,653
1958	7,385	433	8,464	118	-764	18,889
1959	7,726	413	8,902	116	-879	18,010
1960	9,715	411	9,303	117	706	18,716

[1]Increases in minimum assumed to be effective July 1, 1955.

Note: Estimates based on assumption of a relatively high level of economic activity as described in the Fifteenth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, p. 14, under "Alternative I."

Long-range effects 1/

Table 3 shows estimates of benefit payments under present law and of the increases that would result from the proposed higher minima, for specified years in the future. It will be noted that by the year 2020, with a $55 minimum, benefit payments would increase by $2.3 billion per year; with a $60 minimum, by $3.2 billion; and with a $75 minimum, by about $6.2 billion.

1/ It is of course impossible to make exact predictions of conditions that will exist in the distant future. Estimates of the future cost of the old-age and survivors insurance program, however, are affected by such conditions, and assumptions must be made about what those conditions will be. The assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Accordingly, it has been the practice to prepare both a low-cost and a high-cost estimate combining different assumptions as to low and high rates of mortality and other cost factors. The result is, of course, a range of possible costs. Congressional committees have adopted the practice of relating the contribution rates to the mid-point between the high and low cost estimates--the so-called "intermediate cost" basis. All of the estimates presented in this section are developed on the "intermediate cost" basis.

The estimates are based on the long-range cost estimates for the present system as contained in the Fifteenth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (Senate Doc. No. 39, 84th Congress) and as given in more detail in Actuarial Study No. 39 of the Social Security Administration. Since the cost estimates for the proposals to increase the minimum benefit were made, new long-range cost estimates have been prepared for the present law on the basis of revised earnings assumptions. These estimates are briefly summarized in the report of the Committee on Ways and Means of the House of Representatives on H.R. 7225 (House Report No. 1189, 84th Congress). The new cost estimates show a somewhat lower level-premium cost for the present program than that shown in the Fifteenth Trustees' Report--7.51 percent of payroll as compared with 7.70 percent. Since use of the new, lower cost estimates would not affect the conclusions reached in this report, the cost figures have not been recalculated on the new basis.

The estimates are based also on an assumption of continued high employment and take account of the coordination with the railroad retirement program provided for under present law, as described in Appendix I of the Fifteenth Annual Trustees' Report.

Table 3.--Estimates of benefit payments under present law and increase in benefit payments resulting from proposed higher minima for specified future years. (in millions)

Calendar year	Present law	Increase in benefit payments resulting from raising the minimum to		
		$55	$60	$75
1970	$11,377	$ 874	$1,222	$2,535
1980	15,285	986	1,469	3,231
2000	20,014	1,682	2,365	4,693
2020	26,064	2,296	3,192	6,180

Note: Intermediate estimate based on assumption of continued high employment.

Table 4 presents long-range estimates of the expected balances in the trust fund under present law and with the proposed higher minima. Under present law the fund is expected to build up gradually from its present size of about $21 billion to almost $63 billion in 1990, after which it is expected to decrease slightly to a little over $60 billion in 2000. With a minimum of $55 the fund would build up very slowly to a high of $31 billion in 1980; thereafter it would decrease over the next 18 years and would be exhausted in the year 1998. With a $60 minimum the fund would be stabilized at approximately its present size through the year 1980, after which it would decrease, becoming exhausted in 1991. With a $75 minimum the fund would begin to decrease almost immediately and would be exhausted in 1970.

Table 4.--Estimates of balance in trust fund under present law and with the proposed higher minima for specified future years.
(in millions)

Calendar year	Present law	Trust fund assets at end of year under proposed increases in minimum to		
		$55	$60	$75
1965	$29,919	$23,098	$20,104	$9,345
1970	35,114	23,465	18,414	3/
1975	44,018	26,627	19,056	
1980	55,573	31,393	20,641	
1990	62,910	20,411	1,334	
2000	60,494	1/	2/	

1/ Fund exhausted in 1998.
2/ Fund exhausted in 1991.
3/ Fund exhausted in 1970.

Note: Intermediate estimate based on assumption of continued high employment and 2.4 percent interest.

Table 5 shows long-range estimates of cost under present law and with the proposed higher minima, expressed as a percent of taxable payroll, and the level-premium cost. 1/

1/ The "level-premium cost" may be defined as the contribution rate, chargeable from a given date such as the effective date of the proposed increases, that, together with interest (including that from existing funds on hand), would meet into perpetuity the cost of all benefit payments and administrative expenses arising under the program. The schedule of contribution rates in the law starts out considerably lower than the level-premium rate and ends somewhat above it.

Table 5.--Estimates of cost under present law and with proposed higher minima, expressed as a percent of taxable payroll for specified future years.

Calendar year	Present law	Proposed increase in minimum to		
		$55	$60	$75
		Benefit cost in year		
1970	5.98	6.43	6.62	7.31
1980	7.34	7.81	8.04	8.89
2000	8.22	8.91	9.20	10.15
2020	9.63	10.47	10.80	11.91
		Level-premium cost 1/		
	7.70	8.32	8.59	9.50

1/ Level-premium contribution rate, assuming interest at 2.4 percent, for benefit payments after 1954 taking into account interest on the existing trust fund on December 31, 1954, future administrative expenses, and the lower contribution rates payable by the self-employed.

Note: Intermediate estimate based on assumption of continued high employment.

As indicated in the table, the level-premium cost under present law is expected to amount to about 7.7 percent of payroll. The level-premium cost of increasing the minimum to $55 would be about 0.6 percent of payroll. For $60 and $75 minima, corresponding figures are 0.9 percent and 1.8 percent. These figures indicate the immediate increases in the combined employer-employee contribution rates that would be necessary, if the minimum were raised to the proposed amounts, to maintain the system in the same financial balance that now exists.

The Effect on Federal Grants to States for Public Assistance

Relationship of public assistance to old-age and survivors insurance

In order to assess adequately the effect of the proposals on Federal grants to States for public assistance, attention must be directed to the present relationship between the public assistance and old-age and survivors insurance programs.

Insurance beneficiaries may receive public assistance if their benefits and other income do not meet their need according to the standards set by the assistance agency in the State where they live. (They must, of course, also meet the other eligibility requirements set by the agency.) The number of aged and child beneficiaries of old-age and survivors insurance who also receive public assistance payments, together with the amounts of benefits and assistance, are determined once each year on the basis of a sample of the assistance recipients in each State. In February 1955, about 489,000 recipients of old-age assistance and 32,100 families receiving aid to dependent children were receiving benefits under the old-age and survivors insurance program (table 6). These totals represented more than 19 percent of all old-age assistance recipients and somewhat more than 5 percent of the families receiving aid to dependent children. In relation to the total number of aged OASI beneficiaries, the proportion receiving supplemental old-age assistance payments was less than 9 percent. Of the families with children that receive OASI benefits, slightly under 5 percent received supplementary assistance under the aid to dependent children program.

Extended coverage and liberalized benefits under old-age and survivors insurance since 1950 have resulted in a decline of the proportion of the aged in the population receiving assistance. In 1950 there were more aged people receiving old-age assistance than old-age and survivors insurance benefits. Today aged old-age and survivors insurance beneficiaries are more than twice as numerous as aged assistance recipients. In 1950 about 23 percent of the aged received assistance; today the percentage is 18. With present widespread coverage of employment by old-age and survivors insurance it may be anticipated that with the passage of time more of the recipients of old-age assistance will also be beneficiaries of old-age and survivors insurance. By the end of 1960 it is estimated that about 845,000 recipients, or 35 percent of the total old-age assistance load, will be beneficiaries of old-age and survivors insurance.

In analyzing the effect of the proposed increases in the minimum benefits on the public assistance programs, attention was concentrated on the effect of the proposals on old-age assistance recipients and expenditures in their behalf at the present time and at the end of 1960. The old-age and survivors insurance program affects the aid to dependent children program only to a limited extent. Children deprived of care or support because of the death, absence, or incapacity of a parent are aided under

Table 6.--Aged persons and families with children receiving both OASI benefits and assistance payments, 1948–55.

Month and year	Aged persons receiving both OASI and OAA			Families with children receiving both OASI and ADC		
	Number	Percent of		Number	Percent of	
		Aged OASI beneficiaries	OAA recipients		OASI beneficiary families with children	ADC families
June 1948	146,000	10.0	6.1	21,600	6.7	4.8
September 1950	276,200	12.6	9.8	32,300	8.3	4.9
August 1951	376,500	11.9	13.8	30,700	6.7	5.0
February 1952	406,000	12.0	15.1	30,000	6.1	5.0
February 1953	426,500	10.7	16.3	30,600	5.7	5.3
February 1954	463,000	9.7	18.0	31,900[1]	5.4	5.9
February 1955	488,800	8.7	19.2	32,100	4.9	5.2

[1]Data on ADC-OASI families are for November 1953; OASI families for February 1954.

the assistance program. Only 1 ADC family in 6 receives assistance because of the death of the father. Among these families with father dead about a fourth (5.2 percent of all ADC families) receive old-age and survivors insurance benefits. Increases in the number of families with insurance benefits have resulted in fewer families with father dead coming on the rolls. The part of the ADC load that would be affected by increases in OASI minima is already so small that the increases would have little effect on expenditures for the program.

Present aged persons receiving both OASI and OAA - State differences

Table 7 shows the extent of concurrent receipt of old-age and survivors insurance benefits and assistance payments by old-age assistance recipients in February 1955. Examination of the table indicates that the proportion of recipients of old-age assistance who also received insurance benefits ranged from 41 percent in Nevada to 2 percent in Alabama. In 10 States, chiefly in the South, the proportion of aged recipients with benefits was less than one-tenth. The 12 States in which at least one-fourth of the recipients of old-age assistance also get insurance benefits were located either in the Northeast or the West.

The proportion of old-age and survivors insurance beneficiaries who receive assistance to supplement their incomes also varies widely among States. In 34 States less than one-tenth of the aged beneficiaries received assistance, with Virginia having the smallest proportion--slightly over 1 percent. In 7 States more than one-fifth needed supplementary assistance. In Louisiana more than two-fifths of the aged beneficiaries received old-age assistance.

Future aged persons receiving both OASI and OAA - differences in size of benefits

Effects of the proposed increases in minimum OASI benefits were estimated from distributions of old-age assistance payment amounts and the amounts of old-age and survivors insurance benefits obtained in the 1953 sample study of old-age assistance recipients. These estimates were adjusted both for benefit increases resulting from the 1954 amendments and for the estimated number of concurrent beneficiaries of assistance and insurance on the basis of reports submitted by all States in February 1955. The 1960 estimates were based on estimated distributions of insurance beneficiaries by benefit amounts for that year. Two assumptions were made in determining the effect of the proposals on the old-age assistance program in 1960. First, it was assumed that the same proportion of beneficiaries at each benefit level would receive old-age assistance to supplement their incomes as received supplementation in 1954. Second, it was assumed that the proportion of concurrent recipients who are married to other beneficiary recipients would be the same (one-fourth) in 1960 as at the present time.

Table 7.--Concurrent receipt of OASI benefits and assistance payments by OAA recipients, February 1955.

State	Persons receiving OAA and OASI as percent of:	
	OAA recipients	OASI beneficiaries
Total	19.2	8.7
Alabama	2.4	2.3
Alaska	29.9	21.9
Arizona	21.8	13.4
Arkansas	6.1	7.1
California	36.7	20.8
Colorado	26.9	28.3
Connecticut	32.6	5.2
Delaware	14.7	1.8
District of Columbia	20.8	3.0
Florida	23.8	10.9
Georgia	8.5	12.5
Hawaii	15.7	2.6
Idaho	23.2	11.4
Illinois	19.3	5.3
Indiana	17.7	4.0
Iowa	17.6	8.3
Kansas	16.1	8.6
Kentucky	9.8	7.0
Louisiana	19.1	42.1
Maine	27.9	7.1
Maryland	16.1	2.2
Massachusetts	35.7	12.5
Michigan	24.3	7.5
Minnesota	17.1	8.5
Mississippi	6.0	12.4
Missouri	23.3	20.8
Montana	20.9	9.8
Nebraska	15.5	6.8
Nevada	41.2	20.2
New Hampshire	24.9	5.2
New Jersey	23.0	2.1
New Mexico	11.6	13.0
New York	25.8	3.9
North Carolina	7.6	5.3
North Dakota	11.0	8.7
Ohio	20.6	6.2
Oklahoma	15.7	26.0
Oregon	30.1	7.9
Pennsylvania	15.9	1.9
Rhode Island	28.5	5.3
South Carolina	5.1	6.4
South Dakota	13.1	9.5
Tennessee	6.7	6.3
Texas	12.4	16.8
Utah	18.0	9.0
Vermont	23.7	9.6
Virginia	5.3	1.1
Washington	29.9	16.0
West Virginia	4.9	1.8
Wisconsin	21.7	6.6
Wyoming	25.8	14.2
Puerto Rico	–	–
Virgin Islands	–	–

While the proportion of beneficiaries with minimum benefits receiving old-age assistance to supplement their income was assumed to be the same in 1960 as at the present time, the number receiving assistance will be smaller since fewer beneficiaries will be getting minimum benefits at that time (table 8). About 30 percent of the recipients with no spouse (or with a spouse not receiving old-age assistance) will be receiving the minimum benefit of $30 as compared with 37 percent in February 1955. About 81 percent (as compared with 86 percent in February 1955) will be receiving less than $55; about 86 percent (as compared with 91 percent in February 1955) will be receiving less than $60; and about 95 percent (as compared with 98 percent in February 1955) will be receiving less than $75.

Minimum benefits to a retired worker and spouse at age 65 under the proposed minima of $55, $60, and $75 were presumed to be one and one-half times the minimum for a retired worker, or $82.50, $90.00, and $112.50. Looking at the figures in the table for couples, both of whom receive an old-age assistance payment, we find that in 1960, 22 percent will be receiving the minimum benefit of $45, the present minimum for a retired worker and his spouse, as compared with 27 percent in February 1955. The proportion with benefits of less than $82.50 and $90 will also be smaller in 1960 than in February 1955. Practically all recipients will be receiving benefits of less than $112.50. As time goes on the proportions at the lower amounts will of course continue to decrease.

Most of the aged insurance beneficiaries who receive old-age assistance have low benefits. In February 1955 the average benefit payment for all aged beneficiaries was $54.83 as compared with $38.79 for the group receiving old-age assistance. Recipients who have relatively high benefits are usually individuals with high medical needs or have other unusual expenses. As already indicated, a smaller proportion of persons in concurrent receipt of old-age and survivors insurance benefits and assistance payments will be getting low benefits as time goes on. A great many of the present small benefits result from the payment of benefits on the basis of as few as 6 quarters (roughly 18 months) of coverage in the years after 1936 and before 1950; gaps in coverage in those years lower the average on which the benefits are based. The "new start" beginning in 1951 for computing average monthly wage, the exclusion of periods of disability and up to 5 years of low earnings in the average wage computation, and substantially universal coverage will result in smaller numbers of beneficiaries being awarded benefits of less than the proposed minima (at least at the $55 and $60 levels) in the future. The increase in the amount of future old-age and survivors insurance benefits that will occur tends to reduce the effect on old-age assistance payments in future years that the proposed minima would otherwise have.

Table 8.--Estimated percentage distribution of old-age assistance recipients with OASI benefits, by amount of benefit received under existing law.

Old-age insurance benefit amount	February 1955	End of 1960
Recipients with no spouse or with spouse not receiving OAA		
Total number	368,000	698,000
Total percent	100	100
$30.00	37	30
30.10–54.90	48	51
55.00–59.90	5	5
60.00–74.90	8	10
75.00–108.50	2	5
Under $55.00	86	81
Under $60.00	91	86
Under $75.00	98	95
Recipients with spouse also receiving OAA[1] (total OASI benefits to both)		
Total number	121,000	147,000
Total percent	100	100
$45.00	27	22
45.10–82.40	47	47
82.50–89.90	8	8
90.00–112.40	19	23
112.50 and over	[2]	[2]
Under $82.50	74	69
Under $90.00	81	77
Under $112.50	99	99

[1]Percentage distribution is based on total recipients, including both husband and wife.
[2]Less than 0.5 percent.

Effect of proposals on OAA cases and costs

Tables 9 and 10 show the estimated effect on recipients of old-age assistance and on total and Federal expenditures in their behalf of the proposals to increase the minimum old-age and survivors insurance benefit. The estimates assume that no provisions of the OASI title other than the minimum would be affected, i.e., that the minimum benefits to a retired worker and spouse would be one and one-half times the minimum for a retired worker, and that benefits at or above the proposed minima would be unchanged.

It should be noted that within the $55 minimum the single or widowed recipients would receive a maximum benefit increase of $25 and that those whose present benefits are between $30 and $55 would receive less than this amount. Since most persons receiving assistance to supplement insurance benefits get payments in excess of $25 (the average assistance payment to concurrent beneficiaries in February 1955 was $40.95), a $55 minimum would result in many reductions in assistance payments but in a reduction of only 67,000 recipients as of February 1955 and 107,000 by the end of 1960. These closings represent 14 and 13 percent, respectively, of the estimated numbers of concurrent beneficiaries under present legislation. At the $60 and $75 levels the number of closings would increase. Even at the $75 level, however, only about 44 percent of the concurrent recipients (8 and 15 percent of the total old-age assistance loads in February 1955 and at the end of 1960) would have their assistance payments discontinued.

With the total number of concurrent beneficiaries increasing and the number with benefits of less than the proposed minima decreasing, a smaller proportion of the concurrent beneficiaries would be affected by the proposed minima in the future.

Federal financial aid is available to States only within stated dollar maximums on individual assistance payments. In the old-age assistance program, the Federal government now shares in individual assistance payments up to $55 a month. The Federal share is four-fifths of the first $25 (on an average basis) and one-half of the remainder up to $55 for each individual. Immediate savings in Federal funds expended for old-age assistance would amount to more than 4 percent if a $55 minimum were adopted and to 10 percent if a minimum were set at $75. In 1960, because of the expected increase in the number of concurrent beneficiaries--35 percent of the total old-age assistance load as compared with 19 percent at the present time--the proportionate amount in Federal savings would be larger. If a $55 minimum were adopted, the savings in Federal funds expended in 1960 would amount to 8 percent; if a $75 minimum were adopted, the 1960 Federal savings would amount to somewhat less than 19 percent.

Table 9.--Estimated effect on old-age assistance caseloads and costs if minimum old-age and survivors insurance benefits are increased.

Estimated effect on:	If minimum old-age insurance monthly benefit is increased to:		
	$55	$60	$75
	February 1955		
Cases			
Total concurrent beneficiaries[1]	489,000	489,000	489,000
Number closed	67,000	101,000	217,000
Number reduced	337,000	331,000	265,000
Number not reduced	85,000	57,000	7,000
Annual expenditures			
Will reduce			
Total[2]	$73,000,000	$91,000,000	$143,000,000
Federal	41,000,000	53,000,000	90,000,000
	End of 1960		
Cases			
Total concurrent beneficiaries	845,000	845,000	845,000
Number closed	107,000	162,000	371,000
Number reduced	558,000	549,000	441,000
Number not reduced	180,000	134,000	33,000
Annual expenditures			
Will reduce			
Total[2]	$116,000,000	$148,000,000	$237,000,000
Federal	65,000,000	86,000,000	150,000,000

[1]Based on reports submitted by all States in February 1955.
[2]Federal, State and Local.

Table 10.--Percentage distribution of estimated effect on old-age assistance caseloads if minimum old-age and survivors insurance benefits are increased.

Estimated effect on cases	If minimum old-age insurance monthly benefit is increased to:		
	$55	$60	$75
	February 1955		
Total number of concurrent beneficiaries	489,000	489,000	489,000
Total percent[1]	100	100	100
Percent closed	14	21	44
Percent reduced	69	68	54
Percent not reduced	17	12	1
	End of 1960		
Total number of concurrent beneficiaries	845,000	845,000	845,000
Total percent	100	100	100
Percent closed	13	19	44
Percent reduced	66	65	52
Percent not reduced	21	16	4

[1]Totals do not necessarily equal the sum of rounded components.

It is interesting to compare the estimated savings under old-age assistance with the estimates of increased benefit payments under old-age and survivors insurance. 1/ Comparisons of table 1 with table 9 indicate that if the minimum benefit were raised to $55, total savings--Federal, State and local--under old-age assistance at 1955 levels would be $73 million and Federal savings would be $41 million, as compared with an increase in old-age and survivors insurance payments of $226 million. If the minimum were increased to $75, total old-age assistance costs would be reduced by $143 million, the Federal share of assistance cost would be reduced by $90 million, and old-age and survivors insurance payments would be increased by $651 million.

The differences are even more marked if figures for 1960 are compared. Estimated reductions in old-age assistance expenditures for 1960, if the minimum were increased to $55, are $116 million for total reductions and $65 million for reductions in the Federal share, while benefit payments under old-age and survivors insurance would increase by $571 million. If the minimum were raised to $75, total reductions in old-age assistance would be $237 million and the reduction in the Federal share would be $150 million, while increases under old-age and survivors insurance would amount to $1,685 million.

1/ In the sentences that follow, the figures for old-age assistance and those for old-age and survivors insurance are not strictly comparable since the latter include increase in cost attributable to payments to young widows and children as well as to persons aged 65 and over, while the savings in aid to dependent children are not included in the assistance figures. The savings in aid to dependent children, however, as has been indicated, are not significant.

Major Questions to be Considered

The old-age and survivors insurance program partially replaces earnings for individuals (and their families) when those earnings are interrupted by retirement or death. Since workers at low income levels are less able than higher-paid workers to reduce their standard of living, benefits are a greater proportion of their earnings than of the earnings of the high-paid workers. This "weighting" in the benefit formula is necessary to make it possible for workers with low earnings to buy the basic necessities of life without at the same time paying higher-paid wage earners much larger benefits than at present and thus greatly increasing the cost of the system. Under the present formula a worker whose average monthly wage is $110 or less receives 55 percent of his average monthly wage in benefits, whereas an individual whose average monthly wage is $350 receives only 31 percent of it in benefits.

Under this formula, at wage levels now prevailing in the United States, practically all regular and full-time workers will receive benefits considerably above the present $30 minimum. Those earning $100 a month will get $55 on retirement; a couple with the husband earning $100 will get $82.50. Even if earnings are only $80 a month, a single retired person will get $44 and a couple $66. The function of the minimum, therefore, generally speaking, is not to raise benefits for full-time workers at low wages.

Moreover, the 1954 amendments introduced provisions into the law that protect the benefit levels of workers who become permanently and totally disabled; and in addition up to five years of no earnings or low earnings may be disregarded in arriving at the average monthly wage. These and other provisions designed to improve the benefit amounts paid under the program are described in more detail below. As a result of these provisions, the minimum provision will not generally function to raise the benefits of the permanently and totally disabled or the benefits of those normally full-time workers who may have spells of unemployment or part-time work at some periods of their lives.

The first major question to be considered by the Congress in deciding whether or not the minimum should be increased is therefore: Who would benefit from such an increase?

As has been indicated in the section of this report on costs, the proposed increases in the minimum would substantially increase the costs of the program and would therefore require an increase in the contribution rates if the program were to remain self-supporting. The higher contribution rates would of course be paid by all covered workers, most of whom qualify for benefits above the proposed amounts and would therefore receive no benefit increases.

A second major question to be considered, then, is: Who would lose by the proposed increases by reason of bearing increased costs without receiving any increase in protection in return?

With these questions as background we may proceed to an examination of the benefits payable under the program, now and in the future, and of the earnings records on which benefits will be based.

An Analysis of Benefits

An obvious first question to be answered by an examination of the benefit rolls of the program is, What are people receiving in benefits now? More specifically, how many and who among those now on the benefit rolls would have their benefits increased if the proposed higher minimum benefits were adopted? Present benefit rolls have been analyzed to throw light on this question. But because changes in the provisions of the program in the last few years will greatly change the picture for the future, we must also look ahead, and therefore estimates have been prepared of what the beneficiary rolls will be like in 1960. (The analysis of earnings that follows the benefit analysis will indicate the effect of the proposed increases in the minimum over the long-run future, as well as more specifically the groups that will be affected.) Moreover, in examining both present and future benefit experience we will find it necessary to consider men and women separately because the characteristic work patterns of men and women are quite different.

In the analysis that follows attention is concentrated on the effect of the proposals on aged beneficiaries. It is of course important that young survivor families be adequately provided for under the program. At present, however, only one out of eight of all beneficiary families are young survivor families, and they receive only one out of every six dollars of benefit payments; in the future even these small proportions will decrease considerably. Similarly, among the aged beneficiaries, individuals receiving benefits as the dependent parents of deceased wage earners have not been considered because they form so small a proportion--at present less than one-half of one percent--of the total.

Benefits to retired workers

Table 11 shows retired worker beneficiaries receiving benefits at the end of 1954 distributed by benefit amount and by sex. Table 12 shows the distribution of the same group by benefit amount and by region and State. The tables indicate that about 17 percent of the nearly 4 million retired-worker beneficiaries on the rolls at the end of the year were receiving the minimum benefit of $30. If the minimum were increased to $55, about 44 percent of the total would have their benefits increased; if the minimum were $60, about 50 percent would receive an increase; if the minimum were $75, almost 75 percent would have their benefits increased. (The maximum payable in 1954 was $98.50.)

In the Northeast only 13 percent of the beneficiaries now receive the minimum benefit, while in the South nearly 25 percent do so. The Middle West and Far West fall pretty close to the average for the country. The same relationships among the regions hold at the higher levels, too. While 37 percent of the beneficiaries in the Northeast region receive less than $55, about 54 percent of those in the South and 43 percent and 46 percent in the Middle West and Far West respectively, receive less than $55.

Table 11.--Estimated percentage distribution of old-age benefits[1] in current-payment status at the end of 1954 by amount of monthly benefit and sex of beneficiary.

Old-age benefit amount	Total	Male	Female
Total number	3,732,000	2,803,000	929,000
Total percent[2]	100	100	100
$30.00	17	13	28
30.10–54.90	27	23	37
55.00–59.90	7	7	7
60.00–74.90	24	25	20
75.00–98.50	26	32	8
Under $55.00	43	36	66
Under $60.00	50	43	72
Under $75.00	74	68	92

[1]Includes aged wife's benefit amounts payable to women concurrently receiving old-age benefits. Excludes women concurrently receiving an aged widow's benefit.

[2]Totals do not necessarily equal sum of rounded components.

Table 12.--Number and average monthly amount of old-age benefits in current-payment status and percentage distribution by amount of benefit, by Region and State, December 31, 1954.

(Percentage distribution based on 10-percent sample)

Region and State	Average old-age benefit	Number of beneficiaries	Percent of old-age beneficiaries receiving:								
			Total	$30.00	$30.10–54.90	$55.00–59.90	$60.00–74.90	$75.00–98.50	Under $55.00	Under $60.00	Under $75.00
Total[1]	$59.14	3,775,134	100.0	16.9	26.6	6.8	23.9	25.9	43.4	50.2	74.1
Northeast	62.11	1,243,486	100.0	13.3	23.7	7.0	26.8	29.2	37.0	44.0	70.8
Connecticut	65.57	67,828	100.0	10.7	20.0	6.4	26.8	36.1	30.7	37.1	63.9
Maine	55.25	34,019	100.0	21.1	28.6	8.0	24.2	18.1	49.7	57.7	81.9
Massachusetts	62.36	171,693	100.0	12.2	23.4	7.1	29.0	28.3	35.6	42.7	71.7
New Hampshire	57.50	21,240	100.0	14.6	28.9	8.6	27.2	20.7	43.5	52.1	79.3
New Jersey	64.09	148.921	100.0	12.8	21.8	6.4	25.3	33.7	34.6	41.0	66.3
New York	61.36	454,068	100.0	14.0	24.9	7.0	26.0	28.1	38.9	45.9	71.9
Pennsylvania	62.72	304,784	100.0	12.8	22.7	6.9	27.7	29.9	35.5	42.4	70.1
Rhode Island	61.63	29,410	100.0	12.4	22.7	8.3	29.5	27.1	35.1	43.4	72.9
Vermont	55.88	11,523	100.0	19.1	28.2	8.0	23.1	21.6	47.3	55.3	78.4
South	53.93	778,799	100.0	24.8	29.2	6.5	21.3	18.2	54.0	60.5	81.8
Alabama	51.55	43,696	100.0	27.7	30.4	7.0	20.9	14.0	58.1	65.1	86.0
Arkansas	48.58	31,389	100.0	32.6	31.1	6.6	18.1	11.6	63.7	70.3	88.4
Delaware	59.67	8,840	100.0	19.4	24.7	6.2	23.5	26.2	44.1	50.3	73.8
District of Columbia	57.73	14,838	100.0	15.9	29.4	7.3	24.4	23.0	45.3	52.6	77.0
Florida	59.44	103,682	100.0	19.5	24.9	6.0	21.7	27.9	44.4	50.4	72.1
Georgia	50.60	45,041	100.0	29.1	32.9	5.7	18.4	13.9	62.0	67.7	86.1
Kentucky	53.95	51,757	100.0	23.8	29.4	7.0	22.6	17.2	53.2	60.2	82.8
Louisiana	51.54	36,739	100.0	26.8	32.3	6.6	18.2	16.1	59.1	65.7	83.9
Maryland	58.03	50,987	100.0	18.2	27.2	6.5	24.5	23.6	45.4	51.9	76.4
Mississippi	47.19	23,010	100.0	35.3	31.5	5.7	17.5	10.0	66.8	72.5	90.0
North Carolina	52.11	48,855	100.0	26.3	30.3	7.7	22.2	13.5	56.6	64.3	86.5
Oklahoma	52.62	39,331	100.0	26.9	29.8	5.4	21.2	16.7	56.7	62.1	83.3
South Carolina	51.98	22,947	100.0	25.8	31.5	7.1	21.2	14.4	57.3	64.4	85.6
Tennessee	50.93	48,172	100.0	28.5	32.4	6.6	19.7	12.8	60.9	67.5	87.2
Texas	52.67	111,706	100.0	27.1	29.9	6.1	19.0	17.9	57.0	63.1	82.1
Virginia	54.53	54,447	100.0	23.0	29.0	6.4	23.3	18.2	52.0	58.4	81.7
West Virginia	58.81	43,362	100.0	18.9	23.4	7.2	27.9	22.6	42.3	49.5	77.4

Table 12.-- Continued

Region and State	Average old-age benefit	Number of beneficiaries	Percent of old-age beneficiaries receiving:								
			Total	$30.00	$30.10–54.90	$55.00–59.90	$60.00–74.90	$75.00–98.50	Under $55.00	Under $60.00	Under $75.00
Middle West	$59.99	1,140,213	100.0	17.9	25.0	6.2	22.8	28.1	42.9	49.1	71.9
Illinois	61.94	234,248	100.0	15.1	23.4	6.6	24.2	30.7	38.5	45.1	69.3
Indiana	58.31	109,812	100.0	19.8	26.3	6.1	22.1	25.7	46.1	52.2	74.3
Iowa	54.60	60,349	100.0	24.7	28.5	6.0	21.9	18.9	53.2	59.2	81.1
Kansas	54.06	43,083	100.0	24.1	30.9	6.2	21.0	17.8	55.0	61.2	82.2
Michigan	64.37	158,548	100.0	13.8	22.4	6.3	21.5	36.0	36.2	42.5	64.0
Minnesota	57.41	71,118	100.0	21.2	27.1	6.1	22.0	23.6	48.3	54.4	76.4
Missouri	56.62	100,633	100.0	20.8	27.9	6.8	22.9	21.6	48.7	55.5	78.4
Nebraska	53.69	27,765	100.0	24.5	29.0	5.1	22.8	18.6	53.5	58.6	81.4
North Dakota	50.57	7,389	100.0	30.9	30.6	5.3	18.7	14.5	61.5	66.8	85.5
Ohio	62.20	221,887	100.0	14.9	23.5	6.2	23.7	31.7	38.4	44.6	68.3
South Dakota	52.14	10,505	100.0	25.8	30.7	6.0	23.4	14.1	56.5	62.5	85.9
Wisconsin	59.73	94,876	100.0	19.7	24.1	5.4	22.1	28.7	43.8	49.2	71.3
Far West	58.36	568,559	100.0	18.3	27.6	7.2	22.8	24.1	45.9	53.1	75.9
Arizona	58.19	15,322	100.0	23.1	25.6	6.8	20.1	24.4	48.7	55.5	75.6
California	58.73	334,555	100.0	17.0	28.0	7.2	23.1	24.7	45.0	52.2	75.3
Colorado	56.43	31,609	100.0	23.4	25.4	7.6	22.2	21.4	48.8	56.4	78.6
Idaho	53.62	12,649	100.0	24.5	30.7	5.5	20.4	18.9	55.2	60.7	81.1
Montana	55.75	13,800	100.0	24.1	28.3	6.0	22.6	19.0	52.4	58.4	81.0
Nevada	56.70	4,146	100.0	21.5	31.5	6.2	21.8	19.0	53.0	59.2	81.0
New Mexico	52.24	7,596	100.0	29.2	28.1	5.9	16.7	20.1	57.3	63.2	79.9
Oregon	58.51	53,242	100.0	18.2	27.6	7.4	22.9	23.9	45.8	53.2	76.1
Utah	58.18	12,339	100.0	20.6	25.6	5.7	22.1	26.0	46.2	51.9	74.0
Washington	59.52	77,986	100.0	15.9	26.5	8.1	24.1	25.4	42.4	50.5	74.6
Wyoming	56.49	5,315	100.0	24.6	25.2	6.9	22.0	21.3	49.8	56.7	78.7
Alaska	56.15	1,960	100.0	19.4	26.4	8.3	22.9	23.0	45.8	54.1	77.0
Hawaii	56.49	8,111	100.0	19.9	29.0	6.8	21.3	23.0	48.9	55.7	77.0
Puerto Rico	40.71	10,173	100.0	33.6	48.6	2.6	11.8	3.4	82.2	84.8	96.6
Virgin Islands[2]	42.11	160	100.0	–	–	–	–	–	–	–	–
Foreign	62.07	23,673	100.0	10.6	21.6	7.9	35.0	24.9	32.2	40.1	75.1

[1]Percent distribution of total reflects adjustment (estimated) to include the amount of aged wife's benefits payable to women concurrently receiving old-age benefits and to exclude women concurrently receiving aged widow's benefit. Percent distributions for individual States were not adjusted because of lack of data.

[2]Too few cases in sample for a reliable distribution.

Differences between States are even greater, as might be expected. In Connecticut, for example, only 11 percent now receive the $30 minimum, about 31 percent get less than $55, 37 percent less than $60, and 60 percent less than $75. In Mississippi, at the other extreme, 35 percent now get the minimum, 67 percent get less than $55, 72 percent less than $60, and 90 percent less than $75. In Puerto Rico we find almost 34 percent of the beneficiaries at the minimum, 82 percent below $55, 85 percent below $60 and almost 97 percent below $75.

Table 11 shows the distribution of benefit amounts by sex. It is extremely important to consider separately the experience of men and women under the old-age and survivors insurance program because of differences in the character of the normal work experience of men and of women. Almost all men are full-time workers. They enter the labor market when they finish school and, except for periods of unemployment and disability, work consistently throughout their lives. Their wage patterns may vary with occupation or with geographical location, but overall they are in the labor market through their adult years. Their families normally are dependent upon their earnings for support.

Among women who work, on the other hand, most do not follow this pattern. Large numbers work before marriage but leave the labor market while their children are young. They may or may not return to work when their children are grown. A large percentage of women who work have part-time jobs. While the work of women is important to the economic security of their families, the great majority of them are not consistently dependent upon their own earnings for their full support.

We would expect, then, to find benefits for men under the program considerably higher than for women, and table 11 shows this to be true. Of the 3,732,000 retired workers on the benefit rolls at the end of 1954, 2,803,000, or roughly three-quarters, were men. About 13 percent of the men were receiving the $30 minimum, as compared with 28 percent of the women. About 36 percent of the men, as compared with about 66 percent of the women, were receiving less than $55; 43 percent of the men, as compared with 72 percent of the women, were receiving under $60; and 68 percent of the men, as compared with 92 percent of the women, were getting less than $75. Thus the benefits payable to women reflect their more casual attachment to the labor force and their lesser participation in the program.

Even for men, the distribution of benefit payments for those on the rolls at the end of 1954 does not reflect full-time earnings at present earnings levels. The benefits now being paid reflect employment at earnings levels much lower than now prevail, periods of work outside of covered employment, and periods of disability and unemployment. All of these factors have operated in the past to dilute the average monthly wage and the benefits based thereon.

For most people who become beneficiaries in the future, on the other hand, the situation will be very different. In recent years several amendments to the law have been adopted to protect the average monthly wage and benefit amount of persons who are normally dependent on their own earnings but who, because of circumstances beyond their control, either fail to have covered earnings during certain periods or have covered earnings lower than those typical of their full earning capacity.

First, the coverage of the program has been made very nearly universal. Prior to 1950 major areas of work were outside of the coverage of the program--work in agriculture and domestic service, urban self-employment, employment by Federal, State and local governments and nonprofit organizations. The only major areas that still remain excluded in 1955 are Federal employment already under a retirement system and self-employment in certain professions. Of particular importance is the extension of coverage to both self-employment and wage employment in agriculture that was accomplished by the 1950 and 1954 amendments. The large numbers of people now getting low benefits in rural areas is chiefly a reflection of the fact that because part of their time was spent in farm work, only part of their earnings were covered and creditable toward benefits.

The second amendment in the law that will improve average monthly wages and benefit amounts of those coming on the rolls in the future is the "new start" adopted in 1950. Under this provision most retired workers coming on the rolls in the future will have their benefits based only on earnings after 1950, so that the relatively low wages of the late thirties and forties will not operate to depress their average monthly wages and benefit amounts.

The third such amendment is the provision for the "drop-out" adopted in 1954, under which as much as five years of low earnings, may be disregarded in determining the average monthly wage. This provision will permit the exclusion of periods of temporary unemployment, apprentice earnings, or "tapering off" toward retirement, so that an individual who by and large has worked throughout his life and supported himself may receive benefits based on an average not far below that of his full-time earnings. Finally, the provision adopted in 1954 for "freezing" the benefit amounts of workers who become permanently and totally disabled will mean that such workers, if they have been substantially attached to the work force before incurring their disabilities, will be able to receive full-rate benefits when they reach retirement age.

The effect of all these provisions will be to pay higher benefits to many of the people who otherwise would have gotten benefits at or near the minimum. In general, the changes listed will provide higher benefits for those who normally support themselves and their families but who under prior law would have had gaps in their earnings records because of non-covered work, unemployment, or disability or who would have had periods

of low earnings counted against them. The changes listed will generally not increase benefits to any considerable extent for those whose work over their lifetimes is only part-time or intermittent. As a result of the changes, therefore, the effect of the present $30 minimum will be limited, in the future, largely to raising benefits for part-time and intermittent workers.

Let us look, then, at the situation as it may be in the future--in 1960, for example. Table 13 shows retired worker beneficiaries in current-payment status at the end of 1960 distributed by benefit amount and by sex. The table indicates that about 10 percent of the retired workers then on the rolls will be receiving the minimum benefit of $30, as compared with 17 percent at the end of 1954. About 30 percent (as compared with 43 percent in 1954) will be receiving less than $55; about 35 percent (as compared with about 50 percent in 1954) will be receiving less than $60; and about 57 percent (as compared with 74 percent in 1954) will be receiving less than $75. Looking at the figures for men we find that 22 percent (as compared with 36 percent in 1954) will be receiving less than $55; about 26 percent (as compared with 43 percent in 1954) will be receiving less than $60; and 46 percent (as compared with 68 percent in 1954) will be getting less than $75.

These figures of course reflect the fact that retired workers coming on the rolls over the next five years will generally be entitled to higher benefits than people who have already retired. In order to indicate what the picture will look like for those retiring in the future, estimates have been prepared of benefits to be awarded to retired workers over the next few years. Tables 14 and 15 present percentage distributions of those benefits by benefit amount, sex of beneficiary, and starting date for computing the average monthly wage.

Table 14 shows much smaller proportions receiving benefits at the lower levels than were shown for those now on the rolls. Only about one-fifth of the benefits awarded are expected to be below $55, about one-fourth below $60, and less than one-half (about 43 percent) below $75.

Here again it is important to note how the experience of men differs from that of women. Among the male workers coming on the rolls in the next 6 years, about 12 percent would receive less than $55, as compared with about 42 percent for women; about one-seventh would qualify for less than $60, as compared with about one-half of the women; and less than one-third of the men (30 percent) would qualify for less than $75, as compared with about four-fifths of the women.

The most significant information contained in the table, however, is the difference in the distribution of benefits based on earnings after 1936 and those based only on earnings after 1950. The latter reflect the effects of the changes in the program listed above; benefits based on

Table 13.--Estimated percentage distribution of old-age benefits[1] in current-payment status at the end of 1960, by amount of monthly benefits and sex of beneficiary.

Old-age benefit amount	Total	Male	Female
Total number	5,978,000	4,292,000	1,686,000
Total percent[2]	100	100	100
$30.00	10	7	17
30.10–54.90	20	14	35
55.00–59.90	5	4	6
60.00–74.90	21	20	26
75.00–108.50	43	54	16
Under $55.00	30	22	52
Under $60.00	35	26	59
Under $75.00	57	46	84

[1]Includes aged wife's benefit amounts payable to women concurrently receiving old-age benefits. Excludes women concurrently receiving widow's benefits.

[2]Totals do not necessarily equal the sum of rounded components.

Table 14.--Estimated percentage distribution of old-age benefits[1] awarded in 1955–60 by amount of monthly benefit, by computation method and by sex of beneficiary.[2]

Old-age benefit amount	Total			Male			Female		
	Total	Based on earnings after 1936	Based on earnings after 1950	Total	Based on earnings after 1936	Based on earnings after 1950	Total	Based on earnings after 1936	Based on earnings after 1950
Total[3]	100	100	100	100	100	100	100	100	100
$30.00	5	12	3	3	9	2	9	16	5
30.10–54.90	15	36	8	9	28	3	33	50	25
55.00–59.90	4	10	2	2	9	1	6	12	4
60.00–74.90	20	27	17	16	32	12	30	18	35
75.00–108.50	57	15	70	70	22	82	22	3	31
Under $55.00	20	48	11	12	37	5	42	66	30
Under $60.00	23	57	12	14	46	6	49	78	34
Under $75.00	43	85	30	30	78	18	78	97	69

[1]Includes aged wife's benefit amounts payable to women concurrently receiving old-age benefits. Excludes women concurrently receiving an aged widow's benefit.

[2]Beneficiaries eligible for drop-out of up to 5 years of lowest earnings in calculation of average monthly wage.

[3]Totals do not necessarily equal the sum of rounded components.

Table 15.--Estimated percentage distribution of old-age benefits awarded in 1955–60 by computation method and by sex of beneficiary.[1]

Computation method	Total	Male	Female
Total	100	100	100
Benefits based on:			
Earnings after 1936	24	20	33
Earnings after 1950	76	80	67

[1]Beneficiaries eligible for drop-out of up to 5 years of lowest earnings in calculation of average monthly wage.

earnings after 1936 generally will not reflect all of those changes. In general, an individual may qualify for a computation based on earnings after 1950 if he has 6 quarters of coverage after 1950. Even if he does qualify he may nevertheless have his benefit computation based on earnings after 1936 if that would be more favorable. A computation based on earnings after 1936 would generally be more favorable only if he had very little covered work after 1950. The benefits based on earnings after 1950, therefore, include practically all benefits awarded to individuals who have been dependent on recent covered work. Those whose benefits will be based on earnings over the entire period since 1936 will be those who have been out of covered work after 1950, either because of sickness or disability, work in noncovered jobs, or periods in which the individual was not dependent on his own earnings.

Among the benefits based on earnings after 1950, only about 11 percent will be below $55, about 12 percent below $60, and about 30 percent below $75. Among the men whose benefits will be based on earnings after 1950--and this group is the one that includes the regular full-time long-term workers who support themselves and their families through earnings in covered work--only about 1 in 20 will be receiving less than $55, only 1 in 16 less than $60 and fewer than 1 in 5 (18 percent) less than $75.

Who are these few who would receive less than the specified amounts? Even among this group we can assume that while some of those qualifying for benefits at the low levels may be people employed full time in covered work, most are people who work only part of the time in covered jobs. Even though coverage is very nearly universal there are still some areas of work outside of the program. Thus among the men whose benefits will be based on earnings after 1950 the 1 person in 20 who qualifies for less than $55 may be, for example, a self-employed lawyer or a Federal employee who picks up enough part-time work to qualify. (He needs only 40 calendar quarters with $50 in covered wages in each quarter, or 10 years with covered self-employment income of $400 in each year, to do so.) Even if coverage is extended as widely as possible there would still be people--for example, State and local government employees whose employers had not brought them into coverage, or even a person living on income from investments--who would not be under the program for the major part of their lives but who could pick up enough covered work to become insured. The expense of paying the high minimum benefits to people with this kind of work history would of course have to be borne by the people covered under the program for a full working lifetime.

We can conclude, then, from our analysis so far that among beneficiaries coming on the rolls in the future the regular full-time, lifetime workers who have supported themselves and their families over their lifetimes by working in covered jobs would generally not be helped by the proposed increases. While a few regular, long-time workers might be helped, particularly with a $75 minimum (this is discussed more specifically in

the earnings analysis that follows), the very great majority would be hurt because they would have to pay increased contributions without any increase in protection. The increased contributions would chiefly go to pay high benefits to people--self-employed doctors and lawyers, Federal workers, and investors--who were not dependent on earnings from covered jobs and who contributed to the program for only a small fraction of their lives.

Women as beneficiaries under the program

This report has already touched on the fact that women workers generally qualify for lower benefits than men. Even among retired women workers coming on the rolls in the future with benefits based on earnings after 1950, we find that about one-third will qualify for benefits of less than $55 or $60 and 69 percent for benefits of less than $75 (table 14). It is important to examine the reasons why women qualify for benefits at these low levels and what can be expected in the future.

Many of the women who qualify for benefits under the program will of course do so as the wives or widows of insured workers rather than in their own right on the basis of their own earnings. Moreover, some will qualify for benefits in more than one of these ways. In the analysis that follows we will consider first the benefits payable to those who qualify only in their own right as retired workers; then we will consider those who qualify as wives or widows on their husbands' earnings records, including those who qualify also in their own right.

Before examining the benefit experience of women under the program, however, it is essential to consider in more detail the work pattern that is customary for women. The great majority of women workers are not primarily dependent on their own wages and salaries for support over the years that for a man would constitute a working lifetime. Only 7 percent of the women aged 65 to 74 have never been married. Thus it can be assumed that over 90 percent of all women, by the time they attain age 65, will have been at some time or another at least partly dependent on the income of their husbands. About 8 out of 10 of these women will have borne children and had the responsibility for their care. While 80 percent of all single women 18 to 65 years old worked in 1950, only 37 percent of the married women, and only one-fourth of the married women with children under 6 years of age, were working. Only 9 percent of the women with some employment covered by old-age and survivors insurance in the period 1937-51 who were aged 35 and over in 1951 had worked under the program in each of the 15 years. In contrast, despite the limited coverage of the program and the fact that the period included World War II when men in this age group were subject to the draft, 24 percent of the corresponding group of men worked in covered jobs in each of the 15 years.

Apparently a common pattern for married women is to work before marriage and then to leave the labor force upon marriage or when the first child is born. Many women return to gainful employment, probably in their late thirties, for a period of some 10 years or more; many withdraw from employment 10 years or so before reaching age 65. Women following this pattern will be insured at age 65 on their own earnings records, but they will have participated in the program for only a fraction of their working lifetimes.

It should be noted, too, that many women will be able to acquire insured status on the basis of part-time employment. While in 1953 about 42 percent of all women aged 14 and over were in the labor force, about 60 percent of the women working in that year were not full-time workers. 1/ Eligibility for OASI benefits is based on quarters of coverage; in general, a quarter of coverage is earned if wages of $50 or more are paid to the individual in the quarter. It is quite possible, therefore, to qualify for benefits on the basis of part-time jobs, even for those who work for only a few years. Thus we will find that as the program matures more and more women will qualify for benefits based on their own employment and earnings records. Some 38 percent of all the aged women beneficiaries in 1960, we estimate, will be receiving benefits based on their own work records; by the year 2000 it is expected that the comparable figure will be around 60 percent.

Let us consider first the women who are qualified only for a benefit in their own right--who are not eligible for benefits as either wives or widows of insured male workers. In the year 1960 it is expected that 24 percent of the aged women beneficiaries will fall in this group.

At present many of the women who qualify for benefits in their own right, but not as wives or widows of insured workers, are married women who have been primarily supported by their husbands' earnings rather than their own but whose husbands failed to become insured. In the short run this could happen because of the limited coverage in the early years of the program, because of long-term disability occurring too early for insured status to be protected under the disability "freeze," or because the husbands had died before the program started.

Over the long run, on the other hand, it may be assumed that most of the women who do not become eligible as wives or widows will have been dependent on their own earnings over a substantial proportion of their lives. Most of those who have so supported themselves can be assumed to qualify for benefits at or above the proposed minima. (The women who qualify for benefits in their own right at amounts below the proposed minima will be found, generally speaking, among the groups who have been

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1/ U.S. Census, Series P-50, No. 54, Table B.

dependent on their husbands' earnings.) Increasing the minimum to the specified amounts will generally not, then, except in the short run, increase the benefits payable to women who customarily work and support themselves; increases in the minimum are not required for this purpose nor would they have this result.

Turning now to the group of women who are eligible for benefits as wives of retired insured workers, let us consider first the benefits payable to the wives of insured workers who are not eligible for benefits in their own right. In 1960 this group is expected to make up about 30 percent of the total.

As has been explained, a wife is entitled to a benefit amounting to one-half of the old-age benefit payable to her husband. Thus if the minimum benefit payable under the program to a retired worker were $55, the minimum payable to a wife would be $27.50 and the amount payable to the family would be $82.50; if the minimum benefit were $60, the wife's benefit would be $30 and the family benefit would be $90; if the minimum were $75; the wife's benefit would be $37.50 and the family benefit $112.50.

Table 16 shows the percentage distribution by size of family benefit of families consisting of a retired worker and wife in current-payment status at the end of 1954 and at the end of 1960. 1/ The table indicates that in 1954, 30 percent of the wives were in families that received less than $82.50, 36 percent were in families that received less than $90, and 62 percent were in families that received less than $112.50.

Among women eligible for wives' benefits, however, the situation is changing fairly rapidly. Women who come on the rolls as wives in the future will generally be eligible on the basis of earnings records of men who will have worked in covered jobs in recent years at the relatively high wage levels prevalent in those years and under the relatively more favorable provisions of the amended law. Thus we find that in 1960 only about one-sixth of the wives will be in families receiving less than $82.50, one-fifth will be in families receiving less than $90, and fewer than two-fifths will be in families receiving less than $112.50.

Let us consider next those women getting wives' benefits who qualify also as retired workers in their own right. We find that in 1960 this group is expected to make up about 5 percent of the total number of aged women

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1/ Included in the figures are payments to families consisting of a retired woman worker and her dependent husband as well as those consisting of a retired male worker and his wife. Families consisting of a woman worker and dependent husband make up less than 1 percent of the total. Not included are families where the wife is also receiving benefits as a retired worker; they are treated separately in this report.

Table 16.--Estimated percentage distribution of retired worker and aged spouse families[1] in current-payment status at the end of 1954 and 1960 by intervals of family benefit.

Amount of family benefit	December 31, 1954	December 31, 1960
Total families	937,000	1,485,000
Total percent[2]	100	100
$45.00	11	5
45.10–82.40	19	11
82.50–89.90	6	3
90.00–112.40	26	18
112.50–162.80	38[3]	62
Under $82.50	30	16
Under $90.00	36	19
Under $112.50	62	38

[1]Excludes families in which the spouse is concurrently receiving old-age benefits.

[2]Totals do not necessarily equal the sum of rounded components.

[3]The maximum retired-worker-and-spouse family benefit at the end of 1954 was $147.80.

beneficiaries. The group can be expected to be made up predominantly of women who have not been dependent on their own earnings over most of their lifetimes and who have spent relatively short periods in covered work. The benefits payable to them as wives will in most cases not be increased as a result of the proposed increases in the minimum since the very great majority of the men will have benefit amounts above the proposed minima. On the other hand, the benefits payable to them in their own right as retired workers can be expected to be relatively low, since they will have worked in covered jobs for relatively short periods, and therefore many of them probably would receive higher benefits as retired workers if the proposed increases were adopted.

We may conclude, then, that one effect of the proposed increases would be to pay higher benefits to families where the wife had been primarily supported by her husband, had had very little covered work, and had paid very small amounts in contributions.

Turning now to the group who are eligible for benefits as the widows of deceased insured workers, let us consider first the group who are eligible for benefits also in their own right. Here the provision in the 1954 amendments for the payment of at least a full minimum benefit to a beneficiary who is the sole survivor entitled to benefits on a given wage record comes into play; whether or not a widow is entitled to a benefit in her own right as a retired worker, the minimum-benefit amount will apply. Thus under present law every woman eligible for a widow's benefit, whether or not she is eligible also for a benefit in her own right, is eligible for at least $30, even though this may be more than three-fourths of her deceased husband's primary insurance amount. Similarly, if the minimum benefit were increased to $55, it is assumed that every widow would get at least $55 even though her husband's primary insurance amount may have been less than $73.30 (the amount that would produce a widow's benefit of $55 under the provision that a widow get three-fourths of her husband's primary insurance amount). Thus the fact that a widow becomes eligible for a benefit based on her own work record will not result in her qualifying for a higher minimum amount than she would get as a widow. The effect of the proposed increases in the minimum on the benefit amounts that would be payable to this group may therefore be analyzed by considering only the benefits payable to them as widows.

We have therefore combined the group of women receiving benefits both as widows and as retired workers with the group receiving widow's benefits only. In 1960 the combined groups will amount to 38 percent of all aged women beneficiaries. Table 17 shows the percentage distribution of widow's benefits in current-payment status at the end of 1954 and at the end of 1960. 1/ The table indicates roughly the effect of the proposed increases

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1/ Included in the figures are payments to dependent widowers as well as to widows; the widowers make up only less than 0.5 percent of the total.

Table 17.--Estimated percentage distribution of aged widow's or widower's benefits[1] in current-payment status at the end of 1954 and 1960 by amount of benefit.

Amount of benefit	December 31, 1954	December 31, 1960
Total number	640,000	1,300,000
Total percent[2]	100	100
$30.00	11	10
30.10–54.90	58	49
55.00–59.90	12	10
60.00–74.90	19	28
75.00–81.40	--	3
Under $55.00	69	59
Under $60.00	81	70
Under $75.00	100	97

[1]Includes old-age benefit amounts payable to women concurrently receiving aged widow's benefits.

[2]Totals do not necessarily equal the sum of rounded components.

in the minimum among the 640,000 women now receiving widow's benefits and the 1.3 million expected to receive them in 1960. At present about 11 percent receive benefits at the $30 minimum. About 69 percent receive benefits amounting to less than $55 and 81 percent less than $60. Because the maximum payment now made to a widow (based on the maximum old-age benefit of $98.50 now payable) is $73.90, all of the 640,000 widows now on the rolls would receive a benefit increase if the minimum were raised to $75.

Aged widows constitute a unique group under the program because they may come on the rolls many years after the death of the husband. The benefit amount paid to an aged widow, based as it is on her husband's earnings record, may be related to a work experience that occurred some time in the past. Women will be coming on the benefit rolls for some years to come as the widows of men who died before the program was expanded and improved in 1950, 1952, and 1954 and before earnings had risen to present levels. The benefits payable to the aged widow group will therefore not increase as rapidly as will amounts paid to retired workers and their wives. Thus, looking at the column in the table showing benefits payable in 1960 we find 10 percent still at the $30 minimum, 59 percent under $55, 70 percent under $60, and 97 percent under $75. (The maximum then payable to a widow will be $81.40.)

Over the long run the aged-widow group, as well as all other beneficiary groups, will benefit from the expanded coverage, the disability freeze, the "drop-out," and the other improvements that have been made in the program over the last few years, and as these provisions gradually make their effects felt the proportions of the widow group who would benefit from the proposed increases will decline. Nevertheless it appears that a fairly substantial group among those who would be benefited by the proposals, at least in the near future, would be made up of aged widows whose husbands had died before the program was improved. If it were felt that benefits for this group should be improved, methods of doing so other than an increase in the minimum benefit could of course be worked out.

Summary of benefit analysis

To summarize, we find from our analysis of benefits that while many of those already on the rolls would benefit from the proposed increases, the groups who would benefit among those coming on the rolls in the future would be widows whose husbands had died prior to the recent improvements in the program; families where the wife had had barely enough covered work to become insured; and people who have spent most of their lives in noncovered work--for example, as self-employed doctors or lawyers or as Federal employees--or who have lived on income from investments. If improvement in the protection afforded to widows whose husbands have already died is considered a desirable objective, it could of course be achieved in some way other than by increasing the minimum. It would not seem necessary, in order to achieve this objective, that higher benefits be provided also for those whose major source of support over their lifetimes was not subject to the taxes that support the program.

On the other hand, the chief groups who would be hurt by the proposed increases, in the sense that they would pay higher contributions without any increase in protection, would be the group of people who will work in covered jobs regularly and consistently throughout their lifetimes in the future and support themselves and their families out of their earnings from covered work.

An Analysis of Earnings Records

The analysis of benefits has provided an indication of the effect of the proposed increases in the minimum over the next 5 or 6 years. This period of 5 or 6 years is not long enough to give a proper perspective of the proposals, however, since old-age and survivors insurance is a long-range program and many of those now covered by it and contributing under it toward their security will not receive benefits for another 40 years. Accordingly, in order to provide an indication of the long-range effect of the proposals, an analysis has also been made of earnings records of men under the program. That analysis throws additional light, too, on the question of the specific groups who would gain from the proposed increases in the minimum and those who would lose by reason of paying higher contributions without getting higher benefits. (An analysis of the earnings records of women would not be similarly meaningful because it is impossible to assume who among the women employed at any given time, or even over some reasonable period, will be the lifetime workers; it can be assumed that practically all of the men will be.)

Estimates of the relative numbers of men now working in covered employment who would gain by an increase in the minimum benefit, and the number who would lose because they would pay higher contributions but would not get higher benefits, should ideally be based upon long-term earnings experience of workers under conditions that are expected to prevail in the future. Because of the recent changes in the law and in the general level of earnings, however, this ideal cannot even approximately be fulfilled. Estimates derived from long-term earnings experience would necessarily be based upon earnings in covered employment since 1937; in making such estimates several problems arise. First, there is no basis for estimating the amount by which past earnings should be increased to allow for past coverage limitations--when the records show that a person was not in covered employment in the past, there is no way of knowing whether or not he was then in employment that is now covered. Second, there is the problem of developing wage inflation factors to apply to past earnings in order to allow for the rising past trend of wages. One difficulty here is the determination of the amount of earnings credits to allow individuals for military service in and after World War II. Third, there is as yet no adequate basis for estimating the amount of earnings increase to allow for the elimination of periods of disability in average earnings computations. Finally, partly due to the problems already mentioned and partly due to the relatively short span of experience under the program, there is no sound basis for estimating the amount by which earnings would need to be adjusted to allow for the drop-out of years of low earnings in computing the average monthly wage.

Taking account of all factors, it appears that a better estimate of the men who will qualify for less than the proposed minima and therefore would gain by the proposed increases, and of those who will qualify for

more than the proposed minima and therefore would pay higher contributions without getting higher benefits, can be made by assuming that present annual earnings of men working full time will be representative of future average earnings. Present levels of earnings are much more likely than past earnings to be representative of future earnings levels. The present broad coverage and the provision for the drop-out years of disability and of low earnings in the average monthly wage computation indicate the use of full-time earnings to approximate future earnings experience. 1/

Accordingly, the analysis that follows is based on earnings in a single year. The basis for the analysis is a one-percent sample of men with wages in covered employment in 1951. 2/ The sample was restricted to those within the age span that will normally be used in computing lifetime earnings under the program--ages 22 through 64. Further restrictions were made to exclude from the sample those who clearly could not be presumed to have worked full time over the year. In the first place, a full-time wage earner obviously must have worked in each quarter of the year; therefore all who had less than four quarters of coverage were eliminated. Secondly, negligibly few adult men wage earners outside of agriculture, with its low cash wage but considerable noncash income, and outside of Puerto Rico and the Virgin Islands, very low-wage areas, earn less than $600 a year; the latter is equivalent to only 30 cents an hour for a person working 40 hours a week for 50 weeks in the year. The sample was therefore further restricted, with respect to nonfarm workers and workers outside of Puerto Rico and the Virgin Islands, to those with earnings of $536 or more in 1951 (which, after allowing for the general increase in earnings since 1951, is equivalent to present earnings of $600 a year). For men wage earners in Puerto Rico or the Virgin Islands or covered as agricultural workers in 1951, all those with four quarters of coverage were included in the sample irrespective of the amount of their earnings. The coverage conditions for agricultural wage earners in 1951 insure that almost all of those with four quarters of coverage in that year were genuine full-time workers. On the other hand, despite the exclusions from the sample, it is clear that for industries other than agriculture the sample included many less-than-full-time workers, since there unquestionably are many part-time, irregular or intermittent workers who earn more than $50 in each quarter and more than $600 in a year. Finally, earnings were adjusted upward to allow for an increase of about 12 percent in annual earnings since 1951.

1/ There are other factors that should be mentioned. It is likely that the general trend of earnings will be upward--this would have a tendency to make the estimates of those gaining by larger minimum benefits too high. If it is assumed, on the other hand, that wage levels will remain the same as now, the estimates of those gaining would probably be too small because they may not allow enough leeway in all cases for unemployment, disability, and shifting between covered work and the now relatively small areas of noncovered work.

2/ Men with wages who also had covered self-employment income in the year were excluded because it seemed unlikely that they had worked full-time for wages throughout the year.

The analysis indicates that relatively few men could be expected to qualify for old-age benefits below $55, $60, or $75 a month if they earn steadily at present rates. 1/ No more than 1 or 2 out of 100 men would qualify for old-age benefits below $55 or $60 if they work full time in covered jobs throughout their lifetimes at present wage rates. No more than 10 out of 100 would qualify for old-age benefits of less than $75.

That is the picture for the country as a whole. Because of differences in rates of earnings among different industries and geographical areas, the proportions of men who would qualify for old-age benefits of less than $55, $60, or $75 vary considerably from industry to industry and from State to State. Table 18 shows that percentage of men, classified by major industry division, who would qualify for old-age benefits of less than $55, $60, and $75 assuming that current annual earnings levels represent lifetime earnings levels. (Estimated median annual wages in 1954 for the groups included in the sample are also shown.)

Very small proportions of the workers whose major job during the year was in mining, contract constructions, manufacturing, public utilities wholesale and retail trade, or finance, insurance, and real estate would qualify for old-age benefits of less than $55 or $60 a month. In services 4 or 5 out of 100, and in agriculture 13 to 16 out of 100, would qualify for old-age benefits of less than $55 or $60. (In agriculture as many as 2 or 3 out of 100 wage earners would qualify for only the present minimum old-age benefit of $30.) While a tenth of all men wage earners included in the sample would qualify for old-age benefits of less than $75, only about a twentieth of the mining and manufacturing workers would do so; but a fifth of the service workers and a half of the farm workers would do so.

It should be pointed out that the farm workers included in these figures are only those covered by the law prior to the 1954 amendments. Except for certain borderline situations, therefore--and, of course, except for forestry and fishing--the 4-quarter workers in this category are those who worked for a single employer for at least 9 or 10 months without a

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1/ As indicated, the benefit formula provides for an old-age insurance benefit equal to 55 percent of the first $110 of the average monthly wage plus 20 percent of the remaining $240. In order to get an old-age insurance benefit of less than $55 under this formula, a person would have to have average annual earnings of less than $1,200; to get a benefit of less than $60, average annual earnings of less than $1,308; to get a benefit of less than $75, average annual earnings of less than $2,196. Average annual earnings of $660 or less will produce an old-age benefit of $30 a month.

Table 18.--Estimated percentages of men wage earners qualifying for old-age insurance benefits of less than $55, $60, or $75 on the basis of full-time[1] wages, and median wages in 1954 of men wage earners with full-time[1] employment, by industry division.

Industry division	Total in sample[2]	Percent qualifying for old-age benefits[3] of less than:			Median wages 1954
		$55	$60	$75	
Total	211,634	1.6	2.0	9.5	$4,176
Agriculture, forestry and fishing	2,610	13.2	15.6	49.5	2,211
Mining	7,465	.5	.8	4.5	4,330
Contract construction	18,414	1.7	2.3	10.6	4,303
Manufacturing	98,543	.8	1.0	6.4	4,300
Public utilities	17,063	1.1	1.5	7.2	4,352
Wholesale and retail trade	45,231	2.1	2.6	12.2	3,904
Finance, insurance and real estate	8,126	1.7	2.2	8.5	4,476
Services	14,182	4.2	5.2	19.5	3,615

[1]For nonagricultural wage earners, full-time men workers are defined as those with 4 quarters of coverage and $536 (equals $600 after being increased by 12 percent, the rise in annual wages from 1951 to 1954) of wages in 1951; for agricultural wage earners, defined as those with 4 quarters of coverage in 1951.

[2]One-percent sample of men with wages in covered employment in 1951 but without self-employment income, aged 22–64, and working full time as defined in footnote 1 above; excludes workers whose "State" of major job was Puerto Rico or the Virgin Islands or whose industry of major job was private households or "government not elsewhere classified" or was nonclassifiable.

[3]On the assumption that annual full-time earnings levels represent life-time earning levels.

break. The law as amended in 1954 will cover, in addition, farm work performed by employees who have had a much shorter duration of employment with a single employer, and who may therefore be expected to have, on the whole, less regular employment and lower annual earnings than the farm workers included in the sample. If the sample were drawn from the group including all farm workers now covered who have four quarters of coverage in ayear, it may be assumed that the proportions of the group who would benefit by the increased minimum would be higher than shown by the above figures. On the other hand, farm workers receive a substantial part of their remuneration in forms other than cash, yet only their cash wages are covered under the program.

Workers in private households were omitted from the table. Only a very small proportion of male earners perform domestic service in private households--only 708 such workers appeared in the sample. Among this sample group the proportion who would benefit by the increased minimum would be even higher than shown for the farm workers. For this group, too, wages in kind are not covered and cash wages only are used as the basis for the figures given.

The men working outside of agriculture were further analyzed by State and region. Table 19 shows a considerable variation of 1954 median wages by region, and greater variation by State. It also shows a considerable variation by region and State in the proportions of men who would qualify for old-age benefits below $55, $60, and $75. Looking first at the regions, the proportions qualifying for benefits of less than $55 or $60 in the South--3 or 4 percent--are more than twice the corresponding proportions in the other three regions. The same relation holds for those qualifying for benefits of less than $75: while substantially less than a tenth would do so in the Northeast, Middle West and Far West regions, nearly a fifth would do so in the South.

In several States no more than 1 out of 100 men wage earners outside of agriculture could be expected to qualify for old-age benefits of less than $55, while in Mississippi more than 5 out of 100 could be expected to do so. In Connecticut, Michigan, Ohio, and Alaska less than 5 in 100 could be expected to qualify for old-age benefits of less than $75, while in Mississippi 36 in 100 could be expected to do so.

Because of the peculiarities of the economy of Puerto Rico and the Virgin Islands--the importance of agricultural employment, seasonality of employment, and so on--relatively fewer men work full time throughout the year in that area than in the rest of the United States. And of the men working full time in Puerto Rico and the Virgin Islands, relatively large numbers would be advantaged by a minimum benefit of $55, $60, or $75 because of the low earnings rates prevailing in the area. A sample of men wage earners in that area with four quarters of coverage indicates that an eighth had annual earnings so low that they would qualify for no more than the present minimum benefit of $30; half would qualify on the same basis for benefits of as little as $55 to $60; and three-quarters would qualify for benefits of no more than $75.

Table 19.--Estimated percentages of nonfarm men wage earners who would qualify for old-age insurance benefits of less than $55, $60, or $75 on the basis of full-time[1] wages, and median wages in 1954 of men wage earners with full-time[1] employment, by region and State.

Region and State	Total in sample[2]	Percent qualifying for old-age benefits[3] of less than:			Median wages 1954
		$55	$60	$75	
Total	212,699	1.4	1.9	9.2	$4,170
Northeast	69,145	1.0	1.3	7.0	4,233
Connecticut	3,946	.6	.8	4.3	4,423
Maine	1,061	2.3	2.8	14.4	3,314
Massachusetts	7,853	.9	1.1	6.9	4,021
New Hampshire	786	.9	1.1	9.9	3,450
New Jersey	8,571	.9	1.1	6.0	4,416
New York	26,864	1.2	1.4	8.0	4,355
Pennsylvania	18,362	.9	1.2	5.9	4,184
Rhode Island	1,304	.8	1.0	8.8	3,692
Vermont	398	[4]	1.0	7.5	3,533
South	49,278	3.0	4.0	18.9	3,466
Alabama	2,918	4.2	5.6	22.5	3,207
Arkansas	1,248	4.5	5.8	29.1	2,929
Delaware	652	.6	1.5	7.4	4,303
District of Columbia	1,429	3.1	3.9	14.2	3,938
Florida	2,982	3.5	4.7	21.2	3,287
Georgia	3,477	3.6	5.0	25.6	2,980
Kentucky	2,581	2.7	3.3	15.3	3,608
Louisiana	2,788	3.2	4.4	21.7	3,462
Maryland	3,332	2.1	2.8	11.5	3,801
Mississippi	1,131	6.1	7.9	36.3	2,686
North Carolina	4,087	3.2	4.0	25.6	2,878
Oklahoma	2,265	2.5	3.0	13.2	3,766
South Carolina	2,018	4.2	5.0	25.0	2,976
Tennessee	3,275	3.4	4.5	21.0	3,347
Texas	8,904	2.0	2.8	13.8	3,920
Virginia	3,535	3.4	4.5	20.3	3,390
West Virginia	2,656	1.6	2.2	8.5	4,064

(Continued next page)

Table 19.-- Continued

Region and State	Total in sample[2]	Percent qualifying for old-age benefits[3] of less than:			Median wages 1954
		$55	$60	$75	
Middle West	68,165	.9	1.2	5.6	$4,426
Illinois	15,305	.8	1.1	5.3	4,532
Indiana	6,368	.8	1.1	5.5	4,413
Iowa	2,349	1.7	2.3	8.0	3,926
Kansas	2,001	1.3	1.8	7.8	3,959
Michigan	12.417	.7	.8	3.7	4,629
Minnesota	3,211	1.1	1.3	6.3	4,223
Missouri	5,139	1.4	1.8	9.8	3,965
Nebraska	1,204	1.5	2.2	10.3	3,759
North Dakota	321	2.5	3.4	15.0	3,551
Ohio	14,607	.8	1.0	4.7	4,531
South Dakota	358	.3	.3	7.0	3,636
Wisconsin	4,885	.8	1.0	5.0	4,418
Far West	25,338	1.1	1.3	5.8	4,473
Arizona	789	1.6	1.8	8.1	4,148
California	15,280	1.0	1.2	5.4	4,540
Colorado	1,466	1.0	1.3	7.2	4,087
Idaho	541	.6	.7	6.3	4,221
Montana	586	1.5	1.9	5.8	4,295
Nevada	228	3.1	3.1	8.3	4,312
New Mexico	540	2.6	3.9	14.1	3,981
Otegon	1,901	1.1	1.5	5.9	4,496
Utah	706	.8	1.4	6.5	4,316
Washington	3,014	.9	1.1	4.3	4,565
Wyoming	287	.3	.3	6.3	4,379
Alaska	179	.6	.6	2.2	5,830
Hawaii	594	1.3	1.9	10.1	3,627

[1]Full-time men workers are defined as those with 4 quarters of coverage and $536 (equals $600 after being increased by 12 percent, the rise in annual wages from 1951 to 1954) of wages in 1951.

[2]One-percent sample of 1951 men with wages in covered employment but without self-employment income, aged 22–64, and working full time as defined in footnote 1 above; excludes workers whose "State" of major job was Puerto Rico or the Virgin Islands, or was unclassified, or whose industry of major job was private households, farms, or agricultural services.

[3]On the assumption that annual "full-time" earnings levels represent life-time earnings levels.

[4]No workers in sample.

The picture, of course, is not complete without figures on the self-employed, most of whom are now covered by the program; they constitute about 15 percent of the total coverage. On the other hand, it is not possible on the basis of available data to separate persons self-employed full time from those self-employed part time. A considerable number of those who are self-employed--both farm and nonfarm--in any one year are part-time workers of one kind or another--they may have entered or left self-employment in the course of the year, for example, or have carried on small business enterprises in their spare time. Moreover, the assumption that present annual earnings levels reflect lifetime earnings levels under the program, which can reasonably be made for men who work in covered employment in all four quarters of the year, is not reasonable as applied to the self-employed. This is particularly true of farm operators. Many who are farm operators in a given year work in covered nonfarm jobs over a substantial part of their lifetimes. Farming is a speculative venture and income of individual farms fluctuate greatly from year to year. Farm operators may therefore be able to take more advantage than others of the drop-out of years of low earnings. Self-employed persons who have extremely low earnings in more than one year may leave self-employment and go to work for someone else, where they will earn more.

For all these reasons, benefit estimates based on self-employed earnings for any one year would in all likelihood greatly understate the benefit levels of persons in self-employment in that year and overstate the proportions of those persons who would gain from the proposed minima. Accordingly, such estimates are not presented in this report.

Finally, it should be noted that an analysis of potential benefits based on earnings records will show a smaller proportion of beneficiaries at the lower benefit levels than would be indicated by an analysis of beneficiary rolls. There are several reasons why this is so. In the first place, people with low earnings and low potential benefits are more likely to become beneficiaries, or to become beneficiaries sooner after retirement age, than those with high earnings and high potential benefits. This selectivity is due primarily to the operation of the retirement test. Under this test a worker just qualifying for an old-age benefit of $55 on the basis of steady earnings at $1,200 a year, for example, could upon attaining age 65 immediately begin receiving benefits without giving up his job or suffering any diminution in earnings; whereas a worker with a job paying high wages would have to give up earnings much larger than his benefits if he were to begin receiving benefits. Secondly, the disability freeze and the four or five-year drop-out of low earnings may not be sufficient to make up for periods of unemployment or of less than full-time earnings. More important than either of these is the fact that, as has been indicated, an individual whose main occupation is in noncovered work--or even one who lives mainly on income from investments--can qualify for OASI benefits on the basis of 40 quarters of coverage out of a 40-year working lifetime. An individual with this

sort of work history could not be identified in a study of earnings records for a single year--his covered earnings for that year, and the potential benefit assumed to be paid to him eventually, might be relatively high--but actually he would eventually become entitled to a fairly low benefit.

Summary of earnings analysis

To summarize, then, our analysis of earnings has indicated that, as a general rule, a low rate of earnings is not the primary reason why workers qualify for benefits low enough to gain by the proposed minima. The exceptions to this general rule are workers in certain low wage areas, like Puerto Rico, or in certain occupations with low money wages but considerable noncash income, like farming. The main reason for low benefits--and this is of crucial importance in an evaluation of the proposed minima--is part-time or intermittent attachment to covered employment. In the long run a casual attachment to covered work--either because the individual worked in noncovered jobs or because he did not support himself by his own work--will characterize those gaining by the increases in the minimum.

Additional Factors to be Considered

The relation of benefits to earnings

The percentage of average monthly earnings paid in benefits ranges from 55 percent at averages of from $55 to $110 to 31 percent at an average of $350. The minimum benefit of $30 exceeds 55 percent of average earnings in those cases where the latter are $54 or less. If the average earnings are $30 or less, the minimum benefit, of course, represents 100 percent of earnings or higher. An increase in the minimum benefit would increase the range of average earnings at which the benefit amount would exceed 55 percent, 80 percent, or even 100 percent of those earnings, as the following table shows:

	Average monthly earnings below which benefit--		
Minimum benefit	Exceeds 55%	Exceeds 80%	Exceeds 100%
$30	$ 54.54	$37.50	$30.00
55	100.00	68.75	55.00
60	109.09	75.00	60.00
75	136.36	93.75	75.00

This effect of the increased minima would be accentuated in cases where several members of the family are eligible for benefits. In general the law at present limits total family benefits to 80 percent of the worker's average monthly earnings or $200, whichever is less. There is, however, an exception to this general rule: The maximum does not operate to reduce family benefits below $50 or one and one-half times the worker's benefit, whichever is higher. Under this provision, with a minimum of $55 the guaranteed minimum benefit for, say, a man and wife both eligible for benefits would be $82.50; with a minimum of $60 the guaranteed family benefit would be $90; with a minimum of $75 it would be $112.50.

In previous sections of this report it has been indicated that many of the people who would get benefits at the proposed minimum levels would be those who have worked in covered jobs only intermittently or for short periods of their lifetimes. There will be some few regular low-paid workers, however--for example, in Puerto Rico and the Virgin Islands and among farm people--who under the proposals would be receiving more in benefits than they had been able to earn through work. Moreover, it is these very people, employed at low wages, who would be able to apply for and receive benefits at age 65 without retiring, since their earnings will be so low that the retirement test of the program will not apply. Thus we would have the anomalous situation of individuals continuing to work after 65 at their regular lifetime jobs while receiving benefits for themselves and their families higher than they had earned in wages while working.

Variable benefits and financing of OASI

Even more important is the narrowing of the range of benefit amounts that would result from the proposals, and the consequent loss of relationship between benefits and contributions. At present, while benefit amounts at the lower levels, because of the weighting in the benefit formula, are higher in relations to the contributions paid than are the benefits at the higher levels, nevertheless in the long run there is a definite variation in benefit amounts according to contributions, with the higher contributors becoming entitled to the higher benefits.

An obvious exception to this rule is that at the minimum individuals receive the same benefit regardless of the amount of their contribution. Any rise in the minimum benefit amount automatically widens the range of earnings and contributions for which the same benefit is paid. It is possible under present law for an individual first covered under the program in 1955 at age 21 to qualify for minimum retirement benefits on the payment of as little as $45 in contributions. In contrast, the lifetime worker first covered in 1955 at age 21 with earnings high enough to qualify for benefits amounting to $55 a month would have to pay about $1,500 in contributions; if he qualified for $60, he would have to pay between $1,600 and $1,700; if he qualified for $75, he would have to pay about $2,000. To qualify for the maximum benefit of $108.50--less than twice as much as the proposed minimum of $55 and less than half again as much as the proposed minimum of $75--he would have had to pay contributions of about $5,600, in comparison with the $45 that would be required to qualify for the minimum.

An increase in the minimum benefit also increases the disparity between the value of the contributions paid by workers with low average earnings and the actuarial value of the benefits. Table 20 indicates the level-premium cost of the benefits as a percentage of various levels of average wage under present law and under the proposals for increasing the minimum. The percentages shown indicate the contribution rate the individual would have to pay on his earnings over his lifetime in order to cover the cost of the benefits provided on his earnings record. The illustrations are for a single man and a single woman entering the system at age 20 and retiring at age 65.

As has been indicated in the section of this report which deals with the cost of the proposed increases in the minimum, the cost of the program would be increased by from 0.6 to 1.8 percent of payroll, depending on the amount of the minimum. If this increase were to be uniformly applied to contribution rates it would mean ultimate rates for employers and employees under the system of about $4\frac{1}{4}$ percent each for a $55 minimum; $4\frac{1}{2}$ percent for a $60 minimum; and 5 percent for a $75 minimum. Rates for the self-employment would increase proportionately.

Table 21.--Level premium costs of benefits paid in hypothetical cases as percent of assumed level monthly wages, assuming age 20 at entry, retirement at age 65, assumed future improving mortality, 2¼ percent interest.

	Single Man			
Level Monthly Wage	Present Law	$55 Minimum	$60 Minimum	$75 Minimum
$ 50	7.92%	13.40%	14.62%	18.28%
150	6.15	6.15	6.15	6.73
250	4.38	4.38	4.38	4.38
350	3.76	3.76	3.76	3.76

	Single Woman			
Level Monthly Wage	Present Law	$55 Minimum	$60 Minimum	$75 Minimum
$ 50	9.53%	16.12%	17.58%	21.98%
150	7.39	7.39	7.39	8.09
250	5.28	5.28	5.28	5.28
350	4.52	4.52	4.52	4.52

It is clear from the table that at the lowest levels of average wage the increases in the contribution rate would not anywhere nearly compensate for the increase in the value of the benefits provided. At the upper levels of average wage, on the other hand, there would be no increase in the value of the benefits even though the contribution rates would be increased. The increase in the contribution rates of the long-term, relatively higher-paid contributors would be used to pay higher benefits to people who had spent only a short time in covered work.

Summary and Conclusion

As has been indicated, the proposed increases in the minimum would result in appreciable increases in the cost of the OASI program. The increase in cost on a level-premium basis for the $55 minimum would be 0.6 percent of payroll; for the $60 minimum, 0.9 percent; for the $75 minimum, 1.8 percent.

With a $55 minimum the savings in Federal grants to States for old-age assistance would amount to about 4 percent at present and about 8 percent in 1960. The comparable figures for a $75 minimum would be 10 percent now and somewhat under 19 percent in 1960. The additional expenditures for OASI in 1955 would amount to from 5 to 7 times the reduction in the Federal share of assistance costs; for 1960 from 8 to 11 times.

Those who would benefit from the proposed increases in the minimum, aside from those people now on the rolls, would be widows whose husbands died before the recent improvements in old-age and survivors insurance, families where the wife had barely enough covered work to be insured, and people who had spent most of their lives outside of covered work such as doctors, lawyers, Federal employees, and investors. In addition there would be some regular lifetime workers in low-wage areas, such as Puerto Rico and the Virgin Islands, or in farming, with its low cash wage and considerable remuneration in kind. The chief group that would be hurt by reason of paying additional contributions without any benefit increases would be the regular, full-time, lifetime workers who supported themselves and their families throughout their lives by work in covered jobs.

It would seem very difficult to justify to the long-term contributors to the system, who even under present law receive less in proportion to their contributions than do the short-term contributors, that they must pay still higher contributions to help finance benefit increases for others while not getting additional benefits themselves. Especially would this be true when it is considered that among those who would receive the increased amounts would be self-employed doctors and lawyers, Federal workers, investors and others whose major source of support--income from noncovered work or investments--is not subject to the taxes that support the program.

Thus the provision of high minimum benefits not only would increase the cost of the program but it might also jeopardize the financing of the program by decreasing the willingness of the long-term regular worker to support the system. In the opinion of the Department of Health, Education, and Welfare there are values inherent in the contributory, variable-benefit system that make it most important that no step be taken, however expedient it may seem in the short run, that would weaken the financial basis of the system.

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83D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 989

AMENDMENT OF SECTION 217 (E) OF THE SOCIAL SECURITY ACT

JULY 27, 1953.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REED of New York, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 4151]

The Committee on Ways and Means, to whom was referred the bill (H. R. 4151) to extend for 1 year the wage credits for certain military service under the Federal old-age and survivors insurance provisions of the Social Security Act, and to provide for lump-sum death payments on behalf of any individual whose death occurred while in military service and who is reinterred, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 1, lines 5 and 6, strike out "and inserting in lieu thereof 'January 1, 1954' " and insert in lieu thereof "each place it appears and inserting in lieu thereof 'July 1, 1955' ".

Page 2, line 3, strike out "1953," and insert in lieu thereof "1953 and before July 1955,".

Amend the title so as to read:

A bill to provide wage credits under title II of the Social Security Act for military service before July 1, 1955, and to extend the time for filing application for lump-sum death payments under such title with respect to the death of certain individuals dying in the service who are reinterred.

GENERAL STATEMENT

Under the old-age and survivors insurance system, individuals who have served in the active military or naval service of the United States at any time since September 14, 1940, are, under certain circumstances, provided wage credits under the system of $160 per month for each month (or part thereof) of such service. These credits are provided without any payment of taxes or the appropriation of any

funds to the old-age and survivors insurance trust fund. Under the existing provisions, however, these wage credits will be provided only for the service performed prior to January 1, 1954. H. R. 4151 extends this provision so that it will apply to service performed prior to July 1, 1955.

Extension of this provision is desirable as a temporary measure pending formulation of a long-range solution to the problem of what to do about retirement and related benefits for military personnel.

The bill also extends the provision of the old-age and survivors insurance system under which the 2-year period, for filing claims for lump-sum death payments in case of reburial in this country of servicemen dying overseas, begins to run from the date of reburial in this country instead of from the date of death overseas. This provision now applies only in cases of deaths prior to January 1, 1954. The bill extends this provision to cases of deaths occurring before July 1, 1955.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTIONS 202 (I) AND 217 (E) OF THE SOCIAL SECURITY ACT

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

OLD-AGE INSURANCE BENEFITS

SEC. 202. (a) * * *

* * * * * * *

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual. *In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on beha'f of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.*

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BENEFITS IN THE CASE OF VETERANS

SEC. 217. (a) (1) * * *

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(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph

(4)), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, [1954] *1955*. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, [1954] *1955*, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, [1954] *1955*, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, [1954] *1955*, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, [1954] *1955*, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

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OLD-AGE AND SURVIVORS INSURANCE

Mr. COOPER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 4151) to extend for 1 year the wage credits for certain military service under the Federal old-age and survivors insurance provisions of the Social Security Act, and to provide for lump-sum death payments on behalf of any individual whose death occurred while in military service and who is reinterred.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 217 (e) of the Social Security Act relating to "Benefits in Case of Veterans" is amended by striking out "January 1, 1954" and inserting in lieu thereof "January 1, 1955."

SEC. 2. Section 202 (i) of such act is amended by adding at the end thereof the following new sentence: "In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of 2 years after the date of such interment or reinterment."

With the following committee amendments:

Page 1, line 5, strike out "and inserting in lieu thereof 'January 1, 1955'", and insert "each place it appears and inserting in lieu thereof 'July 1, 1955.'"

Page 2, line 4, strike out "1953" and insert "1953 and before July 1955."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to provide wage credits under title II of the Social Security Act for military service before July 1, 1955, and to extend the time for filing application for lump-sum death payments under such title with respect to the death of certain individuals dying in the service who are reinterred."

A motion to reconsider was laid on the table.

Mr. COOPER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. COOPER. Mr. Speaker, H. R. 4151 was reported unanimously by the Committee on Ways and Means. It extends for 18 months, from January 1, 1954, to July 1, 1955, the period during which servicemen receive wage credits at the rate of $160 a month for social security insurance purposes.

The reason for an extension to July 1, 1955, is that the Draft Act expires on that date, and by that time an overall study of Federal retirement systems will have been completed and recommendations submitted to the Congress.

Present law grants veterans wage credits at the rate of $160 a month for each month of active duty between September 16, 1940, and January 1, 1954. Congress granted this wage credit for the reason that it felt that it would be unfair to penalize servicemen who go on active duty and who in many instances without this wage credit would lose their insurance rights under the old-age and survivors insurance system.

I urge that the bill be passed.

Mr. REED of New York. Mr. Speaker, under the old-age and survivors insurance system, individuals who have served in the active military or naval service of the United States at any time since September 14, 1940, are, under certain circumstances, provided wage credits under the system of $160 per month for each month—or part thereof—of such service. These credits are provided without any payment of taxes or the appropriation of any funds to the Old-Age and Survivors Insurance Trust Fund. Under the existing provisions, however, these wage credits will be provided only for the service performed prior to January 1, 1954. H. R. 4151 extends this provision so that it will apply to service performed prior to July 1, 1955.

Extension of this provision is desirable as a temporary measure pending formulation of a long-range solution to the problem of what to do about retirement and related benefits for military personnel.

The bill also extends the provision of the old-age and survivors insurance system under which the 2-year period, for filing claims for lump-sum death payments in case of reburial in this country of servicemen dying overseas, begins to run from the date of reburial in this country instead of from the date of death overseas. This provision now applies only in cases of deaths prior to January 1, 1954. The bill extends this provision to cases of deaths occurring before July 1, 1955.

Calendar No. 722

83D CONGRESS, 1st Session | SENATE | REPORT No. 728

AMENDMENT OF SECTION 217 (E) OF THE SOCIAL SECURITY ACT

JULY 30 (legislative day, JULY 27), 1953.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 4151]

The Committee on Finance, to whom was referred the bill (H. R. 4151) to provide wage credits under title II of the Social Security Act for military service before July 1, 1955, and to extend the time for filing application for lump-sum death payments under such title with respect to the death of certain individuals dying in the service who are reinterred, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

Under the old-age and survivors insurance system, individuals who have served in the active military or naval service of the United States at any time since September 14, 1940, are, under certain circumstances, provided wage credits under the system of $160 per month for each month (or part thereof) of such service. These credits are provided without any payment of taxes or the appropriation of any funds to the old-age and survivors insurance trust fund. Under the existing provisions, however, these wage credits will be provided only for the service performed prior to January 1, 1954. H. R. 4151 extends this provision so that it will apply to service performed prior to July 1, 1955.

Extension of this provision is desirable as a temporary measure pending formulation of a long-range solution to the problem of what to do about retirement and related benefits for military personnel.

The bill also extends the provision of the old-age and survivors insurance system under which the 2-year period, for filing claims for lump-sum death payments in case of reburial in this country of servicemen dying overseas, begins to run from the date of reburial in this

country instead of from the date of death overseas. This provision now applies only in cases of deaths prior to January 1, 1954. The bill extends this provision to cases of deaths occurring before July 1, 1955.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

SECTIONS 202 (I) AND 217 (E) OF THE SOCIAL SECURITY ACT

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

OLD-AGE INSURANCE BENEFITS

SEC. 202. (a) * * *

* * * * * * *

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual. *In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.*

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BENEFITS IN THE CASE OF VETERANS

SEC. 217. (a) (1) * * *

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(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, [1954] *1955*. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a communication of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, [1954] *1955*, is determined by any agency or wholly owned instrumentality of the United States (other

than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, [1954] *1955*, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, [1954] *1955*, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, [1954] *1955*, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

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SOCIAL-SECURITY CREDITS FOR MILITARY SERVICE, AND LUMP-SUM DEATH PAYMENTS

The bill (H. R. 4151) to provide wage credits under title II of the Social Security Act for military service before July 1, 1955, and to extend the time for filing application for lump-sum death payments under such title with respect to the death of certain individuals dying in the service who are reinterred was considered, ordered to a third reading, read the third time, and passed.

Public Law 269 - 83d Congress
Chapter 483 - 1st Session
H. R. 4151

AN ACT

All 67 Stat. 580.

To provide wage credits under title II of the Social Security Act for military service before July 1, 1955, and to extend the time for filing application for lump-sum death payments under such title with respect to the death of certain individuals dying in the service who are reinterred.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 217 (e) of the Social Security Act relating to "Benefits in Case of Veterans" is amended by striking out "January 1, 1954" each place it appears and inserting in lieu thereof "July 1, 1955".

Veterans' death payments.
64 Stat. 512.
42 USC 417.

SEC. 2. Section 202 (i) of such Act is amended by adding at the end thereof the following new sentence: "In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953 and before July 1955, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment."

64 Stat. 487.
42 USC 402i).

Approved August 14, 1953.

LISTING OF REFERENCE MATERIAL

Department of Health, Education, and Welfare. Social Security Bulletin. *Federal Social Security and Related Legislation, 1953 by Wilbur J. Cohen---December 1953*

83D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 988

WISCONSIN RETIREMENT FUND

JULY 27, 1953.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REED of New York, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 2062]

The Committee on Ways and Means, to whom was referred the bill (H. R. 2062) to permit the coordination of the Wisconsin retirement fund with the Federal old-age and survivors insurance system, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

H. R. 2062 makes an exception to section 218 (d) of the Social Security Act, which prohibits coverage under old-age and survivors insurance for employees who are in positions that are covered by a State or local retirement system at the time coverage is extended to the coverage group to which they belong. The amendment permits members of the Wisconsin retirement fund, while retaining the protection of that fund, to be covered by old-age and survivors insurance if the State so desires.

For some years prior to 1950, when the Social Security Act was amended so as to permit agreements with the States providing old-age and survivors insurance coverage for State and local employees not covered by a State or local retirement system, as well as since that time, the Wisconsin retirement law has contained a clear indication of the State's intention that its system be coordinated with the old-age and survivors insurance system when possible, thereby providing its employees and the employees of its subdivisions with protection under both systems.

At the time of the enactment of the Social Security Act Amendments of 1950, the Congress was of the opinion that no action should be taken which might jeopardize the continuance of existing State

and local retirement systems. Whether or not State and local employees generally who are now covered by a retirement plan should be permitted to be brought under social-security coverage is a broad question which this committee believes needs more study before legislation of that kind is attempted. This bill, therefore, does not change the principle of present law in this regard. The Wisconsin retirement system is unique in that it specifically provides for integration with the social-security system, and the State plan cannot be fully effective without such integration since it was formulated so as to dovetail with the Federal system. In view of this special situation, the committee is unanimously of the opinion that the enactment of H. R. 2062 is appropriate at this time.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows new matter is printed in italics; existing law in which no change is proposed is shown in roman):

[SECTION 218 OF THE SOCIAL SECURITY ACT

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

Definitions

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia.

(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

(3) The term "employee" includes an officer of a State or political subdivision.

(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.

Services Covered

(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

(5) Such agreement shall, if the State requests it, exclude (in the case of any cocerage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

(6) Such agreement shall exclude—

(A) service performed by an individual who is employed to relieve him from employment,

(B) service performed in a hospital, home, or other institution by a patient or inmate thereof.

(C) covered transportation service (as determined under section 210 (l)), and

(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

Exclusion of Positions Covered by Retirement Systems

(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

Payments and Reports by States

(e) Each agreement under this section shall provide—

(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code; and

(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

Effective Date of Agreement

(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1954) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

Termination of Agreement

(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

Deposits in Trust Fund; Adjustments

(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

Regulations

(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A or E of chapter 9 of the Internal Revenue Code.

Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid by the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

Instrumentalities of Two or More States

(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

Delegation of Functions

(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and

facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

Wisconsin Retirement Fund

(m) (1) Notwithstanding subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.

(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.

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WISCONSIN RETIREMENT FUND

Mr. REED of New York. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 2062) to permit the coordination of the Wisconsin retirement fund with the Federal old-age and survivors insurance system.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. REED]?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 218 of the Social Security Act (relating to voluntary agreements for coverage of State and local employees) is hereby amended by adding at the end thereof the following new subsection:

"WISCONSIN RETIREMENT FUND

"(m) (1) Notwithstanding subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.

"(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

"(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

"(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both."

SEC. 2. For the purposes of section 218 (f) of the Social Security Act (relating to effective dates of agreements), the amendment made by the first section of this act shall take effect as of January 1, 1951.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

Mr. REED of New York. Mr. Speaker, H. R. 2062 makes an exception to section 218 (d) of the Social Security Act, which prohibits coverage under old-age and survivors insurance for employees who are in positions that are covered by a State or local retirement system at the time coverage is extended to the coverage group to which they belong. The amendment permits members of the Wisconsin retirement fund, while retaining the protection of that fund, to be covered by old-age and survivors insurance if the State so desires.

For some years prior to 1950, when the Social Security Act was amended so as to permit agreements with the States providing old-age and survivors insurance coverage for State and local employees not covered by a State or local retirement system, as well as since that time, the Wisconsin retirement law has contained a clear indication of the State's intention that its system be coordinated with the old-age and survivors insurance system when possible, thereby providing its employees and the employees of its subdivisions with protection under both systems.

At the time of the enactment of the Social Security Act Amendments of 1950, the Congress was of the opinion that no action should be taken which might jeopardize the continuance of existing State and local retirement systems. Whether or not State and local employees generally, who are now covered by a retirement plan, should be permitted to be brought under social-security coverage is a broad question which the Committee on Ways and Means believes needs more study before legislation of that kind is attempted. This bill, therefore, does not change the principle of present law in this regard. The Wisconsin retirement system is unique in that it specifically provides for integration with the social-security system, and the State plan cannot be fully effective without such integration since it was formulated so as to dovetail with the Federal system. In view of this special situation, the Committee on Ways and Means is unanimously of the opinion that the enactment of H. R. 2062 is appropriate at this time.

Calendar No. 720

83D CONGRESS, 1st Session } SENATE { REPORT No. 726

WISCONSIN RETIREMENT FUND

JULY 30 (legislative day, JULY 27), 1953.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 2062]

The Committee on Finance, to whom was referred the bill (H. R. 2062) to permit the coordination of the Wisconsin retirement fund with the Federal old-age and survivors insurance system, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

H. R. 2062 makes an exception to section 218 (d) of the Social Security Act, which prohibits coverage under old-age and survivors insurance for employees who are in positions that are covered by a State or local retirement system at the time coverage is extended to the coverage group to which they belong. The amendment permits members of the Wisconsin retirement fund, while retaining the protection of that fund, to be covered by old-age and survivors insurance if the State so desires.

For some years prior to 1950, when the Social Security Act was amended so as to permit agreements with the States providing old-age and survivors insurance coverage for State and local employees not covered by a State or local retirement system, as well as since that time, the Wisconsin retirement law has contained a clear indication of the State's intention that its system be coordinated with the old-age and survivors insurance system when possible, thereby providing its employees and the employees of its subdivisions with protection under both systems.

At the time of the enactment of the Social Security Act Amendments of 1950, the Congress was of the opinion that no action should be taken which might jeopardize the continuance of existing State

and local retirement systems. Whether or not State and local employees generally who are now covered by a retirement plan should be permitted to be brought under social-security coverage is a broad question which this committee believes needs more study before legislation of that kind is attempted. This bill, therefore, does not change the principle of present law in this regard. The Wisconsin retirement system is unique in that it specifically provides for integration with the social-security system, and the State plan cannot be fully effective without such integration since it was formulated so as to dovetail with the Federal system. In view of this special situation, the committee is unanimously of the opinion that the enactment of H. R. 2062 is appropriate at this time.

Changes in Existing Law

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

Section 218 of the Social Security Act

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

Sec. 218 (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

Definitions

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia.

(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

(3) The term "employee" includes an officer of a State or political subdivision.

(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.

Services Covered

(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

(6) Such agreement shall exclude—

(A) service performed by an individual who is employed to relieve him from employment,

(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

(C) covered transportation service (as determined under section 210 (l)), and

(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

Exclusion of Positions Covered by Retirement Systems

(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

Payments and Reports by States

(e) Each agreement under this section shall provide—

(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code; and

(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

Effective Date of Agreement

(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1954) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

Termination of Agreement

(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

Deposits in Trust Fund; Adjustments

(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

Regulations

(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A or E of chapter 9 of the Internal Revenue Code.

Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid by the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

Instrumentalities of Two or More States

(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

Delegation of Functions

(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and

facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

Wisconsin Retirement Fund

(m) (1) Notwithstanding subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.

(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.

○

COORDINATION OF WISCONSIN RETIREMENT FUND WITH FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM

The bill (H. R. 2062) to permit the coordination of the Wisconsin retirement fund with the Federal old-age and survivors insurance system was considered, ordered to a third reading, read the third time, and passed.

Public Law 279 - 83d Congress
Chapter 504 - 1st Session
H. R. 2062

AN ACT

To permit the coordination of the Wisconsin retirement fund with the Federal old-age and survivors insurance system.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 218 of the Social Security Act (relating to voluntary agreements for coverage of State and local employees) is hereby amended by adding at the end thereof the following new subsection: Wisconsin retirement fund. 64 Stat. 514. 42 USC 418.

"WISCONSIN RETIREMENT FUND

"(m) (1) Notwithstanding subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund. 67 Stat. 587. 67 Stat. 588.

"(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

"(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

"(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both."

SEC. 2. For the purposes of section 218 (f) of the Social Security Act (relating to effective dates of agreements), the amendment made by the first section of this Act shall take effect as of January 1, 1951. Effective date.

Approved August 15, 1953.

LISTING OF REFERENCE MATERIAL

Department of Health, Education, and Welfare. Social Security Bulletin. *Federal Social Security and Related Legislation, 1953 by Wilbur J. Cohen——December 1953.*

83D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 758

AMENDING THE RAILROAD RETIREMENT ACT OF 1937, SO AS TO ELIMINATE REDUCTIONS OF ANNUITIES AND PENSIONS IN CERTAIN CASES

JULY 9, 1953.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WOLVERTON, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 356]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 356) to amend the Railroad Retirement Act of 1937, as amended, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

On page 1, after line 5, insert the following:

SEC. 2. In the case of any deceased individual whose death occurred before the first day of the first month following the month in which this Act is enacted, so much of any annuity or pension payment as is due such individual by reason of the enactment of the first section of this Act shall be paid only—

(1) to the widow or widower of the deceased, if such widow or widower is living on such first day; or

(2) if there is no such widow or widower, to the child or children of the deceased if such child or children are living on such first day.

For the purposes of this section, the terms "widow", "widower", and "child" have the same meanings as those assigned to such terms by section 5 (l) (1) of the Railroad Retirement Act of 1937, as amended.

GENERAL STATEMENT

Purpose of the legislation

This legislation would repeal retroactively, as of the date it became law, one provision of the amendments made to the Railroad Retirement Act of 1937 by the act of October 30, 1951 (Public Law 234, 82d Cong.).

The provision being repealed is the last paragraph of section 3 (b) of the Railroad Retirement Act of 1937, as amended. It is commonly

referred to as the "dual benefit" provision or the "social security offset" and reads as follows:

> The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however,* That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.

Operation of the dual-benefit provision

Stated generally, the above-quoted provision of law requires a reduction in the annuity or pension which certain individuals otherwise would be entitled to receive under the Railroad Retirement Act of 1937, as amended.

Under the provision, the railroad retirement annuity or pension of an individual must be reduced if such individual has creditable railroad service before 1937 and he is receiving, or is entitled to receive on application, an old-age benefit under the Social Security Act. The reduction must be made even though the old-age benefit is merely potential, and is not being received by the individual either because he has not filed for it or because he is still working. The reduction in a railroad retirement annuity is equal to the smaller of the following: That portion of the annuity which is based on "prior" service (that is, the employee's years of service before 1937), or the amount of the old-age insurance benefit under the Social Security Act which he is receiving, or is entitled to receive upon making proper application. In the case of an individual receiving a pension, the reduction is equal to the amount of the old-age insurance benefit which he is receiving, or is entitled to receive upon making proper application.

Where the retired employee's annuity or pension has been reduced by this provision, the restriction frequently operates to reduce the spouse's annuity, if any, to which the husband or wife of such employee is entitled under the Railroad Retirement Act. This result comes about because the dual-benefit restriction provides that the spouse's annuity is to be reduced to one-half of the annuity or pension of the employee after it has been reduced by this provision. It is true that in some cases there will be no actual reduction in the spouse's annuity, because the law provides that the maximum spouse's annuity under any circumstances is $40, and one-half of the employee's reduced annuity or pension may still exceed $40. However, in many other cases, the effect of the dual-benefit restriction is to add a reduction in the annuity to which the spouse would otherwise be entitled to the reduction which is made in the annuity or pension of the employee himself.

It should be pointed out that the effect of these reductions may be mitigated in the case of certain retired employees who were on the

rolls on the date of the enactment of the 1951 amendments. Even at that time it could be foreseen that the dual-benefit restriction would lead to serious hardships and inequities. For that reason the amendments included a so-called savings provision under which the reductions under the dual-benefit restriction could not result in a combined retirement income for the railroad employee and his family, from both the railroad-retirement and social-security systems, which was less than the actual such combined retirement income as of October 29, 1951. The savings provision was perhaps less effective than was intended because the amount protected by the provision did not include social-security benefits for which a railroad annuitant could have been, but was not, entitled. Therefore, when an annuitant who could have been, but was not, entitled to social security on the day before enactment of Public Law 234 became entitled to social security by filing a proper application, a reduction in the railroad annuity resulted even though the social-security benefits were not paid because of operation of the work clause.

The Railroad Retirement Board reported that on December 31, 1952, the annuities of 30,200 railroad annuitants and 10,500 wives of annuitants have been reduced by operation of the dual-benefit provision. The average reductions in monthly annuities were reported to be:

Annuitants protected by the savings provision	$17
Annuitants not protected by the savings provision	24
Annuitants and wives protected by the savings provision	46
Annuitants and wives not protected by the savings provision	38

These numbers were not based on an actual count. Rather the Retirement Board analyzed 1 percent of all annuities in effect and assumed that the averages for all annuitant groups were the same as in the sample and that actual numbers of persons were 100 times the corresponding numbers in the sample. Lack of accuracy in the sample may explain why the average reduction in the annuities of annuitants and wives protected by the savings provision is more than for employees and wives not so protected.

In any event, there are several tens of thousands of retired railroad employees and their wives whose annuities have been reduced by the dual benefit provisions in monthly amounts which can be as high as $85 for a retired employee and $40 for his wife, and which, with respect to a family unit, average perhaps $27 to $35 per month.

Effect of dual-benefit provision was changed by 1952 amendments to Social Security Act

The size of the reductions which must be made from many annuities and pensions under the Railroad Retirement Act by reason of the dual-benefit restriction was increased by a technical amendment to the law made in 1952. Under the 1951 amendments to railroad retirement legislation, the Railroad Retirement Board was required to consider only those benefits payable under the Social Security Act as it existed in 1950. In 1952, however, the Social Security Act was amended in order to increase the benefits payable thereunder. The Congress intended this increase to average approximately $6 a month for beneficiaries entitled to social-security payments on their own employment records; and intended that there be a proportionate increase in the case of social-security benefits payable to dependents.

The intent of the Congress in voting these increases was not carried out with respect to thousands of individuals receiving annuities or pensions under the Railroad Retirement Act. Indeed, many of them actually suffered a reduction in their overall retirement benefits because of these 1952 amendments. This came about because the 1952 amendments to the Social Security Act required that thereafter the dual-benefit restriction be computed by reference to the benefits payable under the Social Security Act as amended in 1952. A railroad retirement annuitant or pensioner in many cases was now entitled to a higher social-security benefit. Therefore, regardless of whether or not he actually received any part of that increased benefit, the reduction in his railroad-retirement benefit was required to be determined by reference to the higher social-security benefit, unless the railroad prior service limit applied.

If the dual-benefit restriction is retained in the law, and if in the future the method of amendment used in 1952 is again resorted to, any future increase in social-security benefits will be denied in whole or in part to thousands of railroad retirement annuitants and pensioners, and many others i. e., those who are not receiving social security benefits because of operation of the social security "work clause" will suffer a decrease in their monthly retirement income.

The provision should be repealed without delay

The dual-benefit provision, as has been explained, has resulted in the reduction of many thousands of annuities and pensions, some of which had been paid for many years, and all of which were thought by the recipients to be fully backed by the faith and credit of the United States.

In the vast majority of cases, at the time of the commencement of the employment on which the social security benefit is based, such employment could not, under the law, affect any railroad retirement benefit; and in some thousands of cases, the social security benefit upon which the railroad reduction is based cannot be paid by reason of the operation of the social security "work clause."

The committee has concluded that if these and other consequences had been foreseen it is doubtful whether the provision would have been included in the 1951 amendments.

In order to restore the confidence of railroad employees in the fairness and equity of their retirement system, the committee urges immediate repeal of this provision.

The committee amendment

The committee amendment to the bill is a technical one, and the need for it arises from the fact that this legislation would repeal the dual-benefit provision retroactively. As the result of such repeal, many individuals will be entitled to receive annuity or pension payments with respect to some or all of the period during which the dual-benefit provision has been in effect. This amendment merely specifies the survivors who will be entitled to receive the money in cases where such individuals have died.

BROAD INTEREST IN THE LEGISLATION

Since this so-called dual-benefit provision was enacted into law, thousands of letters of complaint have been received by this committee and by Members of Congress from the individuals affected and from

organizations representing railroad annuitants and pensioners. This provision has evoked more criticism than any other feature of the Railroad Retirement Act. The great interest in, and need for, this legislation is evidenced by the fact that no less than 18 bills to repeal this provision were introduced in the House during the first 4 months of this session. Some of these bills differ in matters of detail; but, in principle, the objectives of all bills are identical—namely, the repeal of the provision.

The following letter received by the committee is illustrative of the many complaints that have been made as to the effect of the provision on retired railroad annuitants and pensioners:

PHILADELPHIA 31, PA.

Hon. CHARLES WOLVERTON,

DEAR SIR: To introduce myself, I am a retired engineer (railroad) having retired from the Pennsylvania Railroad, New York Division, over 10 years ago and I am writing to you to ask a few questions in regard to the Railroad Retirement Act, in which I am informed you are very much interested.

I believe the Railroad Retirement Act put a tax of 6¼ percent on the railroad employee and also on the railroad company payroll of a like amount, making a total of 12½ percent on wages and salaries up to $300 per month, while the tax under social security is only 1½ percent for the employee and 1½ for the employer, a total of 3 percent.

If this is true the Railroad Retirement Act should be amended and the full amount of the railroad retirement pension should be paid and the amount of the social security should not be deducted from the railroad retirement pension as it is a case of deducting from one to pay the other, and the tax on the railroad retirement is over four times as much as the social security.

When I retired on December 31, 1942, after over 40 years of service with the railroad, I was given an annuity of $93.87 per month which through subsequent increases of 20 percent and a later increase of 15 percent raised my annuity to $129.80 which was immediately reduced to $98.30 by deducting the amount of my social security, $31.50, and I know of other retired men who have been reduced up to nearly $60 per month.

Many employees who work in the service of the Government, and so forth, are retired on half-pay at different ages and length of service and can then go out and obtain other employment under the Social Security Act and they are not reduced, and as things are today we are only getting a bare living not considering doctor bills, clothing, and other expenses. The Railroad Retirement Act and the Social Security Act are supposed to be two separate funds and as such we should be entitled to the full amount from each. I cannot see why the amount of the social security should be deducted from the railroad retirement pension as we qualified for each of them.

* * * * * * *

Brother Wolverton, I understand from friends of mine who know you that you are a conscientious and God-fearing man, and that you are doing all you can to rectify this unjust condition and that you are very much interested in our cause. I therefore sincerely hope and pray you will back us up in having the Railroad Retirement Act amended and that this unjust reduction will be returned to us in full, retroactive from November 1, 1951.

* * * * * * *

I am writing to you because I think our cause is just and that we are entitled to the full amount from each. Hoping for success in our fight for justice and also that you will help us all you can, I am sincerely,

Respectfully,

JAMES W. JEWITT,
Retired Engineer, Pennsylvania Railroad.

THE EFFECTS OF THE DUAL-BENEFIT PROVISION WERE NOT THOROUGHLY APPRAISED IN 1951

The legislative history of the 1951 amendments to the Railroad Retirement Act of 1937 indicates that when Congress passed the dual-benefit provision it did not do so on the basis of the kind of careful appraisal which it should have had.

There is ground for believing that the provision was not actually favored by the House, but was agreed to along with other provisions in order to prevent the hardship to railroad workers which would have resulted if the 1951 amendments had failed to become law.

The 1951 amendments bore the bill number H. R. 3669, and the bill as introduced contained the dual-benefit provision. However, in reporting it to the House, the committee struck out all after the enacting clause and inserted a substitute text, and in doing so eliminated the dual-benefit provision. In the House a substitute for the committee amendment was adopted, and the bill as it passed and went to the Senate did not contain the dual-benefit provision.

The Senate struck out all after the enacting clause of the House bill and inserted a substitute text, identical with a bill (S. 1347) previously passed by the Senate. The text substituted by the Senate included the dual-benefit provision.

The bill was sent to conference to resolve the differences between the two Houses. As agreed to by the committee of conference, the bill retained the dual-benefit provision. Both Houses adopted the conference agreement, and in this form the 1951 amendments became law.

There was nothing in the House debate on the conference report, or in the statement of the managers on the part of the House, to indicate any affirmative approval of the dual-benefit restriction as a fair and just provision.

It will be recalled that there were very serious differences between the Senate and House on numerous features of the 1951 amendments—differences of such magnitude and far-reaching importance from the standpoint of the railroad retirement system that the provision here under discussion, despite its importance, was a relatively minor feature of the legislation as a whole.

As is well known, conferences between the two Houses are for the purposes of resolving differences and reaching compromises. The fact that the House conferees, and later the House itself, agreed to retention of the Senate dual-benefit provision does not necessarily mean that there was agreement as to the merits of the provision.

REASONS WHY THE DUAL-BENEFIT PROVISION SHOULD BE REPEALED

Until enactment of the 1951 amendments, the Railroad Retirement Act had been universally regarded as providing annuities and pensions to retired railroad workers for the rest of their lives, except for the months in which they performed compensated service for a railroad or for the person by whom they were last employed prior to retirement. This belief has been shattered by the enactment of the dual-benefit provision of this law. This provision should be repealed promptly for the following reasons:

1. Railroad employees believed that benefits once granted would not be reduced

Upon retirement, each qualified individual received a certificate and a letter from the Railroad Retirement Board which certified that such individual was entitled to an annuity under the Railroad Retirement Act and that during his lifetime regular monthly payments of a specified amount would be mailed to him each month. Such certificates have been issued since 1936. Many thousands of such retired annui-

tants and pensioners now find that the annuities and pensions which they had thought underwritten by the Government of the United States have been reduced under the dual-benefit provision. This has been a most shocking experience to them. These individuals had a right to expect that the benefits payable to them under the Railroad Retirement Act would not be subject to a reduction during their lifetime. They had made plans for their retirement in the belief that such benefits would be available to them. They had done nothing of themselves to cause a reduction in their benefits. The reduction was brought about by this provision which was enacted into law after they started to receive their benefits.

This committee believes that the Congress, when it passed the Railroad Retirement Act in 1937, did not intend that an annuity or pension payable under the act, once granted, should subsequently be reduced because the individual had also been engaged in gainful employment covered by the Social Security Act and had qualified for an old-age benefit under that act. When the Railroad Retirement Act of 1937 was passed, beneficiaries under the act were given to understand that this law would remove the fears and uncertainties, which were present under the voluntary pension plans of the railroads, that their annuities and pensions would be discontinued or reduced. Unfortunately, these fears and uncertainties have been revived as a result of the enactment and operation of the dual-benefit provision. That provision has already brought about a great deal of discomfort and unhappiness to many thousands of retired railroad workers. The number of individuals affected will be much larger 10 years from now.

2. It creates an inequity to employees compelled to seek social security employment

It should be emphasized that many individuals who have qualified for benefits under both acts have done so because they have been compelled to seek social security employment and not because they were seeking to qualify for an additional benefit upon retirement. In some cases they were compelled to seek employment outside the railroad industry by reason of a reduction in force or by reason of the abandonment of operations by a carrier. There are many other cases where the individuals concerned accepted employment outside of the railroad industry during the war, when their particular skills were in demand, in order to fulfill their patriotic obligations.

Congressman Poulson has brought to the attention of this committee a situation which has developed in Los Angeles, Calif., and which may result in the transfer of thousands of workers from coverage under the Railroad Retirement Act to employment under the Social Security Act. The Pacific Electric Railway has for many years operated a local and interurban transportation system centering in and radiating out of Los Angeles. On March 4, 1953, this carrier sold its passenger business, subject to the approval of Federal, State, and municipal regulating authorities. If approval of the regulatory authorities is given to the proposal, the new passenger operations will be conducted by an intrastate common carrier, not subject to the provisions of the Railroad Retirement Act. Those employees who remain in the employ of the new company will become subject to the provisions of title II of the Social Security Act. Those who find employment elsewhere will most likely be subject to the provisions of the Social

Security Act. Congressman Poulson estimated that 2,715 people will lose their jobs with the Pacific Electric Railway when this transfer of business is made. When many of these employees reach retirement age they will, under the dual-benefit provision of the present law, find their railroad retirement annuities reduced because of their eligibility for a social security benefit. Through no fault of their own, they will be forced to take a reduction in their railroad retirement benefits; unless this provision is repealed.

3. It creates an inequity between railroad employees and persons covered by other Federal retirement systems

Under the Civil Service Retirement Act many annuities now payable to retired Federal employees are based on service before the establishment of that system in 1920. This prior service will continue to be a factor in Federal annuities for some years. Yet, a large number of retired Federal employees have been receiving or will be eligible to receive old-age benefits under the Social Security Act, without any reduction whatsoever being made in their civil-service retirement annuity. The same observation may be made about the Foreign Service retirement system and about the retirement systems for the employees of the Federal Reserve System and the Tennessee Valley Authority. These retirement systems, except that of the Tennessee Valley Authority, have assumed the prior service liability. All the above-mentioned Federal retirement systems are supported in part by employee contributions.

In addition, there are a number of other Federal retirement systems which provide annuities entirely at the Government's expense and under which annuitants are not penalized for engaging in employment which is subject to the Social Security Act. For example, individuals who retire from the Army, Air Force, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, or Public Health Service, or from the Federal judiciary, receive the full annuity to which they are entitled under the applicable system without any reduction by reason of any old age insurance benefit to which they may be entitled under the Social Security Act.

4. It creates inequities between railroad employees and employees in other industries

In many industries in which private pension plans operate, the increases granted in social security benefits in 1950 and 1952 have not been deducted, or deducted only to a minor extent, from their supplementary private pensions. Pensions payable under the plans of the Bell Telephone companies, for example, have been increased substantially since 1949. While the du Pont Co. has a pension plan which calls for an offset of the full amount of the old-age insurance benefit under the Social Security Act, the plan was modified in 1950 so as to give to their retired employees the entire increase in their social security benefits. The employees of the Bell Telephone companies and of the du Pont Co. do not make contributions to the pension funds of those companies.

The pension plans of the steel industry, most of which were established in 1949 or 1950, do provide for a full offset of the social security benefit. However, according to the testimony of Mr. Murray W. Latimer, in general steelworkers have had the benefit, as compared with 1949, of the entire increase in social security benefits, plus a substantial increase in company payments.

5. It creates administrative difficulties for the Railroad Retirement Board

The dual-benefit restriction creates difficult administrative problems for the Railroad Retirement Board. For example, individuals may become entitled or potentially entitled to social security benefits after their railroad annuities begin, in which event the latter are subject to reduction. For individuals entitled or potentially entitled to social security benefits, continuation in social security employment may result in additional credits under the Social Security Act. The amount of potential old-age insurance benefits may be increased once each quarter for an individual who has not filed a social security application, and once each 12 months if an application has been filed. Whenever the old-age insurance benefit is increased or becomes subject to increase, the railroad retirement annuity of an individual to whom the dual-benefit restriction applies must be reduced. The Railroad Retirement Board has advised that approximately 500 new reductions in annuities of this type are currently being made each month.

The source of information required for prompt application of these reductions must come from the annuitants and pensioners themselves. Because of widespread misunderstanding of the complex interrelations between the Railroad Retirement and Social Security Acts which have been newly created by the dual-benefit restrictions, few individuals report increases in their old-age insurance benefits to the Railroad Retirement Board. Usually the necessary information comes from the Bureau of Old-Age and Survivors Insurance after a lapse of many months. Hence, many overpayments, and in some cases very large overpayments, have been made in the railroad annuities and pensions. The subsequent adjustments in such annuities and pensions have caused a great deal of hardship to many individuals who rely entirely on their retirement benefits for a livelihood.

6. It discriminates against a special group of retired employees

The dual-benefit provision discriminates against a special group of retired railroad employees for the benefit of other beneficiaries under the act. Owing to this provision of the law, the railroad annuity or pension of a retired employee who has some credited prior service (i. e., service before 1937) is reduced if he is also entitled to an old-age benefit under the Social Security Act. No reduction is made in the annuity or pension of a retired railroad employee who does not qualify for an old-age benefit. The funds saved by not paying the higher benefit in the first case mentioned above is used to pay higher benefits to other beneficiaries under the act.

The distinction made between a railroad annuitant or pensioner who also qualifies for a social security benefit and one who does not qualify for such a benefit is a distinction which is contrary to the spirit of the Railroad Retirement Act. The act provided in the first instance that full credit should be given for all prior service not in excess of a period which, with credited subsequent service, would equal 30 years. This principle was continued in subsequent amendments to the act, which increased benefits and protection without any such discrimination, until 1951.

Retired railroad workers who continue in social security employment beyond the retirement age of 65 must pay the social-security tax even though this tax may not increase their combined railroad

and old-age insurance benefits because of the dual-benefit restriction on the annuities of those who are entitled (or could become entitled) to social security benefits.

7. Other considerations

Opponents of this legislation have asserted that retired railroad employees affected by this provision of the law have not paid any taxes on their prior service. This is grossly misleading. The fact is that every tax payment ever made under the Railroad Retirement Tax Act contained an allowance toward the cost of prior service. The tax rates may not have been sufficient in all years to cover the full cost of prior service but there was some allowance for it, with the possible exception of the years 1937, 1938, and 1939.

In 1952, as has been mentioned above, Congress granted a monthly increase in social security benefits intended to average approximately $6 a month for primary beneficiaries. To the amazement of thousands of retired railroad employees subject to the dual-benefit provision of the Railroad Retirement Act, their annuities and pensions were further reduced by the amount of their increase in social security benefits. The relief that Congress intended to give to these individuals was completely nullified by this provision in the Railroad Retirement Act.

In the opinion of the committee, such discriminations against a special group of retired railroad workers are wholly unjustified.

COST OF REPEALING DUAL-BENEFIT PROVISION

The repeal of the dual-benefit provision will increase the cost of benefits payable under the Railroad Retirement Act. The Railroad Retirement Board has estimated that additional disbursements will be $11 million a year for the first 10 years after repeal, $15 million a year for the next decade, $9 million a year for the third decade, $3 million a year for the fourth decade, and steadily decreasing amounts thereafter until about the year 2000, after which additional disbursements resulting from repeal will cease. The aggregate additional disbursements will be $385 million. The cost in terms of a level percentage of payroll, assumed to be $5 billion annually, is 0.15.

At the hearings before this committee, the opponents of repeal of the dual-benefit provision stressed the dangers to the solvency of the railroad retirement system if benefits under the Railroad Retirement Act were to be increased without additional revenues. One of the opponents of repeal was the Railroad Retirement Board.

In a report to this committee dated April 24, 1951, the Railroad Retirement Board estimated that the cost of H. R. 3669, 82d Congress, then under study, would be 14.13 percent of the payroll, including compensation up to $400 per month (Railroad Retirement Act Amendments, hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 82d Cong., 1st sess., on H. R. 3669, H. R. 3755, and others, p. 73). This cost percentage was net, taking into account the increased revenue from the higher limit on taxable compensation and the expected gains from adjustment with the old-age and survivors insurance trust fund.

The valuation on which the cost estimate was based was made as of December 31, 1950, though the factors, other than payroll, were taken from the fourth valuation made as of December 31, 1947. The

assumed level payroll was $5.2 billion. The total payroll tax rate for 1951 was 12 percent, while for 1952 and thereafter it was 12.5 percent. The effective equivalent level percentage tax rate as of December 31, 1950, was 12.485. The cost of H. R. 3669, 14.13 percent, was 1.645 percent in excess of the equivalent level percentage tax rate.

In its report to this committee on H. R. 3669, the Railroad Retirement Board specified that one of the criteria which had to be met before the Board would recommend that a proposal to amend the Railroad Retirement Act be acted upon favorably was that—

> Added benefits and the method of financing them must be such as not to affect the financial soundness of the system (hearings on H. R. 3669, p. 57).

But the Board recommended enactment of H. R. 3669 despite the—

> * * * fact that there is a difference of about 1½ percent between the total tax rate and the estimated actuarial level cost of the system as it would be amended by the bill. But in the Board's opinion, this does not require an increase in the tax rate to maintain the system on a financially sound basis * * *.

The fifth actuarial valuation of the Railroad Retirement System indicated a level cost as of December 31, 1950 (but taking into account the effect of Public Law 234 and of the Social Security Act Amendments of 1952), of 13.41 percent of the payroll up to $300 per month. Taking the Board's estimate presented at the current hearings, repeal of the social-security offset provisions would raise the total cost, as of now, to 13.56 percent of the payroll. The level tax rate is now, of course, 12.5 percent.

In 1951 the Board thought it proper to round off 1.645 percent of payrolls to "about 1½ percent." The amount dropped in the rounding off, 0.145 percent of payroll, is the cost, according to the Board, of repealing the dual-benefit provision.

The estimated level payroll used in the fifth valuation was $5.0 billion, as compared with $5.2 billion used in the cost estimate for H. R. 3669. The Board did not explain its reasons for concluding (i) in 1951 that a negative difference of 1.645 percent of $5.2 billion was no reason for concern about solvency, and (ii) in 1953, that a change of 0.15 percent in the negative difference (from 0.91 percent to 1.06 percent) threatens disaster.

Although all of the witnesses testifying on cost were pressed, none was willing to predict and none gave any reason for fearing that the small cost of repeal of the dual-benefit provision would threaten serious damage to the railroad-retirement system. The committee therefore feels that the factor of cost does not warrant delay in repealing the provision.

THE ALLEGED LOW RATIO OF TAXES TO BENEFITS IS IRRELEVANT TO THE QUESTION OF REPEAL

The committee is aware that much has been made of the argument that employees whose annuities are reduced will get far more than they pay for. This seems to us beside the point. The annuitant who retired in 1936 and who therefore paid not a cent in taxes will continue to receive his full annuity if he has had no social-security employment. And so will many thousands of those still living who have not had railroad employment since 1936. On the other hand, the railroad employee who has paid railroad-retirement taxes for 16

or 20 or 25 years may have his annuity reduced by operation of the dual-benefit provision. There is no necessary connection between the annuity paid for and the application of the dual-benefit provision.

In any event, any retirement annuity system operated on a contributory basis must, if prior-service credits are provided for, begin by granting annuities to employees who have paid infinitely small parts of the total cost.

CONCLUSION

This committee believes that the dual-benefit provision was not fully considered and its effect on retired annuitants and pensioners was not fully appreciated, so far as the House is concerned, when it was enacted into law in 1951. The legislative history of the provision, reviewed briefly above in this report, shows that it was not in the bill as it passed the House, but was included in the conference agreement. The conference report was adopted by the House on October 19, 1951, the day prior to the adjournment of the Congress. Many Members of the House expressed the view that while they did not agree with all the provisions of the conference report, they nevertheless supported it in order that some 400,000 beneficiaries under the act who were urgently in need of increased benefits would be able to obtain such an increase without further delay.

The committee has now reexamined the dual-benefit provision during extensive hearings on June 2, 3, 4, and 5, 1953, and in executive session. After full consideration, we are firmly convinced that this provision should be repealed, as of the date it took effect, because it has created a great many hardships on, discriminations against, and injustices to the thousands of individuals affected by it.

The dual-benefit provision has resulted in reductions in the annuities and pensions which thousands of retired railroad workers were receiving under the Railroad Retirement Act. These reductions came as a shock to these individuals. They had assumed that the annuities and pensions they were receiving would continue to be paid to them for life, without reduction in amount. They had every reason to make that assumption, and they feel that they are the victims of a breach of faith.

Railroad employees cannot understand the fantastically complex way in which the dual-benefit provision operates, since to understand that operation one must have years of experience with the peculiar intricacies of both the social security system and the railroad retirement system. As a result, it is difficult if not impossible for railroad annuitants and pensioners who are affected by the dual-benefit provision to be sure without expert help, that any monthly check they receive is made out in the correct amount and that they may safely spend the money to which that check appears to entitle them.

Faith and confidence in the railroad retirement system, and an understanding of how it works, can be restored only by repeal of the dual-benefit provision.

The repeal of the dual-benefit provision will increase the estimated level cost of the railroad retirement system by only a little more than 1 part in 100. In view of the hardships, discriminations, and inequities resulting from the operation of the dual-benefit provision, the committee believes that the savings to the railroad retirement fund from

the retention of this provision are not large enough to have overriding consideration. We, therefore, urge the prompt enactment of the bill here being reported.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

SECTION 3 (b) OF THE RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

COMPUTATION OF ANNUITIES

SEC. 3. (a) * * *.

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however,* That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation (including compensation in any month in excess of $300) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation (including compensation in any month in excess of $300) for service rendered anywhere to an employer after January 1, 1937.

(2) In all other cases, the years of service shall include only the service subsequent to December 31, 1936.

(3) Where the years of service include only part of the service prior to January 1, 1937, the part included shall be taken in reverse order beginning with the last calendar month of such service.

[The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however,* That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.]

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83D CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 758
1st Session } { Part 2

AMENDING THE RAILROAD RETIREMENT ACT OF 1937, SO AS TO ELIMINATE REDUCTIONS OF ANNUITIES AND PENSIONS IN CERTAIN CASES

JULY 13, 1953.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CROSSER, from the Committee on Interstate and Foreign Commerce, submitted the following

MINORITY VIEWS

[To accompany H. R. 356]

We are strongly opposed to the enactment of H. R. 356, as reported by a majority of the committee, because the enactment of this bill would (1) dangerously jeopardize the financial soundness of the railroad retirement system, and (2) create far greater inequities to nearly half a million individuals now receiving benefits under the railroad retirement system and to 1½ million active railroad employees, than the inequities alleged to exist under the present law for some 30,000 retired annuitants and pensioners.

It should also be stated at the outset that the Railroad Retirement Board is unanimously opposed to the passage of this bill, the Association of American Railroads, representing the employers who pay half of the taxes for the support of the railroad retirement system, is opposed to this bill, and the Railway Labor Executives' Association, representing approximately 80 percent of the railroad employees who pay the other half of the taxes for the support of this retirement system, also is opposed to the enactment of this bill.

The report of the Railroad Retirement Board, and a statement of the Railway Labor Executives' Association in opposition to this bill are included in the appendix to the minority views.

The following discussion is divided into five parts. Part 1 contains background information such as (1) the provisions of the Crosser amendments of 1951, (2) the duplicate benefit provision which H. R. 356 would repeal, (3) the reasons for the restriction placed on the payment of duplicate benefits, (4) why this provision has assumed importance beginning with 1950, (5) the question of individual equities under the railroad retirement system, etc. Part 2 analyzes

the inequities alleged to exist by reason of the duplicate benefit provision and shows that these allegations are without foundation in fact. Part 3 discusses the financial impact which the enactment of H. R. 356 would have on the railroad retirement account and shows that if this measure is enacted it would immediately increase the deficit by which the retirement system is now operating from $45 million a year to $56 million a year and thereby seriously jeopardize the financial soundness of the system. Part 4 shows that the enactment of this bill would give rise to serious inequities between some 30,000 annuitants, on the one hand, and, on the other hand, the nearly half-million other beneficiaries under this system and the 1½ million active railroad employees. Part 5 contains the concluding remarks.

PART 1. BACKGROUND INFORMATION

The bill reported by a majority of the committee would, in effect, repeal the last paragraph of section 3 (b) of the Railroad Retirement Act of 1937, as amended, commonly called the duplicate-benefit provision, or the dual-benefit provision. This provision was one feature of a very comprehensive law enacted in 1951, known as Public Law 234, 82d Congress. This law provided for substantial increases in the level of benefits to nearly half a million retired railroad employees and their survivors.

The total increases in benefits provided by the Crosser amendments of 1951 amounted to approximately $108 million a year. These increases in benefits were made possible without any increase in the tax rate or the tax base only because other changes were made in the law, including the adoption of the duplicate-benefit provision. Such changes enabled the railroad retirement system to offset the cost of the additional benefits provided by the Crosser amendments of 1951.

1. Provisions of the Crosser amendments of 1951

Under the Crosser amendments of 1951, one of the most important provisions for the increase of benefits for retired railroad employees proper (excluding survivors) was the flat 15 percent increase which applied to all retired annuitants and pensioners. However, 3 other significant changes in the law provided for higher retirement benefits, namely: (1) The addition of a new benefit for the eligible wife (or dependent husband) of a retired employee 65 years of age or over, equal to one-half of the retired employee's annuity but not exceeding $40 a month; (2) the provision for the crediting of a worker for service rendered after the end of the year in which the employee becomes 65 years of age, but not to exceed a total of 30 years of service; and (3) a new minimum provision for a guaranty under which the total benefits payable to the employee and his family would not be less than what the family would have received if his railroad employment were creditable under the Social Security Act. The average increase in retirement benefits per family under these 4 provisions was approximately 27 percent.

Survivor benefits were increased by 33⅓ percent. However, a new minimum guaranty provision was added which guarantees that the total monthly benefits payable to the survivors of an employee will, in no case, be less than the total amount that would have been paid to his survivors under the social security formula if the employee's

railroad service were creditable under the Social Security Act. This provision had the effect of increasing survivor benefits by more than 33⅓ percent in most cases. In fact, the average benefit per family was increased by the 1951 amendments by 43 percent over what was provided by the old law.

2. Duplicate benefit provision

The duplicate benefit provision, which the bill advocated by the majority report would repeal, is quoted in the appendix to the minority views.

Briefly stated, the duplicate benefit provision provides that the retirement annuity or pension payable to a retired railroad employee who will have had creditable railroad service before 1937, commonly referred to as prior service (on which service no retirement taxes were paid), must be reduced by any old-age insurance benefit for which he may qualify under the Social Security Act, or by the amount of that portion of his railroad annuity which is based on service before 1937, whichever is less. If the railroad annuitant does not qualify for a social security old-age benefit, there is no reduction in his railroad annuity, regardless of the number of years of prior service he may be credited with in the computation of his annuity. If the railroad annuitant will have no prior service credit in the computation of his annuity, no reduction is made in such annuity regardless of the amount of old-age benefit he may be receiving or is entitled to receive under the Social Security Act. Thus, no deduction is made in an individual's railroad annuity if such annuity is based exclusively on railroad service after 1936.

In the cases where the railroad annuity is reduced by virtue of the duplicate benefit provision, the amount of the reduction is equal to the amount of the social-security benefit, but the reduction will never operate to reduce the annuity below the amount to which the employee would be entitled on the basis of his railroad service after 1936 alone.

If the deduction is to be applied in the case of an employee who was already entitled to receive an annuity on October 29, 1951, it may in no case bring the total retirement income for his family from both systems below the total as of that date. This guaranty is known as the saving clause.

3. Reasons for enactment of duplicate benefit provision

Two main reasons for including the duplicate benefit provision in the 1951 Crosser amendments were advanced during the hearings on this legislation. These reasons were:

(1) The elimination or reduction of duplicate benefits payable to an individual under the railroad-retirement and social-security systems would provide a substantial saving to the railroad retirement system. The Railroad Retirement Board has estimated the saving to be $11 million a year for the first 10 years, $15 million a year for the next 10 years, $9 million a year for the third decade, $3 million a year for the fourth decade, and steadily decreasing amounts thereafter until the savings vanish, approximately in the year 2000. The dollar savings in benefits over the period of the next 50 years will total about $385 million.

These savings have made it possible, in part, to provide the higher level of benefits provided for under the 1951 Crosser amendments.

There are at present approximately 480,000 individuals who are receiving higher benefits under this law, including some 235,000 retired employees, 90,000 spouses who were not eligible for any benefit heretofore but are now entitled to a benefit up to $40 a month, and some 155,000 widows, children, and parents of deceased railroad employees.

The reduction in annuities resulting from the duplicate benefit provision affects only 30,000 retired employees, or approximately 11 percent of the retired employees, and only 6 percent of the total number of beneficiaries under the act. The individuals affected by this reduction are those who would receive undue advantage from joint coverage under the railroad-retirement and social-security systems. The large majority of retired employees who have no social-security coverage or no prior service on the railroad are not affected by this provision of the law.

(2) It is contrary to good public insurance practice for an individual who is entitled to benefits under the railroad-retirement and social-security systems to receive full credit toward each benefit for the same period of untaxed service, especially when the combined benefit is much greater than it would be if his total service had been under the railroad-retirement system only.

The Railroad Retirement Act specifically allows credit for service rendered before the law was enacted in 1937 and before taxes were paid. The Social Security Act does this indirectly, and goes even further by, in effect, giving free credit for service before 1951. This is accomplished by means of a benefit formula which is weighted in favor of individuals retiring in the early years after the enactment of the system, or, since the 1950 amendments, in the early years after those amendments. The formula is so designed that it is possible for an individual with very little service under the social security system to qualify, at least at the present time, for the same benefit as though he had been covered for many years. The social security system is especially generous in this regard as compared with the railroad system. A railroad employee, before receiving credit for any period before 1937, must show that he actually was in railroad service in that period, and that he was also in active service or in an employment relation on August 29, 1935. Under the social security system, on the other hand, an employee with the required number of quarters of coverage after 1936 (until July 1, 1954, that number is only six) is, in general, automatically treated as though he had been under social security coverage throughout his working lifetime, even though he may actually have been a railroad employee most of the time. An individual eligible to receive a railroad retirement annuity who has sufficient service under the Social Security Act to qualify for benefits under that act as well, thus receives double credit for service with respect to which he paid little or no retirement taxes.

The problem of duplicate benefits was first brought into prominence when the 1950 amendments to the Social Security Act made it relatively easy for a railroad worker, past or close to age 65, to obtain a substantial social security benefit on the basis of only nominal social security employment, in addition to the railroad annuity he earned over a lifetime of railroad service.

4. Statement of Senate Labor Committee on duplicate benefits

The Senate Committee on Labor and Public Welfare recommended the adoption of the duplicate-benefit provision contained in S. 1347, 82d Congress, as reported by the committee. With respect to this provision, the committee report stated:

> In the event of retirement benefits both under the Railroad Retirement Act and the Social Security Act, the committee bill contains a provision to eliminate dual benefits on the basis of service before 1937. The new Social Security Act is so weighted in favor of short-term workers as to, in effect, give credit for service prior to 1937. This provision is the same as that contained in the original S. 1347. An additional proviso was inserted in the committee bill which guarantees that, for annuitants already on the rolls who may be eligible for dual benefits as of the effective date of enactment, the reduction for prior-service penalty shall not result in a smaller benefit amount than the family received just prior to the date of enactment.[1]

Further on in the Senate report, the following statement appears:

> * * * section 7 provides against duplication of credit for prior service. The amended Social Security Act is so weighted as, in effect, to give credit for service before 1937. In view of this, and since employees who now receive credit for service before 1937 have not paid any taxes with respect to such service, the sponsors of the bill deemed it appropriate to continue to give credit for prior service, but only if the employee does not also receive an old-age benefit under the Social Security Act.[2]

5. Duplicate benefits first assumed prominence in 1950

Before 1940, no social-security benefits were payable. Therefore, the problem of duplicate benefits did not exist. Although the Social Security Act was amended in 1939 to provide benefits beginning in 1940, it still did not give rise to a duplicate-benefit problem because employment opportunities for older persons were slight. It was most difficult for a retired railroad worker or one about to retire to earn the six quarters of coverage then necessary to qualify for a social-security benefit. In July 1940, the minimum number of quarters of coverage was increased to 7, in January 1941 to 8, in July 1941 to 9, etc. In any event, social-security benefits were very low compared with railroad annuities. The trivial nature of the duplicate-benefit problem at that time was indicated by a study made by the Railroad Retirement Board in May 1941. The study disclosed that only 100 persons were then receiving retirement benefits from both systems. Although employment opportunities improved during the war years, the number of required quarters of coverage was steadily being increased, and the duplicate-benefit problem never assumed serious proportions until 1950.

The extensive amendments to the Social Security Act in 1950 first brought the problem of duplicate benefits into prominence. For the first time it became possible for the older people to acquire a substantial old-age benefit on the basis of inconsequential service. It thus became possible to reduce prior-service credits when there were simultaneous social-security benefits and still retain a high standard of benefit adequacy. The social-security "new start" made it possible for any worker over age 65 to qualify for an old-age benefit on September 1, 1950, on the strength of the minimum 6 quarters of coverage, instead of the 27 that would otherwise have been necessary.

[1] S. Rept. No. 890 (S. 1347), U. S. Senate, 82d Cong., 1st sess., p. 9.
[2] Ibid., p. 24.

Not until July 1, 1954, will it be necessary for a worker reaching age 65, and engaged in social-security employment, to have more than 6 quarters of coverage, compared with the situation under the old start, which would have required 35 quarters on that date. Also the expansion of coverage, especially into the self-employment field, considerably enhanced the opportunities for railroad workers to qualify for full social-security benefits in addition to their railroad annuities.

It is estimated that nearly one-half of the individuals now receiving duplicate retirement benefits are on the social-security rolls only by virtue of the 1950 amendments to the Social Security Act. The amounts of duplicate benefits for the remainder were small. The new provisions not only created a large group of dual beneficiaries but also gave them larger duplicate benefits. The new social-security benefits, moreover, are so calculated as to treat an individual with only 6 quarters of coverage after 1950 as though he had been in continuous social-security employment all his life, not only for the period before 1937 but also for the period 1937–50.

It is easy to see, therefore, why it was necessary in 1951 to reexamine the question of duplicate benefits. For the first time, windfall benefits on a widespread scale became possible. Considering the need to find as much revenue as possible to finance increases in the general level of railroad benefits, it seemed logical for Congress to enact the duplicate benefit provision as part of the railroad retirement amendments of 1951. The absence of a restriction in the earlier railroad retirement legislation merely reflects the fact that there was then no need for it. Now there is both a need and a reason for it.

6. Duplicate benefit provision not a new principle

The duplicate benefit provision does not involve any new principle in railroad retirement legislation. It is only one of a series of related provisions in the Railroad Retirement Act and in the Social Security Act, with which the Railroad Retirement Act is in important respects coordinated. The Social Security Act has always had provisions guarding against overlapping benefits. Thus, under that act, dependents and survivors may not receive benefits based on their relationship to the wage earner which overlap benefits they may be entitled to receive on the basis of their own wage records. Survivors may not receive benefits deriving from the employment of two different deceased wage earners. Survivors also may not receive benefits if they are entitled to receive railroad survivor benefits. The Railroad Retirement Act, as early as 1946, when it first granted insurance benefits to survivors, specifically provided against the duplication of such benefits between the railroad and social security systems and also against payment of survivor benefits to individuals entitled in their own right to retirement benefits under either the railroad or social security system. In the 1951 amendments to the Railroad Retirement Act, it was provided also that the wife's annuity be reduced by any retirement or parent's benefit to which she is entitled under either the Railroad Retirement or Social Security Act (in the latter case, to the extent that that benefit exceeds a wife's benefit under that act).

The duplicate benefit provision thus appears as only one of a chain of provisions all designed with the objective of guarding the two public-insurance systems against unintended drains resulting from fortuitous

family relationships or shifts in employment. Moreover, if the experience of private pension systems is examined, it will be found that in many of the larger ones pensions are paid to supplement, rather than overlap, benefits payable under the social-security system, and when social-security benefits are increased, the pensions are correspondingly decreased.

7. The question of individual equities

It should be emphasized that the railroad retirement system is not based primarily on individual rights or equities. Although such equities are not disregarded, the system has not been designed to return to each beneficiary an amount exactly in proportion to his own contributions but rather, in a general way, to enable retired railroad workers to continue to enjoy as nearly as practicable the standard of living which they enjoyed during their employment. As a public-insurance program, its primary purpose is not to sell annuity insurance but to insure against loss of income resulting from the economic hazards of old age, disability, and death. The benefit structure is so designed that, while each individual is guaranteed a return greater than his own tax contributions, the aggregate amount of money available for benefit payments is disbursed on such a basis as will enable the retired employees to enjoy inter se relatively the same kind of living to which they were accustomed as employees. Just as the rates of pay of employees varied greatly, so do their benefits differ similarly. Sometimes, this principle is all there is to justify a benefit payment. Thus, none of the almost 100,000 railroad workers who started to receive benefits at the inception of the program (and of whom 20,000 are still on the rolls), and none of the tens of thousands of widows of these workers, would have received any benefits at all if the individual's equity alone were considered, since none of them paid any taxes into the system, or, if they did, for a few months only.

The purposes of public-insurance programs are recognized in the provision for minimum annuities to short-service or low-paid workers, and in the provisions for wives' and survivors' annuities, to mention only two important ones. In each case, inequity could be claimed with much more justification than in the case of the duplicate benefit provision. The high-paid, long-service employee may feel that he receives less in proportion to his taxes than the employee whose annuity is calculated under the minimum provision or, for that matter, under the regular so-called bent formula. The retired bachelor or widower may feel that he could be receiving a larger annuity if it were not for the large sums disbursed to the wives of retired employees. The employee whose children are over 18 may feel that he could leave his widow a larger annuity but for the portion of his taxpayment that must be set aside to provide annuities for the minor children of his fellow employee who pays the same tax he does.

We do not consider that any of these complaints would be justified. We would, on the other hand, consider it inequitable that the employee who continues in railroad service beyond age 65 be required to continue paying taxes part of which go to finance the annuity of the employee who retired at age 65 to go into social security employment. This is all the more inequitable inasmuch as the employee who went into social security employment would eventually receive both a railroad and a social security annuity which, together,

would amount to more than the railroad annuity that would have been payable if he had remained in railroad service. The aged wife and the minor child presumably need the benefits provided for them. The retired railroad employee working in social security employment, however, does not need his railroad annuity in the same way. There is no lost income in his case against which a public insurance system is supposed to insure. If an individual will have retired with a social security old-age benefit and goes to work in the railroad industry, that benefit is wholly and immediately suspended, in contrast to the much less severe restriction on the annuity of an individual who may have retired from the railroad system and then goes to work in social security employment. If a survivor beneficiary under either system works under the other, the benefit is suspended. It is not inconsistent with such provisions that the largely unpaid for annuity the retired railroad worker is permitted to retain while working in social security employment should at least be reduced when he will have enough employment to qualify for a social security benefit.

PART 2. ALLEGED INEQUITIES OF DUPLICATE BENEFIT PROVISION

During the committee's hearings on H. R. 356, proponents of the bill alleged that the duplicate benefit provision was inequitable because (1) the individuals affected by it have been deprived of a benefit they "paid for"; (2) this provision constitutes a breach of promise made under the Railroad Retirement Act; (3) this provision is inequitable when compared with the civil service retirement laws; and (4) this provision has taken away benefits already granted to certain individuals.

After careful examination of these allegations, we find them to be without foundation in fact.

1. Proponents say prior service credits have been "paid for"

Railroad retirement annuitants and pensioners affected by this duplicate benefit provision have not paid any taxes or made any contributions with respect to the service before 1937, contrary to the allegations made by the proponents of H. R. 356. It is true, of course, that the tax schedule was originally set and later modified in contemplation of the payment of interest on the unfunded accrued liability, a portion of which is due to this prior service. This interest charge, however, is spread over the life of the system so that the amount paid by the annuitants here under consideration is utterly insignificant relative to the value of the benefits based on their prior service. It should also be remembered that the tax or contribution schedule was originally established in the light of benefit rates which have been increased by 20 percent in 1948, and again by 15 percent in 1951. Although the tax rates were increased in 1946, there have been added many new benefits. Thus, the 1946 amendments added occupational disability annuities and benefits to widows, orphans, and parents; and the 1951 amendments added spouses' annuities, increased survivor annuities by at least 33⅓ percent, and enlarged the number of those entitled to survivor benefits. Each time benefits were increased or added, the liability for prior service was increased accordingly, and the fixed tax rate, as it is now known, did not cover the added cost. As the benefit rates were increased, not only was the

prior service liability increased, but all annuitants on the rolls were awarded additional benefits that they could neither have expected at the time the benefits were originally awarded, nor for which they could possibly have paid any taxes. This situation was changed by the 1951 amendments only to the extent that the increases provided by those amendments did not generally accrue to annuitants whose benefits were based entirely or in part on untaxed prior service, and who were eligible for an old-age social security benefit.

When the system was first established railroad workers in active service who had to share in the cost of supporting the new system were apparently willing to have their tax contributions used for the benefit of the older employees of long service who would be required to retire, some almost immediately upon the establishment of the system, and others at an early date thereafter without having contributed substantially, if at all, to the system. The annuities of these older workers were largely based on their past service; that is, service rendered before 1937 with respect to which no taxes were paid. The crediting of this prior service in one form or another was therefore originally a matter of necessity. Benefits provided by the social security system before the 1950 amendments, although they indirectly allowed some credit for prior service, were too small to warrant any consideration of avoiding any problem of duplicate credit for nontaxed service. Moreover, the number of individuals qualified for duplicate benefits was not large. After the 1950 amendments to the Social Security Act, however, the benefits under the social security system, as well as the number of individuals qualifying for them, were substantially increased, so that the original reason for giving free credit for prior service under the Railroad Retirement Act ceased to exist for those who could get credit for such service under the Social Security Act. For those, however, who could not or cannot get credit for this prior service under the social security system, the railroad retirement system continues to provide full benefits on account of such service.

The fact that annuitants and pensioners who are subject to the duplicate benefit provision have not paid for their railroad retirement benefits is strikingly demonstrated in table 1, which compares the taxes paid and benefits already received by, and benefits still to be paid to, several individuals, taken as illustrative of the problem. The first four individuals shown in the table were selected by the Railroad Retirement Board and presented to the committee as typical cases. Annuitant Shaw and Pensioner Carr were cited by Mr. Murray W. Latimer, a witness for the four railway brotherhoods who favor this bill, as illustrations of the inequity of the duplicate benefit provision. A brief history of each case follows:

1. Individual A, a section foreman, retired in 1937. He paid only $17 in railroad retirement taxes. Upon retirement, he received an annuity of $59.70 a month, which was increased in 1948 to $71.64. Owing to the duplicate benefit provisions, he is now receiving $57.39 and his wife is receiving $28.70, or a combined total of $86.09

Individual A and his wife have already received $12,084 from the railroad retirement system and $1,335 from the social security system, or a combined total under both systems of $13,419. The present value of the probable future benefits still to be paid under both the railroad retirement and social security systems is $6,526. Thus, individual A and his wife will probably receive, even with the duplicate benefit restriction, total benefits of almost $20,000 for only $44 in retirement taxes. The relation between taxes and benefits in this case is extreme but by no means rare. In almost 1,000 duplicate benefit cases now on the rolls, the employee retired in 1937 or earlier.

TABLE 1.—*Taxes paid, benefits received, and future benefits still to be received* [1] *under railroad retirement and social security systems by certain individuals (and their spouses, if any) who are subject to the duplicate benefit provision of the Railroad Retirement Act, as of Dec. 31, 1952*

Item	Railroad retirement system	Social security system	Total, both systems
1. Individual A, section foreman, cited on p. 29 of hearings on H. R. 356:			
(a) Taxes paid	$17	$27	$44
(b) Benefits received	12,084	1,335	13,419
(c) Present value of probable future benefits	4,546	1,980	6,526
(d) Total benefits already received and still to be paid [(b) plus (c)]	16,630	3,315	19,945
2. Individual C, car inspector, cited on p. 29 of hearings on H. R. 356:			
(a) Taxes paid	676	73	749
(b) Benefits received	6,134	1,130	7,264
(c) Present value of probable future benefits	5,142	8,799	13,941
(d) Total benefits already received and still to be paid [(b) plus (c)]	11,276	9,929	21,205
3. Individual E, machinist, cited on p. 29 of hearings on H. R. 356:			
(a) Taxes paid	1,618	6	1,624
(b) Benefits received	864	480	1,344
(c) Present value of probable future benefits	8,816	2,511	11,327
(d) Total benefits already received and still to be paid [(b) plus (c)]	9,680	2,991	12,671
4. Individual G, sheet metalworker, cited on p. 30 of hearings on H. R. 356:			
(a) Taxes paid	650	143	793
(b) Benefits received	6,000	1,054	7,054
(c) Present value of probable future benefits	7,300	5,434	12,734
(d) Total benefits already received and still to be paid [(b) plus (c)]	13,300	6,488	19,788
5. Annuitant Shaw, cited in testimony of Mr. Latimer on p. 166 of hearings on H. R. 356:			
(a) Taxes paid	1,010	90	1,100
(b) Benefits received	8,341	0	8,341
(c) Present value of probable future benefits	6,541	(2)	[3] 6,541
(d) Total benefits already received and still to be paid [(b) plus (c)]	14,882	(2)	[3] 14,882
6. Pensioner Carr, cited in testimony of Mr. Latimer on p. 167 of hearings on H. R. 356:			
(a) Taxes paid	0	109	109
(b) Benefits received	11,719	278	11,997
(c) Present value of probable future benefits	3,903	3,345	7,248
(d) Total benefits already received and still to be paid [(b) plus (c)]	15,622	3,623	19,245

[1] Includes spouse's benefit only if such a benefit was payble on Dec. 31, 1952.
[2] Since annuitant Shaw was still working in social security employment as of this date, his entitlement to social security benefits was potential, and there was no basis for computing the present value of his probable future benefits.
[3] Does not include social security benefits.

Source: Railroad Retirement Board.

2. Individual C, a car inspector, retired in 1946. He paid $676 in railroad retirement taxes. Upon retirement he received an annuity of $65.98 a month, which was increased in 1948 to $79.18. Owing to the duplicate benefit provision, he is now receiving $38.64, and his wife is receiving $19.32, or a combined total of $57.96.

Individual C also qualified for a social security benefit. He paid only $73 in social security taxes. He is receiving an old-age benefit under the Social Security Act of $66.10 and his wife is receiving $33.10. Their combined monthly income under both systems is, therefore, $157.16 or almost 2½ times the amount in 1946.

Individual C and his wife have already received $6,134 from the railroad retirement system and $1,130 from the social security system, or a combined total under both systems of $7,264. The present value of the probable future benefits still to be paid under both systems is $13,941. Thus, individual C and his wife will probably receive, even with the duplicate benefit restriction, total benefits of $21,200 for only $749 in retirement taxes.

3. Individual E, a machinist retired in 1952. He paid $1,618 in railroad retirement taxes. Upon retirement, he received an annuity of $92.77. This annuity has since been reduced to $87.77. This individual also qualified for a social security benefit. He paid only $6 in social security taxes. He is receiving an old-age benefit under the Social Security Act of $25. His combined monthly income under both systems is, therefore, $112.77.

Individual E has already received $864 from the reailroad retirement system and $480 from the social security system, or a combined total under both systems of $1,344. The present value of the probable future benefits still to be paid to him under both systems is $11,327. Thus, individual E will probably receive, even with the duplicate benefit restriction, total benefits of $12,671 for only $1,624 in retirement taxes.

4. Individual G, a sheetmetal worker, retired in 1945 at age 60, at a reduced annuity. He paid $650 in railroad retirement taxes. Upon retirement he received an annuity of $58.52 a month, which was increased in 1948 to $70.22. In November 1951, when the duplicate benefit provision became effective, he continued to receive $70.22 since the saving clause applied in his case. In September 1952, his railroad benefit was reduced to $64.82 because he received an increase in his social security benefit. This individual also qualified for a social security benefit of $43 in September 1950. He paid only $143 in social security taxes. His social security benefit was raised in September 1952 to $48.40. His combined monthly income under both systems is, therefore, $113.22.

Individual G has already received $6,000 from the railroad retirement system, and $1,054 from the social security system, or a combined total of $7,054 under both systems. The present value of the probable future benefits still to be paid to him under both systems is $12,734. Thus this individual will probably receive, even with the duplicate benefit restriction, almost $20,000 for only $793 in retirement taxes.

Annuitant Shaw paid $1,010 in railroad retirement taxes, has already received $8,341 in benefits under the railroad retirement system and will probably receive an additional $6,500 in future benefits. He paid $90 in social security taxes. Since he is still working in social security

employment, the amount of social security benefits to which he will be entitled could not be computed.

Pensioner Carr has paid nothing in railroad retirement taxes, has already received $11,719 in social security benefits, and will probably receive an additional $3,900 in such benefits. He paid $109 in social security taxes, has already received $278 in social security benefits, and will probably receive an additional $3,300 in such benefits. Thus, he has already received $12,000 in benefits under both systems and will probably get an additional $7,250 in future benefits, or a combined total of $19,250 in benefits for a tax payment of $109.

Table 2 shows the average taxes paid and the average benefits already received and still to be paid for all 30,200 annuitants affected by the duplicate benefit provision. On the average, these individuals paid only $430 in railroad retirement taxes. The average benefits already received totaled $6,000, or 14 times the amount paid in taxes, and the present value of future benefits still to be paid is almost $6,000. Thus, such individuals have already received from the railroad retirement system and will probably receive in the future benefits totaling approximately $12,000.

These individuals paid on the average $66 in social security taxes. Social security benefits already paid to them average $971, and the present value of probable future benefits still to be paid under this system is $3,437, or total benefits of $4,408.

Thus, these individuals have already received on the average almost $7,000 in combined benefits under both the railroad retirement and social security systems, even with the reduction because of duplicate benefits, and will probably get an additional $9,400, making a total benefit of $16,400 for combined railroad and social security taxes of less than $500.

It is clear from the above discussion of actual cases and of the entire group of 30,200 annuitants affected by this duplicate benefit provision that the railroad retirement and social security benefits of the individuals concerned have not been paid for. The data show that, even after the reduction in their railroad annuities and pensions because of the duplicate benefit restriction, these individuals have already received and will probably continue to receive in benefits many times the amount of the railroad retirement taxes they paid. The social security benefits paid to such individuals are likewise out of proportion to the taxes paid by them. We cannot consider it inequitable that the railroad retirement account be permitted, through the duplicate benefit provision, to realize a financial saving that makes it possible to pay larger benefits to those who stay in the railroad industry all their working lives and to their survivors.

TABLE 2.—*Average taxes paid, benefits received, and future benefits still to be received under the railroad retirement and social security systems by individuals subject to a reduction in their railroad retirement benefits because of the duplicate benefit provision, as of Dec. 31, 1952*

Item	Railroad retirement system	Social security system	Total, both systems
Number of annuitants affected by duplicate benefit provision			30,200
Average taxes paid	$430	$66	$496
Average benefits received through Dec. 31, 1952	6,005	971	6,976
Average present value of probable future benefits still to be paid	5,943	3,437	9,380
Combined average benefits already received and still to be paid	11,948	4,408	16,356

NOTE.—This table is based on a 1-percent random sample of all retirement annuities in force on Dec. 31, 1952. According to the Director of Research of the Railroad Retirement Board, this sample is "very representative of all dual-benefit cases."

Source: Statement of Railroad Retirement Board at hearings before House Committee on Interstate and Foreign Commerce, June 2-4, 1953, table 3.

2. Proponents say duplicate benefit provision constitutes a breach of promise

The statement of a witness for the proponents, that the railroad workers had been promised that they would be given credit for service before 1937, and that this duplicate benefit provision constitutes a breach of that promise, overlooks the natural and normal development of any retirement system in general, and the railroad retirement system in particular. Moreover, many changes of a similar nature have been made in the railroad retirement system since it was established, at the suggestion of, or at least with the approval of, the then Chairman of the Railroad Retirement Board, Mr. Murray W. Latimer, and none of them was considered a breach of promise. Thus:

(1) The Railroad Retirement Act of 1935 provided for annuities for all railroad workers based on disability for work in their regular jobs even though not totally and permanently disabled—in short, it provided an occupational disability annuity. This provision was dropped when the 1935 act was amended in 1937, and was replaced by a provision requiring that the disability be total and permanent for all regular employment.

(2) The Railroad Retirement Act of 1935 provided credit for prior service to an employee who was in service or in an employment relation on or after August 29, 1935, the date of enactment of the retirement system. This provision was changed by the 1937 act amendment so as to preclude credit for prior service to anyone who was not in actual service or in an employment relation on the enactment date.

(3) The Railroad Retirement Act of 1935 provided eligibility for an annuity even though the employee continued to work for a person not covered by the railroad retirement system. This provision was amended by the 1937 act so as to require retirement even from nonrailroad employment before an annuity could begin to accrue.

(4) The Railroad Retirement Act of 1935 permitted the payment of an annuity when awarded even though the annuitant returned to the service of a nonemployer for whom he worked before his annuity began to accrue. This was changed by the 1937 amendment to the

Railroad Retirement Act so as to deny an annuity for any month in which an individual rendered service to the last employer, even though a noncovered employer, for whom he had worked before the annuity began to accrue.

(5) The Railroad Retirement Act of 1937 provided for the crediting of prior service to anyone who was on furlough on August 29, 1935, the enactment date of the act, whether or not he later returned to railroad employment. Under an elaborate prior service program which cost some $9 million, thousands of railroad workers whose right to credit for prior service was based exclusively on their furlough status were officially notified that their prior service credit was verified and would be credited to them upon retirement. Yet, thereafter, this provision was changed by the 1946 amendments so as to deny to these workers who did not return to railroad employment credit for prior service even though they did not receive benefits under the Social Security Act.

(6) The 1937 act provided for the payment of an annuity to a person totally and permanently disabled for all regular employment regardless of the amount earned by him in any month in employment permissible for those with his disability. The 1946 amendments provided for the discontinuance of such an annuity if such earnings exceeded $75 a month for 6 consecutive calendar months.

The six changes above described were, of course, all meritorious and were all adopted in order to correct maladjustments in the railroad retirement system which escaped attention at the time of enactment, or because new circumstances warranted their adoption, as is the case with the provision against the payment of duplicate benefits. Although all these changes operated to deprive persons otherwise covered by the system of benefits for which they would have qualified, they were enacted nevertheless.

3. Proponents say duplicate benefit provision is inequitable compared with civil service retirement laws

It has been suggested that it is unfair to reduce the railroad annuity of an individual who qualifies for a social security benefit and not of one who qualifies for, say, a Federal, State, or municipal civil service annuity. The situations are not really comparable even in theory, apart from the fact that persons qualifying for both railroad and Government retirement benefits are quite rare. The duplicate benefit restriction, as has already been stated, is based on the principle that an employee should not be paid more than once on untaxed service; that is, if he is already receiving credit for railroad service rendered before 1937 toward his railroad annuity, he should not be allowed to retain that credit if he is in effect going to receive full credit toward a social security benefit for periods during which he was not in social security employment.

A typical situation now being dealt with is one in which a retired railroad employee, receiving an annuity based in part on service before 1937, enters social security employment and, because of the "new start" provision, becomes entitled in a little more than a year, or in a few years, to a social security benefit equal to one that would be payable after a lifetime of service. In this respect, there is an important distinction between the Federal civil service and social security systems. The civil service system has been in existence since 1920. The

ıly untaxed service on which credit is allowed (without an offsetting reduction in annuity or complete elimination of credit for noncontributory service) is service before August 1920. Therefore, credit for untaxed Government service is obviously unimportant at the present time. In the rare case in which a retired railroad worker enters Government employment and works 5 years, or in the case in which, at some time earlier in his life, he had worked in Government service for at least 5 years (it used to be 15) and did not apply for a refund of his taxes, he could receive a civil service annuity. That annuity, however, unlike a social security benefit, is only in direct proportion to his years of service. His total annuity from both the railroad and civil service systems will not (unless he has 30 years of railroad service) be much different than his railroad annuity would have been if he had stayed on in railroad service 5 more years. The same situation would prevail in practically all governmental retirement systems. In the social security example, on the other hand, the combined railroad and social security benefit, but for the duplicate benefit restriction, would be far in excess of what the employee would have received if all his employment had been under one system. In other words, it is only in the combination of railroad and social security service that such a windfall would occur.

4. Proponents say duplicate benefit provision has taken away benefits already granted

It has been argued that never before has a benefit once granted ever been taken away. The saving clause in the provision restricting duplicate benefits operates, of course, to save fully and completely to the individual annuitant the total of the benefits previously granted ·m under both systems, so that as to every annuitant already on the ɔlls and benefits already awarded, there is no taking away of anything. The taking into account of all or part of the benefit granted under the 1951 amendments to the wife or husband of an annuitant in applying the saving provision is obviously not a real loss in benefit to the annuitant. And even in cases where the duplicate benefit restriction reduces the railroad retirement benefits of an annuitant below what they otherwise would be because of later entitlement to an old-age insurance benefit, the provision cannot be regarded as depriving him of something already granted since, under the provision, it must be remembered, the annuitant never receives less from the social security system and the railroad retirement system together than he would have received if only one system or the other applied to his employment. The duplicate benefit restriction merely operates to prevent the two systems administered by one and the same government from paying twice for the same noncontributary service.

Further, insofar as the provision would apply to benefits to be awarded in the future, the provision is no more immoral or the breaking of an agreement than are the various changes already made in the system which were previously described.

PART 3. ENACTMENT OF H. R. 356 WOULD SERIOUSLY JEOPARDIZE FINANCIAL SOUNDNESS OF RAILROAD RETIREMENT SYSTEM

The present financial condition of the railroad retirement system does not permit the expenditure over a period of years of $385 million for the payment of duplicate benefits to some 30,000 retired railroad

employees at the expense of 450,000 other individuals who are now receiving benefits under this system, and 1½ million railroad employees and their employers who are paying the taxes for the support of this retirement system.

The fifth actuarial valuation of the railroad retirement system recently published by the Railroad Retirement Board estimates the cost of benefits payable under the present law at 13.41 percent of payroll. Since the level tax rate for the maintenance of the system is 12.5 percent of payroll, the system is underfinanced by 0.91 percent of payroll, or by approximately $45 million a year. Consequently, the enactment of H. R. 356, which would repeal this duplicate benefit provision, would immediately increase the present cost of the railroad retirement system by an additional $11 million a year; it would mean that the railroad retirement system would be operating at a deficit of over $56 million a year. Employees who are now working and future entrants in the railroad industry will have to make up this deficit.[3]

In this connection, it is pertinent to quote from the report made by the firm of Nelson & Warren, actuaries retained by the Joint Congressional Committee on Railroad Retirement Legislation on the question of the adequacy of the present tax rate to finance the railroad retirement system. In a summary of its report to the committee (83d Cong., 1st sess., S. Rept. No. 6, pt. 1, p. 338), the actuaries said:

> The gist of this summary is that in our opinion any recognized actuarial methods and reasonable assumptions, when applied to the railroad retirement system, will result in cost estimates which exceed the present tax rate. Thus, in order to maintain an actuarially solvent system, methods of reducing benefits, or methods of increasing the tax income or investment income of the system, should be sought.

Mr. Murray W. Latimer, in his testimony before the committee to support the four railroad brotherhoods which favor H. R. 356, emphasized the fact that the financial condition of the railroad retirement system is even worse than indicated above. An excerpt from his testimony on this point is quoted below:

EXCERPT FROM TESTIMONY OF MR. MURRAY W. LATIMER [4]

Mr. HALE. The passage of H. R. 356, or any of the companion bills, would make the [railroad retirement] fund more unsound actuarially, would it not?

Mr. LATIMER. Yes, sir; it would. There is no question about it. * * *

* * * * * * *

Mr. HALE. I am perfectly frank in saying that, as the matter lies in my mind, I would like certainly to prevent any retiree from suffering any prejudice from the so-called dual benefits, what you call the social security offset. But Mr. Matscheck from the Railroad Retirement Board comes here—did you hear his testimony?

Mr. LATIMER. I did, sir.

Mr. HALE. He testified that the fund was not actuarially sound now and if we did anything about these dual benefits, we would just be making bad matters worse, as I understood his testimony, stating it very crudely and bluntly.

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[3] The fifth actuarial valuation of the railroad retirement system estimates the savings to the system from the duplicate benefit provision to be 0.15 percent of payroll, or $7½ million a year, over the next 50 years. However, the immediate cost to the system resulting from the repeal of this provision would be $11 million a year for the first 10 years, $15 million a year for the next 10 years, $9 million a year for the third decade, $3 million a year for the fourth decade, and steadily decreasing amounts thereafter until the cost of repealing this provision would vanish approximately in the year 2000.

[4] Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 1st sess., on H. R. 356 and other bills amending the dual-benefit provisions of the Railroad Retirement Act, June 5, 1953, pp. 211–213.

Mr. Fort's testimony on behalf of the Association of American Railroads was closely similar. Mr. Schoene's testimony was something along the same line, if I understood them all. They might not assent to my characterizations, but stated crudely and generally, that is the impression that I got from those three men.

Mr. LATIMER. It is a correct impression, sir, and my only difference with them is that I think they are too optimistic. I think the situation is worse than they have said it is. I make no bones about the difficulties which the situation involves.

In view of the status of the railroad retirement account, even if there were no other considerations involved in the repeal of the duplicate-benefit provision, we cannot recommend the enactment of this legislation. However, there are other important considerations which compel us to vote against this measure.

PART 4. ENACTMENT OF H. R. 356 WOULD GIVE RISE TO SERIOUS INEQUITIES

In considering the question of the equities of individuals covered by the railroad retirement system, it is necessary to consider inter se the equitable claims not only of those who are now retired but also the equitable claims of those who will retire in the future. For it is the contributions now being made by the employees who will retire in the future and the contributions made by the employers with respect to their employment that, in very large measure, have to pay for any benefits extended to those who are now retired.

We are firmly convinced that the enactment of H. R. 356, which would repeal the duplicate benefit provision, would give rise to serious and widespread inequities between the group of 30,000 annuitants now receiving duplicate benefits on the one hand, and on the other hand, the 450,000 other beneficiaries under the Railroad Retirement Act, as well as the 1½ million railroad employees now in active service, and the many millions of future railroad employees.

1. Cost of benefits for new entrants only 7.66 percent of payroll; taxes are 12.5 percent of payroll

Under the present Railroad Retirement Act, the benefits to which a new entrant into the railroad system is potentially entitled costs only 7.66 percent of payroll. Actually 12.5 percent of payroll is being paid into the railroad retirement fund with respect to his service. The difference of 4.84 percent of payroll is a charge against the unfunded liability of the system which arose to a very large degree from the crediting of prior service.

As previously shown, the Railroad Retirement Act provided for the crediting of prior service as a matter of necessity, not as a matter of equity. The social security system also, in effect, gives credit for untaxed service through a heavily weighted benefit formula. The 1950 amendments to the Social Security Act contained very liberal provisions in this regard for those retiring immediately or in the next few years.

We believe that, in the cases where an employee qualifies for a benefit under both retirement systems, it is equitable and sound policy to give credit for prior service under only one retirement system. Moreover, in the balancing of equitable claims of these 30,000 individuals as against the other 450,000 beneficiaries under the act as well as the 1½ million railroad employees in active service today and the untold millions of future railroad employees who are paying

and will continue to pay a good share of these benefits, it would be highly inequitable to the latter groups of individuals if the duplicate benefit restriction were repealed.

2. Combined railroad and social security benefits, in spite of reduction, are greater than railroad benefits would be for comparable service in railroad industry

A statistical study made by the Railroad Retirement Board of the benefits payable to the 30,000 retired annuitants and pensioners who are subject to the duplicate benefit provision shows that if these employees had remained in railroad service for the same period that they spent under social security coverage, their railroad benefits would have been, on the average, smaller than the combined benefits they are now actually receiving, in spite of the reduction. These data are shown in table 3.

Table 3 shows that as of December 31, 1952, there were 30,200 railroad retirement annuities in force which were subject to a reduction by operation of the duplicate benefit provision. According to the table, the railroad employees receiving these annuities receive, on an average, $112 a month in benefits as the total from the respective payments of the railroad retirement and social security systems. If, however, their service had all been rendered under the coverage of the Railroad Retirement Act (assuming 3 months' credit under the railroad system for every quarter of coverage in social security employment at the same rate of earnings as for their railroad employment), their average annuity would have been only $104. Thus, the duplicate benefit provision, far from being inequitable to the beneficiary under both systems, actually allows such a beneficiary a bonus of, on the average, $8 per month, or 7½ percent more than an annuitant would have received for comparable service under the railroad retirement system only. And that notwithstanding the fact that the beneficiaries under the two systems pay taxes on their social security employment at a far lower rate than they would have had to pay had that service been rendered under the coverage of the Railroad Retirement Act.

TABLE 3.—*Railroad retirement annuities in force Dec. 31, 1952, subject to reduction under duplicate benefit provision: Number, average combined benefits under both systems, and average railroad annuity that would be payable on combined service, by method of reduction and family composition*

Method of reduction and family composition	Number	Average combined railroad retirement and social security benefits		Average railroad retirement annuity [2] based on combined service
		Unreduced	Reduced	
Total	[1] 30,200	$139	$112	$104
Annuitant only	19,700	114	94	86
Annuitant and wife	10,500	185	145	139
Reduction limited by saving clause:				
Total	16,600	121	101	89
Annuitant only	14,600	113	96	84
Annuitant and wife	2,000	183	137	126
Reduction equal to part of annuity based on prior service:				
Total	3,100	118	92	80
Annuitant only	1,700	84	67	55
Annuitant and wife	1,400	160	122	110
Reduction equal to amount of old-age benefit:				
Total	10,500	171	137	136
Annuitant only	3,400	130	103	107
Annuitant and wife	7,100	191	153	149

[1] In 2,500 cases, entitlement to social security benefits was potential. For these cases, the combined benefits consist only of the railroad benefits.

[2] Computed on assumption that each quarter of coverage in social security employment was creditable as 3 months of railroad service, and that earnings in such employment were at same rates as for railroad service.

NOTE.—Based on 1-percent random sample of retirement annuities in force Dec. 31, 1952. Excludes 300 former carrier pensioners receiving reduced amounts because of duplicate benefit provision.

Source: Railroad Retirement Board.

Clearly, whatever inequity may be said to exist as between annuitants receiving benefits under the railroad retirement system only and beneficiaries under both systems, such inequity favors the latter. Now it is proposed, by repealing the duplicate benefit restriction, to increase the inequity by making the bonus enjoyed by the beneficiaries under both systems from 4 to 5 times larger than it is at present. The average total of $112 a month received by the 30,200 annuitants under both systems would, according to the column headed "Unreduced" in table 3, become $139. This would be $35 more per month, or 34 percent more, than they would be entitled to if all their service had been rendered under the railroad retirement system. This would be a very striking discrimination against the employees who spend all their time in the railroad industry.

Table 3 breaks down the 30,200 railroad annuities affected by the duplicate benefit provision into 19,700 cases in which benefits are received by the railroad employee alone, and 10,500 cases in which benefits are received by the employee and his wife. In cases where the employee alone is receiving benefits, the average benefit, if assumed to be all based on railroad service, would be $86. Actually, the combined total under the two systems is $94, or a bonus to persons with credit under both systems of 11.9 percent. If the duplicate benefit provision were repealed, the bonus would be 32.5 percent. In cases where the employee and wife are receiving benefits, the average benefits, computed as if the entire service were under the railroad system, would be $139. Actually, the annuitant and wife receive

$145, or a bonus of 4.3 percent. If the duplicate benefit provision were repealed, they would receive $185, or a bonus of 33.1 percent. It will be readily seen, therefore, that the unconscionable inequities in favor of those receiving benefits under both systems, which would result from repealing the duplicate benefit provision, would be present to substantially the same degree as between annuitants receiving benefits alone and those receiving benefits with their wives.

Table 3 breaks the cases down further by dividing them into three groups: (1) cases in which the reduction in the railroad annuity was limited by the saving clause; (2) cases in which the railroad annuity was reduced by the amount based on prior service; and (3) cases where the railroad annuity was reduced by the amount of the social security benefit. Each of these groups is further subdivided as between annuitants with wives and those without wives. Examination of the table shows that in each subgroup, with one exception, the average of combined benefits after deduction by operation of the duplicate benefit provision was greater than the average would have been if all the service of the annuitants had been railroad service. The exception mentioned occurs in the subgroup headed "Annuitant only" of the group in which the reduction in the railroad retirement annuity was equal to the amount of the old-age benefit. This subgroup comprises 3,400 cases, out of the grand total of 30,200, and as to these 3,400 cases the average of combined benefits received after reduction under the duplicate benefit provision was $103 per month, or only $4 less than the average benefit would have been if all service had been railroad service. By taking the 10,500 cases comprising the group in which the deduction was equal to the amount of the old-age benefit, as a whole, the combined benefits after deduction under the duplicate benefit provision were still somewhat greater than the benefits would have been if all service had been railroad service.

Even in the 3,400 cases where the combined benefits, after the deduction, are somewhat smaller than the benefit the annuitant would have received if all his service had been railroad service, there is not necessarily any inequity. As to such an annuitant, it should not be overlooked that he paid only one-sixth to one-third as much tax for the period he was in nonrailroad service as he would have paid if he had remained in railroad service during that time. Also, in many cases, he received his railroad retirement annuity considerably sooner than he would have received it if he had continued in railroad service, and during the same time he was receiving wages in outside employment. If this individual had stayed in railroad service he would not have received any railroad annuity until he finally retired. When he changed his employment from railroad service to outside service, if he was 65 years old or more, he immediately began to draw his railroad annuity at the same time he was receiving wages in employment outside the railroad industry.

It should be noted, moreover, that in no group or subgroup did the average combined benefits, before reduction under the duplicate benefit provision, come to less than the average benefit computed as if all the service involved had been railroad service. In all cases, the combined benefits before any reduction, and these would be the benefits payable if the duplicate benefit provision were repealed, would have been much higher than the benefits payable if all service had been railroad service. Thus, the figures in the second column of the table

headed "Unreduced" compare with the figures in the last column headed "Average railroad retirement annuity based on combined service," as follows: $139 to $104; $114 to $86; $185 to $139; $121 to $89; $113 to $84; $183 to $126; $118 to $80; $84 to $55; $160 to $110; $171 to $136; $130 to $107; and $191 to $149.

The above data are based on annuitants and pensioners who were on the retirement rolls as of December 31, 1952, and who were subject to the duplicate benefit provision. To show how individuals who will retire in the future will be affected by this provision, the Railroad Retirement Board has prepared a set of illustrative examples covering almost every conceivable type of combination of railroad and social security employment.[5] These illustrations are shown on pages 225–228 of the hearings on H. R. 356.

A review of these illustrative examples will show that in the vast majority of cases, employees subject to the duplicate benefit provision who will retire in the future will receive combined railroad and social security benefits that will exceed the amount that would have been payable to them if they had continued in railroad service during the period covered by their social security employment.

Moreover, in those cases in which an employee enters social security employment after retirement on a railroad annuity, the railroad annuity will remain payable in the full amount during his social security employment until the employee acquires the requisite number of quarters of coverage to qualify for a social security benefit. On the other hand, if the employee had remained under the railroad system instead of going into social security employment, no annuity would be payable at all during that additional period of railroad employment.

The foregoing demonstrates clearly that, in general and in particular, such inequities as do exist are in favor of the annuitants who are receiving benefits under both systems as compared with beneficiaries under the railroad retirement system alone. Repeal of the duplicate benefit provision would magnify these inequities to a point completely inconsistent with good social insurance practice.

PART 5. CONCLUSION

Whenever consideration has been given in the past to the amendment of the Railroad Retirement Act, we have always stipulated and insisted that, in making any change, the financial soundness of the railroad retirement system must be assured beyond the slightest doubt. Any proposal for the increase of benefits must at the same time provide that the financial soundness of the system must be maintained.

It is absolutely certain that the railroad retirement system is now underfinanced. In view of this fact, no further consideration can be given to the liberalization of benefits without providing some method by which additional revenues can be secured to pay the added costs. Enactment of H. R. 356 would add to the cost of the railroad retirement system some $385 million in the next 50 years without providing for any revenue to meet such cost to the system.

[5] The Railroad Retirement Board has estimated that the average number of individuals who will be subject to the duplicate benefit provision in the future will be, by decades, as follows: 1951–60, 36,900; 1961–70, 43,200; 1971–80, 28,700; 1981–90, 9,000; 1991–2000, 1,400.

The duplicate benefit provision of the Railroad Retirement Act is not an inequitable provision, in our opinion. It has been shown that the individuals affected by this provision, on the average, have already received and will continue to receive railroad benefits valued at many times the amount of railroad taxes they have paid. The enactment of this bill would create serious and widespread inequities between the group of 30,000 annuitants now receiving duplicate benefits under the Railroad Retirement Act, on the one hand, and, on the other hand, the 450,000 individuals who are now receiving benefits under the law, as well as the 1½ million railroad workers in active service, and the many millions of future railroad employees.

In our opinion, it is not equitable for a man to get a largely unpaid-for annuity from the railroad retirement system and then, by virtue of a year's or a few years' work in employment covered by the social security system, to get another largely unpaid for benefit under that system. Such a duplication of benefits for untaxed service is unfair to, and at the expense of, the majority of railroad workers who stay in the industry and get only a small increase in annuity for their additional service, or perhaps no increase at all if they already have 30 years of railroad service. To permit this duplication of benefits offers an employee a premium for leaving railroad employment to seek employment elsewhere before he would otherwise retire—something which the retirement system is presumably not intended to encourage.

For these reasons we are strongly opposed to the bill here being reported.

ROBERT CROSSER.
ARTHUR G. KLEIN.
WILLIAM T. GRANAHAN.
PETER F. MACK, JR.
LOUIS B. HELLER.
MORGAN M. MOULDER.
HARLEY O. STAGGERS.
JOHN B. BENNETT.

APPENDIX

1. Report of Railroad Retirement Board on H. R. 356

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., February 20, 1953.

Hon. CHARLES A. WOLVERTON,
Chairman, Committee on Interstate and Foreign Commerce,
Washington 25, D. C.

DEAR MR. WOLVERTON: This is a report on H. R. 356, introduced in the House of Representatives by Mr. Van Zandt on January 3, 1953, and referred to your committee for consideration.

The bill would strike out, effective October 30, 1951, the last paragraph of section 3 (b) of the Railroad Retirement Act of 1937, as amended by section 7 of Public Law 234, 82d Congress, 1st session, enacted October 30, 1951. This paragraph provides as follows:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages to an amount less than such sum was before the enactment of this paragraph."

The reason for this quoted paragraph is found in the report of the Senate Committee on Labor and Public Welfare (which revised the bill S. 1347, later enacted, substantially, as the amendments of October 30, 1951), as follows:

"* * * section 7 provides against duplication of credit for prior service. The amended Social Security Act is so weighted as, in effect, to give credit for service before 1937. In view of this, and since employees who now receive credit for service before 1937 have not paid any taxes with respect to such service, the sponsors of the bill deemed it appropriate to continue to give credit under the Railroad Retirement Act for prior service, but only if the employee does not also receive an old-age benefit under the Social Security Act" (S. Rept. 890, 82d Cong., 1st sess., p. 24).

The savings to the railroad retirement system as a result of the above-quoted provision of the act have been estimated to be $11 million a year for the first 10 years, $15 million a year for the next 10 years, $9 million a year for the third decade, $3 million for the next 10 years, and steadily decreasing amounts thereafter until the savings vanish, approximately in the year 2000. Thus, the estimated dollar savings in benefits would aggregate about $385 million. These estimated savings were taken into account in making the increases in various benefits provided by the 1951 amendments.

For the reason set forth in the Senate committee report, previously quoted, and because the bill would provide no additional funds to meet the increased cost of paying benefits under the Railroad Retirement Act, the Board recommends that no favorable consideration be given to this bill.

Moreover, the Board believes that no consideration should be given to bills to amend the present Railroad Retirement Act until: (1) the fifth actuarial valuation of the railroad retirement system has been completed; and (2) more experience in the administration of the act as amended on October 30, 1951, by Public Law 234, 82d Congress, 1st session, has been acquired.

This report has been cleared with the Bureau of the Budget, which informs us that there is no objection to its submission.

Sincerely yours,

WILLIAM J. KENNEDY, *Chairman.*

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2. STATEMENT OF MR. A. E. LYON, EXECUTIVE SECRETARY OF THE RAILWAY LABOR EXECUTIVES' ASSOCIATION, IN OPPOSITION TO H. R. 356

A. E. Lyon, executive secretary of the Railway Labor Executives' Association, issued the following statement in behalf of the member organizations of the association, July 6, 1953. These organizations are listed below.

Switchmen's Union of North America
The Order of Railroad Telegraphers
American Train Dispatchers' Association
Railway Employees' Department, A. F. of L.
International Brotherhood of Boilermakers, Iron Ship Builders, and Helpers of America
International Association of Machinists
International Brotherhood of Blacksmiths, Drop Forgers, and Helpers
Sheet Metal Workers' International Association
International Brotherhood of Electrical Workers
Brotherhood Railway Carmen of America
International Brotherhood of Firemen and Oilers
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees
Brotherhood of Maintenance of Way Employees
Brotherhood of Railroad Signalmen of America
National Organization Masters, Mates, and Pilots of America
National Marine Engineers' Beneficial Association
International Longshoremen's Association
Hotel and Restaurant Employees and Bartenders International Union
Railroad Yardmasters of America
Brotherhood of Sleeping Car Porters

STATEMENT

The Railway Labor Executives' Association, representing some 80 percent of all railroad employees, is opposed to any amendments to the Railroad Retirement Act which endanger the financial safety of the retirement fund. H. R. 356, by Mr. Van Zandt, which has been favorably reported by the House Committee on Interstate and Foreign Commerce, would further jeopardize the solvency of our system.

Benefits under the Railroad Retirement Act are now costing substantially more per year than the income provided the fund. The adoption of H. R. 356 would add some $10 million per year to this burden. H. R. 356 makes no provision for additional financing.

In order to assure that the railroad retirement system provide benefits equal to or better than social security, the Congress enacted broad revisions in that act in 1951. The final legislation passed in 1951 was the result of a compromise arrived at by the Association of American Railroads, the Railway Labor Executives' Association, and at least one of the so-called train service brotherhoods, the Brotherhood of Railroad Trainmen. These 1951 amendments contained provisions which liberalized the provisions of the Railroad Retirement Act and at the same time had revenue-producing features to keep the fund stable.

Now comes the Brotherhood of Railroad Trainmen and other train and engine service organizations, representing in all some 20 percent of the men and women who work on the railroads, asking that one of the financing features of the 1951 amendments be repealed. They seek the repeal of the section dealing with the elimination of duplicate credit for the same period of service on which the employee in question paid no taxes.

The Railway Labor Executives' Association in all approaches to the retirement system is primarily concerned with its solvency. To enact H. R. 356 without providing additional revenue would be dangerous.

We believe that the House should consider very carefully any changes in the retirement act which might adversely affect the soundness of the system. This association has never recommended any change in the act that did not contain demonstrable evidence that the fund would be left in a healthy condition after the changes were made. The proponents of H. R. 356 have made no suggestions as to financing the increases in benefits that the bill contains.

As you know, the railroad retirement system is financed by contributions from the railroad companies and railroad employees. No general tax funds are involved. The Association of American Railroads, representing all railroad companies, is also opposed to any amendments to the retirement act at this time.

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3. Duplicate Benefit Provision of Railroad Retirement Act

The duplicate benefit provision is contained in the last paragraph of section 3 (b) of the Railroad Retirement Act, as amended, and reads as follows:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of an individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph."

DISSENTING VIEWS OF MR. ROBERT HALE

I am not in entire agreement with some statements made in the minority report, but I am convinced that the enactment of H. R. 356 at the present time would be actuarially unsound. I subscribe to the view that no further consideration should be given to the liberalization of benefits without providing some method by which additional revenue can be secured. On this ground, I oppose the present enactment of H. R. 356.

ROBERT HALE.

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AMENDMENT TO RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

Mr. LATHAM. Mr. Speaker, I call up House Resolution 336 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 356) to amend the Railroad Retirement Act of 1937, as amended. After general debate, which shall be confined to the bill, and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. LATHAM. Mr. Speaker, I yield 30 minutes of my time to the gentleman from Virginia [Mr. SMITH], and at this time yield myself such time as I may use.

Mr. Speaker, House Resolution 336 is a rule which provides for 2 hours general debate, an open rule, in the consideration of the bill H. R. 356. That bill is a measure which would retroactively repeal one of the provisions which was written into the Railroad Retirement Act by the 82d Congress in 1951. The provision it deals with is the so-called social security offset provision, otherwise known as the dual-benefit provision.

The provision which it is sought now to repeal is one that would reduce the pension of certain retired railroad workers who might be entitled to social-security benefits even though they do not get social-security benefits. It has been thought that that provision is manifestly unfair. It was not intended by the Congress to effect that result and this measure would cure that defect in the law. It would seem to be a very meritorious piece of legislation, although there is some controversy with regard to it.

Mr. BENNETT of Michigan. Mr. Speaker, will the gentleman yield?

Mr. LATHAM. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. The American Association of Railroads is opposed to this bill. Eighty percent of railroad labor, or the people representing railroad labor, are opposed to it. The Railroad Retirement Board, which administers this law, is opposed to it unanimously. Under those circumstances, where practically everybody concerned with the railroad retirement problem, the employers, the employees, and the agencies administering the law being diametrically opposed to it, does he not think this is a poor time for the House to bring up a matter of this kind?

Mr. LATHAM. Mr. Speaker, in view of the fact that the committee has reported this bill, I suggest that we adopt the rule expeditiously. Certainly it should be considered by the House, and then a full discussion of the merits of the bill can be had.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. LATHAM. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. For the benefit of the House, the International Machinists Union, some 800,000, are supporting this bill; the Congress of Industrial Organizations, with better than 100,000 members who are railroad employees; the United Steel Workers of America, with some 10,000 employees; the Railway Patrolmen's International Union of the American Federation of Labor, are all supporting this bill. So do the BRT, ORC, BLE, B. L. F. and E. and the switchmen's union. Therefore, I challenge the statement that 80 percent of the railroad employees of this country are opposed to this bill.

Mr. BENNETT of Michigan. Does the gentleman dispute the fact that the Railway Labor Executive Association, representing approximately 80 percent of the railroad employees, is opposed to this bill?

Mr.. VAN ZANDT. I reply to the gentleman by saying that Mr. A. J. Hayes, international president of the International Association of Machinists, an organization affiliated with the Railway Labor Executive Association, wired me to the effect that 800,000 members, of his organization which represents the machinists, the machinists helpers and apprentices of every railway carrier of this country, after due study and consideration, wholeheartedly supports the enactment of this legislation.

Mr. BENNETT of Michigan. There are only 45,000 persons who belong to that union who are railroad workers, so the 800,000 figure is certainly misleading.

Mr. LATHAM. As I indicated, Mr. Speaker, there is some slight controversy in regard to this measure. I therefore suggest we adopt the rule speedily and get on to the merits of the bill.

Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. WAINWRIGHT].

Mr. WAINWRIGHT. Mr. Speaker, I would like to associate myself with my colleague, the gentleman from New York [Mr. LATHAM], in urging the adoption of House Resolution 336. I would also like to state at this time that I am delighted to support my colleague, the gentleman from Pennsylvania [Mr. VAN ZANDT], in support of H. R. 356.

Mr. LATHAM. Mr. Speaker, I yield such time as he may desire to the gentleman from Illinois [Mr. SPRINGER].

Mr. SPRINGER. Mr. Speaker, I believe that the enactment of this amendment is good legislation, and is in the best interests of railroad employees generally.

As you will recall, a pensioner who retires under the provisions of the Railroad Retirement Act at the present time cannot receive any benefits under the Social Security Act, even though he may have worked the required number of quarters to become a pensioner under the Social Security Act. In my opinion this is highly discriminatory against railroad workers generally.

Under the Civil Service Retirement Act any pensioner is entitled to draw his civil service retirement pay and in addition may become regularly employed if he so wishes and receive old-age benefits under the Social Security Act. The

same is true in almost every other pension system of the Federal Government. This is true of the Foreign Service retirement system and of the retirement systems for the employees of the Federal Reserve System and the Tennessee Valley Authority. In addition, every pensioner under State retirement systems is entitled after he has retired to work at other gainful employment and in addition to receive social security benefits, if he so qualifies. Individuals who retire from the Army, Air Force, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, Public Health Service, or from the Federal judiciary receive the full pension to which they are entitled without any reduction by reason of old-age insurance benefits under the Social Security Act.

I fail to understand why it should be necessary to reduce the annuity of people under the Railroad Retirement Act by any payment they receive as the result of social security. In order to qualify under social security it is necessary that every person shall work the required number of quarters. Social security is based upon earned service. Now in the present Railroad Retirement Act retired railroad personnel are barred from social security. There is no reason that I can see as to why retired railroad personnel should be treated on any different basis than people under other retirement systems.

I think everyone in this House knows that the cost of living has risen substantially since the Railroad Retirement Act was enacted in 1937. There have been some increases in the meantime but they have not been nearly enough to catch up with the cost of living.

It is my understanding that the average annuitant under the railroad retirement system will receive approximately $129.80. If this is reduced by the amount of his social security you can see that his net income for the month under the railroad retirement system would be less than $100.

In many instances retired railroad personnel must work at other occupations in order to exist. When the time comes for them to fully retire they are then unable to take advantage of the provisions of social security for which they would have otherwise fully qualified. This has resulted in the reduction of many thousands of annuities and pensions of railroad people, some of which have been paid for many years. In order to restore the confidence of railroad employees in the fairness and equity of their retirement system, this provision should be immediately repealed. It is my belief that the amendments of 1951 to the Railroad Retirement Act were passed in good faith but they have proved to be highly discriminatory and unjust and in addition have not worked out in the intervening time to the benefit of all railroad people.

These individuals had a right to expect that the pensions payable to them under the Railroad Retirement Act would not be subject to a reduction during their lifetime. Most of them have made plans for their retirement in the belief that their benefits would be available to them for their lifetime. They have done nothing of themselves to cause a reduction in their pensions. The reduction was brought about by this provision which was enacted into law in 1951 after they had started to receive their benefits.

It should be emphasized that many individuals who have qualified for benefits under both the Railroad Retirement Act and social security have done so because they have been compelled to seek social-security employment and not because they were seeking to qualify for an additional benefit upon retirement. In many cases they were compelled to seek employment outside of the railroad industry as the result of the abandonment of operations by a carrier. There are many other cases where the individuals concerned accepted employment outside of the railroad industry during the war, when their particular skills were in demand, in order to fulfill their patriotic obligations. All of these people who found employment elsewhere as a necessity were subject to the provisions of the Social Security Act. Under the present law, through no fault of their own, they will be forced to take a reduction in their railroad retirement benefits equal to the amount that they receive under the Social Security Act.

It is my belief that any fair-minded person, upon a complete understanding of the situation that has been created as the result of the amendments of 1951, would want to see them repealed. Certainly we do not want to discriminate against retired railroad personnel as against other people who are able to take advantage of both their regular retirement system and social security when both have been separately earned.

Mr. SMITH of Virginia. Mr. Speaker, I concur in the statement made by the gentleman from New York. The best thing to do in the matter is to adopt the rule expeditiously and let them go to it.

Mr. LATHAM. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. WOLVERTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 356) to amend the Railroad Retirement Act of 1937, as amended.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 356, with Mr. CANFIELD in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. WOLVERTON. Mr. Chairman, I yield myself 21 minutes.

Mr. Chairman, during the years that it has been my privilege to serve as a Member of this House, I have had an opportunity to participate in the enactment of numerous and varied pieces of legislation that have been worth while and highly beneficial. This is a source of personal satisfaction.

It was my privilege to be a member of the Committee on Interstate and Foreign Commerce from the time the first bill was enacted by that committee to provide a retirement system for railroad workers. My support has been given all through the years, from that time up to and including the present, to this legislation. I assure you it has given me real satisfaction to have had a part in this most worth-while legislation.

I mention this fact so that all may know that as I come before you today to advocate the passage of the bill before us—H. R. 356—you may realize that I do so as the friend of railroad workers both before and after retirement, and with a continuing desire to be helpful to them at all times.

H. R. 356 CORRECTS WRONG DONE TO RETIRED RAILROAD WORKERS

Today, the membership of this House will have the opportunity of correcting a wrong that was done to retired railroad workers when the 1951 amendments to the Railroad Retirement Act were passed.

At that time it was recognized by all that the meager benefits received by retired railroad workers were insufficient to maintain a husband and wife in the inflationary period that then existed. The high cost of living brought real distress to these retired workers. In an effort to relieve them the House passed a bill that increased the pensions and annuities by 15 percent and survivor benefits by 33⅓ percent. The latter percent of increase was to enable the latter class to be raised in the same proportion that had been previously given to the pensioners and annuitants. In other words, to equalize the two differing classes. The bill was passed by a large majority of the House. It demonstrated a very real desire and intention to improve the condition of retired workers and their survivors.

However, the Senate passed a bill that while it sought to increase the benefits to be paid, nevertheless contained many highly objectionable features. In conference these were stricken from the bill by the insistence of the House conferees, except the one which has become known as the dual-benefit-restriction amendment.

The House conferees in a spirit of compromise accepted this amendment, not because they believed in it nor thought it right, but, solely to get through a bill that would increase the benefits to pensioners and annuitants by 15 percent and to survivors by 33⅓ percent. For the conferees, of whom I was one, I must in justice to them state that even they did not fully realize the extent of the amendment restricting dual benefits, nor that it would work as great a hardship as it does, nor affect as many pensioners as it does.

INJUSTICE OF DUAL-BENEFIT RESTRICTION

The amendment of 1951 that has resulted in such hardship and injustice to some 30,000 or more retired workers, and 10,000 or more wives, provides that the railroad-retirement pension or annuity of an individual must be reduced if such individual has creditable railroad service before 1937 and he is receiving, or is entitled to receive, and, I want to emphasize the latter phrase, "or is entitled to receive," an old-age benefit under the Social Security Act. The un-

fairness of this scheme is made more plain and emphatic when it is realized that this reduction in the railroad annuity must be made even though the individual is only potentially entitled to receive an old-age benefit under the Social Security Act, but is not receiving it either because he has not filed for it, or because he is still working. In other words, the amount is deducted from his railroad-retirement benefits even though he is not receiving social-security benefits he might be entitled to. It is bad enough to make a reduction of the amount received, but when the reduction is made of an amount not received, it reaches a degree of injustice that no one can or should attempt to justify.

The total amount of the reduction in a railroad annuity is equal to that portion of the annuity which is based on prior service, that is to say, service before 1937, or the amount of the social-security benefit, whether received or not, whichever is the smaller amount.

As a result of this provision of the law, there were, at the close of last year, an estimated 30,200 retired railroad annuitants and pensioners, and 10,500 wives of such retired individuals, who had their benefits reduced, in some cases as much as $85 a month for the retired employee, and $40 for his wife. That is a lot of money to take away from an elderly man and his wife who are trying to make both ends meet on a small pension already too small to start with. This reduction cuts deeply. It hurts badly. It has caused a great deal of hardship, especially if the retired worker and his wife have to rely entirely on their retirement benefits for a livelihood.

To add insult to injury, when the Congress last year voted an increase in social-security benefits, these 30,000 and more retired workers found, to their amazement, that their railroad-retirement annuities were further reduced by an amount corresponding to the increase in their social-security benefits. They were no better off after the increase in their old-age insurance benefits than they were before Congress made the increase. Some of them, in fact, were worse off. The relief which the Congress intended to give to retired workers to meet increased living costs was not passed on to these retired railroad workers, although they came within the provisions of the Social Security Act, because of this dual-benefit restriction provision in the railroad-retirement law.

As I stated a moment ago, we now have an estimated 30,200 retired railroad workers who are affected by this dual-benefit provision. But this is not the final number by any means. In fact, the Railroad Retirement Board has estimated that this number in the next few years will reach an estimate of over 43,000 retired annuitants who will come under this provision of the law and have their railroad-retirement benefits reduced because they may be entitled to social-security benefits, and, this is whether they draw the benefits or not.

Can anything more outrageous or a greater injustice be conceived to which retired railroad workers and their wives could be subjected? Is it any wonder that cries of anguish and angry protest have gone up all over the land?

RETIRED RAILROAD WORKERS UNDER 1951 AMENDMENTS ONLY CLASS DENIED DUAL BENEFITS

The injustice that has resulted to retired railroad workers as a result of the 1951 amendment is still further emphasized when it is realized that they are the only pensioners in our entire Government set-up who are thus treated. Individuals who retire under the Civil Service Retirement Act and under other Federal retirement systems are not thus treated. Furthermore, individuals who retire from the Army, the Air Force, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, or the Public Health Service, or from the Federal judiciary, or, from any other type of Government position that comes under the Civil Service Retirement Act, receive the full annuity to which they are entitled under any of the applicable systems without any reduction by reason of any old-age insurance benefit to which they may be entitled under the Social Security Act.

The bill now before us seeks to correct this inequity that has resulted from the 1951 amendments. The bill has the support of an overwhelming majority of the Committee on Interstate and Foreign Commerce. Tens of thousands of railroad workers and their families are hoping and praying that we take favorable action on this bill. I have received, the committee has received, and the Members of this House have received hundreds, yes, thousands of letters, telegrams, and petitions from the retired workers and organizations representing these workers, who are being deprived, by an unjust provision of the law, of a good portion of their railroad retirement annuities and pensions to which they are entitled. I can say, without the slightest doubt whatever, that this provision of the law has brought forth more criticism and more concern on the part of retired workers than any other feature of the Railroad Retirement Act. Many of the letters I have received, and, I am sure each of you have received similar letters, are pitiful. They come from individuals who have looked forward to retirement on a reasonable annuity. They have made plans in anticipation of the receipt of such annuities, only to find now that their annuities are being reduced by an inequitable provision of the law. They are disturbed. They are worried. It is our duty to remove their worries by the passage of the bill now before us.

RETIRED RAILROAD WORKERS WERE PROMISED THEIR ANNUITY FOR LIFE

The full realization of the injustice that has been done to our railroad workers by reducing their pensions and annuities below what they had been promised by the Railroad Retirement Board, under the law when they retired, and which they naturally expected to receive for life, can be fully appreciated by reading the certificate of annuity which was presented by the Railroad Retirement Board to each individual as he retired from railroad service. It was a beautifully prepared certificate with gold seal and red ribbon attached. I had one of these certificates before me during the hearings. It reads as follows:

UNITED STATES OF AMERICA RAILROAD RETIREMENT BOARD CERTIFICATE OF ANNUITY

This is to certify that Charles Van Doran Kenison, having ceased employer service and being otherwise qualified, is entitled to receive an annuity under, and subject to the provisions of, the Railroad Retirement Act.

Dated this 23d day of June, 1944. By order of the Railroad Retirement Board.

MARY B. LINKINS, *Secretary.*
MURRAY W. LATIMER, *Chairman.*

The letter referred to follows:

RAILROAD RETIREMENT BOARD,
BUREAU OF RETIREMENT CLAIMS,
Chicago, Ill., June 23, 1944.

In reply refer to: Claim No. A-212980.

Mr. CHARLES VAN DORAN KENISON,
174 Highland Avenue,
North Tarrytown, N. Y.

DEAR SIR: The Board is pleased to inform you that, on the basis of your application and the evidence of record, you have been awarded an annuity under section 2 (a) (2) (A) of the Railroad Retirement Act of 1937. The beginning date of your annuity is April 1, 1944, and the monthly amount to which you are entitled is $120.

In the adjudication of your claim 30 and 0/12 years' service were proved and your average monthly compensation was found to be $300. As you probably know, the total service which can be counted in calculating an annuity may not exceed 30 years, and compensation in excess of $300 is any one calendar month may not be included.

At the earliest practicable date, and as soon as the necessary arrangements for payment have been completed, you will receive a check for $240, covering the amount due you from April 1, 1944, which, as shown above, is the beginning date of your annuity, to May 31, 1944. Thereafter, during your lifetime, regular monthly payments of $120 will be mailed to reach you about the 5th day of each month to cover the amount due for the preceding month.

In the event you return to work, the act provides that no annuity shall be paid for any month in which you render compensated service (1) to an employer as defined in the act, or (2) the last person by whom you were employed prior to the date on which your annuity began to accrue, or (3) to any person with whom you held rights to return to service at the time your annuity began to accrue, or (4) to any person with whom you ceased service in order to have your annuity begin to accrue. The act further provides that any person receiving an annuity shall report to the Board immediately all such compensated service. However, service rendered as an employee of a local lodge or division of a national railway labor organization shall not affect your annuity and need not be reported if you earn less than $3 a month for such service.

The Board takes pleasure in sending you a certificate evidencing the fact that you have retired from service and are entitled to receive an annuity. If, in the future, any questions arise in connection with your annuity, it is suggested that, instead of writing to the Board at 844 Rush Street, Chicago 11, Ill., you take the matter up with a field representative of the Board located at any of the addresses shown on the enclosed list of regional and district managers' offices and furnish him with this letter.

Yours very truly,

JOHN W. CALLENDER,
Director of Retirement Claims.

I want the Members of the House to get the full significance of the promise that was held out to these railroad workers as they retired. Note particularly the

words contained in the certificate of annuity issued to these faithful railroad workers, words of assurance that were intended to give courage and that could be looked upon as dependable—Listen, carefully, as I read them. These are the words contained in the certificate that was presented at our hearing by Mr. Kenison:

Thereafter, during your lifetime, regular monthly payments of $120 will be mailed to reach you about the 5th of each month to cover the amount due for the preceding month. Thereafter, during your lifetime, you will receive $120 per month.

Mr. Kenison no longer receives $120 per month. It has been reduced as a result of the passage of the 1951 amendments. His case is similar to those of thousands more similarly treated. It is the receipt of money less than what was promised that has brought to us these thousands of complaints. There is nothing that these retired workers have done to justify any such treatment. All that they have done is to work in some industry to supplement their meager retirement benefits or because of reduction of force they were dropped from the rolls of the railroad for which they had been working. In neither case was it due to conditions of their own making. It has been solely the result of a law passed by Congress and which should never have been passed. Their objection arises because they feel the rules of the game were improperly and unjustly changed after they had been retired and assured their annuity or pension would be for life. Their complaint is justified. And, if we have the character I think we have, we will acknowledge the mistake that was made and correct it as speedily as possible.

HOW DID THIS INEQUITABLE PROVISION GET INTO LAW?

It is quite natural for someone to ask, How did such an inequitable provision ever get into the law? I have already made a brief explanation, but to be more explicit and to understand it fully we must go back to April of 1951 when the bills which eventually became Public Law 234 of the 82d Congress were first introduced in the House and Senate.

H. R. 3669, on which hearings were held by the committee in the 82d Congress, was a most difficult and intricate bill, covering 24 pages. It contained, among many other controversial provisions, the restriction of dual benefits, which the bill now before us seeks to repeal. The hearings on H. R. 3669 lasted for 11 days. The bill was debated in the committee for weeks. Finally, the committee reported favorably a simple substitute bill, which provided an across-the-board increase of 15 percent to annuitants and pensioners and a 33⅓-percent increase in survivor benefits. There was no dual-benefit provision in the committee substitute. When this bill reached the floor of the House, the gentleman from Arkansas [Mr. HARRIS] offered a substitute bill for the bill reported by the committee. The Harris substitute passed the House on October 16, 1951. It did not contain the restriction of dual-benefits provision.

In the meantime the Senate had approved a bill which included this provision. The committee of conference of the House and Senate agreed to a bill which included this provision. The conference report was adopted by the House on October 19, 1951, the day prior to the adjournment of the Congress.

During the consideration of the conference report the view was expressed by some Members that they did not agree with all the provisions of the conference report, but, nevertheless, it had their support in order that some 400,000 beneficiaries under the Railroad Retirement Act, who were urgently in need of increased benefits, would be able to obtain such an increase without further delay. It will be obvious from what I have said that this restriction of dual-benefits provisions of the 1951 amendments to the act did not receive the careful study and appraisal by the House that it should have received. It was one of those things that are so apt to happen in the closing days of a session where there is a disposition to accept compromises or give consent to provisions that have not had the study they should have had. All of which is done to accomplish what is considered some overall worthwhile purpose. Such was the case in this instance with the overwhelming desire to relieve the distressed railroad workers who were so greatly in need as a result of insufficient benefits. This was accomplished without realizing the distress that was being brought to some as a result of the adoption of the provisions we now seek to retroactively repeal.

However, it was not long before the effect of this provision of the law began to be felt in all its harshness by thousands of annuitants and pensioners. It was not until then that we Members of Congress awoke to the harmful effect we had brought to the 30,000 and more retired railroad workers. The broad interest that has been expressed in this legislation, and the desire to make amends for the wrong that was done, is evidenced by the fact that no less than 18 bills to repeal this provision of the law were introduced in the House during the first 4 months of this session.

REASONS WHY THE DUAL-BENEFIT RESTRICTION SHOULD BE REPEALED

I now wish to set forth in more detail the reasons why the dual-benefit restrictive provision should be repealed, as set forth in the committee report:

First. Railroad employees believed that benefits once granted would not be reduced.

Upon retirement, each qualified individual received a certificate and a letter from the Railroad Retirement Board which certified that such individual was entitled to an annuity under the Railroad Retirement Act and that during his lifetime regular monthly payments of a specified amount would be mailed to him each month. I want to emphasize the phrase "during his lifetime." Such certificates have been issued since 1936. Many thousands of such retired annuitants and pensioners now find that the annuities and pensions which they thought had been underwritten by the Government of the United States have been reduced under the dual-benefit provision. This has been a most shocking experience to them. These individuals had a right to expect that the benefits payable to them under the Railroad Retirement Act would not be subject to a reduction during their lifetime. They had made plans for their retirement in the belief that such benefits would be available to them. They had done nothing of themselves to cause a reduction in their benefits. The reduction was brought about by this inequitable provision which was enacted into law after they started to receive their benefits.

This committee believes that the Congress, when it passed the Railroad Retirement Act in 1937, did not intend that an annuity or pension payable under the act, once granted, should subsequently be reduced because the individual had also been engaged in gainful employment covered by the Social Security Act and had qualified for an old-age benefit under that act. When the Railroad Retirement Act of 1937 was passed, beneficiaries under the act were given to understand that this law would remove the fears and uncertainties, which were present under the voluntary pension plans of the railroads, that their annuities and pensions would be discontinued or reduced. Unfortunately, these fears and uncertainties have been revived as a result of the enactment and operation of the dual-benefit provision. That provision has already brought about a great deal of discomfort and unhappiness to many thousands of retired railroad workers.

Second. It creates an inequity to employees compelled to seek social-security employment: I should like to emphasize that any individuals who have qualified for benefits under both acts have done so because they have been compelled to seek social-security employment and not because they were seeking to qualify for an additional benefit upon retirement. In some cases they were compelled to seek employment outside the railroad industry by reason of a reduction in force or by reason of the abandonment of operations by a carrier. There are many other cases where the individuals concerned accepted employment outside of the railroad industry during the war, when their particular skills were in demand, in order to fulfill their patriotic obligations. I can see no reason why individuals who were compelled to seek social security employment or who served during the war in industries demanding their skills should now be penalized for events over which they had no control and be forced to take a reduction in their railroad-retirement benefits.

Third. It creates an inequity between railroad employees and persons covered by other Federal retirement systems:

Under the Civil Service Retirement Act many annuities now payable to retired Feedral employees are based on service before the establishment of that system in 1920. This prior service will continue to be a factor in Federal annuities for some years. Yet, a large number of retired Federal employees have been receiving or will be eligible to receive old-age benefits under the Social Security Act, without any reduction whatsoever being made in their civil-service retirement annuity. The same

observation may be made about the Foreign Service retirement system and about the retirement systems for the employees of the Federal Reserve System and the Tennessee Valley Authority. These retirement systems, except that of the Tennessee Valley Authority, have assumed the prior service liability. All the above-mentioned Federal retirement systems are supported in part by employee contributions.

In addition, there are a number of other Federal retirement systems which provide annuities entirely at the Government's expense and under which annuitants are not penalized for engaging in employment which is subject to the Social Security Act. For example, individuals, who retire from the Army, Air Force, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, or Public Health Service, or from the Federal judiciary, receive the full annuity to which they are entitled under the applicable system without any reduction by reason of any old-age insurance benefit to which they may be entitled under the Social Security Act.

Fourth. It creates inequities between railroad employees and employees in other industries: In many industries in which private pension plans operate, the increases granted in social-security benefits in 1950 and 1952 have not been deducted, or deducted only to a minor extent, from their supplementary private pensions. Pensions payable under the plans of the Bell Telephone Co.'s, for example, have been increased substantially since 1949. While the Du Pont Co. has a pension plan which calls for an offset of the full amount of the old-age insurance benefit under the Social Security Act, the plan was modified in 1950 so as to give to their retired employees the entire increase in their social-security benefits. The employees of the Bell Telephone Co.'s and of the Du Pont Co. do not make contributions to the pension funds of those companies.

Fifth. It creates administrative difficulties for the Railroad Retirement Board:

The dual-benefit restriction has created difficult administrative problems for the Railroad Retirement Board. For example, individuals may become entitled or potentially entitled to social-security benefits after their railroad annuities begin, in which event the latter are subject to reduction. For individuals entitled or potentially entitled to social-security benefits, continuation in social-security employment may result in additional credits under the Social Security Act. The amount of potential old-age insurance benefits may be increased once each quarter for an individual who has not filed a social-security application, and once each 12 months if an application has been filed. Whenever the old-age insurance benefit is increased or becomes subject to increase, the railroad retirement annuity of an individual to whom the dual-benefit restriction applies must be reduced. The Railroad Retirement Board has advised that approximately 500 new reductions in annuities of this type are currently being made each month.

The source of information required for prompt application of these reductions must come from the annuitants and pensioners themselves. Because of widespread misunderstanding of the complex interrelations between the Railroad Retirement and Social Security Acts which have been newly created by the dual-benefit restrictions, few individuals report increases in their old-age insurance benefits to the Railroad Retirement Board. Usually the necessary information comes from the Bureau of Old-Age and Survivors Insurance after a lapse of many months. Hence, many overpayments, and in some cases very large overpayments, have been made in the railroad annuities and pensions. The subsequent adjustments in such annuities and pensions have caused a great deal of hardship to many individuals who rely entirely on their retirement benefits for a livelihood.

Sixth. It discriminates against a special group of retired employees:

The dual-benefit provision discriminates against a special group of retired railroad employees for the benefit of other beneficiaries under the act. Owing to this provision of the law, the railroad annuity or pension of a retired employee who has some credited prior service—that is, service before 1937—is reduced if he is also entitled to an old-age benefit under the Social Security Act. No reduction is made in the annuity or pension of a retired railroad employee who does not qualify for an old-age benefit. The funds saved by not paying the higher benefit in the first case mentioned above is used to pay higher benefits to other beneficiaries under the act.

The distinction made between a railroad annuitant or pensioner who also qualifies for a social security benefit and one who does not qualify for such a benefit is a distinction which is contrary to the spirit of the Railroad Retirement Act. The act provided in the first instance that full credit should be given for all prior service not in excess of a period which, with credited subsequent service, would equal 30 years. This principle was continued in subsequent amendments to the act, which increased benefits and protection without any such discrimination, until 1951.

Retired railroad workers who continue in social security employment beyond the retirement age of 65 must pay the social-security tax even though this tax may not increase their combined railroad and old-age insurance benefits because of the dual-benefit restriction on the annuities of those who are entitled, or could become entitled, to social-security benefits.

Seventh. Other considerations: Opponents of this legislation have asserted that retired railroad employees affected by this provision of the law have not paid any taxes on their prior service. This is grossly misleading. The fact is that every tax payment ever made under the Railroad Retirement Tax Act contained an allowance toward the cost of prior service. And, the same is true of the tax now being paid by every railroad employee and employer.

For all these reasons the committee was convinced that this restricted dual benefit provision of the law should be repealed.

RAILROAD WORKERS THROUGHOUT THE NATION FAVOR PRESENT BILL (H. R. 356) NOW BEFORE THE HOUSE

Frequently, the question is asked of me what is the attitude of the railroad brotherhoods toward the pending legislation? I can readily understand the reason for this question. The railroad retirement system was inaugurated by the brotherhoods. The Railroad Retirement Act of 1937 represents the cooperative effort of the brotherhoods. It is a monument that stands above and beyond any similar effort by organized labor up to the time of the adoption of the act. It has been the forerunner of an ever-increasing interest that has been taken by organized labor in providing private pension systems and other social benefits for the members of their respective organizations. Thus, the question as to what is the attitude of the railroad brotherhoods to this bill that would repeal a section of the Railroad Retirement Act.

There is a differing attitude between the railroad brotherhoods. Some are in favor of the repeal of the restrictive dual-benefit provision. They were opposed to its adoption from the beginning. Some of the brotherhoods are in favor of the retention of the restriction against dual benefits. These organizations were in favor of its adoption in the first place. It seems to me that this explains their continued interest in the restriction although the experience gained in the interval between the time of its adoption and the present has demonstrated that it is greatly detrimental to thousands of their retired members and their wives.

In this connection I wish to point out to the Members that the interest that has been displayed in favor of the pending legislation cuts across all brotherhood lines. While it is true that officers of some of the brotherhoods have opposed the present legislation, yet, it has been demonstrated to the committee by the receipt of letters, telegrams, and petitions that they do not speak for all of their members in this particular. Judging by the thousands of communications I have received, I am convinced that the rank and file of all the brotherhoods, regardless of the viewpoint expressed by their officers, are in favor of the present bill. The existing restriction in dual benefits is wrong and every railroad worker knows it. I wish a vote could be taken of the individual membership of all the brotherhoods. It would show in my opinion an overwhelming vote in favor of this bill.

Now, lest I be misunderstood, I want to make it plain that all the brotherhoods are not in the class of some I have just mentioned. They are heart and soul in favor of the pending bill. I refer to the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors of America, Brotherhood of Railroad Trainmen, International Association of Machinists, 800,000 strong with

members working on every railroad in the country; United Railway Operating Crafts, United Railroad Workers of America-CIO, United Transport Service Employees-CIO, Railroad Yardmasters of America, local 18, Railroad and Express Pensioners Crosser Lodge No. 1, American Labor Party, National Railroad Pension Forum, Tennessee Railroad Pensioners, Pennsylvania Railroad Retired Men's Association, No. 5, and National Association of Retired and Veteran Railway Employees. And this only represents organizations that presented appeals before the committee during its hearings. There were many more represented by communications and from railroad workers and retired workers throughout the Nation who communicated their desires to the committee. In all sincerity I am convinced that if this matter could be put to a vote of the railroad workers it would be approved by a nearly unanimous vote.

COST OF REPEALING PROVISION

We realize that the repeal of this provision of the law will increase the cost to the railroad-retirement system slightly. The cost in terms of a level percentage of payroll, assumed to be $5 billion annually, is 0.15 percent.

All witnesses who testified on the cost of this bill were questioned closely. None was willing to predict and none gave any reason for fearing that the small cost involved in the repeal of this dual-benefit provision would threaten serious damage to the railroad-retirement system.

CONCLUSION

Your committee has reexamined this restrictive dual-benefit provision very carefully during extensive hearings on H. R. 356 and the other bills introduced to accomplish the same purpose and in executive session. After careful consideration, we are firmly convinced that this provision of the law should be repealed because it has created many hardships and discriminations against, and injustices to, tens of thousands of retired railroad workers and their families. Faith and confidence in the railroad-retirement system can be restored only by repeal of this restrictive dual-benefit provision. I appeal to the membership to support the bill now before the House—H. R. 356—in the form it has been approved by the Committee on Interstate and Foreign Commerce, and thereby do justice to our retired railroad workers.

Mr. CROSSER. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. BENNETT].

Mr. BENNETT of Michigan. Mr. Chairman, as I stated earlier in the debate, most of the people concerned with this problem are opposed to it. The Railroad Retirement Board, which is composed of a representative of the railroads, a representative of the public, and a representative of the employees, filed a unanimous report in opposition to it. The railroads, which pay half of the taxes under this system, are opposed to it, because they feel it is unrealistic, unsound, and will further unbalance the fund.

At the outset let us see just what this does. This is a private system authorized by law but paid for entirely with funds of the railroad companies and the railroad employees. There is no public money involved. The railroad employees pay 6.25 percent into this fund and the railroads pay 6.25, a total of 12.50 percent. Under social security the worker pays 1.5 percent of payroll. Now, because it is made up of money that these employees who are benefited pay in and money provided by the railroads, it is important that the fund stay solvent. In spite of the fact that the total annual revenue of the fund is 12.5 percent of payroll the level cost of the benefits that Congress is providing is 13.47 percent, which is 1 percent more than it is taking in. In other words, it is being overdrawn to the extent of about $45 million a year, that is .91 percent of payroll. This provision, if enacted, would cost the railroad retirement fund another .15 percent of payroll or about seven or eight million dollars a year, and covering a 50-year period on which these things have to be based it would cost $385 million. So, with the fund running out of balance at the present time to the tune of $45 million, another $10 million a year adds further to our troubles.

What does that mean? It means that every person who is working for the railroads—and there are a million and a half or more of them who are paying into this fund—the younger people who will retire in 15, 20, 25, or 30 years from now are sitting by watching Congress provide more benefits than revenue, and as a result the fund is becoming more insolvent each year. Certainly, in a situation like that, it is the duty of the Congress, if it is to provide additional benefits, to see that compensating revenue is provided to offset it.

Now, what is the dual provision? It was put in the 1951 amendments for this reason: In 1950 the Congress liberalized social security so that a man aged 62 years of age or older could work under social security employment, and in a year and a half, making $300 a month—and paying into social security a total sum of $85—if he was married, could, at age 65, get a pension of $127.50. Now, we know that $85 paid in taxes in such a situation did not pay for that kind of a pension. Why did we do it? We did it because the older people have to be provided for, whether they have paid taxes or not. So that the social security system in 1950 was weighted heavily in favor of elderly people. And, I have no quarrel with that. I voted for it, and I think it is perfectly proper.

The same situation prevailed in the railroad industry. The Railroad Retirement Act went into effect in 1937, and at that time we had a lot of elderly people who were just about reaching the retirement age. We had to take care of them. So what did we do for those people? We did the thing we ought to have done. We provided that they could get a pension based upon service they had with the railroad prior to 1937 but for which they paid no retirement fund taxes. So it happened in a good many cases that railroad workers were retired without paying one single cent into the railroad retirement system because all of their pension was based upon prior service for which no tax was assessed.

While there was no objection to giving any citizen the benefit of two pension systems, it was felt that it was not fair to give the same employee the benefit of two pension systems, where, in both cases he was getting a substantial part of his pension without contributing to either fund. So Congress in 1951, after lengthy hearings and a lot of consideration by both the House and the other body, adopted the amendment, which is now sought to be repealed. I will give you a specific case: Suppose a worker is entitled to a railroad pension of $100 a month, and $40 per month of that pension is based upon service prior to 1937 for which he was not taxed. In that case he could receive his full social-security pension, but they would take $40 off his railroad pension which, as I say, was for the prior service for which he was not taxed. So that put him in the same situation as other citizens who had the benefit of untaxed service under the social security law, he got everything he paid for under one system—but not under two. Bear in mind, not one single cent is being taken away from any railroad employee here. There is not any case that can be cited where the railroad worker is not getting a full pension for everything he paid for. The only time anything is being taken away from him is where he is getting the benefit of two untaxed pensions.

That is perfectly fair and equitable, and I beg to differ with my distinguished chairman when he says this is a different situation than is the case with other pension systems. He points to the fact that a man can work under civil service and get that pension and he can work under social security and collect under both, and that is true. But the thing that he failed to mention—and the thing that is important—is that there is not a single other duplicate pension system where a man can get the benefit of untaxed service under both. If he gets credit under civil service he is getting credit for what he paid for. If he goes on under social security he then is getting something he did not pay for, but he is not getting both. All these 1951 amendments did was to equalize that situation.

Let me show you by an illustration how this works. These are figures taken from the Railroad Retirement Board records. Here is a railroad employee. He paid $17 in taxes under the railroad retirement system. Then he transferred to the social security system. He worked under employment covered by social security and paid $27 in taxes there. That man paid a total under both systems of $44.18.

This is what he got in pensions. Under the Railroad Retirement Act, he was paid through December 31, 1952, the total sum of $12,084. The present value of probable future benefits he will still get under the railroad retirement system is $4,546. That is a total of benefits already received and still to be paid, for the $17 in taxes which he paid, in all it amounts to $16,630. He paid $27.18 under social security. He has already collected $1,335 from that system. He

will collect in the future $1,980, or a total of $3,315 on his payment of $27.18, or a total of $19,945 under both systems for $44 in taxes. This is under the present law. This is the kind of thing the proposed legislation would repeal because it is said to be inequitable.

The CHAIRMAN. The time of the gentleman has expired.

Mr. CROSSER. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BENNETT of Michigan. I want to give you one more illustration. Here is another individual who paid $676 under the Railroad Retirement Act. Total benefits received and still to be received $11,276. Under the social security system he paid $73 in taxes and will get a total of $9,929 or a total of $21,000 for total payment of $749. What is unfair about this?

Mr. WITHROW. Mr. Chairman, will the gentleman yield?

Mr. BENNETT of Michigan. I yield.

Mr. WITHROW. Could you not illustrate that in this way, everyone who retired, say after 1937, would not that same principle apply because the act took effect in 1937, and every man who was employed and who retired shortly after that time would present the same sort of case that you are presenting here as being an exception.

Mr. BENNETT of Michigan. That is right.

Mr. WITHROW. Well, then, why do you take these exceptions that you are pointing out?

Mr. BENNETT of Michigan. I am not giving you exceptions, these are typical cases taken from the files of the Railroad Retirement Board. They are not at all unusual. They are sample cases which were presented before our committee during the hearings, and if the gentleman will refer to the hearings, he will find them there.

I want to give another example. We talk about inequities under the 1951 amendments. Our distinguished chairman has talked about all of the hardships that have occurred to these people under this so-called dual restriction. There are some hardships—I will concede that—among a few thousand people. But you cannot write a retirement system that does not have a few inequities. You cannot be 100 percent fair. A single man pays the same taxes as a married man, yet the married man draws more benefits. A married man without children draws the same benefits as a man with children. So you have inequities all down the line. But let me tell you some of the worst inequities about this whole thing, and our chairman has said nothing about that. Under these 1951 amendments, do you know what we did with the railroad workers who worked less than 10 years? We transferred those people over to social security. By the 1951 amendments we said anybody who had been working for less than 10 years had to lose railroad retirement benefits and go to social security. We made it mandatory. We left them with no choice.

Some 5 million railroad workers who had less than 10 years of service by the 1951 amendments had to go over under the social-security system. What happened to them? Under the railroad retirement they paid in 6¼ percent of payroll in taxes for that 10-year period. When they were transferred to social security, the Railroad Retirement Board paid 1½ percent of their total payroll to social security. That is all it cost to get him insured under social security. Now what do they do with the 4½ percent which in many cases has amounted to as much as $1,800 that this railroad worker paid in taxes? He did not get a cent of it. The railroad retirement fund kept it and is keeping it. What becomes of it? They are using it to provide benefits for others. Now they talk of a contract that Congress had with workers who are subjected to the dual provision restrictions.

Does not the same argument apply to the workers with less than 10 years of railroad service who were unceremoniously shifted over to social security under the 1952 amendments, without any choice?

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. BENNETT of Michigan. I yield to the gentleman from New Jersey.

Mr. WOLVERTON. The gentleman realizes that there are many bills before our committee that would seek to correct some of the injustices to which he has referred. I assure the gentleman that as long as I am chairman of that committee an opportunity will be given to correct any of the inconsistencies and inequities that the gentleman speaks of. We are taking care of one today, and we ought to have the gentleman's help in it, as much as the gentleman is speaking about these others.

Mr. BENNETT of Michigan. The one I am speaking about is far more inequitable than the one the committee has acted on.

Mr. WOLVERTON. All we can do is take them one at a time. That is the best we can do. We have one here today.

Mr. PRIEST. Mr. Chairman, will the gentleman yield?

Mr. BENNETT of Michigan. I yield to the gentleman from Tennessee.

Mr. PRIEST. May I ask my colleague if he favors the 10-year provision in the bill or if he feels that it is inequitable and also should be repealed?

Mr. BENNETT of Michigan. I favored that amendment when it was put in the bill for the simple reason that you had to adopt it to save money to pay the other benefits provided by the 1952 amendments if you were going to keep the fund balanced. For that same reason I supported this dual-benefit restriction.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLVERTON. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. BENNETT of Michigan. Mr. Chairman, I cannot possibly cover what I have in mind in just another minute, so I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. WITHROW].

Mr. WITHROW. Mr. Chairman, I rise to speak in behalf of H. R. 356, a bill to amend the Railroad Retirement Act. The Committee on Interstate and Foreign Commerce approved this bill, and I am happy to state that at the time hearings were conducted on this and similar bills, I had the privilege of appearing before the committee and offered my testimony in support of this measure. It is now before the House for consideration, and I urge the fullest support of this bill.

H. R. 356 would amend section 3 (b) of the Railroad Retirement Act by striking from it that portion of it which prohibits dual pensions from the railroad retirement and social-security systems. This provision has been in the law since the hodgepodge bill of 1951 became law, and experience has conclusively and unmistakenly shown that this feature of the law was a mistake, and one which should no longer be allowed to exist.

The testimony before the committee brought out the experience of the present law in thousands of cases of persons who have retired under the Railroad Retirement Act. If these persons at any time worked under the Social Security Act and were able to qualify under the act to receive benefits, the amount of their benefits under that act, or the amount of the benefits to which they were entitled, even though not claimed, was deducted from their railroad-retirement annuity.

How ironical this provision is. These persons who qualified under the Social Security Act did so through no choice of their own. In many cases they retired on pensions which they found to be sorely inadequate to meet even the lowest standard of decent living. Such being the case, they worked beyond their retired age in social-security employment to earn a little extra money. These same people are the ones who now find themselves being further harassed by financial problems as a result of their already meager benefits being reduced by the amount they qualified to receive while working under social security.

In other cases, railroad employment ceased for many persons at certain locations because of reductions in force, caused by technological changes in operation, abandonment of certain railroad lines, and other economic factors. Nearly all of these displaced railroad people were compelled to accept employment in social-security jobs. They had no other choice. They qualified and paid for two separate annuities, both small because of divided service, but nevertheless they bought two annuities. By what logical process of reasoning can they in justice be deprived of one of them?

For many years I worked under the Railroad Retirement Act, and know from my experience in the railroad industry what a hardship this section is now working on these thousands of retired employees. Under the present provisions of this section, a person who has qualified for an annuity under both the railroad-retirement and social-security systems is penalized by having his railroad-retirement annuity decreased by the

amount of the annuity he receives from social security. This despite the fact that he earned and bought both annuities by paying the tax required under both systems by law.

This is obviously unfair. In our present economic scale, the retired members of our society feel most acutely the sharp increases in the cost of living. Their income, in most cases limited to their meager annuity, is not increased in proportion to the continual rise in food, rent, and clothing; in fact, the slight increases pensioners have received under both social security and railroad retirement have been so paltry they would be regarded by regular wage earners as not even a mentionable increase. Yet this has been the extent of the relief afforded those who must face the same high cost of living the wage earners do.

How much more sad the picture becomes when we see an impoverished pensioner having his railroad-retirement annuity reduced by the amount he receives as an annuity under the social-security system when he, during his working lifetime, bought and paid tax under both systems for both annuities.

Because he changed employment midway in his working life, and fell under the provisions of another retirement system, he is penalized by having part of what he paid for "stolen" under the present provision of section 3 (b). I am sure Congress did not have grand larceny in mind when it enacted the 1951 amendments to the Railroad Retirement Act, and it should now take action to correct what it so hastily and unwisely enacted in the rush of the closing days of that session.

It was apparent soon after the enactment of this provision that it was a misfit. The 1951 railroad-retirement amendments provided for a 15 percent increase in annuity benefits. If a person was receiving or entitled to receive benefits under the social-security system, he was denied that increase and had his railroad retirement annuity decreased by the amount he receives or is entitled to receive under the social-security system.

When Congress, in 1952, voted a $5 a month increase in social-security pensions, those persons who receive railroad-retirement annuities and social-security annuities were granted this $5 monthly increase, but simultaneously their railroad-retirement annuity was decreased by an additional $5, thus nullifying the relief Congress intended to grant when it passed the bill. I assume it was not the intention of Congress to on one hand offer $5 for what little relief it could bring, and on the other hand take it away, simply because a person earned his retirement under two separate systems.

As I said before, I am a former railroad man and because of my familiarity with the problems of the railroad man, my constituents write me freely about their personal situations. I have become accustomed to this over the years I have been in Congress, and in all cases have tried to be of service to them. But never in all of my experiences have I received the volume of complaints about any one thing as I have about the hardship this provision of the act works on those affected by it. The letters are pitiful ones, from old and nearly impoverished people, who, now that they have reached the twilight of life, face the black future of having their trickle of income reduced further because of this freakish provision in section 3 (b).

It is my sincere desire to help them in their deplorable plight, and for this reason, I urge the House to approve the Van Zandt bill, H. R. 356.

Mr. CROSSER. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. HELLER].

Mr. HELLER. Mr. Chairman, all members of the committee are very anxious to give to the railroad employees the maximum benefit possible without jeopardizing the financial soundness of the fund. I can say to the Members of the House that the distinguished chairman of our committee, Mr. WOLVERTON, of New Jersey, and the distinguished ranking minority member, Mr. CROSSER, of Ohio, have both worked, over the years, very diligently and faithfully to devise ways and means of improving the benefits to our retired railroad workers in this country. They have devoted many years of study and effort to accomplish this end. Both deserve the sincerest commendation for their efforts. Perhaps they have not been able to see eye to eye on all the phases of railroad legislation, but beyond the horizon there has always been just one dream for both—to be helpful to the railroad workers. I naturally subscribe to this idea, but in equity I feel that, while it is good to be generous, it is always important to be just.

I should like to mention at this point that the gentleman from Ohio [Mr. CROSSER] deserves great credit for having pioneered in the establishment of a railroad retirement system. He was the first man in the Congress to introduce a bill for establishing a railroad retirement system that had the unanimous support of all the railway labor organizations in this country. In recognition of his splendid service to the railroad men, I should like to point out that some years ago he was presented with a cane, as a token of esteem by all the railway labor organizations, bearing the following inscription:

> Presented to Honorable ROBERT CROSSER, the Railway Labor Executives Association, in appreciation of his legislative efforts to improve the conditions of railway workers and his valiant services in the battle for human liberty and economic justice for all mankind.

No truer sentiment could have been expressed by the railroad brotherhoods speaking for approximately one and a half million men in the railroad industry. And I wish to say that BOB CROSSER, the lovable grand fighter, the dean of the House of Representatives, is still one of the outstanding leaders and champion for the most liberal legislation for the railroad workers that is possible to attain.

Mr. Chairman, during the hearings before the Committee on Interstate and Foreign Commerce on H. R. 356, the bill before the House today, which would repeal the dual or duplicate benefit provision of the Railroad Retirement Act. the proponents of this legislation alleged that this provision of the law was inequitable. I submit this allegation has no basis in fact, as the minority views on the reported bill show. I should like to discuss the assertion that prior service credits, that is to say credit for service performed in the railroad industry before 1937, have been paid for, and that an individual who receives both a railroad annuity and a social-security benefit should, therefore, not suffer a reduction in this railroad annuity on account of such prior service credits.

The fact of the matter is that railroad annuitants affected by this duplicate benefit provision have not paid any taxes, or made any contributions with respect to their service before 1937, because no retirement taxes were paid prior to 1937. When the railroad retirement system first began in 1937, nearly 100,000 railroad workers retired almost immediately. None of them paid any retirement taxes, or if they did, they paid very little indeed. Some 20,000 of these individuals are still on the retirement rolls. Many of these individuals are also drawing social-security benefits, and most of these individuals are now getting, by virtue of the 1948 and 1951 amendments to the Railroad Retirement Act, nearly 40 percent more in benefits than they received in 1937. If they have wives who are eligible for a spouse's benefit, such a benefit, up to $40 a month, is being paid. Surely, it cannot be said that they paid for these benefits.

Similarly, the hundreds of thousands of individuals who retired prior to 1946, could not have paid for the increases in benefits which they subsequently received by virtue of the 1948 and 1951 amendments. The tax rates they paid prior to retirement were originally established in the light of the level of benefits then payable, which did not include the subsequent increases in benefits.

Although the tax rates were increased by the 1946 amendments, many new benefits were added. Thus, the 1946 amendments added occupational disability annuities and benefits to widows, orphans and parents. The 1948 amendments increased annuities and pensions by 20 percent. The 1951 amendments added the spouse's benefit, increased survivor benefits by at least one-third, and enlarged the number of survivors entitled to such benefits. Each time benefits were increased or new benefits were added, the liability for prior service was also increased accordingly. The fixed tax rates payable prior to these amendmendts could not possibly have covered the cost of the added benefits. Not only was the prior service liability increased each time the retirement act was amended, but all annuitants on the rolls were awarded additional benefits that they could neither have expected at the time the benefits were originally awarded, nor could the recipients of such benefits have paid for them.

The plain fact of the matter is that the active employees who are now working are paying in very large measure for the benefits which the workers who have

retired and their families are now receiving. This had to be done as a matter of necessity. When the retirement system was first established, as I indicated, 100,000 individuals became eligible for benefits almost immediately. They have been supported by the taxes paid by the active workers in the railroad industry.

Now, those of us who are opposed to the enactment of this bill are not objecting to the payment of benefits to retired employees and their survivors based on untaxed service. This had to be done in order to establish a retirement system. But what we are seriously concerned about is the payment of duplicate benefits to those individuals who are getting credit for untaxed service under the Railroad Retirement Act, and also are getting similar credit for past untaxed service under the Social Security Act. As to these individuals, we are firmly convinced that the original reason for giving free credit for prior service under the Railroad Retirement Act ceased to exist when the same individuals could get credit for such service under the Social Security Act. For those individuals who cannot get credit for this prior service under the social-security system, the railroad-retirement system continues to provide full benefits on account of such service.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HELLER. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. In connection with what the gentleman is talking about now, on page 19 of the minority views the table shows the effect of this dual restriction. There are only 30,000 affected, but in every case, with the exception of some 3,400 individuals, these people are getting greater pensions today with the dual restriction in effect, than they would have gotten if they had stayed in railroad employment all of the working years of their lives. So a man has not lost anything. A man who makes railroading his career gets less than these fellows who go back and forth between social security and railroad retirement, even with the dual restriction in the law.

Mr. HELLER. I thank the gentleman for his contribution, and if my time will permit I shall try to discuss some of these cases.

The fact that annuitants and pensioners who are subject to the duplicate benefit provision have not paid for their railroad retirement benefits is strikingly demonstrated in a table which I shall insert in the RECORD at this point—table 1. This table compares the taxes paid and the benefits already received; and the benefits still to be received by several individuals, who are taken as illustrative of the problem. The first four individuals shown in the table were selected by the Railroad Retirement Board and were presented to the committee during the hearings on this bill as typical cases of all the duplicate benefit cases. The last two cases shown in the table were cited by Mr. Murray W. Latimer as illustrations of the inequity of this duplicate benefit provision. Mr. Latimer testified for the four railway brotherhoods who favor this bill.

I urge the Members of the House to study this table very carefully. It is shown on page 10 of the minority views to accompany H. R. 356. I shall not discuss all the cases shown there, but dwell on just two as I indicated a few seconds ago.

The first case mentioned is that of individual A, a section foreman. He retired in 1937 at an annuity of $59.70 a month. This annuity was increased by 20 percent in 1948 to $71.64. In 1951 this annuity was reduced, because of the duplicate benefit provision, to $57.39. His wife is getting $28.70. He and his wife are, therefore, getting a total of $86.09. This individual paid only $17 in railroad retirement taxes.

This individual is also receiving an old-age benefit under the Social Security Act of $25, and his wife is receiving a spouse's benefit of $12.50. This individual paid only $27 in social-security taxes.

The combined monthly income of this individual and his wife, under both systems, is therefore $123.59, or more than double the amount he received in 1937.

This individual and his wife have already received up to January 1, 1953, $12,084 from the railroad retirement system and $1,335 from the social-security system, or a combined total under both systems of $13,419. The present value of the probable future benefits still to be paid under both the railroad retirement and social-security systems is $6,526. Thus, this couple will probably receive, even with the duplicate benefit restriction, total benefits of almost $20,000 for only $44 in retirement taxes.

Do you think that this individual and his wife are being unjustly treated? In my opinion, certainly not.

Mr. Latimer mentioned Pensioner Carr as an illustration of the inequity of the operation of this duplicate benefit provision. What are the facts in his case?

TABLE 1.—*Taxes paid, benefits received, and future benefits still to be received* [1] *under railroad retirement and social security systems by certain individuals (and their spouses, if any) who are subject to the duplicate benefit provision of the Railroad Retirement Act, as of December 31, 1952*

Item	Railroad retirement system	Social security system	Total, both systems
1. Individual A, section foreman, cited on p. 29 of hearings on H. R. 356:			
(a) Taxes paid	$17	$27	$44
(b) Benefits received	12,084	1,335	13,419
(c) Present value of probable future benefits	4,546	1,980	6,526
(d) Total benefits already received and still to be paid ((b) plus (c))	16,630	3,315	19,945
2. Individual C, car inspector, cited on p. 29 of hearings on H. R. 356:			
(a) Taxes paid	676	73	749
(b) Benefits received	6,134	1,130	7,264
(c) Present value of probable future benefits	$5,142	$8,799	$13,941
(d) Total benefits already received and still to be paid ((b) plus (c))	11,276	9,929	21,205
3. Individual E, machinists, cited on p. 30 of hearings on H. R. 356:			
(a) Taxes paid	1,618	6	1,624
(b) Benefits received	864	480	1,344
(c) Present value of probable future benefits	8,816	2,511	11,327
(d) Total benefits already received and still to be paid [(b) plus (c)]	9,680	2,991	12,671
4. Individual G, sheet metal-worker, cited on p. 30 of hearings on H. R. 356:			
(a) Taxes paid	650	143	793
(b) Benefits received	6,000	1,054	7,054
(c) Present value of probable future benefits	7,300	5,434	12,734
(d) Total benefits already received and still to be paid [(b) plus (c)]	13,300	6,488	19,788
5. Annuitant Shaw, cited in testimony of Mr. Latimer on p. 166 of hearings on H. R. 356:			
(a) Taxes paid	1,010	90	1,100
(b) Benefits received	8,341	0	8,341
(c) Present value of probable future benefits	6,541	(2)	[3] 6,541
(d) Total benefits already received and still to be paid [(b) plus (c)]	14,882	(2)	[3] 14,882
6. Pensioner Carr, cited in testimony of Mr. Latimer on p. 167 of hearings on H. R. 356:			
(a) Taxes paid	0	109	109
(b) Benefits received	11,719	278	11,997
(c) Present value of probable future benefits	3,903	3,345	7,248
(d) Total benefits already received and still to be paid [(b) plus (c)]	15,622	3,623	19,245

[1] Includes spouse's benefit only if such a benefit was payable on Dec. 31, 1952.

[2] Since annuitant Shaw was still working in social security employment as of this date, his entitlement to social security benefits was potential, and there was no basis for computing the present value of his probable future benefits.

[3] Does not include social-security benefits.

Source: Railroad Retirement Board.

Pensioner Carr retired immediately upon the establishment of the railroad-retirement system. He paid nothing in railroad retirement taxes. He has already received $11,719 in railroad-retirement benefits. He will probably receive an additional $3,900 in such benefits.

Pensioner Carr paid $109 in social-security taxes and qualified for a benefit under that system. As of the close of last year, he had already received $278 in social-security benefits, and will probably get an additional $3,350 in future benefits from that system. All told, Pensioner Carr will wind up with a total of $19,250 in benefits from both systems for a total tax payment of $109.

Is Mr. Carr being treated unfairly? Certainly not, in my opinion.

Another table which I shall insert for the record—table 2—shows the average taxes paid and the average benefits already received, and still to be paid for all 30,200 annuitants affected by this duplicate-benefit provision. On the average, these individuals paid only $430 in railroad-retirement taxes. The average benefits already received per individual totaled $6,000, or 14 times the amount paid in taxes. The present value of future benefits still to be paid per individual is almost $6,000. Thus, on the average, each annuitant subject to the duplicate-benefit provision has already received from the railroad-retirement system and will probably receive in the future benefits totaling approximately $12,000.

These individuals paid on the average $66 in social-security taxes. Social-security benefits already paid to them average $971, and the present value of probable future benefits still to be paid under this system is $3,437, or a total of $4,408.

Hence, these individuals have already received on the average almost $7,000 in combined benefits under both the railroad-retirement and social-security systems, even with the reduction because of the duplicate-benefit provision, and will probably receive an additional $9,400 in benefits, making a total benefit of $16,400 for combined railroad and social security taxes of less than $500.

By no stretch of the imagination can anyone say that these individuals are being treated unfairly.

TABLE 2.—*Average taxes paid, benefits received, and future benefits still to be received under the railroad retirement and social security systems by individuals subject to a reduction in their railroad retirement benefits because of the duplicate benefit provision, as of Dec. 31, 1952*

Item	Railroad retirement system	Social security system	Total, both systems
Number of annuitants affected by duplicate benefit provision			30,200
Average taxes paid	$430	$66	$496
Average benefits received through Dec. 31, 1952	6,005	971	6,976
Average present value of probable future benefits still to be paid	5,943	3,437	9,380
Combined average benefits already received and still to be paid	11,948	4,408	16,356

NOTE.—This table is based on a 1-percent random sample of all retirement annuities in force on Dec. 31, 1952. According to the Director of Research of the Railroad Retirement Board, this sample is "very representative of all dual-benefit cases."

Source: Statement of Railroad Retirement Board at hearings before House Committee on Interstate and Foreign Commerce, June 2-4, 1953, table 3.

The data on average taxes and average benefits for the 30,200 duplicate benefit cases are based on a 1-percent sample of all these cases. Now, some effort has been made to cast doubt on the accuracy of these figures by Mr. Murray Latimer, a witness for the proponents of this legislation, in a supplemental statement which he submitted for the record after the close of our hearings on H. R. 356.

To clear up this doubt, the Director of Research of the Railroad Retirement Board was asked to explain the method by which the sample was selected and its representativeness. In reply, the Director of Research stated that this 1-percent sample was selected by taking all claim numbers ending in 55 and taking from these all duplicate benefit provision cases. This is what is known as a systematic sample, and is considered even more accurate than a purely random sample. As to the representativeness of the sample, the Director of Research stated:

It should therefore be considered as very representative of all dual benefit cases.

There is just one more thing that I would like to call to the attention of the House. The present value as of liabilities under the railroad retirement system—taking into consideration the Crosser amendments of 1951, and the 1952 amendments to the Social Security Act—is given in the fifth actuarial valuation as $17 billion. To cover these liabilities, the retirement system has only $3 billion at the present time. There is, therefore, a balance of $14 billion which must be covered by future contributions.

The railroad retirement system is now operating at a deficit of $45 million a year. If this bill passes, the operating deficit would increase by another $11 million a year, or to $56 million a year. Unless something is done to balance the income with the expenditures, the railroad retirement system will be in serious trouble in the not too distant future. We must face that fact now, before it is too late.

For these reasons, I am compelled to vote against this unsound bill.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Virginia [Mr. POFF].

Mr. POFF. Mr. Chairman, since approximately 1 person out of 10 in my district depends directly for this livelihood on railroad wages, I am keenly interested in all legislation which affects the railroad worker.

I am not a member of the Joint Committee on Interstate and Foreign Commerce, which reported this bill to the House, but I have spent a great deal of time studying the committee's hearings and its majority and minority reports on this vital legislation.

I was impressed by the caliber of the witnesses and their testimony on both sides of the question, and while I was from the outset inclined to favor this bill, I felt, from the nature of the opposition, that I should sample the sentiment of the people it will affect. Accordingly, I sent copies of the reports and hearings to several of the railroad workers in my district, and I can tell you unequivocally that, with only one exception, the good, hard working people in the offices and those with the grease of their trade on their hands favor this bill, and, Mr. Chairman, these are the people who paid for and own this retirement fund about which we are talking today. The Congress is only the trustee. Of course, the trustee has the obligation to administer the fund providently and economically, but I am convinced that this legislation will not bankrupt the fund, as many have claimed.

The Railroad Retirement Board itself has said that this bill will threaten the solvency of the fund, even though they admit that the differential between the total cost of 13.56 percent of the payroll and the present premium rate of 12.5 percent of the payroll is only 1.06 percent. This statement is somewhat inconsistent with their statement in 1951 in connection with H. R. 3669, when the differential was 1.645 percent. At that time the Board said that this greater differential would not dangerously affect the solvency of the fund.

The railroad worker who compares his railroad retirement benefits with the benefits he could obtain by purchasing an annuity from a commercial insurance company cannot understand how the program could possibly be operating at a deficit when he has to pay $6.25 out of every $100 he earns up to $300 per month. It simply does not make sense to him.

Similarly, it does not make sense to him when you tell him that if he is entitled to social-security benefits, whether he actually draws them or not, his railroad retirement benefits, for which he has worked so long and paid so dearly, will be reduced. Since these employees first started contributing to the retirement plan they have been told that they would get the full amount of their benefits. In reliance upon this assurance, these people have been making their plans for their twilight years. Until 1951 those who retired received their full railroad benefits, and those who qualified for social-security payments received them as well. Then, in 1951, in order to finance certain changes in the plan, the Congress imposed the so-called dual-benefit restriction which reduced the railroad retirement benefits. In 1952 the social-security benefits were increased by Congress, which in turn further reduced the railroad retirement benefits, and the old people took another licking.

The opponents of the bill before the House try to make it appear that there is something wicked about drawing benefits from two funds. The logic of this reasoning escapes me. If they have performed the work and paid the premiums required by law for both funds, they why should they not receive the benefits from both funds? The contention that it is too easy to qualify for payments under the Social Security Act is no valid argument for reducing the benefits accruing from a totally different and unrelated program. The only thing this argument justifies is a change in the social-security law, which, as everybody knows, is shot through with inequities and unfairness.

Mr. Chairman, under the dual-benefit restriction imposed in 1951, over 30,200 retired railroad workers and 10,500 wives of workers have seen their monthly annuities reduced by an amount of $17 up to $85 per month, depending upon the amount of social-security benefits they have earned. In this day of inflation and in view of the high cost of living which plagues us all, these old people can ill afford these reductions. Their eyes are on this House today. I urge the membership to keep faith with them and re-

store those benefits which they have earned.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Colorado [Mr. CHENOWETH].

Mr. CHENOWETH. Mr. Chairman, I am for this bill. I want to commend the committee on bringing this legislation to the floor of the House. I am very happy to see this dual-benefit provision eliminated from the Railroad Retirement Act.

I was a member of the Committee on Interstate and Foreign Commerce when the last amendment to the act was passed in 1951. I recall that this dual-benefit provision had been rejected by our committee, and was reluctantly accepted when the conference report was adopted. I thought it was a mistake at that time and am of the same opinion today. I think it is highly important that the confusion over this provision is being removed by this bill.

Mr. Chairman, I have always looked upon the benefits received under the Railroad Retirement Act as an annuity, just the same as any annuity that might be purchased from an insurance company. This annuity has been paid for by the railroad worker and the railroad company. The Government has made no contribution whatever to the same. I contend that the retired railroad employee should be assured of this annuity as long as he lives, without any restrictions or conditions.

When the act of 1951 was being considered by our committee, I recall that we rejected the proposal of placing a limitation upon the earnings of a retired railroad worker. I vigorously opposed such a theory. It is my feeling that once the amount of the pension is fixed that it should not be changed for any reason. I want the retired worker to feel free to live his own life and engage in whatever business or occupation he may choose. It is his annuity, purchased with his own money, and I cannot support the idea that he should be restricted in the use of the same.

There is great concern among railroad workers over the rumors that the Railroad Retirement Act and the Social Security Act are about to be consolidated. I have received letters from railroad employees expressing apprehension over such a proposal. I know of no such program, and I will certainly oppose such a move if it is suggested. The Railroad Retirement Act should be kept separate and apart from any other retirement system.

The dual-benefit provision is manifestly unfair to the railroad worker who retires. If he decides to engage in some occupation and acquire benefits under the Social Security Act that is a matter for him to decide, and has nothing whatever to do with his railroad pension. It seems utterly absurd to me to reduce the railroad pension because the retired employee may also qualify for social-security benefits. I know of no other retirement system under which such a deduction occurs.

Mr. Chairman, I believe that a vast majority of the railroad workers of this country are in favor of this legislation, and I am satisfied it is in their best interest. I am anxious to see our railroad workers obtain the maximum benefits from the Retirement Act. I have always been interested in improving the Railroad Retirement Act, and I am confident this is what we are doing when we pass this bill today.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. MILLER].

Mr. MILLER of California. Mr. Chairman, the Railroad Retirement Act, like other old-age-pension legislation, has many shortcomings and inconsistencies. It has many black spots.

By enacting the provisions of a bill introduced by the gentleman from Pennsylvania [Mr. VAN ZANDT] into law—H. R. 356—we seek to erase one of its black spots. I joined the author in his effort to remove this inequity when I introduced an identical bill, H. R. 4163.

The offending language is found in the last paragraph of section 3 (b) of the Railroad Retirement Act, as amended. It reads:

> The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) In the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however,* That in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this pararaph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages to an amount less than such sum was before the enactment of this paragraph.

This is the so-called social-security offset clause.

I am glad to join in eliminating this paragraph because it is a poor approach to solving the problem of old age.

A man has a limited number of productive years. He must avail himself of the accumulated contributions he makes during these years, if he is to insure himself of a retirement pension that is minimal to his needs.

If, by law, we say to him any earnings you make during a number of these years cannot be credited to your retirement because you were forced to change your occupation, we deny him this minimal pension. We reduce it to the point where he cannot live on it in keeping with our accepted American standards.

There are a great many railroad employees in Alameda County. Three transcontinental railroads have their west-coast terminals in this county—the Santa Fe, Southern Pacific, and Western Pacific.

A large number of pensioners live in this county, and in the Eighth Congressional District which I have the honor to represent.

Sometime prior to the war, the Southern Pacific Railroad Co. abandoned its suburban service out of Oakland Pier, throwing several hundred railroad employees out of their jobs. Many of them were unable to get other jobs in the railroad industry because of their inexperience in main line work, and also because of their advanced age. They had the choice of taking their railroad pensions or finding work in outside employment. Many of them took their railroad pensions, some of them at a reduced amount because they had not yet reached age 65.

Generally, their pensions were small because the men employed in suburban service had not earned very large salaries. Many of them after many years of seniority were able to work only a split shift, that is, 2 or 3 hours in the morning, and 2 or 3 hours in the afternoon during peak traffic.

When World War II came along, there was plenty of work in the shipyards and a scarcity of manpower. The Federal Government constructed a railroad from West Oakland to Richmond shipyards, and it was operated as an intrastate common carrier. Many of these retired railroad employees were personally called upon and urged to go back to work on this intrastate railroad in order to help out in the war effort.

A considerable number of them did that, and for 2 or 3 years worked under the provisions of the Social Security Act. After the enactment of the amendments in 1951, they suddenly found that their retirement payments were reduced by an amount equal to their social security payments. Last year when Congress increased social-security benefits a minimum of $5 per month and their social-security payments were increased by that amount, their railroad retirement payments were decreased by that amount, so these men did not receive any increase in pension at all. If they had remained at home and had not gone back to work to help out in the war effort, they would have received just as much benefit as they are now receiving from the Railroad Retirement Board. But because they did go back to work, they are now being penalized by this section of the Railroad Retirement Act.

At the present time in California there is a plan that will throw hundreds of men into the same predicament. In the Los Angeles area the Pacific Electric Railway is disposing of all of its intercity passenger business in southern California to an intrastate common carrier. Hundreds of Pacific Electric employees will lose their employment, and as a result will have to find employment in outside industry. Their new employment will be under the provisions of the Social Security Act. If we fail to repeal section 3 (b) of the Railroad Retirement Act they will be penalized. They will be denied any additional social-security benefits that they might earn in their new occupations.

In tardy justice to men in like situations—and there are hundreds of them—we should adopt this bill and speed it on its way to becoming law.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Virginia [Mr. WAMPLER].

Mr. WAMPLER. Mr. Chairman, on March 23 I introduced the bill H. R. 4171, which provides for substantially the same remedy as does the legislation now under consideration. I appeared before the Committee on Interstate and Foreign Commerce in support of this legislation, and intend to support it here on the floor. The testimony I gave when I appeared before that committee on June 2, 1953, is as follows:

Mr. Chairman and members of the committee, my name is WILLIAM C. WAMPLER. I have the honor to represent the Ninth Congressional District of Virginia in the House of Representatives.

I deeply appreciate this opportunity of appearing before your committee and testifying as a proponent of this legislation.

I do not appear before this committee as an expert on railway-retirement legislation, but as one who is interested in what appears to be a very unfair and iniquitous situation with respect to those persons who worked under the railroad-retirement system and the social-security system.

On March 23, 1953, I introduced H. R. 4171 in the House of Representatives. This bill would repeal the provisions of the Railroad Retirement Act Amendments of 1951 that prohibit an increase in railroad-retirement benefits to those persons who also have coverage under the Social Security Act.

The 1951 railroad-retirement amendments provided for a 15-percent increase in annuity benefits. If a person was receiving, or was entitled to receive, benefits under the social-security system, he was denied that increase and had his railroad-retirement annuity decreased by the amount he receives, or is entitled to receive, under the social-security system.

Last year Congress voted a $5 monthly increase in social-security pensions. Those persons who receive railroad-retirement annuities and social-security annuities were ganted this $5 monthly increase but their railroad-retirement annuity was decreased simultaneously by an additional $5, thus nullifying, in my opinion, the relief Congress intended to grant when it passed the bill.

It is my considered judgment that thousands of retired railroad workers were the victims of a gross injustice under the provisions of the 1951 amendments to the Railroad Retirement Act when they were denied payment of dual benefits.

The special joint committee on railroad-retirement legislation, the so-called Douglas committee, in its report states that about 13.2 percent of current beneficiaries (or 35,000 of the 265,000 current annuitants) are affected by the discriminatory action of prohibiting an increase in benefits to those entitled to dual benefits.

The committee's study also reveals that the cost of removing the restriction would be less than one-fourth of 1 percent of the payroll tax. Therefore, in a matter of a few years, the savings to the retirement fund will disappear entirely through the death of those to whom the restriction applies.

I think it is particularly important to stress that the Douglas committee has recommended in its report on the Railroad Retirement Act that the prohibition against dual payments should be abolished.

The district which I have the honor to represent in Congress is served by the following important coal-hauling railroads: Southern; Norfolk & Western; Chesapeake & Ohio; Carolina, Clinchfield & Ohio; Louisville & Nashville; Virginian, and the Interstate.

Railroading is one of our vital industries and it affords employment to many of my constituents.

During my campaign for Congress last fall and on subsequent occasions I have had an opportunity to visit the railroad shops and discuss this problem with the railroad workers, and to learn something of their views on this important legislation.

My interest in this legislation is to help improve and strengthen the railroad retirement system.

The railroad retirement system does not belong to the Federal Government or to the Congress. It belongs to the men who work on the railroads of America. The Congress acts merely as a trustee of their fund.

Congress has a very serious moral obligation to respect the wishes of the people who actually own the retirement fund. We should give railroad workers every benefit consistent with the solvency of their retirement fund.

We must guarantee today's railroad workers that their future benefits will always be protected. It is my firm conviction that the enactment of this legislation will not be inconsistent with this premise.

Mr. Chairman, I hope the Committee will take favorable action on this legislation.

Mr. WOLVERTON. Mr. Chairman, I yield myself one-half minute to state to the Committee that I misunderstood the situation that existed when my friend and able colleague on the Committee on Interstate and Foreign Commerce, the gentleman from Michigan [Mr. BENNETT] asked for 5 additional minutes. I thought he had already been granted the 5 minutes as a member of the committee that I had promised him. For that reason I refused him additional time. I want it to be known that I wish to correct the misunderstanding and he may have 5 minutes from me whenever he wants it, either now or later during the debate.

Mr. BENNETT of Michigan. I thank my chairman. I will take the time later.

Mr. WOLVERTON. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. YOUNGER].

Mr. YOUNGER. I only want to cover one point in this debate because I think you can throw out a lot of the comparisons about the inequalities that exist between individuals. I want to read from the report of the minority. I think they have convicted themselves by their own report. I read from page 4. In the first instance, it says:

The Railroad Retirement Act specifically allows credit for service rendered before the law was enacted in 1937 and before taxes were paid.

The law specifically gives to those people a right, and it is admitted by the minority. Let me read again from the minority report:

The total increases in benefits provided by the Crosser amendments of 1951 amounted to approximately $108 million a year. These increases in benefits were made possible without any increase in the tax rate or the tax base only because other changes were made in the law, including the adoption of the duplicate benefit provision. Such changes enabled the railroad retirement system to offset the cost of additional benefits provided by the Crosser amendments of 1951.

It does not take a financial genius to keep a trust fund or a pension fund solvent, if you are going to deprive some of the people who are entitled to certain benefits of those benefits. That is exactly what they did. That is what they admit in their own report. That is the nub of the whole argument. I, for one, am not willing to vote here in this House to make a fund solvent by depriving benefits from one section of those who are entitled to benefits in order to create more benefits for another section.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. YOUNGER. I gladly yield to my colleague, a member of the committee.

Mr. BENNETT of Michigan. Then, I presume, the gentleman would support an amendment, if I offered one, to take the 10-year restriction out of this bill whereby anybody who works for a railroad less than 10 years is transferred to social security.

Mr. YOUNGER. Yes, sir, I certainly will support that amendment, if you offer it.

I will say further as far as this bill is concerned, and as our chairman has said, this is only one of the possible recommendations of the committee to cure inequalities and inequities that have crept into this law. But this is the largest one, and is justified by the minority because it only affects 11 percent. In other words, if you kill only 11 percent of the people, you can justify the crime of murder if you leave the 89 percent of them alive and better off. That is the theory on which the minority have based their entire claim to solicit your vote against it. I sincerely hope this body will go along with the majority of the committee and support the bill now before you.

Mr. Chairman, I yield back the remainder of my time.

Mr. CROSSER. Mr. Chairman, I yield 8 minutes to the gentleman from Illinois [Mr. MACK].

Mr. MACK of Illinois. Mr. Chairman, I first want to commend my distinguished chairman for the work he has done with regard to the railroad-retirement benefits; also the gentleman from Ohio [Mr. CROSSER], the ranking minority member of our committee. I do feel we did not spend enough time in the committee working on the proposals that have been made with regard to the Railroad Retirement Act. I believe we should amend the act and make a few changes. When we are eliminating the revenue-producing portion of that act we should also include some amendments that would provide revenue for the retirement program.

Mr. Chairman, I am opposed to the enactment of the bill which we are considering. My reasons for opposing this measure are simple and understandable. There is just not enough money in the railroad-retirement account to enable us to assume the expenditure of the benefits contemplated by this bill, H. R. 356.

Those of us who are members of the House Committee on Interstate and Foreign Commerce must necessarily spend long hours studying the problems of railroad retirement. In addition, our committee through the years has spent a great deal of time in taking testimony from expert witnesses who are thor-

oughly conversant with the retirement system. On the other hand, many Members of the House may not completely understand all of the technicalities involved in the application of this important statute. Therefore, I shall attempt to explain in basic terms my reasons for feeling that the House should not adopt this legislation.

First of all, the history of the Railroad Retirement Act demonstrates that the original act and all subsequent amendments thereto have represented agreement of some sort among all the people who are interested in this legislation. There are four groups who are vitally interested in the railroad-retirement program. They are: The Association of American Railroads, representing the railroad companies; secondly, the Railway Labor Executives' Association, representing some 80 percent of the employees, most of whom are engaged in so-called nonoperating employment; then there are the operating unions who make up some 20 percent of the railroad work force. In addition to these official representatives of the railroad industry there are a group of so-called private pension organizations which are made up of retired employees whose only concern is the benefits available under the Railroad Retirement Act.

The first three groups that I have mentioned are interested, of course, in all phases of railroad operation and employment. These first three groups are made up of those who furnish the money that pays the bills for railroad retirement. The private pension organizations, because they are made up of retired persons, are no longer concerned with the tax contributions for the upkeep of the retirement system, and are therefore not too concerned with the payment of the bills.

In 1951 the bill that finally passed both Houses of Congress increasing benefits under the Railroad Retirement Act was the result of an agreement between these three groups—the Association of American Railroads, the Railway Labor Executives' Association, and the Brotherhood of Railroad Trainmen. Although the amendments of 1951 started off with a great deal of controversy among these groups, ultimately a compromise was worked out which was acceptable to the three organizations I have mentioned.

In this instance, the bill which we are discussing is acceptable only to the operating unions representing 20 percent of the employees and the private-pension groups. On the other hand, the Association of American Railroads, the Railway Labor Executives' Association, representing 80 percent of the employees, and the Railroad Retirement Board have strongly opposed this legislation. It is also my understanding that the Bureau of the Budget has not recommended approval of this legislation. The Government agency concerned with the administration of this act, the employers' representatives who pay one-half of the cost of this act, and the representatives of 80 percent of the railroad employees who pay the other half of the cost are all in opposition to this bill.

I know that in 1951 the universal cry in Congress was that all divergent groups interested in railroad retirement should get together and agree on a bill. Certainly if it was desirable for agreement to be reached in 1951 among those interested in this subject, why should we not now have a similar meeting of the minds? I, for one, am opposed to any amendments to this act that are not acceptable to the representatives of the people who through the years have made possible this retirement system. In my judgment the House should be very careful in flouting the wishes of these highly responsible interested parties in adopting this legislation. I am opposed to this bill because a majority of the people who contribute financially to the railroad retirement system oppose it.

Secondly, I am opposed to this bill because it endangers the financial future of the railroad retirement system. In simplest terms, the Railroad Retirement Act is now costing more in benefits than are being paid in in tax revenues. Therefore, we have a deficit. The adoption of this bill, H. R. 356, no matter how worthwhile it may or may not be, will endanger the railroad retirement fund.

Faced with an annual deficit in the railroad retirement system, this bill would increase that deficit by millions of dollars each year. The proponents of this bill have not disputed this fact. To the contrary, when the expert witness for the proponents of this bill was before our committee, he made the startling statement that in his judgment the system may be faced with a deficit of more than $45 million at this time. He was not sure but that the Railroad Retirement Board had been a little too liberal in its estimates. Further, he felt that the system should be put back on a sound basis as soon as possible. In addition, this expert witness, Mr. Murray W. Latimer, appearing for the proponents, testified that this bill which we are now considering would add some $7½ million in costs to this system into perpetuity. On the other hand, he offered no suggestions to our committee or to the House, to my knowledge, as to where this money might come from that he is now proposing we spend. This bill, therefore, if adopted, would increase an already serious operating deficit in the railroad retirement system without any provision whatever for financing.

Certainly we have seen enough of deficit spending in Washington in recent years. All of us can agree that economy is a desirable objective. The basis of sound economy in good business operation is to stay within one's income. No matter how desirable it might be for the benefits that this bill proposes to be enacted, the plain, simple, unvarnished truth is that we do not have the money to pay for them.

We would all like to know how to eliminate the deficit in the railroad-retirement system without adding to the tax structure. I think that every Member of the House would be anxious to know how we can accomplish this balancing of the books for the railroad-retirement account. In my judgment this bill should be recommitted to the Interstate Commerce Committee for further study as it is quite obvious that the adoption of this bill would increase the burden and threaten the financial soundness of the railroad-retirement system. Certainly we are not in such a rush to adopt legislation in this important field that we are willing to do it at the expense of the financial integrity of this system.

We are trustees of a trust fund in our dealings with the railroad-retirement system. We are not appropriating general tax moneys. This matter should not be considered in the same light as other governmental expenditures. This is money that properly belongs to the persons who make up the railroad industry. We cannot, in good faith, adopt this bill and say that we have discharged our trust.

Mr. WOLVERTON. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Chairman, I am in favor of this bill, H. R. 356; in fact, I have a companion bill now pending before the committee.

I favor the bill because to me it is just simple justice. In listening to the remarks of my good friend the gentleman from Michigan [Mr. BENNETT], whom I greatly admire, it seemed to me that his argument fell by its own weight, and particularly so when you consider what would be the situation in regard to this fund if there were no social-security setup. Then would not every retired railroad worker get the maximum benefit under the fund, and would that render it insolvent or unsound? I find upon investigation that the original Railroad Retirement Act, which was declared unconstitutional, was actually adopted prior to social security.

Let us taken another phase of this. Suppose a railroad worker retires and goes into some business of his own. He has an apple orchard or an orange grove or something elese that is not covered by social security and makes good money. Then he can draw the maximum benefit. But his neighbor across the street in the same situation—a retired railroad worker—has a job that covers him under social security. The amount he is entitled to is thereby reduced. Is there anything fair about that? That is why I say this bill is nothing but simple justice.

I also have information that there is now better than $3 billion in this fund and that the amount is being increased each year by several hundred million dollars coming in more than is being paid out to the annuitants. How can it be made unsound by this bill?

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. At the end of May 1953 the balance in the retirement fund was $3,052,716,320, or an increase of $276,710,000 in a 12-month period.

Mr. CUNNINGHAM. In other words, every railroad worker, whether retired or not, has a vested interest by contractual relationship. The consideration has been his earning capacity and his contribution in the past. By a legal device it is being taken away from him simply because the Congress happened to pass a social-security bill. Had it

never passed a social-security bill, there would not now be anything taken out of the annuitant's benefit.

Mr. CROSSER. Mr. Chairman, I yield 10 minutes to the gentleman from West Virginia [Mr. STAGGERS].

Mr. STAGGERS. Mr. Chairman, I deeply regret that I, as a Member of Congress, should have to come here before the House and disagree with the stand of any railroad worker in this country. In my years of service here I have tried to be fair to all segments of railroad workers, as I am sure every other Member has. I also do not like to take a position of disagreeing with my chairman.

Mr. Chairman, I come from a railroad town. I have been a railroad worker myself. So I can speak of the railroad.

You know, there are two sides to everything. One man made the statement that there is only one side. No. It is the old saying: No pancake could get so flat but what it has two sides to it.

The speaker just ahead of me referred to $3 billion being in this reserve fund. I would like for my chairman to listen to this just a moment, and the others who are to come after me. We have three billion-and-some dollars. The gentleman from Pennsylvania mentioned the figure but he did not tell this committee what the unfunded liability was. I would ask the gentleman from Pennsylvania if he knows what the unfunded liability of the retirement fund is. Well, I will tell you. It is over $17 billion. Of course, we are taking in more money. This $3 billion is not surplus as they would have you believe. It is a reserve, and we are building it up in order to take care of this unfunded liability, and I would like to ask the gentleman from New Jersey if I am not correct.

Mr. WOLVERTON. I am unable to verify the gentleman's figures.

Mr. STAGGERS. I think I am approximately correct.

Mr. WOLVERTON. I think you will find the true figures in the report.

Mr. STAGGERS. If these are not the true figures, I am sorry. I am only quoting what I think are true figures. There could possibly be some diversion. I want the Congress to know these facts.

The bill has been explained to you and what it stands for. One speaker just ahead of me said, "Well now, these men went out and bought two retirement annuities." Now, do not let any Member We will help somebody across the seas." There is no disputing that fact, gentlemen. I am trying to be fair and give the facts, and if any man thinks I am not giving them, I wish he would interrupt me.

There are only two systems, to my knowledge, in the United States, that have weighted benefits, in which they receive benefits for something they did not pay for. I have been receiving a lot of letters dealing with this problem. Yes, we have $3 billion in the fund, but when we passed the last amendments in 1951 we started paying out 13.41 percent of payroll, and we are only taking into that fund 12.50 percent of payroll, running a deficit at the present time of .91 percent. If you pass this bill you are going to increase that deficit. What would be the right thing to do in this situation? This bill should have provided tax revenues at the same time we enacted it. You say, "Oh, well, we cannot see 50 years from now." I tell you this.

All I am talking for is the safety of the fund. There are a lot of people who say, "Why think about 50 years from now? It is your responsibility." Nobody can tell. Five minutes from now this Capitol might be a shambles. The only thing we can go by is the past, and try to do those things we think are right for the future. We have to plan for the future, not 5 years from now or tomorrow, but let us plan for the future of thousands in the generations of railroad workers yet to come. Let us not say that when they retire this fund just cannot pay them.

My recommendation is that this bill be recommitted to the Committee on Interstate and Foreign Commerce with instructions that if it is brought back it carry in it recommendations for a tax to gain the revenue that will wipe out the deficit in the railroad-retirement fund. That is my recommendation to the Congress.

Mr. MILLER of Kansas. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield.

Mr. MILLER of Kansas. The gentleman spoke of the deficit in the retirement fund. Does he mean the present deficit or the one this bill would create?

Mr. STAGGERS. I am talking of the deficit in the income and outgo in the fund right now, of ninety-one one-hundredths of 1 percent, as told us by the actuaries when they appeared before us in our committee. If this bill is allowed to pass it will make it at least $10 million taken out of their hide instead of out of all of them?

Mr. STAGGERS. May I say that these men are getting back in a pension all the money on which they paid a tax. It started in 1937 by taxing those who started to work after 1937. Now the ones who are paying in are paying for future generations, too. They are not getting back all the taxes they are paying in. Not only that, they are paying for a lot of others who did not pay in.

Mr. WOLVERTON. Does not the gentleman realize that others are in the same class as this but have no deductions made because they have not worked under social security? Why should a railroad worker who supplements his meager pension under social security have a deduction and the others that are in the same class that you are speaking of have no reduction?

Mr. Chairman, I yield 5 minutes to the gentleman from Maine [Mr. HALE].

Mr. HALE. Mr. Chairman, I find my position today a particularly unenviable and unpleasant one. In the first place, I should like very much to support this bill which has a very praiseworthy objective in view. In the second place, I should like very much to agree with the majority of my committee on which it is always a great pleasure and a distinct honor to serve. There is no member of the committee with whom I enjoy having any difference of opinion whatever. Certainly the 22 men who constitute the majority of the committee in this case are entitled to every respect.

I repeat, I should like to eliminate the injustice to 35,000 men, I think it is, through the dual-benefit provisions of the bill which we passed in 1951. I hope this injustice may be eliminated by proper legislation. I hope the whole question of the relation between the social security fund and the railroad retirement fund may sometime receive much more adequate consideration than it has received to date. I am inclined to believe it may be possible to work out an arrangement which would permit everybody to get social security and the railroad retirement fund be placed on top of social security or some such arrangement of that kind. I repeat, I do not think the relationship between the two funds has ever received adequate consideration.

The reason I am opposed to the passage of H. R. 356 is set forth in the dissenting report which I filed on page 26 of the minority report. It is simply

kept actuarially sound. Do you agree to that?

Mr. LATIMER. I most assuredly do.

Mr. HALE. The passage of H. R. 356,, or any of the companion bills, would make the fund more unsound actuarially, would it not?

Mr. LATIMER. Yes, sir; it would. There is no question about it.

Then on pages 212 and 213, we find the following:

Mr. HALE. I am perfectly frank in saying that, as the matter lies in my mind, I would like certainly to prevent any retiree from suffering any prejudice from the so-called dual benefits, what you call the social-security offset. But Mr. Matscl.eck from the Railroad Retirement Board comes here—did you hear his testimony?

Mr. LATIMER. I did, sir.

Mr. HALE. He testified that the fund was not actuarially sound now and if we did anything about these dual benefits, we would just be making bad matters worse, as I understood his testimony, stating it very crudely and bluntly.

Mr. Fort's testimony on behalf of the Association of American Railroads was closely similar. Mr. Schoene's testimony was something along the same line, if I understood them all. They might not assent to my characterizations, but stated crudely and generally, that is the impression that I got from those three men.

Mr. LATIMER. It is a correct impression, sir, and my only difference with them is that I think they are too optimistic. I think the situation is worse than they have said it is. I make no bones about the difficulties which the situation involves.

Mr. HALE. As the testimony stands now, I don't see how this committee can report any of these bills favorably, although I would like personally to do so. Perhaps there are other people on the committee who feel the way I do.

I am therefore opposed to the present enactment of H. R. 356. I believe that sounder and better legislation can be enacted in the present Congress. I hope that it will be.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. BENTLEY].

Mr. BENTLEY. Mr. Chairman, regarding the legislation now under discussion, H. R. 356, which is to amend the Railroad Retirement Act of 1937, as amended, by deleting the last paragraph of section 3B, I wish to state that I am wholeheartedly in favor of this legislation. As a matter of fact, I introduced a similar bill, H. R. 4670, on April 20, 1953.

The objectionable provision which this legislation would delete is known as the dual-benefit provision. This provision requires a reduction in the railroad-retirement annuity and pension of an individual if this individual has creditable railroad service before 1937 and if he is receiving or entitled to receive an old-age insurance benefit under the Social Security Act. I understand that more than 30,000 retired railroad workers are so affected, in addition to more than 10,000 wives of annuitants.

The pending legislation would, if passed, be retroactive to October 30, 1951. The reason for this is that the dual-benefit provision was written into the Railroad Retirement Act of 1937 in 1951 for the first time.

The report accompanying H. R. 356 from the Committee on Interstate and Foreign Commerce points out the reasons why support should be given to this legislation. It shows that the existing law makes a discrimination contrary to the spirit of the Railroad Retirement Act, that it applies a retroactive penalty against workers who have contributed toward social-security benefits, that it forces workers to pay a payroll tax under social security without a compensating increase in income, and thereby discourages their continuing in employment, it imposes an indirect work-clause penalty for continuing in such employment, and it discriminates against a selected group of retired employees. I am informed that the objectionable provision is the only one in any self-supporting retirement system which penalizes workers who choose to contribute toward dual benefits.

As a matter of interest, I am quoting herein portions of a communication dated May 12, 1953, and received from Mr. Rufus P. McGarity, president of the Michigan Railroad Employees and Citizens League:

BENTON HARBOR, MICH., *May 12, 1953.*

HON. ALVIN M. BENTLEY,
Member of Congress,
Washington, D. C.

MY DEAR CONGRESSMAN: My letter to Senator DOUGLAS of January 8, 1952, copy attached, shows our stand on the matter of deducting social-security credits from railroad retirement checks.

The railroad men of Michigan and the entire Nation are honest law-abiding citizens, and they work hard and do not deserve and we cannot concur in any action by Congress, especially, Senator DOUGLAS, who forced the amendments upon the House conferees.

We recommend that the Congress repeal that part of the 1951 amendments which steal the social-security payments from our members and employees. We further recommend that the Congress order the Railroad Retirement Board to refund to the employees, who have retired, every cent that has been deducted from what they are entitled to under the act at the time of the deduction. * * *

Letter, copy attached, from the Railroad Retirement Board, dated January 2, 1951, shows that Congress has a tendency in the past of depriving an employee of all his rights under the Constitution when he makes application for an annuity, which he has paid a lot of money to acquire, and should be permitted to work anywhere in the world except work for any employer under the act after he files application for an annuity. I earnestly urge the Congress to correct these matters now and forevermore. I expect to call on you soon.

Very truly yours,
RUFUS P. MCGARITY,
President, Michigan Railroad Employees and Citizens League.

As an example of several letters which I have received from my district in this matter, I quote below the text of a letter received from Mr. James M. Gleeson, of Saginaw, Mich., a retired railroad employee:

JAMES M. GLEESON,
2215 North Fayette, Saginaw, Mich., May 27, 1953.

HON. ALVIN M. BENTLEY,
Member of Congress, New House Office Building, Washington, D. C.

DEAR MR. BENTLEY: I am a retired railroad employee. I put in over 45 years in the railroad game. I retired 15 years ago. I started as a railroad locomotive fireman and wound up as general yardmaster here in Saginaw, Mich. I was instrumental in organizing the railroad retirement employees in this vicinity. We now have a large lodge. We meet once a month here in Saginaw at the C. & O. Railroad depot. The superintendent of the C. & O. gave us the privilege of the use of a large room in the depot free of charge.

When I retired there were four of us retired at the same time and the employees gave us a grand blowout at the Fordney Hotel here in Saginaw. The Saginaw Daily News came out with our four pictures on the front page with the big headlines: "Four Retired Railroad Employees With Over 155 Years in Service Given a Grand Reception at the Fordney Hotel Last Night."

After I retired I met a friend of mine a few days later over town. "Hello, Jim," he said. "Hello, Jack," I answered. "Say, I see you retired from the railroad." "That's right, Jack." "How long have you been in service?" "Not long, Jack, only over 40 years with the New York Central." "Oh, gee, you can't lay around doing nothing. Say, how about coming and work with us? No hard work." "All right, Jack, I'll try it out." This friend of mine is president of a big printing corporation. They have a plant here in Saginaw, one in Bay City, one in Flint, and one in Detroit. So I went working for the above corporation and when I again retired that is how I got social security. I paid for my social security. They took out so much every month for social security. So you see, Mr. BENTLEY, I did not get my social security because I worked on the railroad. Now my railroad checks. The Railroad Retirement Board takes out of my railroad retirement check which I think is not right. I am not getting social security because I worked on the railroad. Absolutely not. I paid for my social security when I worked for the firm above mentioned. They took so much out of my check every week for social security. So the railroad had nothing whatever to do with my social security. So I must say that the Railroad Retirement Board has no right to deduct my railroad pension because I am getting social security. I paid for that social security when I worked for the above-mentioned printing firm. Will you kindly take care of this, Mr. BENTLEY, and put the Railroad Retirement Board where they belong.

Thanking you in advance, I am

Yours truly,

JAMES M. GLEESON.

Since I consider the present legislation to be completely unjust and since I cannot understand why an individual who has contributed over a period of years to a railroad retirement annuity or pension should not be entitled to receive the benefits of that annuity and pension, regardless of whether or not he is a social-security annuitant, I urge the Committee to support this legislation.

Mr. WOLVERTON. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, to continue the remarks of the gentleman from Maine [Mr. HALE], if you will read the rest of the quotation on page 213, Mr. Latimer said:

I take the position here that under the circumstances it is no less than just that you live up to the promise that you have made and that if when you consider that problem you will add the funds you have to raise, but I don't think you should perpetuate this injustice because you are not now prepared to face the question of what to do about these additional moneys, or since in the particular limitation that I have placed on my approach to it—

And so on. In other words, while Mr. Latimer, as every other person who is familiar with the railroad-retirement

system will admit and says, the system is probably actuarially slightly out of balance. That does not justify your perpetuating an injustice. And that injustice is what we attempt to eliminate by this act. It is an injustice to reduce the retirement pay under the Railroad Retirement Act, just because someone is entitled also to benefits under social security.

Do you realize that there is no system, no Government system, that commits any such injustice? A Member of Congress who has earned a railroad pension can draw a congressional pension and at the same time draw railroad retirement. A member of the Railroad Retirement Board can draw his pension under the retirement system for United States civil service employees and likewise his retirement pay that is due him as a former employee of a railroad.

I would like to say that this injustice is the thing we are trying to remove with this act. The pension fund is now out of balance by nine-tenths percent of payroll and this will increase the out-of-balance position by fifteen one-hundredths percent of payroll.

I would like to read to you from the hearings on page 27, where the Railroad Retirement Board representative is talking figures:

> Since the net level cost of the retirement system is now estimated at 13.41 percent of payroll and since the level tax rate is 12.5 percent, the elimination of the dual benefit provision would increase the present excess of cost over income from approximately 0.9 percent of payroll to approximately 1.05 percent.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLVERTON. Mr. Chairman, I yield 1 additional minute to the gentleman in order that he may answer what is in Mr. BENNETT's mind.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. BENNETT of Michigan. The retired member of the Railroad Retirement Board to whom the gentleman referred who draws a pension under the Civil Service Act and under the Railroad Retirement Act got no credit for prior service under the civil-service pension law. Therefore while he is getting pensions under the two systems, he is only getting one pension for which he has received untaxed credit, and I think the gentleman ought to bear that in mind.

Mr. HINSHAW. I bear that in mind. I want to say that the amount of money a person in the railroad retirement system has to pay, 6¼ percent of his salary and 6¼ percent contributed by the railroad, should entitled him to that benefit continually without any deduction. In other words, the railroad retirement system is the equivalent in tax on the worker of any system because it is a higher tax, as a matter of fact, than required in any other system, and he pays it. Now, he is entitled to it, and I do not see any reason why you should deduct from that retirement that he has paid for any such thing as prior benefits that are allowable under the Social Security System when he has earned those, too, just the same as anybody else. A person can work in any other retirement system and receive his social-security benefits in whole and his pension in whole. I do not see why the railroad worker should be singled out for this discrimination.

Mr. STAGGERS. There is no other system, is there, that pays for untaxed service?

Mr. HINSHAW. Oh, yes; they all do.

Mr. CROSSER. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, I shall vote for H. R. 356 in the belief that it will correct an injustice to over 30,000 railroad workers. Contributors to two different systems of pension payments should, in my opinion, receive the benefits of both systems.

My reasons for desiring the repeal of the provisions of the Railroad Retirement Act, which reduces the amount of a railroad annuity or pension where the individual or his spouse is, or on proper application would be, entitled to certain insurance benefits under the Social Security Act, are as follows, and have been set forth in part by the Legislative Reference Service of the Library of Congress and are printed in the May 5, 1953, CONGRESSIONAL RECORD as part of the remarks of Senator ED JOHNSON, of Colorado:

1. It makes a discrimination contrary to the spirit of the 1937 act, which was careful to give full credit for prior service, a concept continued in subsequent amendments, which increased benefits and protection without such a discrimination until 1951.

2. It applies a penalty retroactively against workers who in good faith and according to existing law have sought to increase their retirement income by supplementing their railroad annuity with a social-security benefit toward which they have also contributed.

3. It discourages workers from continuing in employment covered by social security after age 65 because they must pay the payroll tax under social security even though it may not increase their combined benefit income.

4. It imposes an indirect work-clause penalty for engaging in employment covered by social security after age 65.

5. The objection to meeting costs in this manner is that it discriminates retroactively against a selected group of beneficiaries, creating a group of second-class annuitants.

Always in the past when the Railroad Retirement Act has been amended it has been done so in such a manner as to be beneficial to retired railroad employees, but the amendment enacted in 1951 was harmful to more than 30,000 railroad employees and their spouses.

The Railroad Retirement Act, as you know, is entirely self-supporting. This amendment does not add any cost to the Government. This clause in the law is the only one in any self-supporting retirement system which penalizes the thrifty workers who choose to pay to receive dual benefits providing for a more decent old age.

Pending the enactment of a uniform national old-age pension system, I intend to support any and all equitable adjustments in present systems which held to alleviate the poverty which usually visits the aged after their productive years.

Mr. CROSSER. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, a clear understanding of the issue presented by H. R. 356 is all that is necessary to make evident the great injustice of the proposal.

First of all, we must keep in mind the fact that the original railroad retirement law, and all of the later revisions of the law, provided that, from the beginning, without the payment of taxes or assessments, for all the time employees had worked for railroads before the passage of the retirement law, such employees were to be, and would be, given free credit for such time by the railroad retirement system.

The railroad retirement system, from the very beginning, as a charge against the system's treasury, carried the total cost of crediting all the railroad workers, without the payment of taxes, for all the time worked by them before the start of the retirement system. This was absolutely necessary. In no other way could a retirement system be started.

On the other hand, of course, from the very beginning of the retirement system every railroad employee was and is required to pay, at regular intervals, the taxes or assessments determined by the experts to be proper and necessary to make the total of taxes or contributions of employees equal to one-half the entire amount found to be proper and necessary for the maintenance of the railroad retirement system in sound financial condition. Not for the purpose of balancing equities or rights among railroad employees, therefore, did we adopt, without taxing the employee for the same, the legal provision for giving free credit to railroad workers, for service rendered before the establishment of the railroad retirement system. That provision of law was adopted because it was necessary, and in no other way was it possible to start the retirement system.

When in 1950 there was enacted the law for the so-called new start of the social-security system it was provided that a person could work for 1½ years in employment covered by the social-security system and be credited with many years prior service without being charged for the same. Now, if persons on the railroad retirement rolls are to be permitted to retire from railroad service to enter employment covered by the said social-security retirement to work but a short time, in fact, only 1½ years, and then be given free credit for many years prior service under social security, surely anyone can see that such persons are thus given special advantages which prevent all other railroad employees from receiving greater benefits under the railroad retirement system. Such encouragement to leave the railroad service would also defeat one of the purposes of the railroad retirement law, which was to encourage persons to make a career of railroad service and so make sure that the railroads would be operated by experienced men thoroughly familiar with railroad work.

No, my friends, because it was necessary to start the railroad retirement system, Congress provided free credit for service rendered on railroads before the establishment of the system, because the

workers with prior railroad service, when the system started, could not pay the cost of the insurance to cover all of their service rendered before the system started. The railroad retirement system in order to assure such workers protection, assumed the debt for the cost of the prior service insurance, but Congress never intended to induce employees to leave the railroad service and thereby to weaken the railroad retirement system, and it certainly did not plan to give the same persons free credit twice for prior service.

Opposed to this bill unanimously are the Railroad Retirement Board, which administers the Railroad Retirement Act, the Association of American Railroads which pays half the taxes for the support of the railroad retirement system, and the 19 member organizations composing the Railway Labor Executives' Association which represent approximately 75 percent of all active railroad employees. These organizations are as follows: Switchmen's Union of North America; the Order of Railroad Telegraphers; American Train Dispatchers' Association; Railway Employees' Department, A. F. of L.; International Brotherhod of Boilermakers, Iron Ship Builders, and Helpers of America; International Brotherhood of Blacksmiths, Drop Forgers, and Helpers; Sheet Metal Workers' International Association; International Brotherhood of Electrical Workers; Brotherhood Railway Carmen of America; International Brotherhood of Firemen and Oilers; Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen of America; National Organization Masters, Mates, and Pilots of America; National Marine Engineers' Beneficial Association; International Longshoremen's Association; Hotel and Restaurant Employees and Bartenders International Union; Railroad Yardmasters of America; Brotherhood of Sleeping Car Porters.

Also, under date of July 13, 1953, in a letter to the committee, the Bureau of the Budget expressed unqualified opposition to the repeal of the duplicate benefit restriction of the law. This letter will be included as an appendix to my remarks.

HARMFUL EFFECT OF H. R. 356

This bill would affect adversely some 450,000 individuals who are now on the rolls of the railroad retirement system and it would work serious injustice upon the 1½ million railroad employees at present employed, and also work injustice upon the many millions of future railroad employees.

To a little more than 30,000 individuals, it would give special advantages in the form of duplicate benefits under the railroad retirement and social-security systems.

Enactment of this bill would also increase from $45 million a year to $56 million a year, the deficit of the railroad retirement system.

EXPLANATION OF DUPLICATE BENEFIT RESTRICTION

In effect, this bill would repeal the last paragraph of section 3 (b) of the Railroad Retirement Act, as amended. Said paragraph provides that the retirement annuity or pension, payable to a retired railroad employee having the right to free credit for railroad service rendered before 1937, commonly referred to as prior service, on which no retirement taxes were paid, must be reduced by the amount of old-age insurance benefit for which he may qualify under the Social Security Act, or by the amount of that portion of his railroad annuity which is based on service before 1937, whichever is less. The reduction will never operate to reduce a railroad employee's annuity below the amount to which the employee would be entitled on the sole basis of his railroad service performed after 1936. In the case of an employee who was already entitled to receive an annuity before the enactment of this law, the reduction in his annuity may not operate to bring the total retirement income for his family from both the railroad retirement and social security systems below the total received on that date.

REASONS FOR DUPLICATE BENEFIT RESTRICTION

This provision was one feature of a very comprehensive bill, H. R. 3669, which I introduced on April 12, 1951. This bill, somewhat amended, was subsequently enacted into law, known as Public Law 234, 82d Congress. This law provided for increases in benefits and for new benefits to retired employees, their families, and their survivors, totaling nearly half a million beneficiaries, and amounting to over $100 million a year.

These increases in benefits were made possible without any increases in the tax rate or tax base, only because my bill provided for several proper readjustments in the law which enabled the railroad retirement system to meet the cost of the additional and new benefits provided by my bill.

During the extensive hearings held on my bill, the duplicate benefit restriction was carefully explained many times by both the proponents and opponents of my bill. Proponents of my bill favored it because, in doing even-handed justice to all, it nevertheless enabled the railroad retirement system to save $385 million over the next 50-year period. This saving, in conjunction with other proper changes, made it possible to provide the increases made in the payments of benefits to annuitants, pensioners, and survivors.

Why was this provision favored? In the first place, as I have said, by preventing a double allowance for prior service, it enabled the retirement system to do a greater measure of justice to practically all beneficiaries under the act. In the second place, in the case of an individual, qualified to receive benefits from both the railroad retirement and social security systems, it prevented the gross injusice of allowing such individual to receive, without charge, full credit from both systems for prior, untaxed service.

The Railroad Retirement Act specifically allows credit for service rendered before the law was enacted in 1937 and before taxes were paid. The Social Security Act does this indirectly, and in effect goes even further by giving free credit for service before 1951. This is accomplished by means of a benefit formula which is weighted in favor of individuals retiring in the early years after the establishment of the system, or, since the 1950 amendments, in the early years after those amendments. The formula is so designed that it is possible for an individual, with very little service under the social-security system, to qualify, at the present time, for the same benefit as though he had been covered for many years. The social-security system is especially generous in this regard as compared with the railroad system. A railroad employee, before receiving credit for any period before 1937, must show that he actually was in railroad service in that period, and that he was also in active service or in an employment relation on August 29, 1935. Under the social-security system, on the other hand, an employee with the required number of quarters of coverage after 1936, and under the so-called new-start provision of the 1950 amendments to the Social Security Act, until July 1, 1954, that required number is only six, notwithstanding the fact that it, in general, automatically treated as though he had been under social-security coverage througout his working lifetime, may actually have been a railroad employee most of the time. An individual eligible to receive a railroad retirement annuity who has sufficient service under the Social Security Act to qualify for benefits under that act as well, thus receives double credit for service with respect to which he paid little or no retirement taxes.

The problem of duplicate benefits was first brought into prominence when the 1950 amendments to the Social Security Act made it relatively easy for a railroad worker, past or close to age 65, to obtain a substantial social security benefit on the basis of only nominal social security employment, in addition to the railroad annuity he earned over a lifetime of railroad service.

When the railroad retirement system was first established, almost 100,000 railroad workers began to receive benefits immediately. Twenty-thousand of these individuals still are on the retirement rolls. They had made no contributions for the support of the system or, at most, contributions which were negligible compared to the benefits which they would receive.

In order to have the system started at all, this was done as a matter of necessity and not for the purpose of adjusting relative rights of railroad workers. The active workers in the railroad industry and the railroads together paid, through the railroad retirement system's treasury, the cost of maintaining the system. In order to have the railroad retirement system started, they were agreeable to having paid from the treasury of the system the cost of employees' retirement insurance, which was based on service rendered by them before the railroad retirement system began operations.

After the 1950 amendments to the Social Security Act, it became possible for the first time for older people to acquire a substantial old-age benefit on the basis of inconsequential service. The

new-start provision of this act enabled any worker near age 65 or over to qualify for an old-age benefit on the basis of only 6 quarters of coverage, which means work for a year and a half instead of the 27 quarters that would have been necessary before these amendments were enacted. Not until July 1, 1954, will it be necessary, under social security, as amended in 1950, for a worker reaching age 65 to have more than 6 quarters of coverage to qualify for an annuity of as much as $85 a month and $40 for his eligible spouse. The new-start provision treats an individual, who qualifies on the basis of 6 quarters of coverage after 1950, as though he had been in continuous social-security employment all his life.

While the Social Security Act does not specifically give credit for service performed before the start of the Social Security System on January 1, 1937, the benefit formula has much the same effect as if the beneficiary were given credit for such service. This result is achieved because of the fact that the benefit amount payable is based on the worker's average earnings after January 1, 1951, or January 1, 1937—whichever period yields the highest benefit amount—rather than being based upon his total length of service, total earnings, total contributions, or upon some combination of these factors. Therefore, under the Social Security System, if an individual works steadily during the period upon which his average monthly wage is computed, which period never includes time prior to 1937, he will receive a full benefit under the law.

Mr. Wilbur J. Cohen, technical adviser to the Commissioner for Social Security, testified before a subcommittee of the Senate Committee on Labor and Public Welfare with respect to the crediting of service performed before 1937 in the computation of social-security benefits as follows:

> In a very real sense social security, too, has accepted an accrued liability for individuals who have long periods of past service. Because the very construction of the benefit formula in social security, by giving a very high weighting to people with low income, recognizes the fact that they have been employed for a long period of time previously and is an attempt, through the construction of the benefit formula, to give a past service credit to individuals. * * * In a sense the benefit formula attempted to give credit for service prior to 1937, under social security, for people who had some employment after 1937, by giving a very high proportion of the wages for people with short periods of service. * * * Roughly we estimate approximately one-third of the cost of the present system, that is, one-third of the level premium cost of approximately 6 percent of payroll, to be the deficit caused by giving the present benefits to people who have not contributed an entire lifetime. (Hearings before the Subcommittee on Railroad Retirement Legislation of the Committee on Labor and Public Welfare, United States Senate, 82d Cong., 1st sess., pp. 543–544.)

The heavy burden which the railroad retirement system is carrying by reason of the nontaxable service can be seen by examining the following two cases, which were cited by the proponents of this legislation as horrible examples of the inequity of the duplicate benefit restriction in the law.

Annuitant Shaw paid $1,010 in railroad retirement taxes. He has already received $8,341 in benefits under the railroad-retirement system and will probably receive an additional $6,500 in future benefits. He paid $90 in social-security taxes. Since he is still working in social-security employment the amount of social-security benefits to which he will be entitled could not be computed.

Pensioner Carr has paid nothing in railroad-retirement taxes, since he had retired before 1937. He has already received $11,719 in railroad-retirement benefits, and will probably receive an additional $3,900 in such benefits. He paid $109 in social-security taxes, has already received $278 in social-security benefits, and will probably receive an additional $3,300 in such benefits. Thus, he has already received $12,000 in benefits under both systems and will probably get an additional $7,250 in future benefits, or a combined total of $19,250 in benefits for a tax payment of $109.

The fifth actuarial valuation of the railroad-retirement system recently published by the Railroad Retirement Board estimates the cost of benefits payable under the present law at 13.41 percent of payroll. Since the tax rate established for the maintenance of the system is 12.5 percent of payroll, the system is underfinanced by 0.91 percent of payroll, or by approximately $45 million a year. Notwithstanding this shortage, it is proposed by the enactment of H. R. 356, to repeal the duplicate benefit restriction, and, by so doing, immediately increase the present cost of the railroad-retirement system by an additional $11 million a year. That would mean that the railroad-retirement system would be operating at a deficit of over $56 million instead of $45 million a year. Employees who are now working and future entrants into the railroad industry would be compelled unjustly to make up this deficit.

In this connection, I wish to quote from the report made by the firm of Nelson & Warren, actuaries retained by the Joint Congressional Committee on Railroad Retirement Legislation as to the question of the adequacy of the present tax rate to finance the railroad retirement system. In a summary of its report to the committee—83d Congress, 1st session, Senate Report No. 6, part 1, page 338—the actuaries said:

> The gist of this summary is that in our opinion any recognized actuarial methods and reasonable assumptions, when applied to the railroad retirement system, will result in cost estimates which exceed the present tax rate. Thus, in order to maintain an actuarially solvent system, methods of reducing benefits, or methods of increasing the tax income or investment income of the system, should be sought.

In his testimony before the committee to support the railroad labor organizations which favor H. R. 356, Mr. Murray W. Latimer, the chief witness of the proponents, emphasized the fact that the financial condition of the railroad retirement system is even worse than indicated above. Here is what he said:

EXCERPT FROM TESTIMONY OF MR. MURRAY W. LATIMER

> MR. HALE. The passage of H. R. 356, or any of the companion bills, would make the (railroad retirement) fund more unsound actuarially, would it not?
>
> MR. LATIMER. Yes, sir; it would. There is no question about it. * * *
>
> * * * * *
>
> MR. HALE. I am perfectly frank in saying that, as the matter lies in my mind, I would like certainly to prevent any retiree from suffering any prejudice from the so-called dual benefits, what you call the social-security offset. But Mr. Matscheck from the Railroad Retirement Board comes here—did you hear his testimony?
>
> MR. LATIMER. I did, sir.
>
> MR. HALE. He testified that the fund was not actuarially sound now and if we did anything about these dual benefits, we would just be making bad matters worse, as I understood his testimony, stating it very crudely and bluntly.
>
> Mr. Fort's testimony on behalf of the Association of American Railroads was closely similar. Mr. Schoene's testimony was something along the same line, if I understood them all. They might not assent to my characterizations, but stated crudely and generally, that is the impression that I got from those three men.
>
> MR. LATIMER. It is a correct impression, sir, and my only difference with them is that I think they are too optimistic. I think the situation is worse than they have said it is. I make no bones about the difficulties which the situation involves.
>
> MR. HALE. In view of the status of the railroad retirement account, even if there were no other considerations involved in the repeal of the duplicate-benefit provision, I cannot recommend the enactment of this legislation. However, there are other important considerations which compel me to vote against this measure.

ENACTMENT OF H. R. 356 WOULD GIVE RISE TO SERIOUS INEQUITIES

The enactment of H. R. 356 would work a great injustice in order to give a special advantage to the group of 30,000 annuitants and pensioners, affected by the duplicate benefit restriction on the one hand, to the unjust disadvantage on the other hand, of the 450,000 other beneficiaries now under the Railroad Retirement Act, who would be adversely affected, in addition to the unfavorable effect on the taxes of the 1½ million railroad employees now in active service, and the like effect upon the taxes of the many millions of future railroad employees.

First. Cost of benefits for new entrants only 7.66 percent of payroll; taxes are 12.5 percent of payroll.

Under the present Railroad Retirement Act, the benefits to which a new entrant into the railroad system is potentially entitled costs at the present time only 7.66 percent of payroll. Actually 12.5 percent of payroll is being paid into the railroad retirement fund to cover the cost of his retirement insurance. The difference of 4.84 percent of payroll is a charge to cover that part of the indebtedness of the system which arose to a very large degree from the crediting of prior service.

As I have previously shown, the Railroad Retirement Act provided for the crediting of prior service as a matter of necessity, not as a matter of relative justice. The social-security system also, in effect, gives credit for untaxed service through a heavily weighted benefit formula. The 1950 amendments to the Social Security Act contained very liberal

provisions in this regard for those retiring immediately or in the next few years.

In the cases where an employee qualifies for a benefit under both retirement systems, it is equitable and sound policy to give free credit for prior service under only one retirement system. Moreover, in the balancing of equities of these 30,000 individuals against the other 450,000 beneficiaries under the act, as well as against the 1½ million railroad employees in service today who are paying and the untold millions of future railroad employees who will pay a big share of these benefits, it would be unjust to the latter groups of individuals if the duplicate benefit restriction were repealed.

Second. Combined railroad and social-security benefits, in spite of reduction, are greater than railroad benefits would be for comparable service in railroad industry: A statistical study made by the Railroad Retirement Board of the benefits payable to the 30,000 retired annuitants, who are subject to the duplicate benefit restriction, shows that if these employees had remained in railroad service for the same period that they spent under social-security coverage, their railroad benefits would have been, on the average, smaller than the combined benefits they are now actually receiving, in spite of the reduction. These data are shown in the following table:

Railroad retirement annuities in force Dec. 31, 1952, subject to reduction under duplicate benefit provision: Number, average combined benefits under both systems, and average railroad annuity that would be payable on combined service, by method of reduction and family composition

Method of reduction and family composition	Number	Average combined railroad retirement and social security benefits		Average railroad retirement annuity [2] based on combined service
		Unreduced	Reduced	
Total	[1] 30,200	$139	$112	$104
Annuitant only	19,700	114	94	86
Annuitant and wife	10,500	185	145	139
Reduction limited by saving clause:				
Total	16,600	121	101	89
Annuitant only	14,600	113	96	84
Annuitant and wife	2,000	183	137	126
Reduction equal to part of annuity based on prior service:				
Total	3,100	118	92	80
Annuitant only	1,700	84	67	55
Annuitant and wife	1,400	160	122	110
Reduction equal to amount of old-age benefit:				
Total	10,500	171	137	136
Annuitant only	3,400	130	103	107
Annuitant and wife	7,100	191	153	149

[1] In 2,500 cases, entitlement to social security benefits was potential. For these cases, the combined benefits consist only of the railroad benefits.

[2] Computed on assumption that each quarter of coverage in social security employment was creditable as 3 months of railroad service, and that earnings in such employment were at same rates as for railroad service.

NOTE.—Based on 1-percent random sample of retirement annuities in force Dec. 31, 1952. Excludes 300 former carrier pensioners receiving reduced amounts because of duplicate benefit provision.

Source: Railroad Retirement Board.

The table shows that as of December 31, 1952, there were 30,200 railroad retirement annuities in force which were subject to a reduction by operation of the duplicate benefit restriction. According to the table, the railroad employees receiving these annuities receive, on an average, $112 a month in benefits as the total from the respective payments of the railroad retirement and social security systems. If, however, their service had all been rendered under the coverage of the Railroad Retirement Act—assuming 3 months' credit under the railroad system for every quarter of coverage in social security employment at the same rate of earnings as for their railroad employment—their average annuity would have been only $104. Thus, the duplicate benefit restrictions, far from being unjust to the beneficiary under both systems, actually allows such a beneficiary a bonus amounting to $8 per month, or 7½ percent more than an annuitant would have received for comparable service under the railroad retirement system only. And that notwithstanding the fact that the beneficiaries under the two systems pay taxes on their social security employment at a lower rate than they would have had to pay had that service been rendered under the coverage of the Railroad Retirement Act.

Clearly, whatever misadjustments may be said to exist as between annuitants receiving benefits under the railroad retirement system only and beneficiaries under both systems, such misadjustments result in a special advantage to the latter. Nevertheless, it is proposed, by repealing the duplicate benefit restriction, to increase the injustices by making the bonus enjoyed by the beneficiaries under both systems from 4 to 5 times larger than it is at present. The average total of $112 a month received by the 30,200 annuitants under both systems would, according to the column in the table headed "Unreduced," become $139. This would be $35 more per month, or 34 percent more, than that to which they would be entitled if all their service had been rendered under the railroad retirement system. This would be a very striking discrimination against the employees who spend all their working days in the railroad industry.

The table breaks down the 30,200 railroads annuities affected by the duplicate benefit provision into 19,700 cases in which benefits are received by the railroad employee alone, and 10,500 cases in which benefits are received by the employee and his wife. In cases where the employee alone is receiving benefits, the average benefit, if it is assumed to be based on railroad service only, would be $86. Actually, the combined total under the two systems is $94, or a bonus to persons with credit under both systems of 11.9 percent. If the duplicate benefit provision were repealed, the bonus would be 32.5 percent. In cases where the employee and wife are receiving benefits, the average benefits, computed as if the entire service were under the railroad system, would be $139. Actually, the annuitant and wife receive $145, or a bonus of 4.3 percent. If the duplicate benefit provision were repealed, they would receive $185, or a bonus of 33.1 percent. It will be readily seen, therefore, that the injustice which favors those receiving benefits under both systems, and which would result from repealing the duplicate benefit restrictions, would be present to substantially the same degree as between annuitants receiving benefits alone and those receiving benefits with their wives.

The foregoing table demonstrates clearly that, in general and in particular, such misadjustments as do exist are in favor of the annuitants who are receiving benefits under both systems as compared with beneficiaries under the railroad retirement system alone. Repeal of the duplicate benefit restriction would magnify these misadjustments to a point altogether inconsistent with good social insurance practice.

Whenever consideration has been given in the past to the amendment of the Railroad Retirement Act, I have always insisted that, in making any change, the financial soundness of the railroad retirement system must be assured. Any proposal for the increase of benefits must at the same time provide that the financial soundness of the system must be maintained.

It is absolutely certain that the railroad retirement system is now underfinanced. In view of this fact, no further consideration can be given to the liberalization of benefits without providing some method by which additional revenues can be secured to pay the added costs. Enactment of H. R. 356 would add to the cost of the railroad retirement system some $385 million in the next 50 years without providing for any revenue to meet such cost to the system.

It is easy to see, therefore, why it was necessary in the 1951 amendments to the Railroad Retirement Act to reexamine the question of duplicate benefits. For the first time, duplicate benefits on a widespread scale became possible. Considering the need to conserve revenue as much as possible in order to improve the general level of railroad benefits, it seemed proper and logical for Congress to enact the duplicate benefit restriction as part of the railroad retirement amendments of 1951. The absence of a restriction in the earlier railroad retirement legislation merely indicates the fact that there was then no need for it. Now, however, there is both a need and a reason for it.

ENACTMENT OF H. R. 356 WOULD SERIOUSLY JEOPARDIZE FINANCIAL SOUNDNESS OF RAILROAD RETIREMENT SYSTEM

The financial condition of the railroad retirement system does not warrant during the next 50 years the expenditure of a total of $385 million in order to pay duplicate benefits to a little more than 30,000 railroad employees at the expense of 450,000 other individuals who are now on the benefit rolls under this system, and also at the expense of the 1½ million railroad employees and their employers who are paying the taxes for the support of this retirement system.

The duplicate benefit restriction of the Railroad Retirement Act is not an unfair provision, in any sense of the word. The individuals affected by this provision, on the average, have already received and will continue to receive railroad retirement benefits amounting to many times the amount of railroad retirement taxes they have paid. The enactment of this bill would create serious and great injustice between the group of 30,200 annuitants receiving duplicate benefits on the one hand, and on the other hand, the 450,000 individuals who are now on the retirement rolls under the law. The rights of each of the latter 450,000 persons would be prejudiced in order that the 30,200 persons will receive duplicate benefits. It is also unjust to the 1½ million railroad workers now in service and to the many millions of future railroad employees who, in order to pay the duplicate benefits to the 30,200 will be compelled to pay higher taxes.

It is not fair for a man to receive, free of charge, without paying taxes, a substantial annuity for prior service from the railroad retirement system and then, as a result of a short period at work in employment covered by the social-security system, to receive another largely unpaid-for benefit under that system. Such a duplication of benefits for untaxed service is unfair to, and at the expense of, the majority of railroad workers who stay in the industry and receive only a small increase in annuity for their additional service, or perhaps no increase at all if they already have 30 years of railroad service. To permit this duplication of benefits would constitute an inducement to an employee to leave railroad employment before he would otherwise retire—something which the retirement system was not intended to encourage.

Before concluding my remarks let me discuss briefly one more of the fallacious contentions made by those urging the repeal of the corrective restriction. In order to give a righteous appearance to the bill, H. R. 356, proposing special advantages to a few, to the disadvantage of the many and also to the detriment of the railroad retirement system itself, some spokesmen for the bill have been very elocutionary in their wailing about the restriction against duplicate benefits. They say that this restriction is a breach of solemn promise.

My friends, if time would permit, I could mention many instances, in connection with the development of the railroad retirement law itself, in which similar changes were made with the approval of the then chairman of the Railroad Retirement Board, Mr. Murray W. Latimer, and none of such changes were proclaimed to be a breach of promise. I shall refer to two such changes. In one of the instances, the Railroad Retirement Act of 1937 provided for the crediting of prior service to anyone who was on furlough on August 29, 1935, the enactment date of the act, whether or not he later returned to railroad employment.

At a cost of $9 million, the Railroad Retirement Board prepared an elaborate program for crediting prior service to anyone who was on furlough on August 29, 1935, the enactment date of the Railroad Retirement Act, whether or not such person later returned to railroad employment.

Thousands of railroad workers, whose rights to credit for prior service were based exclusively on their furlough status, were officially notified that their prior service credit was verified and would be credited to them upon retirement. Nevertheless, by the 1946 amendments, this provision was changed so as to deny credit for prior service to these workers, who did not return to railroad employment, even though they did not receive benefits under the Social Security Act.

I now state another instance. The 1937 act provided for the payment of an annuity to a person totally and permanently disabled for all regular employment regardless of the amount earned by him in any month in employment which was permissible for those with this type of disability. The 1946 amendments provided for the discontinuance of such an annuity if such earnings exceeded $75 a month for 6 consecutive calendar months.

These changes were, of course, meritorious and were adopted in order to correct maladjustments in the railroad retirement system which had escaped attention at the time of the enactment of the retirement law or because new circumstances warranted their adoption, as is the case with the provision against the payment of duplicate benefits. Although these changes operated to deprive persons of benefits otherwise covered by the system of benefits and for which they would have qualified, the changes were, nevertheless, very properly made.

Enough has now been said to show how ridiculous is the talk about breach of solemn promise.

In conclusion let me say again that H. R. 356, if enacted, would greatly harm the retirment system. First, because it would increase the yearly deficit to the extent of $11 million, which, added to the deficit now existing, would make a total yearly deficit of $56 million. Second, the allowance, by the railroad-retirement law, of free credit for all service rendered before the passage of the law, was necessary and proper in order to start the system. The Government properly allowed many thousands of persons such free credit for their prior service, because it was necessary. Workers with long years of service at the start of the railroad-retirement system clearly were unable themselves to pay the taxes necessary to discharge the cost of insurance for all the years they had worked before the system started. It would have been cruel to have even talked of refusing to include them in the system because they could not pay for many previous years of service. Because these persons, who were in the service when the retirement system started, could not pay the cost of insurance to cover their years of prior service, the system assumed the debt for them, which is being paid in part every year until it is all paid.

The Government, however, could not justify another free crediting for prior service when it was not necessary in order to assure the individual railroad worker, on account of his lifetime work, the same retirement protection as that provided for railroad workers having no prior service. The removal of the restriction, therefore, would mean the granting of special advantages to a few at the expense of the system, and therefore to the disadvantage of the many workers constituting the railroad system.

As already pointed out, the Bureau of the Budget has disapproved the passage of the bill, the Railroad Retirement Board has unanimously protested against the passage of H. R. 356, the Railway Labor Executives Association, representing about 75 percent of the railroad workers, is opposed to the measure, and the general counsel of the Association of American Railroads speaking for them was also earnestly opposed to the measure.

I am sure that all those who have been familiar with my work in Congress would say that I have constantly tried to improve the retirement system at every opportunity, and striven to protect the system against any dangerous proposals. If I were not thoroughly convinced of the evil embodied in the pending measure, I can assure you I would refrain from any opposition. During the more than 20 years which have elapsed since I began to pioneer for railroad retirement, all of my colleagues and the railroad workers themselves who have followed the matter closely, will, I am sure, agree that I have been earnest and sincere in my efforts to provide the very best retirement system in existence. My friends, I thank you for your attention.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., July 13, 1953.

Hon. CHARLES A. WOLVERTON,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, House Office Building, Washington, D. C.

MY DEAR MR. CHAIRMAN: This will acknowledge your letters of June 5, June 10, June 11, June 23, and June 27, 1953, asking for reports on H. R. 5571, H. R. 5624, H. R. 5625, H. R. 5631, H. R. 5854, and H. R. 5936. These are all bills to increase benefits under the Railroad Retirement Act, as follows:

H. R. 5571 would (1) begin spouses' annuities at age 60 instead of at age 65; (2) base monthly compensation on the 5 best years, whether consecutive or not, as compared to the present lifetime average method; (3) start widows' and widowers' annuities at age 55 rather than at 65; and (4) remove the work restriction for survivor annuitants. The Railroad Retirement Board has estimated the cost of the bill at $125

million a year, or 2.5 percent of taxable payroll.

H. R. 5624 would repeal the dual-benefit restriction, enacted by Public Law 234, 82d Congress, which requires a reduction in Railroad Retirement Act benefits based on untaxed service before 1937 where the annuitant or his spouse is entitled also to benefits from the old-age and survivors insurance system.

H. R. 5625 would (1) provide full annuities after 35 years of service, regardless of age, or at age 60 after 30 years' service; (2) change the 1924–31 base period for determining average monthly compensation to the 5 highest years during the period before 1937; (3) increase all annuities and pensions by 15 percent; (4) base minimum benefits for persons with 30 years' service on the 5 years of highest earnings; and (5) repeal the dual benefit restrictions. The Railroad Retirement Board has estimated the cost of the bill at $235 million a year, or 4.7 percent of taxable payroll.

H. R. 5631 would provide full annuities regardless of age for employees with 30 years' service and whose employment has been terminated by reason of abandonment of a railroad.

H. R. 5854 would change the permissible retirement age from 65 to 60 and provide payments of $95 a month to widows regardless of age.

H. R. 5936 would create a new benefit for dependent sisters of unmarried retired railroad workers patterned after the existing spouses' benefit.

In considering these proposals to liberalize benefits under the railroad retirement system we believe that the following points are important:

1. Study by Joint Committee on Railroad Retirement Legislation: During 1952 the Joint Committee on Railroad Retirement Legislation, under the chairmanship of Senator DOUGLAS, made a broad review of all aspects of the railroad retirement system, including its relationship to the old-age and survivors insurance system. The committee's report is expected to be available soon. It would appear desirable to postpone all legislation in this area until this report and its conclusions can be thoroughly studied and until experience under Public Law 234, 82d Congress, can be assessed.

2. Coordination with old-age and survivors insurance system: While the railroad retirement system is a staff pension system for a particular industry, it also embodies important social insurance features. In addition, it is now closely linked to the old-age and survivors insurance system as the result of Public Law 234, 82d Congress, and earlier amendments coordinating survivorship benefits under the two systems. Therefore, in studying legislation to amend the Railroad Retirement Act it is essential to consider the possible effect, directly or indirectly, on the old-age and survivors insurance system. For example, H. R. 5624 and H. R. 5625 would repeal the so-called dual benefit restrictions enacted by Public Law 234, 82d Congress, and thereby reduce coordination between the two systems. Similarly, the various proposals in the bills for new or very liberal benefits (such as for early retirement) may set a precedent for increasing social-security system benefits.

3. Financial situation of the railroad retirement system: The policy of the Congress since the inception of the system has been to maintain it on a self-supporting basis. However, the system is not now solidly financed. According to the fifth actuarial valuation, which has recently been completed, the present cost of benefits under the Railroad Retirement Act is 13.41 percent of taxable payroll. Since the combined employee and employer tax rate for maintenance of the system is only 12.5 percent of payroll, the valuation shows a present deficiency in the system of 0.91 percent of payroll.

The various bills here under consideration would cost from a few million dollars to as much as $235 million a year, but none of them provides for any additional revenues to meet the added cost of the new or liberalized benefits. As a consequence they would increase the present deficit of the system.

For the foregoing reasons the Bureau of the Budget recommends against favorable consideration of these bills by the committee.

Sincerely yours,

ROWLAND HUGHES,
Assistant Director.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. RADWAN].

Mr. RADWAN. Mr. Chairman, I want to add my voice in support of H. R. 356 which is before us. I have introduced a similar bill, perhaps identical with the measure before us.

This bill particularly affects those railroad workers who have earned the right to both railroad and social security benefits. It is supported nevertheless by all railroad workers, including those who are not affected by it at the present time. It is a fair and just bill, and a distinct improvement in our present railroad retirement law. It corrects a gross injustice that was written into the law in 1951 and referred to as the "dual benefit" provision or the "social security offset."

A railroad worker pays a high rate for his pension and there is absolutely no reason why each and every participant should not have the benefit of everything he is paying for. In this case, where a railroad worker has earned and paid for a social security benefit as well as for a railroad retirement benefit, by all that is fair, he should have full benefit of both. At the present time, if a retired employee has earned a $90 monthly railroad retirement benefit and following this he earned, let us say, a $40 monthly social security benefit, he is permitted to keep his full social security benefit but his railroad retirement benefit is reduced by the $40 which he receives as social security. This does not make sense and I repeat, Mr. Chairman, that a retired railroad employee, who earns both benefits, should receive and enjoy the benefits rightfully belonging to him.

Mr. WOLVERTON. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. HESELTON]

Mr. HESELTON. Mr. Chairman, I doubt very much if I can be of any great assistance. I think practically everything has been said that needs to be said on both sides of this issue. However, I would like to explain why I am supporting the bill, and why I believe others can in all good conscience support it.

It has been said here that this is a matter of simple justice. To my mind, that is the whole issue here before us. Let me give you an illustration.

Mr. Smith worked 15 years under social security and 15 years under railroad retirement, and when he retired he was awarded a pension of $117.55. That was a pension which he was told was for the rest of his life. After the amendments of 1951, and after the action on October 1, 1952, his check was reduced from $117.55 to $86.05. In other words, $31.50 was arbitrarily taken away from him. We all know that if that should happen under a private insurance arrangement, immediate suit would be brought, and the amount would be reinstated.

I am not here saying that this may not have an adverse effect on the fund. Of course it may. However, there are ways by which this fund can be protected. One of them is by changes of investment. There is a very low rate of interest paid into this particular fund in comparison with other Government investments. The rate of interest has increased. That field is being explored.

There are other ways in which they can probably build up this fund to a degree where there will be no question about its solvency. There is absolutely no question about its present solvency. As the gentleman from Pennsylvania [Mr. VAN ZANDT] indicated, there is over $3.6 billion in it, and it has been increasing by hundreds of millions of dollars each year. There is no indication that those increases will not continue.

Finally, let me quote one sentence from the testimony of Mr. Murray Latimer, who I believe is as expert in this field as anybody in the entire country:

> This is the first time in the history of all of the world in which men given benefits by a law of a national government have ever had those benefits reduced.

We have done that. I urge that it is our great obligation to change that this afternoon.

Mr. WOLVERTON. Mr. Chairman, I yield 2 minutes to the gentleman from Indiana [Mr. BEAMER].

Mr. BEAMER. Mr. Chairman, my interest in H. R. 356 is a continuing interest in behalf of all workers on the Nation's railroads. The 82d Congress, which was my first term in the United States Congress, was not my first contact with problems of interest to railroads and railroad employees. I had come into contact with their legislative problems when I was a member of the Indiana General Assembly. Even before that time, I had a wide acquaintanceship and even a family relationship with railroad employees.

Consequently, when the complicated matter of railroad retirement pension legislation came before our House Interstate and Foreign Commerce Committee, I attempted to place myself, so to speak, in the shoes of these railroad employees who some day would be depending upon this pension fund. I wanted to secure their thinking and their desires and accordingly I sent several hundreds of letters to these railroad employees and asked them four different questions.

Some 65 or 70 percent of these railroad employees responded. All but six stated that they did not want the railroad retirement and social security funds combined. These 6 apparently had sent my letter on to some national officer because those 6 replies were worded exactly the same and were the only ones that differed from the other

several hundred who spoke for themselves. When the employees spoke for themselves in this manner I was convinced that this was their true and honest thinking. It was on the basis of these letters that I voted and worked for railroad employees in the 82d Congress. I feel confident from the many letters and personal contacts that I have had with these same people since that time that they were appreciative of this opportunity to speak for themselves. I voted the sentiment of these people as it was displayed in the several hundreds of letters that I received.

In the 1951 amendments to the Railroad Retirement Pension Act there was this provision that was written into the act:

> The railroad annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced beginning with the month with which such an individual is, or on proper application, would be entitled to an old age insurance benefit under the Social Security Act.

This clause was the result of the partial combination of the railroad-retirement fund with the social-security fund, which repeatedly has been protested by many, many railroad employees.

This is the so-called social-security offset, and testimony this year before our committee has revealed the fact that it has worked a hardship on more than 30,000 retired railroad workers.

H. R. 356 would repeal this portion of the 1951 amendment. It certainly seems fair to all railroad employees because they now are the only group that are not permitted to receive dual benefits. Even the members of the Railroad Retirement Board were very frank in testifying that they were eligible to receive the maximum benefits under their railroad retirement pension fund, to which they had contributed, and also to receive the full benefits under the Federal employees retirement fund to which they also had been contributing. H. R. 356 will remove this discrimination which affects more than 30,000 retired railroad workers.

It also eliminates a condition that seems to me to apply a penalty which is retroactive against workers who, in good faith, and according to existing law, sought to increase their retirement income by supplementing their railroad annuity with a social-security benefit toward which they have also contributed.

H. R. 356 will again make it possible for retired railroad employees to seek and secure employment covered by social security after age 65 because it will be necessary for them to pay the payroll tax under social security and this new legislation would make it possible for these deserving people to increase their pension fund which is needed so badly in these times of high living costs.

The Railroad Retirement Act is self-supporting. In fact, the railroad employee pays 6¼ percent of his total income and railroad management pays the same amount. Consequently, this amendment does not add any cost to the United States taxpayers. H. R. 356 thus will be of benefit to all people but especially to those retired railroad employees who believe in thrift and industry even in their retired days in the latter years of their lives.

Mr. WOLVERTON. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield for a question?

I have been asked several times what effect these amendments proposed in the bill have upon the actuarial condition of the fund from which the money is taken and whether or not the additional payments would in any way affect that fund. Could the gentleman answer that?

Mr. VAN ZANDT. Yes; I will answer that question during the course of my remarks.

Mr. PHILLIPS. I thank the gentleman.

Mr. VAN ZANDT. Mr. Chairman, I deeply appreciate the action of the House Committee on Interstate and Foreign Commerce and the Rules Committee in making possible consideration of my bill, H. R. 356.

This bill which was introduced by me in the 82d Congress and which was reintroduced by me on January 3, 1953, is designed to repeal the restrictions imposed by the 1951 amendments to the Railroad Retirement Act against the payment of dual benefits to retired railroad employees who have qualified for such benefits under the Railroad Retirement and Social Security Acts.

By way of explanation, when the House was considering amendments to the Railroad Retirement Act in 1951, a provision denying payment of dual benefits was defeated on the floor of the House. Later it was added by the conference committee, with the result that the day before Congress adjourned in the fall of 1951, it was forced to accept the conference report or lose the opportunity to liberalize the Railroad Retirement Act and increase benefits.

When the provision of the 1951 amendments prohibiting dual benefits was originally before the House, its advocates stated that it would save money for the railroad retirement fund and thereby help finance the additional expenditures necessary to pay the 15 percent increase to the retired railroader, a monthly benefit to his spouse and 33⅓ percent increase to widows and surviving children.

In other words, the additional cost of these 1951 amendments was to be borne in part, by penalizing some 30,000 retired railroad employees who met all the requirements of eligibility for earned benefits under the Railroad Retirement and Social Security Acts.

When this provision was being debated on the floor of the House, I strongly opposed it on the grounds that it was grossly unfair, highly discriminatory, and that sooner or later, Congress would have to recognize the injustice inflicted upon thousands of retired railroaders entitled to dual benefits.

Since the enactment of this provision denying dual benefits, experience has proved the truth of my assertion, because never in all my years of close contact with the thousands of active and retired railroaders who live in my congressional district, have I received so much violent criticism as has resulted from the enactment of the provision in the 1951 amendments to the Railroad Retirement Act prohibiting the payments of dual benefits.

In order to put this discussion in simple language and to emphasize the fact that there is a principle involved, let me illustrate the injustice and discrimination that have resulted from the application of this prohibition against dual benefits.

Let us consider Mr. X, employed by the Pennsylvania Railroad Co. as a mechanic and who retired at the age of 65 after having met all the requirements of the Railroad Retirement Act.

After Mr. X's application was duly processed by the Railroad Retirement Board and his eligibility established for retirement benefits, he received a letter from the Chairman of the Railroad Retirement Board which read, in part, as follows:

> Based upon your application and the evidence of record, an annuity under the Railroad Retirement Act has been approved in your favor, payable during your lifetime and in the monthly amount of $83.50.

In addition, Mr. X received a certificate of annuity inscribed as follows:

> Having retired from employer service and otherwise qualified, you are entitled to receive an annuity as provided by and subject to the conditions of the Railroad Retirement Act.

Mr. X, having adjusted himself to living on $83.50 monthly, which was increased to $100.20 by the 1948 amendments to the Railroad Retirement Act, was approached during the early days of World War II by a private manufacturer, building equipment for the war effort, and asked to accept employment. The private manufacturer received Mr. X's name from the Railroad Retirement Board, which at that time was actively recruiting retired railroad employees for private industry as part of the great effort made in World War II to fully utilize the manpower of our Nation.

Mr. X, with the approval of the Railroad Retirement Board, accepted employment with a private manufacturer and left his home to travel to a distant State. After working throughout the war and establishing his entitlement to earned social-security benefits by complying with all provisions of the Social Security Act, he became eligible under the Social Security Act for a monthly benefit of $45.20.

Therefore, Mr. X, as a retired employee of both a railroad and a private manufacturer, then held a contract with the Railroad Retirement Board entitling him to $100.20 monthly, payable during his lifetime. He also had a contract with the Social Security Administration to receive for the remainder of his life, monthly benefits of $45.20. These combined monthly benefits amounted to $145.40.

Let me repeat again that Mr. X, as a retired employee of a railroad and a private manufacturer, then held valid contracts with the Railroad Retirement Board and the Social Security Administration guaranteeing him specified monthly benefits for the remainder of his life.

In the fall of 1951, Congress amended the Railroad Retirement Act effective October 30, 1952, to provide a 15-percent increase to all annuitants with the result that Mr. X was then eligible to receive $115.24 from the Railroad Retirement Board.

In addition to the amendments that increased benefits by 15 percent and otherwise liberalized the law, Congress also approved the so-called dual benefit amendment providing that retired railroad employees who were drawing benefits based on service prior to 1937 should have their benefits reduced by the amount of the social-security benefit they were receiving.

In the case of Mr. X, he was receiving monthly benefits from the Railroad Retirement Board of $115.25 plus $45.20 monthly from social security.

Because of this amendment denying dual benefits and the fact that Mr. X had service prior to 1937, the Railroad Retirement Board deducted from his $115.24 the $45.20 he was getting from social security, thus leaving him a monthly benefit of $70.04 from the Railroad Retirement Board.

In other words, Mr. X, instead of receiving a combined monthly benefit of $160.44 to which he was entitled, he was penalized by having the $45.20 he was receiving from social security, deducted from his railroad-retirement annuity of $115.24, leaving him a monthly railroad-retirement annuity of $70.04.

As a result of this transaction, the Railroad Retirement Board saved $45.20 monthly at the expense of Mr. X, and since there are about 30,000 other Mr. X's in the same category, it is proper to say that this group of retired railroaders was singled out by Congress and made to bear the cost of the other 1951 amendments to the Railroad Retirement Act. Let me add that this highhanded and discriminatory method of financing the 1951 amendments was used as an excuse and that such action would eliminate the necessity of increasing payroll taxes.

In plain words, when Mr. X retired from the Pennsylvania Railroad, he had a contract with the Railroad Retirement Board that said:

> During your lifetime you will receive a monthly amount of $83.50.

In the fall of 1951 when Congress approved an amendment to the Railroad Retirement Act prohibiting dual benefits, it arbitrarily altered the contract that Mr. X had with the Railroad Retirement Board and without his knowledge or consent. Therefore, instead of receiving the $83.50 the contract stipulated, his lifetime annuity was reduced to $70.04.

Many of you will remember that during the 82d Congress earned social-security benefits were increased on an average of $5 monthly. In the case of Mr. X, his $45.20 monthly benefit under the Social Security Act was increased to $50.20. But this $5 he was entitled to under the Social Security Act was deducted from the $70.04 revised annuity he was receiving from the Railroad Retirement Board. In other words, Mr. X was the victim of another violation of a contract and instead of receiving $83.50 guaranteed to him for his lifetime, it is now whittled down to $65.04.

Mr. Chairman, I am not worried about the cost of repealing the amendment prohibiting dual benefits as provided for in my bill H. R. 356. My sole concern is the principle involved.

As I mentioned in the beginning of my remarks, when Congress adopted the provision in the 1951 amendments to the Railroad Retirement Act denying dual benefits to those entitled to them, it abrogated a contract that some 30,000 retired railroad employees had with the Railroad Retirement Board.

Mr. Chairman, according to the Railroad Retirement Board, the cost of H. R. 356 will be $385 million or in payroll tax, an increase of fifteen one-hundredths of 1 percent.

In this connection, let me point out that the balance in the railroad retirement fund in May 1952, was $2,776,005,917. At the end of May 1953 the balance in the retirement fund was $3,052,716,320 which means that in the period of 12 months, the fund increased $276,710,403.

In the hearings of March 2, 1953, before the House Committee on Interstate and Foreign Commerce concerning the railroad retirement fund, Mr. Matscheck, an actuary employed by the Railroad Retirement Board, had this to say when asked about the annual increase of the railroad retirement fund over expenditures:

> As I tried to explain, for many years—10, 15, or 20 years—there will be collections in excess of expenditures. Thereafter, there will be expenditures for benefit payments which will be exceeded by the amount of taxes collected, but the interest on the reserve account will make up that shortage.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. VAN ZANDT. I yield to the gentleman from Arkansas.

Mr. HARRIS. I should like to advise the gentleman that a few days ago the interest on the retirement fund was computed and placed in the fund itself, to the extent of more than $80 million, added to the retirement fund.

Mr. VAN ZANDT. That is correct and should the expenditures exceed the income a larger interest yield is possible by increasing the interest rate.

Mr. HARRIS. Perhaps that is true.

Mr. VAN ZANDT. When Mr. Matscheck was asked how far ahead he was looking when he said there will be expenditures for benefit payments which will exceed the amount of taxes collected but the interest on the reserve account would make up the shortage, he replied:

> Indefinitely, or to use the actuary's expression "in perpetuity," meaning almost as long as 150 or 200 years.

At the same hearings, Mr. Horace W. Harper, member of the Railroad Retirement Board, when speaking about the disparity between the income of 12½ percent which is derived from payroll taxes and the figure of 14.1 percent which represented the amount of the anticipated payroll tax, said:

> We found ourselves willing to take that sort of a disparity because it was small enough to offer no immediate danger to the fund.

In answer to another question as to the current soundness of the fund, Mr. Harper replied:

> It is so regarded, so much so that there is no real danger implicit in the continuance for a period. The difference between 14.1 percent and 12.5 percent is not substantial enough to offer any threat to the solvency of the fund for a number of years.

If Mr. Matscheck who is an actuarial expert, and Mr. Harper, who is a member of the Railroad Retirement Board, have no fear of the disparity between 12.5 percent and 14.1 percent I cannot understand the anxiety of opponents to this bill who are crying that the $385 million estimated to be the cost of this bill will wreck the retirement fund.

To further alleviate the fears of the opposition, I would like to call attention to the following statement, appearing on page 15 of the fifth actuarial evaluation of the retirement fund released by the Railroad Retirement Board April 1953:

> Subject to the assumptions upon which the valuation was based, the cost calculations show that the level tax rate required after 1951 to finance adequately the benefits of the railroad retirement system should be 13.41 percent of taxable payroll. Since the effective rate of the existing tax schedule is about 12½ percent, a deficiency of .9 percent of payroll is indicated.

Mr. Chairman, if the fifth actuarial report reveals that 13.41 percent of taxable payroll is necessary to finance the Railroad Retirement Act and the cost of H. R. 356 is fifteen one-hundredths of 1 percent by adding it to the 13.41 percent we have the figure of 13.56 percent which is less than the original estimate of 14.1 percent mentioned by Mr. Matscheck and Mr. Harper. Therefore, since Mr. Matscheck and Mr. Harper both take the position that there is no real danger in the disparity between 12.5 percent and 14.1 percent, how can the cost of H. R. 356 in any manner affect the solvency of the retirement fund?

I would like to take issue with the spokesman for the opponents of H. R. 356 when they say that 80 percent of the railroad employees who pay half of the taxes for the support of the railroad-retirement system are opposed to this bill.

A recent check of the Interstate Commerce Commission form M-300 for March 1953, reveals that 1,286,614 persons were employed by the class I railroads of the United States.

According to the Interstate Commerce Commission, as of the middle of March 1953, the employees engaged in transportation, such as train and engine service, constitute 20.85 percent of the total number of railroad employees. This group, composed of enginemen and trainmen, from the standpoint of organized labor, are represented by the Brotherhood of Locomotive Engineers; Brotherhood of Locomotive Firemen and Enginemen; Order of Railway Conductors; the Brotherhood of Railroad Trainmen; and the Switchmen's Union of North America. In a few words, they are known in railway labor circles as the "OPS."

The nonoperating groups are represented by the Railway Labor Executives' Association, a combination of unions representing various classes of employees

such as machinists, boilermakers, telegraphers. clerks, oilers, signalmen, freight handlers, and so forth. These unions are reported to be opposed to the enactment of H. R. 356.

To contradict such a report, I should like to read the following telegram from Mr. A. J. Hayes, international president of the International Association of Machinists, one of the organizations affiliated with the Railway Labor Executives' Association. The telegram reads as follows:

JULY 17, 1953.

Congressman JAMES VAN ZANDT,
United States House Office Building, Washington, D. C.:

The International Association of Machinists, a labor organization of over 800,000 members, which represents the machinists, machinists' helpers, and apprentices on every railway carrier in this country, after due study and consideration, wholeheartedly supports the enactment of H. R. 356 which has, as its purpose, the repeal of that provision which at present denies dual-benefit provisions under our retirement laws.

A. J. HAYES,
International President.

It must be recognized that the International Association of Machinists represent not alone railway machinists and their helpers, but those outside the railroad industry. From a dependable source, I am told that the International Association of Machinists have 80,000 members employed on the railroads of America as machinists, helpers, and apprentices.

I should like to read another telegram I received from Mr. Robert Oliver, assistant to the president and coordinator of legislative activities, Congress of Industrial Organizations, commonly known as the CIO. The telegram reads as follows:

JULY 20, 1953.

Today many workers earn and pay for benefits under the Railroad Act and the Social Security Act. When this happens, they are not permitted to collect both benefits. This is because part of section 3b of the Railroad Retirement Act prevents the payment of so-called dual benefits. H. R. 356 would amend the Railroad Retirement Act to permit workers to collect their earned benefits. On behalf of the one million and thousands of members in CIO unions on ships, ferryboats, maintenance of ways and yards, we endorse H. R. 356 and urge its speedy adoption.

ROBERT OLIVER,
Assistant to the President and Coordinator of Legislative Activities, Congress of Industrial Organizations.

Your attention is called to the fact that the CIO is speaking for crafts employed in the railroad industry which includes employees on ferryboats, car floats, maintenance-of-way, boilermakers, car-builders and many other crafts employed in the railroad shops and roundhouses. The CIO attained the right to speak for these employees covered by the Railroad Retirement Act as a result of employee elections held under the Railway Labor Act.

I have another telegram from Mr. David J. McDonald, president, United Steelworkers of America, which reads as follows:

JULY 22, 1953.

In behalf of the more than 10,000 steelworkers who are employed in and about the properties of steel companies on connecting railroads we urge your support of H. R. 356.

DAVID J. MCDONALD,
President, United Steelworkers of America.

I have another telegram from Mr. Culbert Bowen, president of the Railway Patrolmen's International Union, A. F. of L., who represents the patrolmen and police on the railroads of the Nation. Mr. Bowen's telegram reads as follows:

JULY 23, 1953.

The Railway Patrolmen's International Union, A. F. of L., representing patrolmen and police on all the railroads wholeheartedly supports the action of your bill H. R. 356 to repeal the unfair provisions of section 3–B of the Railroad Retirement Act which does deny retired railroad workers the pensions they are entitled to if they have earned social-security benefits in other employment.

CULBERT BOWEN,
President.

At this point it is pertinent to state that the records of the Interstate Commerce Commission disclose that some 350,000 employees of the railroads such as executives and officials, professional and subprofessional assistants, supervisory officers, roadmasters, general foremen, and so forth, do not belong to labor organizations and therefore have not expressed themselves regarding H. R. 356.

When taking into consideration that there has been practically no mail in opposition to H. R. 356 and the fact that the operating brotherhoods, the International Association of Machinists and the CIO heartily support H. R. 356, I say in all fairness that the statement to the effect that 80 percent of all railroad employees oppose this legislation, should be taken "with a grain of salt."

The majority of you know that I come from a railroad district and that I am a railroad man myself. Rubbing elbows almost daily with railroad employees, I can tell you that they want the Railroad Retirement Act as it was originally intended, to be separate and distinct at all times from social security.

Therefore, I hope that H. R. 356 will be approved and thus enable Congress to redeem itself for breaking faith with thousands of retired railroad employees.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired. Under the rule all time has expired. The Clerk will read.

The Clerk read as follows:

That section 3 (b) of the Railroad Retirement Act of 1937, as amended, is hereby further amended, effective October 30, 1951, by striking the last paragraph thereof.

With the following committee amendment:

Page 1, line 6, insert a new section to read as follows:

"SEC. 2. In the case of any deceased individual whose death occurred before the first day of the first month following the month in which this act is enacted, so much of any annuity or pension payment as is due such individual by reason of the enactment of the first section of this act shall be paid only—

"(1) to the widow or widower of the deceased, if such widow or widower is living on such first day; or

"(2) if there is no such widow or widower, to the child or children of the deceased if such child or children are living on such first day.

For the purposes of this section, the terms 'widow', 'widower', and 'child' have the same meanings as those assigned to such terms by section 5 (1) (1) of the Railroad Retirement Act of 1937, as amended."

Mr. HARRIS. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I realize the hour is getting late and some Members, I am sure, would like to get away as soon as possible. I wish, therefore, to make but a few brief remarks.

In the first place, we have had enough experience in this House to understand that when we get into general debate those in control of the time on many occasions find themselves in a position they are not able to give time to those who might desire it. This unusual situation we have had here today might lead some of you to assume that none of the members of the committee on the Democratic side are supporting this bill. I can assure you that assumption is not the fact. The fact that we did not have an opportunity to speak on this in general debate in no way indicated that several or in fact a majority of the members of the committee on the Democratic side are not wholeheartedly in support of this bill. I can understand, and I know the other members of the committee understand very well, the position our beloved chairman when he said he could not give us any time during general debate. It is not a fair situation. I shall try to see it does not happen again.

This matter, Mr. Chairman, very frankly speaking, is the result of the old fight we had 2 years ago when the 1951 amendments were adopted. This was one of the provisions which was involved during the course of the consideration of amending of the Railroad Retirement Act. It might be recalled that I offered the substitute to the bill we had then for consideration on the floor of the House. The substitute I proposed did not include the provision which would work what I thought to be a gross inequity on these railroad people.

May I say the 10-year integration with social security was involved in the course of that fight. I was opposed to the integration provision of the railroad retirement with the Social Security Act. I was opposed to the provision which these 30,200 people so estimated would have taken from them the amount that they would draw should they qualify under social security or even entitled to qualify for, from the amount of railroad retirement that they were entitled to receive and have been receiving since retirement.

The House adopted my substitute and it went to conference. The conferees in trying to compromise these controversial matters, brought back to the House their recommendation. As has been said, that was on the day before the Congress adjourned; consequently, in order to get the bill approved and since the conference approved it the House accepted and thus we have this provision under consideration today as a part of the Railroad Retirement Act.

Let me repeat again what this does. Under the act there is estimated 30,200

railroad people who had prior service credit, meaning prior service to 1937 when the Railroad Retirement Act became effective. Those are the only ones involved in the consideration of this bill we have here. No one else is affected at all.

Mr. HINSHAW. I think the gentleman better add the widows of those people.

Mr. HARRIS. Yes, the widows, of course; when they were brought in under the act of 1946. Then, of course, that added to the liability of the fund.

I hope members of the Ways and Means Committee will listen to this statement.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

(On request of Mr. WOLVERTON and by unanimous consent Mr. HARRIS was given 5 additional minutes.)

Mr. HARRIS. Mr. Chairman, I apologize to the committee but I want to see if I can straighten out some of the things in this debate.

With the adoption of the amendment to the Social Security Act of 1950, any person who had 6 quarters, I believe, and reached a certain age could qualify for benefits under the Social Security Act. After that action it was decided by some that the Railroad Retirement Act should be amended and that there was an opportunity to take advantage of the provision of the Social Security Act in behalf of the Railroad Retirement Act and add some funds, therefore, strengthen the Railroad Retirement Act insofar as that fund is concerned. That is the reason for the integration, that is the reason the 10-year men were transferred to social security and over $80 million to the credit of the Railroad Retirement Act. This was at the expense of social security. In fact, the integration meant some $800 million to railroad retirement.

Here is transaction with these prior-service employees of railroad retirement. Consequently they said, if you retire or have retired and are drawing retirement under the Railroad Retirement Act, and can qualify under the Social Security Act, the amount you draw from your social-security payments would be deducted from the amount you have been drawing or will draw from your railroad retirement.

Now that is the problem we have here. We say that is certainly an injustice, it is an inequity to these 30,000 and more people, and consequently when they had this money deducted from their checks, the Congress began to hear from them.

Then, the Social Security Act was amended again last year to give every beneficiary an additional $5. The Railroad Retirement Act again enhanced its fund from the Social Security Act because it took $5 more from the railroad-retirement annuity for each annuitant. It reduced his retirement by that much; that is what we are here to correct.

Now, Mr. Chairman, there has been a lot of talk about these people never having paid any taxes, that is, those with prior-service credit. Certainly they did not pay taxes, but, as everybody knows, when there was agreement to the 1937 Retirement Act, it was agreed they would be taken care of; I say that is an agreement that should be kept. That is my opinion of it.

There is a lot of talk about endangering the fund. Let me give you a little history. In 1946 I supported the railroad-retirement amendments that the gentleman talked about a moment ago. We provided these additional benefits. They were adopted on the basis of a payroll of, I believe, about $3,600,000,000. The actuaries said, "Oh, if you go any higher than this, it will endanger the fund" but they missed it. Certainly I think they were justified in being conservative, but in 1948, without adding to the fund, we increased the benefits by 20 percent and they said, "We cannot go any higher than that." But you know what happened. The soundness of the fund itself increased, even though we gave them 20 percent more benefits out of the same fund. In 1951, when we had the original Crosser bill, it was estimated by the Railroad Retirement Board that it would cost 14.16 percent of payroll. The amount contributed was 12.50. But the proponents of the bill said that would not endanger the fund, even though it was over 1½ percent above the amount that was being collected. But what happened? When the House got through with it, when the House passed it, amending it with the substitute I proposed, it was estimated by the Railroad Retirement Board that it would cost about 14.71 percent of payroll. Now it was estimated, as we passed it, that it would cost 14.71 percent of payroll; but when it came back from conference it was estimated that the figure, as it was finally adopted, would cost 14.41 percent of payroll, and yet no one said there was any danger to the fund or it was not sound actuarially.

But, when we gave another boost to the social security of $5 payment, it was estimated then that the fund was 14.11 percent of the payroll. Still, there was no concern about the soundness of the fund, but when the Railroad Retirement Board reported a few days ago the fifth actuarial report, do you know what they said? They said that under the railroad retirement fund actuarially the cost was 13.41 percent of the payroll.

I do not know anything about actuarial problems but I do know this: If the actuaries themselves who have told us now for the last 7 or 8 years about what the future of this program would be have missed it anywhere from 1½ to 2 percent, then how can they say that fifteen one-hundredths of 1 percent would endanger the fund at this time? I think that is just too ridiculous to consider.

Mr. LANHAM. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Georgia.

Mr. LANHAM. Do all of the 30,200 employees involved draw social security?

Mr. HARRIS. Yes. There are others with prior service who do not.

Mr. LANHAM. As to those that do not, is anything deducted from their pension?

Mr. HARRIS. Not at all.

Mr. LANHAM. It seems manifestly unfair, then, to deduct from those who have worked.

Mr. HARRIS. That is what I have tried to point out to the membership of this House.

Mr. WILLIAMS of Mississippi. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, like the gentleman from Arkansas who just addressed the Committee, I assure you that all the committee members on the Democratic side were not opposed to this legislation. As a matter of fact, two of the Members on our side—the gentleman from Texas [Mr. THORNBERRY] and I—introduced bills identical to H. R. 356, under consideration today.

I realize, as does the gentleman from Arkansas, that the distinguished ranking minority member of our committee, our former chairman, has many problems in meting out time in general debate to members on his side on measures coming from our committee. I realize that he had many requests for time today from Democratic members of our committee. So many, in fact, that he just did not have any left for the ones who were in disagreement with his views. But I do not mind, because I feel the same way he does.

Two years ago when we were considering the railroad retirement bill that we are now trying to correct, my distinguished chairman, in his argument, said:

> My answer to anyone who thinks that I must be unfriendly to him because I cannot agree with him on some subject is to be found in four lines which Edwin Edmund Markham shortly before he departed this life gave me in his own handwriting. These are the lines:
>
> "He drew a circle that shut me out,
> Heretic, rebel, a thing to flout;
> But Love and I had the wit to win;
> We drew a circle that took him in."

The circle that he drew today was around general debate, but he would not let us in. That is why we must resort to use of the 5-minute rule to present our side.

As I see this legislation it is not a complicated matter. It is a simple matter of right and wrong—of righting a wrong that was committed 2 years ago.

Here we have two separate and distinct retirement systems, both of them contributory on the part of the eventual beneficiary: The Railroad Retirement Act, financed by money paid in by the employees of the railroads, and the social-security system on the other hand, from nonrailroad employers and the employees. Both are administered by the Federal Government. Both have separate funds. Both have separate laws under which they operate. They have their separate and individual schedule of benefits and contributions, and are administered by different agencies. Yet, the two systems were tied together in 1951, much to the dismay of rail employees. I recognize that perhaps neither of these systems, with their present schedule of benefits, is actuarially sound. That being true, then I believe it is the duty of the Congress to attack these deficiencies individually and separately, by correcting social security to make it stand alone, and by correcting the Railroad Retirement Act to make it stand alone. Both should be

made actuarially sound, without having to lean on the other for support. I do not believe in making one system atone for the sins of the other, yet that is what we did in 1951, when we tied the two together. Can there be any justice in saying to a man, "Now you pay in your share of these funds down through the years, and when you reach 65 you can retire at a specific stated amount"; then, when the time comes for him to retire, you find he has become entitled to retirement compensation on the basis of services performed on another job, you break your contract with him? No, as far as I see it, the dual-benefits restriction in the Railroad Retirement Act is morally indefensible. Certainly you can defend it on actuarial grounds. By the same token, you could defend the proposition of denying benefits to redheaded people. That would be actuarially sound, too, but it would be wrong. If the railroad retirement system cannot meet the test of this bill, it should be rewritten entirely, or repealed.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield.

Mr. HESELTON. Is it not also true that under no other pension scheme of the Federal Government does the same situation exist, as exists under the Railroad Retirement Act, and which we seek to correct today?

Mr. WILLIAMS of Mississippi. If I thought so, I would be introducing bills to repeal it.

Mr. ROGERS of Florida. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, while this is a very technical bill—that is, this railroad retirement and social security legislation—the amendment that we are considering today is very simple. It does not do anything except to correct the mistake or the error that was made in 1951 when we passed the law restricting what we refer to as dual benefits. We provided in 1951 that when a railroad man retired, after having worked for the railroad a number of years, he could draw a certain annuity. We further provided, after he retired and it became necessary for him to work again, to get a job, and he came under the social-security system, whatever retirement benefits he was entitled to under the social-security system, could not be added to what he had earned under the Railroad Retirement Act. In other words, he could not claim one. In other words, we penalized him for going out, after retiring from the railroad retirement system and getting a job that came under social-security. We said to him that his benefits under social security must be deducted. We said to him that it must be deducted irrespective of whether he got it or not.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Florida. I yield.

Mr. VAN ZANDT. Did not the Congress of the United States just arbitrarily alter a contract this man had with the Railroad Retirement Board?

Mr. ROGERS of Florida. There is no question about it.

Mr. VAN ZANDT. Without consulting him?

Mr. ROGERS of Florida. Without consulting him.

I want to say this further: Just presume that a man who had been in the railroad work for a number of years then gets a job that comes under the social-security system—provided he could get a job—if he got more than $75 a month he would lose the benefits under the social-security system and he would also lose his benefits under the railroad retirement system. Is that fair? Does that appeal to your sense of honesty and equity?

We made a mistake. We have injured 30,200 railroad men, and they are coming to us, they are pleading with us: "Won't you please correct it? Just correct it so if we do happen to retire from the railroad system and get a little job out here we are protected. We are paying for both systems; we paid for the retirement benefits, we have paid for the social-security benefits. Are you going to take them away from us?"

If that is your idea of justice, if that is your idea of dealing with your fellow man, God help you.

If a person pays taxes into two retirement systems such as the railroad and social-security systems he should be permitted to draw benefits from both.

Related to this criticism is the assertion that it is unfair, unfair to require a retired railroad annuitant to take a job covered by social-security, and pay the social-security taxes when he has no hope of receiving benefits under that system.

Mr. BATTLE. Mr. Chairman, the Committee on Interstate and Foreign Commerce is performing a service to the Congress and those interested in the Railroad Retirement Act by bringing out H. R. 356 for debate at this time. This gives us a chance to clear up inequities and misunderstandings about this legislation. I have been worried about this for some time since there seems to be something morally wrong about the way the basis act as amended has been working and I hope we can find the right answer today. As I understand it, under the operation 3 (b) of the act as it now stands we have a situation where a man in good faith pays taxes as required by law under two systems of retirement in anticipation of the day when he will be too old to work that he will be entitled to receive a small pension from each system and be able to afford the necessities of life. In most cases the thousands of persons who are affected by the social security offset provision had no choice about the retirement system under which they fell and were compelled to pay taxes. Many of them began working in the railroad industry and after many years of service during which time they paid railroad retirement tax as required by law they were forced out of the industry because of reductions in force, abandonment of their railroad or other causes.

Being unable to obtain similar employment with another railroad, many of them in their later years drifted into employment covered by the social-security program. After working for years under this system during which time they also paid tax for social-security benefits as required by law they retired. Having qualified and earned pensions under two systems of retirement as required by law they were entitled to receive a small pension from both railroad retirement and social security which they did.

This arrangement had the blessings of Congress when it passed both laws. Railroad retirement checks began coming through monthly and social-security checks began coming through simultaneously. In fact when the pensioner received his first railroad retirement annuity check a letter accompanied it telling him that a check in such and such an amount is enclosed and that during his lifetime each month he would receive a check for not less than that amount.

Then suddenly in 1951 he received a check from the Board and found it had been reduced by the amount of the check he received from social security.

Mr. Chairman, I ask in all seriousness, is it fair to collect by force a tax from a worker for his pension when he is not now eligible for that pension according to the law we passed in 1951? Let us review this whole thing today as thoughtful, responsible representatives of the people keeping in mind our duty to those who are so vitally affected as well as our duty to the interest of the public.

We should not in my opinion collect a tax for a specific purpose when our own law prohibits the money collected from being used for that purpose. Ladies and gentleman, I humbly submit at this time that we should make any changes necessary to make this legislation fair to all concerned but certainly we should correct the obvious inequities that have been pointed out here today.

Mr. WOLVERTON. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto end in 15 minutes.

Mr. HARRIS. Mr. Chairman, reserving the right to object, how many amendments are there at the desk?

The CHAIRMAN. There are two amendments at the desk, the Chair is informed.

Mr. HARRIS. And the gentleman from New Jersey is asking that the debate be limited to 15 minutes?

Mr. WOLVERTON. I was.

Mr. KERSTEN of Wisconsin. Mr. Chairman, I object.

Mr. WOLVERTON. Mr. Chairman, I move that all debate on the bill and all amendments thereto close in 20 minutes.

The CHAIRMAN. The question is on the motion.

The motion was agreed to.

The CHAIRMAN. Are there any amendments to the committee amendment?

Mr. KERSTEN of Wisconsin. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. KERSTEN of Wisconsin to the committee amendment: On page 2, line 9, strike out the period and add the following: "Except the term 'widow' shall also include the widows of employees who, prior to death, had not less than 30 years of service as defined in section 1 (f) of the Railroad Retirement Act of 1937, as amended, and who died in the period beginning August 29, 1935, and ending June

30, 1938, shall be deemed, solely for the purpose of a widow's age 65 annuity, to have died fully insured, within the meaning of section 5 (1) of such act: *Provided, however,* That any annuity awarded under this section shall be computed in the same manner as if such annuity had been awarded under section 5 (a) of such act: *Provided further,* That this section shall apply only with respect to widows who are not receiving monthly pensions (whether under public or private plans) based on the railroad service of their deceased husbands."

Mr. WOLVERTON. Mr. Chairman, I reserve a point of order against the amendment.

Mr. KERSTEN of Wisconsin. Mr. Chairman, this amendment applies to a very narrow and a very small group of individuals who are perhaps the most worthy group of individuals involved in the entire railroad employee setup. This group is composed of the widows of those employees who died during the period between 1935 and 1938 and who were not covered by anything; employees who had a minimum of 30 years' service who died during that period leaving widows who had no benefit whatsoever, and it applies only to those widows who do not receive social security or any private pensions from railroad benefits of any kind whatsoever. These are the widows of the employees who built the railroads of this country.

I offered this amendment 2 years ago. I recall that the gentleman from Arkansas [Mr. HARRIS] looked upon it favorably at the time and said it was going to be studied, but, actually, the committee never got around to it. Mr. Matscheck reported at that time it would not increase the rates whatsoever. There were only several hundred people involved. The elderly widows of these long-time employees should be included within the definition of "widows."

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield to the gentleman from New Jersey.

Mr. WOLVERTON. I have asked the gentleman to yield in order that I may bring to the attention of the committee the fact that this amendment has never been offered to the committee. It has a lot of ramifications I am not sure of; in fact, I do not think it is germane, but I do not intend to press that point. I would rather have the Committee vote on it, believing that with the small amount of information we have the Committee would prefer probably to vote the amendment down.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

(By unanimous consent, the time allotted Mr. WOLVERTON was given to Mr. KERSTEN of Wisconsin.)

The CHAIRMAN. Does the gentleman from New Jersey withdraw his point of order?

Mr. WOLVERTON. Mr. Chairman, I withdraw the point of order. I think that the gentlemen should bear in mind the committee realizes that there are many inequities of one kind or another that probably should be corrected, but we must do it in a careful, sound way. I was disappointed that the joint committee appointed previously did not come to any conclusions as they should. It is the intention of the Committee on Interstate and Foreign Commerce of the House to continue those studies into every phase and I can assure the gentleman that the question he has raised will have the consideration of the committee.

Mr. KERSTEN of Wisconsin. Mr. Chairman, may I say to the distinguished gentleman from New Jersey that this amendment was drafted with the assistance of Mr. Schreiber 2 years ago and was considered by both sides to be a meritorious amendment at that time. I would request the gentleman to withdraw his opposition to it or his hesitancy about it at this time for the reason there might be some ramifications because this only affects a very few people. It is limited to those widows whose husbands died during this period between 1935–38 and whose husbands had 30 years of service.

Mr. WOLVERTON. The gentleman has more knowledge of the subject than any member of the committee has. In the first place, I did not know Mr. Schreiber drew it and that would not necessarily recommend it to me, anyway. But the facts are that the committee has never had this matter before it, and I think you will agree with me that it should have.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

The question is on the amendment offered by the gentleman from Wisconsin [Mr. KERSTEN].

The amendment was rejected.

(Mr. MCCORMACK asked and was given permission to yield the time allotted to him by Mr. CARLYLE.)

(Mr. MACK of Illinois asked and was given permission to yield the time allotted to him to Mr. BENNETT of Michigan.)

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. CARLYLE].

Mr. MCCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CARLYLE. I yield to my good friend, the gentleman from Massachusetts.

Mr. MCCORMACK. I simply wanted to say that I consider this bill to be very meritorious, and it will be a pleasure for me to vote for its passage.

Mr. CARLYLE. Mr. Chairman, I thank the gentleman. I shall support this bill in the form that it was reported by the committee, because it received careful study, and we heard from many important witnesses from many sections of this country. I think the opponents of this bill are taking a position that is difficult to defend. Their purpose is to take from certain railroad employees their monthly benefits under the Social Security Act. Now, it is not contended by anyone that any of the railroad employees have failed to pay for their retirement under social security from the date they accepted employment until the date they were retired, so how can we, in good faith, say that we are going to withhold from these retired employees, who have worked under social security, their benefits, when it is admitted by every person who is familiar with this subject that such employees have completely paid for their retirement benefits.

There has been some little suggestion here that perhaps there are some railroad employees who worked before 1937, that they have not paid the assessments that should have been made. However, that is not the position that is taken regarding those railroad employees who have not accepted employment and have not received social-security protection. It is admitted that a railroad employee who worked before 1937 or after 1937, when he retires, is entitled to benefits under the Railroad Retirement Act. So, then if he is, certainly there is no reason for us to say to the employees who have worked and paid for protection that they are not entitled to retain these benefits, when we are not alleging that they have not completely paid for them. This is good legislation, and I ask the members of this Committee to support it. Ordinary fairness would not permit us to deprive employees of a benefit to which they are clearly entitled by reason of the fact that they have paid for such benefits.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. THORNBERRY].

(Mr. THORNBERRY asked and was given permission to yield the time allotted to him to Mr. PRIEST.)

The CHAIRMAN. The Chair recognizes the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, as a member of the committee, I want to say I am going to vote for this bill. I think it is only a matter of fairness and justice to these 30,000 workers who have been discriminated against. I hope the committee will so vote.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. HESELTON].

(Mr. HESELTON asked and was given permission to yield the time allotted to him to Mr. PRIEST.)

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. VAN ZANDT].

(Mr. VAN ZANDT asked and was given permission to yield the time allotted to him to Mr. PRIEST.)

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. BENNETT].

Mr. BENNETT of Michigan. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BENNETT of Michigan: Page 2, after line 9, insert the following:

"SEC. 3. (a) The last sentence of subsection (f) of the first section of the Railroad Retirement Act of 1937, as amended (defining the term 'years of service'), is hereby amended by striking out 'one hundred twenty-six' and inserting in lieu thereof 'fifty-four.'

"(b) Section 2 (a) of such act (relating to eligibility for annuities) is hereby amended—

"(1) by striking out 'and shall have completed ten years of service,' in the first sentence; and

"(2) by striking out 'regular employment.' in paragraph 5 and inserting in lieu thereof 'regular employment and who (i) have completed ten years of service, or (ii) have attained the age of sixty.'

"(c) The last sentence of section 5 (f) (2) of such act (relating to lump-sum payments)

is hereby amended by striking out the following: ', except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).'

"(d) The first sentence of section 5 (k) (1) of such act (relating to crediting of railroad service for the Social Security Act in certain cases) is hereby amended to read as follows: 'For the purposes of determining under title II of the Social Security Act entitlement to, and the amount of, (i) any insurance benefit for the survivor of an employee, or (ii) any lump-sum death payment with respect to the death of an employee, and for the purposes of section 203 of the Social Security Act, section 15 of the Railroad Retirement Act of 1935, section 210 (a) (10) of the Social Security Act, and section 17 of this act shall not operate to exclude from "employment," under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections.'

"(e) Section 5 (l) (7) of such act (defining 'completely insured' employees) is hereby amended by striking out 'will have completed ten years of service and.'

"(f) Section 5 (l) (8) of such act (defining 'partially insured' employees) is hereby amended by striking out 'will have completed ten years of service and.'

"(g) The amendment made by this section shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this act is enacted, irrespective of when service or employment occurred or compensation or wages were earned. All recertifications by the Railroad Retirement Board required by reason of the provisions of this section shall be made without application therefor."

Mr. BENNETT of Michigan. Mr. Chairman, this sounds like a complicated amendment but is as a matter of fact a very simple one. What it does is to correct the greatest inequity that presently prevails in the railroad retirement system. The committee bill deals with an inequitable situation that affects at most about 3,400 employees. This amendment affects 5 million employees. They were taken out from under the Railroad Retirement Act by the 1951 amendments, by the requirement that is now in the law and which this amendment would repeal, that any railroad worker who has less than 10 years service on a railroad automatically goes to social security whether he wants to or not. The money he has paid for the 9½ years or whatever time it may be that he has worked under the railroad retirement system, less 1½ percent which is transferred to social security is taken away from him. In many cases it amounts to as much as $1,800 If you want to correct inequities, and that is what you are talking about here—everybody in cppo-sition to this says this is not a question of keeping the retirement fund solvent, what we are trying to do is to correct inequities—as I say, if you want to correct inequities, let us do it for the 5 million people who were arbitrarily and unlawfully transferred to social security without their permission.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. BENNETT of Michigan. I yield.

Mr. HARRIS. Did not the gentleman support this viewpoint 2 years ago and insist that the 10-year men be transferred?

Mr. BENNETT of Michigan. Yes, and so did the gentleman from Arkansas.

Mr. HARRIS. No, I did not.

Mr. BENNETT of Michigan. The gentleman from Arkansas supported this provision as it was finally adopted.

Mr. HARRIS. No; the gentleman knows I did not support that.

Mr. BENNETT of Michigan. The gentleman supported the view I am advocating here in the first instance. But he was a member of the conference committee which required men with less than 10 years of railroad service to transfer to social security. Certainly I supported it, and I supported the dual benefits provision because we were providing millions of dollars in benefits and we had to provide some revenue. We did not increase the taxes, and so these two methods were devised. Now, you say one of these methods has been found to be inequitable. If it is inequitable in the case of 3,500 people under this dual-benefits provision, certainly it is inequitable for these 5 million people, who have been transferred to social security, without their consent, and at a great loss to them.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. PRIEST].

Mr. PRIEST. Mr. Chairman, I am well aware at this hour after a hard day—and, indeed, a hard week—the Members are just a little weary—so am I. But in these last few minutes of debate on this bill I hope to bring to the attention of the Committee a few points which I believe are worthy of our consideration. First, with reference to the amendment offered by my colleague the gentleman from Michigan [Mr. BENNETT], let me make this statement very clear: Two years ago on the floor of the House I made a speech opposing that 10-year provision. I just read that speech in the RECORD of October 4, 1951. I opposed it then, and I opposed it vigorously, just as I oppose the same provision we are seeking today to repeal. I do believe the provision is an inequitable one and I opposed it on that ground. But on this occasion I cannot conceive of the Committee of the Whole or of the House approving an amendment on which there have been no hearings. If the amendment should be adopted, I can visualize a situation developing that would create as much or more confusion than was created last fall when this dual-benefits provision caused in many instances the Railroad Retirement Board to overpay annuitants for many, many months, and then all at once have to cut off their checks completely until that overpayment was made good. We do not wish here on the spur of the moment, without any committee hearings, to adopt an amendment such as has been proposed by my good friend the gentleman from Michigan [Mr. BENNETT]. This amendment, if adopted, also would result in the throwing out of balance of the railroad retirement fund at the rate, I believe, of $63 million a year. My good friend earlier in the day made a very forceful argument on the soundness of the railroad retirement fund. By this amendment, of course, if there is any question of soundness, he would propose now to make it even more unsound.

With reference to the dual-benefits provision, it has been well discussed and I believe the issue is clear before the House. With reference to the cost of the amendment, I want to say that if 0.15 of 1 percent of the payroll is going to jeopardize the railroad retirement fund, then this Congress had better rewrite the entire bill and not proceed with it for another day. If the fund is on ground so shaky that 0.15 of 1 percent of the estimated actuarial evaluation will throw it completely into jeopardy, then the Congress had better do something about it.

It does not make a logical argument to me that that is the case. This provision should be repealed. I am thoroughly willing to go along with the gentleman from Michigan [Mr. BENNETT], when we can have some hearings, toward repealing that 10-year provision. I said 2 years ago that if we placed 10-year men under social security this year, in a few more years they will want to put 15-year men and 20-year men under social security, and you will have no railroad retirement.

I made that speech in my district, and I told the nonoperating brotherhoods of that district who were then in favor of it that I opposed it then. I do not believe it is a good provision, but certainly let us not confuse the issue today and adopt that amendment creating what I believe would be utter confusion as far as the administration of the Railroad Retirement Act is concerned, during the next 6 months or even the next year.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield.

Mr. HARRIS. There is one thing that has not been brought out. Is it not a fact that the railroad-retired employee may qualify under civil service, and he would draw full civil-service retirement and at the same time railroad retirement? In other words, he would not be penalized if he were drawing under another system and civil service?

Mr. PRIEST. That is true. While there has been a great deal of theoretical discussion about prior service this afternoon, I think we should recognize, in one last word, that the excessive rate paid by railroad employees and their employers in comparison with social security, has been high in order to help take care of prior service. So let us not confuse that particular issue. The question before us is simple. It is whether a person who has retired from railroad employment and entitled to railroad employment benefits, may supplement his meager benefits under some employment covered by social security, and then receive whatever he may be entitled to under that law. They are two separate acts. I believe we must, in fairness and justice, adopt the bill reported by this committee; repeal that dual-benefit provision. I hope the amendment offered by the gentleman from Michigan [Mr. BENNETT] will be voted down and we may look into it perhaps in another year and bring it back here, because I think it is an inequity, and I am for taking out

all of the inequities from this bill. Today we can begin with the dual-benefit provision, and I hope we shall vote down this amendment and then approve the bill with the overwhelming vote I believe it deserves.

The CHAIRMAN. The time of the gentleman from Tennessee [Mr. PRIEST] has expired.

The Chair recognizes the gentleman from California, [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, the Committee on Interstate and Foreign Commerce would like to bring to this House always measures that are carefully considered. The gentleman from Michigan [Mr. BENNETT], is a member of the committee, but he did not offer this amendment in the committee for its consideration.

The pending bill deals entirely with persons who are already on the retirement rolls. They are annuitants. They are old people, over 65 years of age. The amendment which has been offered deals with those who have worked less than 10 years, and I doubt if any of them are on the retirement rolls at this time.

For those reasons we ask that you vote down the pending amendment and then approve the bill.

Mr. JAVITS. Mr. Chairman, I have received statements in opposition to this bill from A. E. Lyon, executive secretary, Railway Labor Executives' Association, and Ernest H. Benson, national legislative representative, Brotherhood of Maintenance of Way Employees, which follow:

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D. C., July 6, 1953.

Hon. JACOB K. JAVITS, *Member of Congress, United States House Office Building, Washington, D. C.*

DEAR CONGRESSMAN: The Railway Labor Executives' Association, which represents some 80 percent of the Nation's organized railroad employees, is opposed to any amendments to the Railroad Retirement Act at this time.

We hope that you will have an opportunity to read the attached statement which outlines our position in this important matter.

Sincerely yours,

A. E. LYON,
Executive Secretary.

BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES,
Washington, D. C., July 15, 1953.

Hon. JACOB K. JAVITS,
United States House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: On July 13, 1953 a rule was granted on H. R. 356, known as the dual-benefits bill, which would amend the Railroad Retirement Act.

For your information it is stated that the railroad brotherhoods favoring this legislation represent about 225,000 of the railroad employees in the United States. The total number of such employees is 1,500,000 and about 30,000 of them would benefit by tne passage of H. R. 356. Of this small number at least two-thirds have never paid anything into the Railroad Retirement Fund.

Railway Labor Executives' Association, representing 80 percent of all the railroad employes, is very much opposed to any change in the Railroad Retirement Act at this time, as proposed by H. R. 356. Social Security and Bureau of the Budget officials, as well as the Association of American Railroads, are all opposed to H. R. 356.

It is my earnest hope that you will vote against the passage of H. R. 356.

Very truly yours,

ERNEST H. BENSON,
National Legislative Representative.

The rank-and-file opposition to this bill from the great proportion of those who are concerned with the railroad retirement fund demonstrates that we should give attention to this pronounced view and at least recommit the bill to the committee under these circumstances for a complete appraisal of the situation and a determined effort to look after these rank-and-file interests appropriately. This is my conclusion after hearing the debate today.

Mr. REES of Kansas. Mr. Chairman, I rise in support of the legislation now pending. The measure should, in my opinion, be approved without opposition. Unfortunately, it does not go as far as it should. It could be in some respects more liberal without adding injury to those affected by reason of its approval.

There are additional amendments pending before the committee that ought to be included that would further take care of inequities in the present law. H. R. 5065 that I have submitted to the committee would clear up a further inequitable situation presently existing with respect to disability retirements.

This legislation will entitle the spouse of a disability annuitant under the Railroad Retirement Act to receive a spouse's annuity in the cases where the spouse is 65 years of age or older, and the disability annuitant is under age 65. The provision for payment of an annuity to the spouse would be subject to all of the conditions and limitations imposed by the present law on other spouses' annuities, plus additional conditions to insure that such new spouses' annuities will start and stop with the disability annuities upon which they are based.

This legislation will clear up an inequitable situation which exists with respect to these disability retirements. Under present law, for example, as the committee knows, a railroad worker may retire on account of age while in perfectly robust health. If his spouse also has reached age 65, she is entitled to an annuity equal to one-half her husband's annuity or pension, but not more than $40 a month. The husband may then proceed to obtain gainful employment elsewhere, if he desires to supplement his annuity, without affecting his spouse's entitlement to her annuity. I have no quarrel with that; indeed, I think it is a wonderful thing and hope every annuitant may have such outside employment just as long as he so desires. Our retired people who have worked long and faithfully should have all possible comforts of life, especially when they earn them by their own work.

But yet, in the case of a fellow railroad worker who retires on account of total disability under the act, at say age 62, and whose spouse is 65 or older, the spouse is entitled to no annuity under present law. Financial distress and even severe hardship result in some of these cases.

This fellow worker generally is precluded by his disability from obtaining gainful outside employment, although he may be both willing and anxious to do so. Moreover, it is very likely that such life savings as this fellow worker and his spouse have been able to accumulate by careful management throughout his working years are seriously depleted or exhausted by medical and other expenses incident to the cause of his total disability. Doctor bills and hospital bills and medicines do not stop, either, with a worker's retirement. In view of all of these factors, it seems obvious that here, in the case of the disability retirement, is where an annuity for a 65-year-old spouse is needed far more urgently than in many other situations.

It is recognized that the present law which permits the spouse of a disability annuitant to receive an annuity only if both the spouse and the annuitant are age 65 or over, conforms, in respect of these specified minimum ages, to the ages established under the old-age and survivors' insurance law. It is understood that this was done to bring the age requirements in line with those of the social-security program. However, the social-security program has no provision for disability retirement. There is no parallel in that program for the disability annuitants and their spouses who would be covered by this legislation now before the committee. There are a great many other differences between social security and railroad retirement, not the least of which is the higher contribution. These railroad workers are entitled to a fair return in relation to their contribution.

I feel that the committee will particularly appreciate my deep interest in the matter of retirement annuities of all kinds because as chairman of the Post Office and Civil Service Committee, Federal employee retirement is my special concern. I may point out that under the Civil Service Retirement Act, benefits otherwise payable are not reduced just because either a wife or a husband happens to be under age 65. While the wife of an annuitant receives no separate annuity in her own name, the husband's annuity is sufficient in amount to provide for her as well. In no case—whether retirement is at any of the ages provided for by law or is for total disability—can an annuity be denied because one of the parties is younger than the other. As one example of the treatment of an annuitant's spouse under the Civil Service Retirement Act, the annuitant may elect to provide an annuity for his surviving spouse by voluntarily reducing his own annuity during his life. The spouse's annuity is equal to 50 percent of the original annuity. It cannot be reduced simply for the reason that the spouse or the annuitant was or is under 65—regardless of the significance of that age in the social-security program.

The cost of this legislation would be relatively insignificant when compared with the total expenditures being made under the railroad-retirement program. According to the 1951 annual report of the Railroad Retirement Board, nearly $369 million were paid in railroad retirement and railroad unemployment insurance benefits in the year 1950–51. The preceding year's benefits totaled $444.8 million. Cumulative benefits

were $2,861,000,000. The same annual report shows that 72,307 disability annuitants were receiving an average monthly payment of $81.52, which is $1.23 below the average of all annuities. Assuming, from this average annuity, that an average spouse's annuity under H. R. 5065 would be the maximum of $40 per month, it would appear that there are about 2,600 individual cases in which the spouse of a disability annuitant would be eligible under this legislation to receive a much-needed annuity. This figure is reached on the basis of the Railroad Retirement Board estimate of the cost of this legislation as set forth in the printed hearings before the Joint Committee on Railroad Retirement Legislation on Senate Concurrent Resolutions 51 and 56, 82d Congress. The cost of granting this additional annuity would be paid out of the railroad-retirement fund.

Of course, I shall support the pending measure. I hope the Committee will give further consideration to other inequities that ought, by all means, to be corrected.

Mr. CROSSER. Mr. Chairman, I ask unanimous consent to proceed for 4 minutes to answer two statements that I think should be cleared up.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

Mr. HALLECK. Mr. Chairman, there was a limitation on time. The gentleman from Ohio has spoken. Many Members are anxious to get away. I certainly do not want to be discourteous, but I do feel constrained to object, in view of the limitation of time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. BENNETT].

The amendment was rejected.

The CHAIRMAN. Under the rule the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANFIELD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 356) to amend the Railroad Retirement Act of 1937, as amended, pursuant to House Resolution 336, reported the bill back to the House with an amendment adopted in the Committee of the Whole.

AMENDING THE RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. BENNETT of Michigan. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. The Chair has served notice that he would recognize a Member on the Democratic side to offer a motion to recommit if they so desired.

Mr. CROSSER. Mr. Speaker, I defer to the gentleman from Michigan.

The SPEAKER. The Chair seeing no one rise on the Democratic side recognizes the gentleman from Michigan [Mr. BENNETT].

Mr. BENNETT of Michigan. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. BENNETT of Michigan. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BENNETT of Michigan moves to recommit the bill, H. R. 356, to the Committee on Interstate and Foreign Commerce.

Mr. WOLVERTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. BENNETT of Michigan. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The bill was passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. WOLVERTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks on H. R. 356.

Calendar No. 1486

83D CONGRESS
2d Session

SENATE

REPORT
No. 1476

AMENDING THE RAILROAD RETIREMENT ACT OF 1937, SO AS TO ELIMINATE REDUCTIONS OF ANNUITIES AND PENSIONS IN CERTAIN CASES

MAY 28 (legislative day, MAY 13), 1954.—Ordered to be printed

Mr. GOLDWATER, from the Committee on Labor and Public Welfare, submitted the following

REPORT

[To accompany S. 2178]

The Committee on Labor and Public Welfare, to whom was referred the bill (S. 2178) to amend the Railroad Retirement Act of 1937, as amended, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass. This bill is a companion bill to H. R. 356 which passed the House of Representatives July 24, 1953.

PURPOSE OF THE BILL

This bill would amend the Railroad Retirement Act of 1937, as amended, by repealing the last paragraph of section 3 (b) thereof (commonly called the dual-benefit provision) and would be effective as of October 30, 1951, the date this provision became a part of the law.

The last paragraph of section 3 (b) reads as follows:

> The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and

(C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.

HOW THE DUAL-BENEFIT PROVISION OPERATES

This provision requires a reduction in the railroad benefit by that portion of the annuity based on years of service and compensation before 1937 or by the amount of any old-age benefit to which the railroad annuitant is entitled under the Social Security Act, whichever is smaller.

The provision operates so that the annuity payable to the railroad annuitant who has had no creditable service before 1937 is unaffected by his entitlement to any old-age benefit. But the annuity payable to an employee who does have creditable railroad service prior to 1937 is reduced to the extent of any old-age benefit to which he simultaneously may be entitled under the Social Security Act (or would be if he filed for it) even though he receives no payment under that act because of employment. The annuity, however, may not be reduced below the amount payable on railroad service after 1936 alone. Accordingly, any old-age benefits which the employee may have earned have the effect of nullifying part or all of the credit otherwise allowed for railroad service rendered before 1937. The annuitant is, however, allowed full credit for railroad service on which he paid full taxes. If the dual-benefit restriction is applied to an employee who was entitled to receive a railroad annuity on October 29, 1951, it may not operate to reduce the sum of the railroad and social-security benefits which the employee and his family are entitled to receive for any month to an amount below the corresponding sum on that date.

PERSONS AFFECTED

There are an estimated 38,000 persons affected by this provision out of a total of 280,000 retired employees and 540,000 persons who are now receiving benefits under the law. This is approximately 13 percent of the retired employees and about 7 percent of the total beneficiaries under the act. A total of 1½ million workers are in active service in the railroad system today.

THE COMMITTEE AMENDMENT

The committee amendment to the bill merely corrects a typographical error in the bill in the reference to the provision of the Railroad Retirement Act defining the terms "widow", "widower", and "child". These terms are defined in section 5 (l) (1) of the act rather than in section 5 (1).

INTEREST IN THE LEGISLATION

Since the dual benefit provision was enacted, Members of Congress and of this committee have been besieged by letters of complaint from affected individuals and organizations representing annuitants and pensioners. The widespread interest in the repeal of this provision is indicated by the fact that in this Congress some 18 bills were introduced in the House and 4 in the Senate (S. 1355, S. 1776, S. 1911, and S. 2178) to accomplish this purpose. The bills differ somewhat in detail but are the same in principle and objective.

BACKGROUND TO THE ENACTMENT OF THE DUAL BENEFIT PROVISION

The so-called dual-benefit ban was one feature of a comprehensive law enacted in 1951 (Public Law 234, 82d Cong.) which provided additional and more liberal benefits to railroad annuitants and their survivors. Among other things, the 1951 amendments increased all annuities and pensions by 15 percent, provided a spouse's benefit of 50 percent of the annuitant's benefit up to a maximum of $40 a month, and increased survivor benefits an average of 33⅓ percent. Notwithstanding these increased costs to the fund, Congress did not provide for increasing the payroll tax to meet the additional cost of the liberalizing amendments. Ways were sought to effect sufficient savings to permit enactment of the liberalizing legislation without damage to the solvency of the retirement fund. The dual benefit prohibition was advanced as one of several means of accomplishing a saving. It must be noted, however, that effective January 1, 1952, the payroll tax rate was increased from 6 to 6¼ percent by reason of provisions contained in Public Law 372, 79th Congress, 2d session.

WHY THE DUAL BENEFIT RESTRICTION SHOULD BE REMOVED

Undoubtedly there is merit to the proposition that double credit for untaxed prior service is undesirable. That argument is not properly applicable here, however, inasmuch as railroad retirement tax payments are weighted to contain an allowance toward the cost of service prior to 1937 when the railroad retirement law went into effect. Thus it follows that retirees under the railroad retirement system have paid something into the fund to cover years of service rendered prior to the enactment of the railroad retirement law and it cannot properly be said that they are receiving benefits which they have not at least in part purchased with payroll deductions. Two and one-half years of experience have demonstrated that when Congress adopted the so-called dual-benefit ban, it was not aware of and could not have appreciated its full significance and impact. The committee has now reexamined this provision in the light of its effect on retired annuitants and pensioners since 1951 and has concluded that there have been unintended results from the 1951 provision which recommend its immediate repeal.

The repeal of this provision will increase the cost to the system. The Railroad Retirement Board has estimated that additional disbursements will be $11 million a year for the first 10 years after repeal; $15 million a year for the next decade; $9 million a year for the third; $3 million a year for the fourth and steadily decreasing amounts thereafter until about the year 2000, after which additional disbursements resulting from repeal will cease. The aggregate additional disbursements will be $385 million. The cost in terms of a level percentage of payroll assumed to be $5 billion annually is 0.15 percent. There is presently a level cost deficiency of 0.91 percent. Enactment of S. 2178 would increase the deficit to an estimated 1.06 percent. While opponents of the repeal of this legislation, including the Board, laid great stress on the possible danger to the fund in the enactment of this legislation, none was able to state any persuasive reason for fearing that the relatively small cost of repeal would destroy the solvency of the fund. In connection with these percentages it is

interesting to note that the Board, in reporting on the 1951 amendments, concluded that a deficit of 1.645 percent of an assumed $5.2 billion level payroll was no reason for concern about the solvency of the fund and yet, with respect to the legislation proposed here, view with alarm an increase in the deficit from 0.91 to 1.06 percent

In the report of the Joint Committee on Railroad Retirement Legislation there is a projection indicating that the railroad retirement account will be exhausted in about 56 years—2010. There is testimony that enactment of S. 2178 would advance the date by perhaps 5 years—to 2005. This indicates the relative insignificance of the impact of S. 2178 on the solvency of the fund. What is more important, however, is that, with or without the dual-benefit provision, the retirement system is underfinanced and operating at a deficit. The dual benefit ban was designed to produce sufficient savings to help put the fund on a sound financial basis. In view of the evidence that it does not do so but plays only a relatively minor part in the whole structure of the fund, the factors of cost and savings lose significance.

Because of the present deficit and the increased demands on the fund which will be created by the enactment of this legislation, consideration may have to be given at some future date to ways and means of increasing receipts into the fund. In this respect, time is not of the essence and the question of finding proper sources of revenue can be considered some time hence.

CONCLUSION AND RECOMMENDATION

The House Committee on Interstate and Foreign Commerce conducted lengthy hearings and gave this matter very careful attention. This committee has had the benefit of that action and has itself taken considerable testimony. In addition, the matter has been given long and serious study by individual members of the committee, by the committee staff, by a specially appointed subcommittee, and by the committee as a whole. In the light of this background, the committee has concluded that the so-called dual benefits ban has produced hardships which were not intended and which could not reasonably have been anticipated at the time the provision was proposed and adopted. It is the feeling of the committee therefore that the dual-benefits ban provision should be repealed. The committee recommends prompt enactment of the bill here being reported.

CHANGES IN EXISTING LAW

In accordance with subsection (4) of rule XXIX of the Standing Rules of the Senate, the changes made in existing law by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

SECTION 3 (b) OF THE RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

COMPUTATION OF ANNUITIES

SEC. 3. (a) * * *.

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however,* That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation (including compensation in any month in excess of $300) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation (including compensation in any month in excess of $300) for service rendered anywhere to an employer after January 1, 1937.

(2) In all other cases, the years of service shall include only the service subsequent to December 31, 1936.

(3) Where the years of service include only part of the service prior to January 1, 1937, the part included shall be taken in reverse order beginning with the last calendar month of such service.

[The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however,* That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.]

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AMENDMENT OF RAILROAD RETIREMENT ACT OF 1937—BILL PASSED OVER

The bill (S. 2178) to amend the Railroad Retirement Act of 1937, as amended, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. GORE. By request, I ask that the bill go over.

The PRESIDING OFFICER. By request, the bill goes over.

Mr. GORE. I believe that concludes the call of the calendar, with the exception of bills passed to the foot of the calendar.

AMENDMENT OF RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

Mr. KNOWLAND. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1486, Senate bill 2178.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 2178) to amend the Railroad Retirement Act of 1937, as amended.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Labor and Public Welfare with an amendment.

AMENDMENT OF RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

The Senate resumed the consideration of the bill (S. 2178) to amend the Railroad Retirement Act of 1937, as amended.

Mr. COOPER obtained the floor.

Mr. SMITH of New Jersey. Mr. President, will the Senator from Kentucky yield to me?

Mr. COOPER. I yield.

Mr. SMITH of New Jersey. I understand that the distinguished Senator from Kentucky is about to explain the bill (S. 2178) to amend the Railroad Retirement Act of 1937, as amended, which was reported on May 28 by the junior Senator from Arizona [Mr. GOLDWATER], the bill itself having been introduced by the senior Senator from New Hampshire [Mr. BRIDGES].

Mr. COOPER. That is correct.

Mr. SMITH of New Jersey. Mr. President, will the Senator from Kentucky yield to me at this point, in order to permit me to suggest the absence of a quorum?

Mr. COOPER. I yield for that purpose.

Mr. SMITH of New Jersey. Then, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HENDRICKSON in the chair). The absence of a quorum having been suggested, the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. SMITH of New Jersey. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. COOPER. Mr. President, the pending bill, Senate bill 2178, would amend the Railroad Retirement Act of 1937, as amended, by repealing the last paragraph of section 3 (b) thereof, commonly called the dual-benefit provision, and would be effective as of October 30, 1951, the date this program became a part of the law.

At this point I ask unanimous consent to have printed in the RECORD as a part of my remarks the last paragraph of the section of the Railroad Retirement Act to which I have referred, namely, section 3 (B).

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.

Mr. COOPER. A companion bill to Senate bill 2178—namely, House bill 356—was introduced in the House by our distinguished colleague Representative JAMES VAN ZANDT, of Pennsylvania. He was very active in its support, and the bill was passed in the House, after debate on the call of the Consent Calendar.

Hearings on the Senate bill, which was introduced by the distinguished Senator from New Hampshire [Mr. BRIDGES] were conducted by a subcommittee of the Committee on Labor and Public Welfare under the leadership of the late Senator Dwight Griswold of Nebraska.

The hearings continued for several weeks. It is my recollection that they began in March. The bill has been almost constantly under discussion, either in the subcommittee or the full committee, since that time.

During the hearings Senator Griswold insisted, with his characteristic conscientiousness and thoroughness, that the fullest hearings and consideration be accorded the bill. After his untimely and unfortunate death, the Senator from Arizona [Mr. GOLDWATER] became chairman of the subcommittee and reported the pending bill. As one of the members of the subcommittee who participated in the hearings, I am now presenting the bill.

The reason which led to the consideration of the bill and its favorable report should, I think, be explained, because the bill affects a large body of railroad workers and their families. There are approximately 540,000 persons eligible for annuities under the Railroad Retirement Act; 280,000 of them are actual railroad workers.

The restriction in the Railroad Retirement Act which the bill is intended to remove is known as the dual-benefit clause. When comprehensive law was enacted in 1951, Public Law 234, of the 82d Congress, to provide additional and more liberal benefits to railroad annuitants and their survivors, this restrictive provision was inserted. Its effect may be briefly described as follows:

Under the act, railroad workers or their survivors eligible for annuities under the Railroad Retirement Act, are permitted to receive annuities both under the Railroad Retirement Act and under the Old Age and Survivors Insurance Act, commonly known as the Social Security Act, if they had creditable service after 1937.

But making a distinction, the bill provided that workers who had creditable service before 1937 could not receive annuities under both systems. It provided that such a railroad employee was not eligible to receive annuities in full from both retirement systems. It required that there should be deducted from the total annuities payable to him a sum equal to the amount which otherwise he would have been entitled to receive from social security or under the Railroad Retirement Act, whichever might be smaller.

It is the purpose of the bill to place on the same basis all those eligible under the Railroad Retirement Act to receive annuities. It will enable all railroad employees or survivors to receive annuities under both the Railroad Retirement Act and the Old Age and Survivors Insurance Act, if they have creditable service.

I think it should be said, so that the record may be clear, a group of railroad employees did not favor the passage of the bill.

Representatives of the nonoperating unions appeared in opposition to the bill. There would be no charge or cost to the Federal Government if this bill is enacted. It is supported by payments of the employees and the railroads. It will, however, increase the charges upon the funds of the Railroad Retirement Act.

It was argued by those who opposed the bill that its enactment would make the railroad retirement fund actuarially unsound.

The evidence on the question as to whether the increased charges will make the fund actuarially unsound was not decisive. The best that can be adduced from the evidence is that at some point in the future, perhaps 50 years, the fund might be exhausted.

In this connection it should be pointed out, that when the comprehensive act of 1951 was passed it was reported then that the enactment of that bill would create a prospective deficit in the Railroad Retirement Act.

Taking into consideration all the facts, the committee made the decision, as had been made by the House committee and by the House, that there was not any immediate prospect, or probability that the fund may become actuarially unsound. It is quite doubtful.

Taking into consideration the difference in the treatment accorded railroad workers who had creditable service before 1937, and those with creditable service after 1937, under the present Railroad Retirement Act, the committee felt it was equitable to remove the existing restriction and to place all railroad workers on the same basis.

It may be pointed out that the restriction works most unfavorably against the oldest employees of railroads. Many of them, although eligible for retirement, cannot retire, because they know that their annuities under the Railroad Retirement Act are not sufficient to provide for their needs. They continue to work past the age of retirement.

If the older railroad workers could retire with adequate annuities, employment for some of the younger men would be provided. It is possible that the enactment of the pending bill may in some cases provide an additional inducement to faithful railroad employees to retire which would bring about increased employment opportunities.

All that I can say further is, after long consideration, and after taking into account all the arguments presented, the committee considered this an equitable bill and reported it favorably for passage.

I am sorry that all of the members of the committee are not present on the floor to vote on the bill. We have had a quorum call. We have made every effort to lay the matter before the full Senate, so that it will not be said that a full opportunity to vote was not given. We have done this because the bill is an important one to over 500,000 railroad employees. There is no finer group of American citizens.

Again I wish to pay tribute to the late Senator Griswold for his conscientious and painstaking work on the bill.

Mr. SMITH of New Jersey and Mr. BRIDGES addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Kentucky yield; and if so, to whom?

Mr. COOPER. I yield first to the Senator from New Jersey, the distinguished and able chairman of the Committee on Labor and Public Welfare.

Mr. SMITH of New Jersey. Mr. President, as chairman of the Committee on Labor and Public Welfare I desire to commend the members of the subcommittee, who spent many hours in studying the subject in an effort to find a sound solution to this very difficult problem. I wish to pay special tribute to the late Senator Griswold, who had the matter in charge. I believe I am correct in saying that he favored the passage of the bill and he so reported just before he passed away.

Mr. COOPER. He was very strongly in favor of the bill.

Mr. SMITH of New Jersey. When a new subcommittee, under the chairmanship of the distinguished Senator from Arizona [Mr. GOLDWATER], assumed charge of the matter, I understand it took up the work where the subcommittee under the late Senator Griswold had concluded its work. The new subcommittee had the benefit of the research the late Senator Griswold had done and the excellent work the prior subcommittee had done. I may state further that the bill was unanimously reported by the subcominittee to the full committee. I wish to say that it was reported by the full committee without a recorded objection. The Senator from New Hampshire [Mr. BRIDGES], of course, originally filed his bill, and we dealt with his bill in committee.

Am I correct in my understanding that if the pending bill is passed, under our procedure the House bill will be substituted for the bill which is now before the Senate?

Mr. COOPER. That is the proper procedure. I should like to say also, so that the RECORD may be clear, that after the subcommittee reported favorably the pending bill to the full committee, the matter was discussed by the full committee, and efforts were made over a period of at least 2 months to secure agreement between the operating unions and the nonoperating unions. I am certain the distinguished chairman of the Committee on Labor and Public Welfare will agree with me that the committee postponed action for many weeks in the hope that some agreement could be reached between the operating unions and the nonoperating unions.

Mr. SMITH of New Jersey. I can say that every opportunity was given by the full committee to all parties concerned in an effort to get agreement on a formula to which all could agree. It was only after the committee had received written communications, which are in the record, to the effect that agreement could not be had, that we felt we should act on the matter. Since the committee acted on the bill it has been reported that objection had been waived, and that there was no further objection to the passage of the bill as reported by the Senator from Kentucky. I have later information that that report may not be correct.

Mr. COOPER. I cannot say that the objections of the group of railroad workers to whom I referred have been withdrawn. I know of no objection in the committee.

I yield the floor.

Mr. BRIDGES. Mr. President, I shall take only a moment of the Senate's time. It is a very simple but a very justified bill that is now before the Senate. It is a companion bill to the bill sponsored and supported by the distinguished Representative from Pennsylvania, Mr. VAN ZANDT, who has made a long study of this type of legislation and who is a very patriotic citizen.

The pending bill, as the distinguished Senator from Kentucky has stated, has had the study of the subcommittee to the fullest extent.

Simply stated, the bill repeals section 3 (b), commonly known as the dual-benefit section of the Railroad Retirement Act. That provision of the Railroad Retirement Act prohibits a retired railroad employee from receiving annuities under both the Railroad Retirement Act and the Social Security Act.

If a retired railroad worker is receiving a pension under the Railroad Retirement Act and has worked under and has been a member of the social security system, and has paid the social security taxes and has earned a social security annuity and is receiving, or is entitled to receive, an annuity under the social security system, the amount of that annuity is deducted from his railroad retirement annuity.

That is a very unusual arrangement, Mr. President. It is a unique provision. No other pension system I know of penalizes its annuitants in a similar manner. If a man is receiving a pension, for example, under the civil service retirement system, he is allowed to receive that pension and any other annuity he may have earned and is entitled to receive.

It is interesting to note that if a railroad employee receives a pension in addition to his railroad retirement pension from any other source except socal security, no reduction is made in his railroad retirement annuity. Only in this case is the exception made.

I believe the bill would correct a wrong and an injustice, and I believe it should have the support of all Members of the Senate.

I commend the members of the subcommittee. I see on the floor the distinguished Senator from Arizona [Mr. GOLDWATER] and the distinguished Senator from Kentucky [Mr. COOPER]. I wish to commend also the other members of the subcommittee who are not present today, the Senator from New Hampshire [Mr. UPTON] and other Senators. I believe the bill should have the support of the Senate.

I ask unanimous consent to have printed in the RECORD at this point a few letters which I have received in support of the bill.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

NASHUA, N. H., *July 14, 1953.*

Hon. H. STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: Because I have contributed to both the social security and the railroad retirement funds I am greatly interested in your bill, S. 2178. I have always believed that as both social security and the railroad retirement have my same social security number, they were lumped together and never realized that this had been changed in 1951.

Anything that you can do to pass your bill will be greatly appreciated by me.

Very truly yours,

RAYMOND FIELD,
Member, Brotherhood Railway Clerks, Beacon Lodge, No. 37.

BOSTON, MASS., *July 27, 1953.*

Senator S. BRIDGES,
Senate Office Building:

House passed H. R. 356. Will you please have Senate accept House hearings and pass your bill, S. 2178, railroad retirement.

C. E. BOYCE,
President, Lodge 461, B. of L. F. and E.
WOODSVILLE, N. H.

MANCHESTER, N. H., *July 14, 1953.*

Mr. H. STYLES BRIDGES.

MY DEAR SENATOR: I am writing you relative to S. 2178 which you have introduced. I am voicing the feelings of the thousands of railroad workers in New Hampshire who come under the Railroad Retirement Act. You know that in your study of the 1951 amendments that the railroad transportation worker was denied benefits for which he was taxed, and yet were being enjoyed by many others.

We all pray that you get prompt action on S. 2178 or H. R. 356, both of which we heartily favor and have either one passed by your noble Senate. Thanking you for all you have done in the past, I remain

Yours respectfully,

CHARLES S. FISHER.

NATIONAL ASSOCIATION OF RETIRED AND VETERAN RAILWAY EMPLOYEES,
Cincinnati, Ohio, May 17, 1954.

Hon. Senator STYLES BRIDGES,
Senator, State of New Hampshire,
Senate Building, Washington. D. C.

MY DEAR SENATOR BRIDGES: I take this means to thank you for sponsoring bill S. 2178, and I understand that the bill has been O. K.'d by the full subcommittee and that the bill will now go to the Senate for a vote.

On behalf of our unit in Cincinnati of 800 members, we hope that this bill will not be delayed much longer, since H. R. 356 passed the House of Representatives last year.

Depriving about 38,000 railroaders of the dual benefit which they earned has been a hardship to a great many; and if anything can be done to expedite this bill which you will recommend, we will be glad to do so.

We have written our Senators JOHN W. BRICKER and THOMAS A. BURKE, of the State of Ohio, and asked them to support your bill in our behalf.

I might state to you my specific case on this restricted dual benefit. I paid into social security 14 years and 11 months, also in the Railroad Retirement Act the same amount of time. My social-security benefits were $31.50 and my railroad retirement benefits were $117.55. Of course, the $31.50 is deducted from my railroad retirement benefits, and I get $86.50 instead of the full amount, $117.55, and, understand, I paid into both of them 14 years and 11 months.

We have many in our Cincinnati unit in the same category, and I know you will admit if we received both of them it would not be enough to live on these days.

Again I want to thank you for sponsoring S. 2178, and I know our pensioners will never forget you for coming to their aid at this time.

I will be pleased to hear from you as to what you think is the prospect of having this bill passed in the near future.

Sincerely yours,

HARRY F. FRITSCH,
Secretary.

BROTHERHOOD OF RAILROAD TRAINMEN,
Woodsville, N. H., July 15, 1953.

Senator STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SIR: Wish to thank you for introducing bill S. 2178, to amend the Railroad Retirement Act correcting an unjust provision of the 1951 amendments whereby social security benefits are deducted from a man's railroad retirement.

Would appreciate it very much if you will use your great influence in the Senate for the early passage of this bill or H. R. 356.

Sincerely,

E. F. GALLAGHER,
B. & M. Railway Conductor (40 years' service).

MANCHESTER, N. H., *July 14, 1953.*

Hon. Senator STYLES BRIDGES,

DEAR SIR: Have just been informed that you are sponsoring a bill S. 2178, very similar to Congressman VAN ZANDT'S bill H. R. 356. I sincerely hope that one or the other of these bills will be passed, at this session, as there are over 30,000 retired railroad men who are in need of your assistance in remedying the injustice done them when the Railroad Retirement Act was amended in October 1951.

Sincerely,

JOE HEROEUX.

ORDER OF RAILWAY CONDUCTORS,
BROTHERHOOD OF RAILROAD TRAINMEN,
Washington, D. C., July 9, 1953.

Hon. STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BRIDGES: There is enclosed a copy of the report of the House Committee on Interstate and Foreign Commerce recommending the enactment of H. R. 356 to amend section 3 (b) of the Railroad Retirement Act by striking out the last paragraph thereof effective as of October 30, 1951. This bill is identical to S. 2178 by Senator BRIDGES.

There is also enclosed a memorandum giving our reasons for seeking this legislation, which is actively supported by the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railway Conductors, and the Brotherhood of Railroad Trainmen. The undersigned have been authorized to speak for the two enginemen organizations.

The 1951 amendments wrote into the act a provision that never had been in the act before, and which provides that "the railroad annuity or pension of an individual and the annuity of his spouse, if any, shall be reduced beginning with the month with which such an individual is, or on proper application, would be entitled to an old age insurance benefit under the Social Security Act." This is the so-called social-security offset or social security dual benefit clause, and has worked a hardship on more than 30,000 retired railroad workers.

We urgently urge your support of this legislation.

Respectfully,

W. D. JOHNSON,
Vice President, and National Legislative Representative, Order of Railway Conductors.

HARRY SEE,
National Legislative Representative, Brotherhood of Railroad Trainmen.

MEMORANDUM IN SUPPORT OF H. R. 356 AND S. 2178

Our reasons for desiring the repeal of the provisions of the Railroad Retirement Act, which reduces the amount of a railroad annuity or pension where the individual or his spouse is (or on proper application would be) entitled to certain insurance benefits under the Social Security Act, are as follows, and have been set forth in part by the Legislative Reference Service of the Library of Congress and are printed in the May 5, 1953 CONGRESSIONAL RECORD as part of the remarks of Senator ED JOHNSON of Colorado:

1. It makes a discrimination contrary to the spirit of the 1937 act, which was careful to give full credit for prior service, a concept continued in subsequent amendments, which increased benefits and protection, without such a discrimination until 1951.

2. It applies a penalty retroactively against workers who, in good faith, and according to existing law, have sought to increase their retirement income by supplementing their railroad annuity with a social security benefit toward which they have also contributed.

3. It discourages workers from continuing in employment covered by social security after age 65, because they must pay the payroll tax under social security even though it may not increase their combined benefit income.

4. It imposes an indirect work clause penalty for engaging in employment, covered by social security, after age 65.

5. The objection to meeting costs in this manner is that it discriminates retroactively against a selected group of beneficiaries, creating a group of "second class" annuitants.

Always in the past when the Railroad Retirement Act has been amended it has been done so in such a manner as to be beneficial to retired railroad employees but the amendment enacted in 1951 was harmful to more than 30,000 railroad employees and their spouses.

The Railroad Retirement Act, as you know, is entirely self-supporting. This amendment does not add any cost to the Government. This clause in the law is the only one in any self-supporting retirement system which penalizes the thrifty workers who choose to pay to receive dual benefits providing for a more decent old age.

CONCORD LODGE NO. 537,
BROTHERHOOD OF RAILROAD TRAINMEN,
July 15, 1953.

Hon. H. STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BRIDGES: It has been called to our attention that you have introduced bill S. 2178 to amend the Railroad Retirement Act to eliminate the provision which prohibits payment of both railroad retirement and social security to a pensioner.

We cannot stress too strongly the injustice of the present law. Several cases are known to the members of this organization in this locality where this deduction from the railroad pension of the amount of the social security benefit has worked a great hardship on the pensioner. Therefore, we wish to advise that we favor your amendment and urge that you take prompt action to see that either your bill or H. R. 356 is passed by the Senate since this amendment will affect thousands of railroad men throughout the country, many of whom might have applied for their pensions had it not been for this deduction.

Sincerely yours,

H. J. JONES,
Secretary.

NASHUA, N. H., *July 14, 1953.*

Hon. H. STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I am very much interested in the passage of your bill S. 2178 as I have both Social Security and Railroad Retirement and I always assumed these amounts that I have contributed were lumped together so that my pension would include both the Social Security and the Railroad Retirement payments.

I certainly am very much in favor of your bill, S. 2178, and will appreciate anything you may be able to do to see that this bill is passed.

Very truly yours,

ERNEST D. LANDRY,
Member of Brotherhood Railroad Trainmen, Merrimack Lodge No. 266.

CONCORD, N. H., *March 13, 1954.*

Hon. STYLES BRIDGES,
Senator, Senate Office Building,
Washington, D. C.

DEAR SENATOR BRIDGES: As legislative representative for the Ladies Auxiliary to the Brotherhood of Railroad Trainmen I am writing to you and Senator Upton requesting that you vote favorable on Senate bill 2178 and H. R. 356 to amend section 3-b of the Railroad Retirement Act.

With kindest personal regards, I am,

Respectfully yours,

ANNE M. LOVEJOY,
Legislative Representative, L. A. to B. R. T. No. 130.

FORT WORTH, TEX., *May 24, 1954.*

The Honorable STYLES BRIDGES,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BRIDGES: Today's Trainmen News carries the good news that you have introduced in the Senate bill S. 2178 (the Senate version of H. R. 356). I wish to express my heartfelt thanks to you as I am one of the many who are suffering from the injustice this bill will rectify.

I retired in 1943 when I was 65 as I was suffering with stomach ulcers, and when I was better, I worked at different times, as much as I was able, to help with the manpower shortage and to supplement my retirement benefits. I qualified for the minimum social security which has been taken from me by deducting it from my railroad retirement. I am in great need of this added small amount now since I have crippling arthritis.

Again thank you.

Most sincerely yours,

HUGH C. SLOAN.

MANCHESTER, N. H., *July 13, 1953.*

Hon. H. STYLES BRIDGES.

DEAR SENATOR: I understand you are sponsoring a bill S. 2178, relative to the Railroad Retirement Act which is practically the same as Congressman VAN ZANDT'S bill H. R. 356.

I greatly appreciate the interest you are both taking to remedy the gross injustice which was done to retired railroad men, when the retirement bill was amended in October 1951, which meant a loss to my wife and I of about $58 a month, it has worked a great hardship on us, which I hope will be remedied at an early date.

Will you kindly send me a copy of your bill and oblige,

Yours very truly,

C. E. TROTT.

Mr. WELKER. Mr. President, I commend the wisdom and the ability of the late Senator Griswold, who did most of the work in connection with the bill, and I also commend my distinguished colleague from Arizona [Mr. GOLDWATER], who carried on that work thereafter, and my distinguished colleague from Kentucky [Mr. COOPER], who is handling the bill on the floor.

Mr. President, the railroad workers whom I know are just about as high-class individuals as any I have ever met at any place or at any time, and it is my conviction that many thousands of retired railroad workers have been done a terrible injustice by the provisions of section 3 (b) which prevent them from receiving their just entitlement under the Railroad Retirement Act.

The 38,000 retired personnel are, in my opinion, entitled to their full retirement annuities after they become eligible for social-security benefits for which they have made their payments diligently.

There are, I think, approximately 540,000 railway workers throughout the Nation who are interested in this proposed legislation, who labored for years in the railroad industry, who made their payments, and who have become eligible for retirement compensation. It is my information that those thousands of retired railway workers are the only group of pensioners restricted from receiving their full retirement benefits at the time they are eligible for social-security benefits.

I do not wish to detain the Senate any further. The many railway workers in my State and throughout the Nation will certainly appreciate the passage of the bill.

Mr. GOLDWATER. Mr. President, I wish to commend my colleague, the Senator from Kentucky [Mr. COOPER] for the diligent and effective work he has done in connection with this measure.

It has received most careful consideration, not only from the subcommittee, under the late Senator Griswold, but from the committee as a whole. While at first there were some disagreements regarding the bill, they have been ironed out.

The correction this bill makes in the existing law is long overdue. I wish to read one paragraph from a letter from a retired engineer of the Pennsylvania Railroad Co.:

When I retired on December 31, 1942, after over 40 years of service with the railroad, I was given an annuity of $93.87 per month which through subsequent increases of 20 percent and a later increase of 15 percent raised my annuity to $129.80 which was immediately reduced to $98.30 by deducting the amount of my social security, $31.50, and I know of other retired men who have been reduced up to nearly $60 per month.

I wanted to read that excerpt into the RECORD to show the inequity being done under the language of the law which we are now about to correct. It is not intended to deny any retired railroad worker the things he has earned and to which he is entitled.

I commend my colleagues on both sides of the aisle for their work in connection with the bill.

Mr. LANGER. Mr. President, with reference to the pending bill, I wish to read a telegram which I received from T. C. Carroll, president of the Brotherhood of Maintenance of Way Employees. The telegram which is dated June 2, 1954, reads as follows:

WASHINGTON, D. C., *June 2, 1954.*

Senator WILLIAM LANGER,
United States Senate,
Washington, D. C.:

This telegram pertains to S. 2178 repealing section 3 (b) of the Railroad Retirement Act. Approximately 540,000 individuals, including 280,000 retired employees, now receive benefits under that act, but of the 34,500 now affected by the dual-benefit restriction only a comparatively small percentage are protesting the restriction. In 1951, it developed that liberalizing amendments being considered by Congress might make the system actuarially unsound unless compensating provisions were included. All the standard railroad labor organizations approved section 3 (b) as one of these offsetting provisions to obtain the amendments. Almost immediately some of them began a movement to have section 3 (b) repealed, and H. R. 356 originated in the House. In December 1953 all the standard railroad labor organizations approved a substitute to H. R. 356 which I introduced at hearings on February 17, 1954, before the Senate Committee on Labor and Public Welfare (see page 132 of hearings). In January 1954 three of the transportation organizations withdrew from the agreement to support this substitute (pages 125 and 135 of hearings). On two subsequent occasions, the first one at the request of the chairman of the Senate Committee on Labor and Public Welfare, representatives of Railway Labor Executives Association made honest efforts to reach an agreement with representatives of the four transportation organizations, but they would not recede one iota from their position that they would support nothing other than H. R. 356. The chairman of the Senate committee advised April 1, 1954, by letter, that the committee would not act on any pending railroad-retirement legislation until disposition had been made of H. R. 356. The chairman of Railway Labor Executives Association made a report to the chairman of the committee of our efforts and failure to reach an agreement. On May 14 the Senate committee ordered a favorable report on S. 2178, which contains the language of H. R. 356. We feel that this capitulation to those who wish to take advantage of the opportunity to draw full benefits under both the Railroad Retirement and Social Security Acts places a tremendous financial burden, and we think an unjust burden, of $385 million on railroad workers and the railroads, who are paying the tax to support the railroad retirement system. Those affected by the dual-benefit restriction have paid little, if any, tax into the railroad-retirement system, and certainly they have paid very small taxes to the social-security system, having taken advantage of the 1950 new-start clause under the Social Security Act. Their annuities have been materially increased since the Railroad Retirement Act was first passed, and in each instance those on the retirement rolls were given the benefit of the increases regardless of the amount of tax they may have contributed to the system. Their position is much more advantageous than that of railroad workers who though qualified for retirement remain at work and those who retire when qualified but do not obtain employment under social-security coverage. We think it is too much to place a further burden on present and future railroad workers through the enactment of S. 2178 or similar bills, and on behalf of the 250,000 workers represented on United States railroads by my brotherhood, I respectfully request that you vote against this measure.

T. C. CARROLL,
President, Brotherhood of Maintenance of Way Employees.

Mr. President, I am not a member of the committee. The appropriate committees have studied the matter fully and completely. I bring this telegram to the attention of the Members of the Senate, because I believe any telegram sent by T. C. Carroll, president of the Brotherhood of Maintenance-of-Way Employees, is worthy of consideration. I have no doubt that the members of the Committee on Labor and Public Welfare have studied the matter, and the information in the telegram undoubtedly has received their full attention.

Mr. COOPER. Mr. President, I thank my good friend the distinguished Senator from North Dakota for reading the telegram. The committee considered all the matters which are the subject of the telegram which has just been read. It was only after long delays and attempts to get the opposing group to agree that the committee recommended the passage of the bill.

Mr. President, there is pending before the Committee on Labor and Public Welfare, House bill 356, which is identical to the Senate bill which is now before the Senate. In the interest of expediting the enactment of the legislation, it would be advisable to consider and pass H. R. 356 in lieu of the Senate bill. Therefore I ask unanimous consent that the Committee on Labor and Public Welfare be discharged from further consideration of House bill 356 and that the House bill be considered and passed in lieu of Senate bill 2178.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Committee on Labor and Public Welfare is discharged from the further consideration of House bill 356. Is there objection to the present consideration of the House bill?

There being no objection, the bill (H. R. 356) to amend the Railroad Retirement Act of 1937, as amended, was considered, ordered to a third reading, read the third time, and passed.

The PRESIDING OFFICER. Without objection, Senate bill 2178 is indefinitely postponed.

Public Law 398 - 83d Congress
Chapter 300 - 2d Session
H. R. 356

AN ACT

All 68 Stat. 250.

To amend the Railroad Retirement Act of 1937, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 (b) of the Railroad Retirement Act of 1937, as amended, is hereby further amended, effective October 30, 1951, by striking the last paragraph thereof.

Dual benefits
65 Stat. 684.
45 USC 228c.

SEC. 2. In the case of any deceased individual whose death occurred before the first day of the first month following the month in which this Act is enacted, so much of any annuity or pension payment as is due such individual by reason of the enactment of the first section of this Act shall be paid only—

(1) to the widow or widower of the deceased, if such widow or widower is living on such first day; or

(2) if there is no such widow or widower, to the child or children of the deceased if such child or children are living on such first day.

For the purposes of this section, the terms "widow", "widower", and "child" have the same meanings as those assigned to such terms by section 5 (l) (1) of the Railroad Retirement Act of 1937, as amended.

45 USC 228e(l).

Approved June 16, 1954.

STANDARD FORM NO. 64

SSA - OASI

Office Memorandum • UNITED STATES GOVERNMENT

14:A

TO : Administrative, Supervisory and Technical Employees

DATE: June 17, 1954

FROM : Victor Christgau, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 205
Enactment of H.R. 356, Bill Repealing the Railroad Retirement Reduction Provision

On June 16 the President signed H.R. 356, the bill deleting the reduction provision of the Railroad Retirement Act which applies in retirement cases. The bill became Public Law 398, 83rd Congress.

At present section 3 (b) of the Railroad Retirement Act requires the Railroad Retirement Board to reduce a retired worker's railroad retirement pension or that part of his retirement annuity based on railroad service before 1937 by the amount of any old-age and survivors insurance benefit that he is receiving, or is eligible to receive. Public Law 398 repeals section 3 (b) effective October 30, 1951, the date that section was enacted. The reduction provisions of the Railroad Retirement Act applying to spouse's and survivor annuities would not be affected by Public Law 398.

Since the amendment is fully retroactive, the Railroad Retirement Board will be faced with the necessity of making many refunds in dual benefit cases, often of substantial amounts. Public Law 398 provides that in cases where the retired railroad worker has died during or before the month of enactment the refund of the amounts deducted shall be paid only to the widow or widower, or to the child or children, of the deceased worker.

Information on modifications in administrative procedures will follow.

Victor Christgau

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Interstate and Foreign Commerce. *Hearings on H.R. 356 and Other Bills Amending the Dual-Benefit Provisions of the Railroad Retirement Act. 83d Congress, 1st session.*

U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Railroad Retirement. *Hearings on S. 2178, Amending the Dual-Benefit Provisions of the Railroad Retirement Act. 83d Congress, 1st session.*

83D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1899

AMENDMENTS TO THE RAILROAD RETIREMENT ACT, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

JUNE 21, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Wolverton, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 7840]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

THE COMMITTEE AMENDMENTS

The committee amendments are as follows:

Page 2, line 11, strike out "(4) or (5)" and insert "4 or 5".

Page 3, line 1, strike out "of" and insert ", in"

Page 4, line 14, strike out "parenthetic phrases" and insert "parenthetical phrase".

Page 4, line 24, insert a comma after "section".

Page 4, line 25, strike out "Upon" and insert "upon".

Page 5, line 5, insert a comma after "section" and insert "first" before "appears".

Page 5, line 14, insert a semicolon at the end of the line.

Page 5, line 17, and page 6, lines 11 and 18, strike out "(1)" and insert "(l)".

Page 6, line 10, strike out "cease.' " and insert "cease;'.".

Page 6, after line 21, insert the following new section:

SEC. 15. The Railroad Retirement Act of 1937, as amended, is hereby amended by adding at the end thereof the following new section:

"SEC. 20. Any person awarded an annuity or pension under this Act may decline to accept all or any part of such annuity or pension by a waiver signed and

filed with the Board. Such waiver may be revoked in writing at any time, but no payment of the annuity or pension waived shall be made covering the period during which such waiver was in effect. Such waiver shall have no effect on the amount of the spouse's annuity, or of a lump sum under section 5 (f) (2), which would otherwise be due, and it shall have no effect for purposes of the last sentence of section 5 (g) (1)."

Page 6, line 22, insert "—Amendments to the Railroad Retirement Tax Act" after "Part II".

Page 7, line 11, strike out "510" and insert "1510".

Page 7, line 21, correct the reversed quotation marks.

Page 7, line 22, strike out "calenlar" and insert "calendar", and insert a comma after "1954".

Page 7, line 24, correct the reversed quotation marks.

Page 8, line 1, insert a comma after "$350".

Page 8, line 3, strike out "phrase;" and insert "phrase:".

Page 8, line 4, strike out "1954.' " and insert "1954'.".

Page 8, line 12, strike out "Act" and insert "subchapter".

Page 8, line 16, insert "—Amendments to the Railroad Unemployment Insurance Act" after "Part III".

Page 9, line 10, insert a comma before "and".

Page 9, line 15, strike out "300" and insert "400", and add after the period the following sentence:

Section 3 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure "400" for the figure "300".

Page 9, strike out line 16 and all that follows down through page 10, line 3, and insert the following section:

SEC. 304. (a) Subsection (a) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by substituting for the table the following:

"Column I Total compensation	Column II Daily benefit rate
$400 to $499.99	$3. 50
$500 to $749.99	$4. 00
$750 to $999.99	$4. 50
$1,000 to $1,299.99	$5. 00
$1,300 to $1,599.99	$5. 50
$1,600 to $1,999.99	$6. 00
$2,000 to $2,499.99	$6. 50
$2,500 to $2,999.99	$7. 00
$3,000 to $3,499.99	$7. 50
$3,500 to $3,999.99	$8. 00
$4,000 and over	$8. 50

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed $8.50. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both."

(b) Subsection (c) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by changing the period at the end thereof to a colon and by inserting after the colon the following: "*Provided, however*, That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; the total amount of benefits which may be paid to an employee for days of sickness, other than days of sickness in a maternity period, within a benefit year shall in no case exceed the employee's compensation in the base year; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period."

Page 10, line 13, strike out "1954'," and insert "1954,';".

Page 10, line 19, insert a comma before "and".

Page 10, line 21, strike out "for" and insert "in".

Page 11, line 5, strike out "as of" and insert "with respect to compensation paid on and after".

Page 11, lines 6 and 7, strike out "and 12" and insert "12, and 15".

Page 11, lines 10 and 11, strike out "under section 2 (a) (4) and section 2 (a) (5)" and insert "awarded under paragraph 4 or 5 of section 2 (a)".

Page 11, lines 14 and 15, strike out "which have been amended by sections 2 and 3" and insert "as in effect prior to the enactment".

Page 11, line 20, strike out "as" and insert "which".

Page 12, strike out lines 12 and 13.

The committee amendments are all of a technical or clarifying nature, except for (1) the amendment on page 6, after line 21, which adds a new section authorizing a railroad annuitant or pensioner to waive all or any part of his annuity or pension, (2) the amendments on page 9, line 15, which relate to the definitions of "qualified employee" and "subsidiary remuneration" for purposes of unemployment insurance, and (3) the amendment beginning on page 9, line 16, which contains provisions increasing and otherwise affecting the benefits payable under the Railroad Unemployment Insurance Act.

Provisions of the Reported Bill

The reported bill would amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act in the following respects:

AMENDMENTS TO THE RAILROAD RETIREMENT ACT

1. Benefits to widows, dependent widowers, and dependent parents at age 60

Under present law, an aged widow, dependent widower, or dependent parent is not eligible for a survivor annuity until age 65. The reported bill provides for a reduction in the eligibility age to 60.

2. Benefits to widowed mothers with disabled children

Under present law, benefits are payable to a widowed mother under age 65 only if she has in her care a child of the deceased employee under age 18. The child also is entitled to a benefit. Such benefits both to the widow and child cease when the child reaches 18 years of age. As stated above, under the provisions of the reported bill, a widow without children would become eligible for an annuity at age 60. The reported bill further provides that if the child has a permanent physical or mental condition prior to reaching age 18 which made him totally disabled, survivor benefits to the widowed mother and child would be payable even though the child may be over 18 years of age.

3. Elimination of reduction in survivor benefits on account of railroad retirement benefits in own right

Under present law, a widow, dependent widower, or dependent parent who receives a survivor benefit, and who is eligible for a retirement annuity in his or her own right because such individual has had railroad employment, would have the survivor benefit reduced by the

annuity to which such individual is entitled by reason of his or her own employment. Such individual cannot receive both amounts. The reported bill provides that both annuities shall be payable without deduction.

4. Increase in creditable compensation in the calculation of annuities

Under present law, a retirement annuity, other than the minimum annuity, is calculated on the basis of the individual's years of service in the railroad industry and his average monthly compensation. No more than $300 may be credited in any month.

The annuity is computed by multiplying an individual's years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $150.

The reported bill provides that compensation up to $350 a month shall be credited. Hence, under the provisions of this bill, an individual's annuity would be computed by multiplying his years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $200.

Under this provisior for increasing the creditable compensation to $350, individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. In fact, an individual who will have had 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Other examples of the effect of the bill on the annuities of individuals who will retire with 30 years service, of which 5, 10, 15, 20, and 25 years of service at a monthly compensation of $350 will have occurred after the enactment of this bill, are shown in table 1, appearing on page 12.

Survivor benefits also would be increased in those cases where the deceased employee will have had an average monthly compensation in excess of $300.

5. Crediting of compensation earned after age 65

Under present law, compensation earned after retirement age is used in computing an individual's retirement annuity, even though he may have had lower earnings after age 65 which would operate to reduce his average monthly compensation and therefore reduce his annuity. The reported bill provides that compensation earned after the individual has reached age 65 would be disregarded if the result of taking such compensation into account would be to diminish his annuity.

6. Disability work clause

Under present law, a disability annuitant who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months is deemed no longer disabled at the end of the 6-month period. The reported bill eliminates this test and provides instead for the non-payment of the annuity to a disability annuitant with respect to any month in which he is paid more than $100 in earnings from employment or self-employment.

7. Delegates to conventions

Under present law, the service of delegates to national or international conventions of railway labor organizations is covered employment under the act. These conventions frequently include delegates from units outside the railroad industry or outside the country who have no other covered employment. The accumulation of these trifling credits is of little if any value, particularly when compared with the nuisance of recording them and collecting the taxes on them. The reported bill excludes such service from coverage where the individual has no other previous covered employment.

8. Benefits to children who do not attend school

Under present law, a child of a deceased employee under 18 and over 16 years of age must attend school regularly if feasible in order to be eligible for a survivor's annuity. The reported bill would strike out the requirement that such a child must attend school in order to be eligible for a survivor's benefit. This provision was placed in the law originally because a similar provision was contained in the Social Security Act. This provision has long since been stricken from the Social Security Act, and it should be removed from the Railroad Retirement Act.

9. Waiver of retirement benefits

The reported bill provides that any person entitled to an annuity or pension under the Railroad Retirement Act may waive, in whole or in part, such annuity or pension which would otherwise be due. The purpose of the provision is to enable the annuitant or pensioner, by waiving all or part of his railroad retirement benefit, to come within the income limitations specified in the veterans' laws ($1,400 per year if the recipient is unmarried and $2,700 per year if the recipient is married or with minor children) and thereby qualify for a veteran's nonservice-connected pension. A similar provision is contained in the Civil Service Retirement Act of May 29, 1930, as amended by Public Law 555, 82d Congress.

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

Benefits payable under the Railroad Retirement Act are presently financed by a payroll tax of 6¼ percent on railroad employees and an equal tax on their employers, payable on each employee's compensation up to $300 a month, and by contributions from the Federal Government on account of creditable military service.

The reported bill would increase the tax base from $300 to $350 a month, effective July 1, 1954, leaving the tax rate of 6¼ percent unchanged.

Compensation for service as a delegate to a national or international convention of a railway labor organization, if such delegate has not previously rendered service covered under the Railroad Retirement Act, would be disregarded. As already noted, the reported bill would disqualify such delegates for any benefits under the Railroad Retirement Act.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Benefits under the Railroad Unemployment Insurance Act are payable to a qualified employee (1) for each day of unemployment or of sickness in excess of 7 in the first 14-day registration period of unemployment or of sickness in a benefit year in which he has 7 or more days of unemployment or of sickness and (2) for each day of unemployment or of sickness in excess of 4 in any subsequent 14-day registration period of unemployment or of sickness in the same benefit year. Benefits may be paid for a maximum of 130 compensable days in a benefit year for each type of benefit.[1]

Under present law, an employee is qualified for unemployment or sickness benefits in a benefit year if he is paid compensation totaling not less than $300 in a base year.[1] The daily benefit rate is determined by the employee's base-year compensation, in accordance with the following schedule:

Base year compensation:	Daily benefit rate
$300 to $474.99	$3.00
$475 to $749.99	3.50
$750 to $999.99	4.00
$1,000 to $1,299.99	4.50
$1,300 to $1,599.99	5.00
$1,600 to $1,999.99	5.50
$2,000 to $2,499.99	6.00
$2,500 to $2,999.99	6.50
$3,000 to $3,499.99	7.00
$3,500 and over	7.50

The bill as introduced made no changes in the compensation brackets and the daily benefit rates in the above schedule except for the last line. In lieu of the $7.50 daily benefit rate applicable to earnings of $3,500 and over, the bill as introduced provided for a daily benefit rate of $7.50 applicable to earnings of $3,500 to $3,999.99, and a daily benefit rate of $8 to earnings of $4,000 and over.

The introduced bill further provided that if the daily benefit rate payable to an employee is less than 50 percent of his daily rate of compensation for the employee's last employment preceding the registration period his daily benefit rate would be increased to that amount, but not to exceed $8.

During the hearings on the bill, Col. Raymond J. Kelly, Chairman, and Mr. Horace W. Harper, labor member, of the Railroad Retirement Board stated that while they agreed in principle as to the need for increasing unemployment benefits, they disagreed as to the method by which the increases should be made.

Mr. Harper favored the provision in the bill as introduced. Colonel Kelly did not favor this provision because, he stated, it would be difficult and costly to administer and it would be expensive for the carriers to provide the necessary information required for this purpose.

Subsequently, Colonel Kelly and Mr. Harper agreed on a compromise proposal which was adopted by the committee and incorporated in the bill as reported. Under this proposal, the daily benefit rate would be determined by the employee's base year compensation in accordance with the following schedule:

[1] A benefit year extends from July 1 to the following June 30; the base year is the calendar year preceding the beginning of the benefit year.

Base year compensation:	Daily benefit rate
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

This compromise proposal further provides that if the daily benefit rate to which an employee would be entitled under the above schedule would amount to less than half of his daily rate of compensation for the last employment in which he was engaged in the base year, his daily benefit rate would be increased to half of such amount but not exceeding $8.50. Also, the total amount of benefits which may be paid to an employee separately for unemployment or sickness within a benefit year cannot exceed his total compensation in the base year.

The unemployment and sickness benefit programs under the Railroad Unemployment Insurance Act are supported by contributions collected by the Railroad Retirement Board from the employers alone with respect to each employee in service. The contribution rate is based on a sliding scale and is fixed for any 1 year in accordance with the balance remaining in the unemployment insurance account as of the close of business on September 30 of the preceding year. The contribution rate is applicable to the employee's compensation not in excess of $300 for any calendar month.

The reported bill would increase the maximum compensation that would be subject to contribution to $350 a month.

The schedule of contribution rates provided for in section 8 of the Railroad Unemployment Insurance Act, as amended on June 23, 1948, is as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

Since the balance to the credit of the unemployment insurance account has been in excess of $450 million from the time this amendment became effective on January 1, 1948, the rate of contribution has been one-half of 1 percent since that time. The balance in the account as of March 1954, was approximately $627 million.

In accordance with the amendments proposed to be made in the Railroad Retirement Act and the Railroad Retirement Tax Act with respect to delegates attending a national or international convention of a railway labor organization, the reported bill likewise exempts from

the provisions of the Railroad Unemployment Insurance Act such delegates if they have not previously rendered service to an employer as defined in that act.

Sponsors of Bill

Ten Members of Congress have introduced bills identical to H. R. 7840, which was introduced by the chairman of your committee, Mr. Wolverton. These bills are: H. R. 7869 by Mr. Staggers; H. R. 7951 by Mr. Klein; H. R. 7956 by Mr. Williams of Mississippi; H. R. 7973 by Mrs. Buchanan; H. R. 7979 by Mr. Radwan; H. R. 8016 by Mr. Bennett of Michigan; H. R. 8028 by Mr. Heller; H. R. 8085 by Mr. Mack of Illinois; H. R. 8198 by Mrs. Sullivan; and H. R. 8332 by Mr. Springer.

The bill being reported herewith is being supported by all standard railroad labor unions, including the 4 train and engine service brotherhoods and all the 19 organizations affiliated with the Railway Labor Executives' Association.

The four train and engine service brotherhoods are Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, and Brotherhood of Railroad Trainmen.

The organizations affiliated with the Railway Labor Executives' Association are: Switchmen's Union of North America; the Order of Railroad Telegraphers; American Train Dispatchers Association; Railway Employees' Department, A. F. of L.; International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers; Brotherhood of Railway Carmen of America; Sheet Metal Workers International Association; International Brotherhood of Electrical Workers; International Brotherhood of Firemen and Oilers; Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express, and Station Employees; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen of America; National Organization of Masters, Mates and Pilots of America; National Marine Engineers' Beneficial Association; International Longshoremen's Association; Hotel and Restaurant Employees' and Bartenders International Union; Railroad Yardmasters of America; and Brotherhood of Sleeping Car Porters.

These organizations, as above listed, represent almost all of the railroad workers in the United States. They are often referred to as the standard railway labor organizations.

The spokesman for the railroad labor organizations, Mr. A. E. Lyon, advised the committee that these organizations maintain a constant review and study of the operations of the railroad retirement and the railroad unemployment insurance systems and are constantly examining the possibilities of improving the benefits to railroad workers and their families. These organizations, he stated, are not only concerned with the adequacy of benefits, but also place very great importance on the financial soundness and administration of the retirement system. Mr. Lyon stated, in part:

> The organizations for whom I am speaking have been almost constantly engaged for the past 5 months in a series of conferences to determine what changes they should recommend at this time.
>
> These conferences have been attended by principal executive officers of the unions as well as by other representatives. We have carefully examined a great

many proposals which have been made from time to time. We have had the best professional and technical advice available to us; and we have had the benefit of information supplied to us, at our request, by the able technical staff of the Railroad Retirement Board.

It is our considered judgment that the amendments proposed by H. R. 7840 are necessary at this time and that they should be promptly enacted.

NEED FOR LEGISLATION

During the 83d Congress, your committee has received thousands of letters and telegrams from retired railroad annuitants and pensioners, widows of railroad workers, active railroad workers, and representatives of these groups, and Members of Congress, urging various improvements in the benefits payable under the railroad retirement system and the railroad unemployment insurance system. The wide interest in this legislation is evidenced by the fact that over 60 bills to amend the Railroad Retirement Act have been introduced by Members of the House of Representatives and referred to your committee during this Congress. Your committee has held hearings on all these bills and considered each one very carefully.

Last year, your committee held hearings on H. R. 356 and 17 similar bills proposing to repeal the dual-benefit restriction provision enacted by the 1951 amendments to the Railroad Retirement Act (sec. 7 of Public Law 234, 82d Cong.). Under this provision of the law, a railroad retirement annuity which was based in part on service before 1937 had to be reduced if the annuitant or pensioner was receiving, or was eligible to receive on application, an old-age insurance benefit under the Social Security Act.

Your committee reported favorably on H. R. 356, providing for the repeal of section 7 of Public Law 234, retroactive to October 30, 1951, the date it became effective. This bill passed the House on July 24, 1953, and passed the Senate on June 2, 1954. It was approved on June 16, 1954, and is now Public Law 398 of the 83d Congress.

In March 1954 your committee held hearings on H. R. 7840, the bill here being reported, and 10 identical bills. Again on June 2 and 3, 1954, your committee held hearings on 30 other bills to amend the Railroad Retirement Act pending before the committee at that time.

In the consideration of all these bills, your committee has placed great emphasis on the effect of the proposed amendments on the financial soundness of the railroad retirement account. The committee is unanimously of the opinion that, regardless of the desirability of certain proposals for the liberalization of benefits under the Railroad Retirement Act, no amendments to the law should be made which would jeopardize the financial soundness of the railroad retirement system. The principle is accepted by all the standard railway labor organizations as well as railroad management.

Your committee has every desire to be helpful to retired railroad workers and their dependents. We are also mindful of our grave responsibility toward the currently active railroad workers and those who will follow, and who will retire in the future. We must make certain that when they retire from the railroad industry, the reserves in the railroad retirement account plus the income into the system will be adequate to pay the benefits due them.

RETIREMENT ACT BENEFITS

Benefits to widows, widowers, and dependent parents at age 60

In the consideration of the many bills and suggestions for amending the Railroad Retirement Act, the committee was particularly impressed with the desirability of reducing from 65 to 60 the age at which a widow of a railroad worker, without an eligible child, may qualify for survivor benefits.

The committee was advised that there is dire need in the case of many widows who had the misfortune of losing their husbands, with consequent loss of income to them. Experience has shown that few widows are fortunate enough to have employment at age 60. This is especially true when a widow is about age 60 at the time of her husband's death. A woman whose chief function in life has been to take care of her family and home is hardly in a position to secure employment after she is 50 years of age, and her opportunities are fewer still at age 60. The same conditions essentially exist with respect to dependent widowers and parents. Mr. Lyon, representing the railway labor organizations, stated that if such organizations were free to base their recommendations on need alone, they would have recommended an even lower eligibility age, but the costs involved made such a recommendation impossible at this time.

The reported bill provides for a reduction in the eligibility age for a widow without an eligible child, dependent widower, and dependent parent, who would be eligible to receive a survivor's annuity at age 60, rather than at age 65.

The estimated cost of this provision is $23,500,000 a year, or 0.432 percent of payroll on a level cost basis. The bill provides for the adequate financing of this proposal.

Benefits to widowed mothers and disabled children

Another provision of the bill is designed to relieve the hardships experienced by a number of surviving children over age 18 who are not capable of self-support, and their mothers. At the present time, an annuity to a child ceases at age 18 whether or not he is capable of self-support. This, in turn, results in a cessation of the annuity to the child's mother, and causes great hardship for the widowed mother and child.

Section 12 of the reported bill provides that a survivor's annuity shall be paid to a disabled child, regardless of age, provided his physical or mental condition is such that he is unable to engage in any regular employment and provided further that such disability began before age 18.

Under the bill, the widowed mother, having such child in her care, would also be entitled to a widow's annuity so long as the child is disabled and if she is otherwise qualified. Upon recovery from disability after age 18, the child's annuity and the annuity of his mother would terminate at the same time.

The estimated cost of this provision is $750,000 a year or 0.014 percent of payroll on a level cost basis. The bill provides for the adequate financing of this proposal.

Disability work clause

Section 2 of the reported bill would eliminate the provision in the present law which provides that a disability annuity ceases if the

annuitant earns more than $75 in each of 6 consecutive calendar months.

This provision has proved to be very difficult to administer. The bill proposes to substitute for it a limitation applicable to each month on the amount of earnings that may be received without causing the annuity for that month to be lost. Under this proposed clause, if a disabled annuitant is paid more than $100 in any month in employment for hire or in self-employment, his annuity would not be paid for such month. The Railroad Retirement Board has estimated that the substitution of this work clause for the present provision would result in a net saving to the retirement account of $1,500,000 a year.

Increase in creditable and taxable compensation base for retirement purposes

The bill proposes to amend the Railroad Retirement Act and the Railroad Retirement Tax Act by increasing, for benefit and taxing purposes, the maximum compensation from the present $300 to $350 a month.

Increasing the creditable compensation base from $300 to $350 would provide, of itself, higher retirement benefits and survivor benefits in the future for the almost two-thirds of the active railroad workers who now earn in excess of $300 a month, since their annuities would be based on a higher average monthly compensation. In the future an increasing number of employees and their families will benefit from this increase in the taxable base.

Since about 36 percent of all present employees do not earn more than $300 a month, the increase in the tax base would not affect them, because the existing tax rates have not been changed. The remaining two-thirds would pay the employee tax beginning July 1, 1954, on the increase from $300 to $350 per month in the taxable base. The total taxable payroll would be increased by about 9 percent or $450 million a year, and retirement-tax collections by about $56 million a year. This amendment would of itself result in increased benefits which would cost approximately $31 million a year—$25 million under the retirement and $6 million under the survivor provisions.

The $31 million increase in retirement and survivor benefits resulting from the proposed increase in the creditable base, plus the additional cost for other Retirement Act amendments included in the bill, including the savings from the change in the disability work clause, would total approximately $54 million. The $56 million additional revenue would more than pay for all the increased benefits provided for in the bill.

When the $300 limit on the creditable and taxable compensation base was established in 1937, 98 percent of the number of railroad employees were earning no more than $300 a month. Also, 98 percent of the total railroad payroll was creditable and taxable under the $300 limitation in effect without change during the past 18 years. Since 1937, wage rates have more than doubled. The average annual earnings per railroad employee in 1937 was $1,780; in 1953, it was $4,400. As a result, at the present time, only 36 percent of the employees are earning $300 a month or less, and only 80 percent of the payroll is creditable and taxable under the $300 limitation now in the law.

Even with the proposed increase in the creditable and taxable compensation to $350 a month, only 88 percent of the payroll would be taxable compared with 98 percent 18 years ago. In other words, the proposed increase in compensation to $350 would still apply to a smaller percentage of the total payroll than was the case in 1937.

The $300 per month ceiling on creditable and taxable compensation for railroad retirement purposes has been recognized as out of date by many railroad companies for a number of years, as evidenced by the fact that they have established supplemental plans covering their officials and employees who regularly earn salaries higher than that amount. As long as 5 years ago the Railroad Retirement Board had knowledge of 53 such supplementary plans and made a study of them. There are undoubtedly a considerable number that have since been established.

The employee who pays the tax on the additional monthly compensation in excess of $300 but not in excess of $350, as proposed in the bill, would be adequately compensated by the increased benefits resulting from crediting the additional compensation. He would receive $3 for each $1 in taxes he paid by reason of this provision in the bill.

The effect of increasing the creditable and taxable base to $350 on employees' annuities is illustrated by the following table.

TABLE 1.—*Effect of increasing creditable and taxable base to $350 per month on employees retiring on full annuities after 30 years of service, assuming all service after increase in base to be at $350*

Average monthly compensation before increase in base	Years of service		Increase in monthly annuity		Increase in aggregate taxes to date of retirement	Increase in aggregate benefits for life expectancy of 12½ years after retirement
	Before base increase	After base increase	Per month	Per year		
0	0	30	$20.70	$248.40	$1,126.80	$3,105.00
$200, $250, $300	5	25	17.25	207.00	939.00	2,587.50
$200, $250, $300	10	20	13.80	165.60	751.20	2,070.00
$200, $250, $300	15	15	10.35	124.20	563.40	1,552.50
$200, $250, $300	20	10	6.90	82.80	375.60	1,035.00
$200, $250, $300	25	5	3.45	41.40	187.80	517.50

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, a bill to amend the Railroad Retirement Act, the Railraod Retirement Tax Act, and the Railroad Unemployment Insurance Act, p. 58.

Moreover, as already indicated, the increase in creditable monthly compensation from $300 to $350 would also operate to increase survivor benefits.

The additional revenue, to be collected from the carriers under the proposed amendment to increase the tax base, would amount to $28 million a year on a level cost basis. However, a very substantial percentage of this amount will be offset by an automatic adjustment in the Federal income tax payable by the carriers. Assuming that the Federal income-tax rate on corporations will not change greatly

from the present rate, the additional $28 million, which it is estimated they would have to pay under the proposed amendment, would be offset to the extent of approximately 50 percent by reductions in their corporate income-tax payments. Furthermore, an additional amount would be saved by reductions in their supplemental pension plans.

It is also important to note that the proposed increase in the compensation base to $350 a month would be in conformity with the President's recommendation for an increase in the creditable and taxable wage base from $3,600 to $4,200 a year under the old-age and survivors insurance program. The House of Representatives, on June 1, 1954, did adopt the President's recommendation in this respect when it passed H. R. 9366, a bill to amend the Social Security Act and the Internal Revenue Code, etc.

Other Retirement Act changes in the bill

The other amendments to the Railroad Retirement Act provided for in the bill, namely, disregarding compensation after age 65, if such compensation would reduce an individual's annuity, the elimination of the reduction in a survivor's benefit if the individual is also entitled to a railroad retirement benefit in his own right, the elimination of national delegate service, providing benefits to children who do not attend school, and the waiver of retirement benefits for individuals who desire to qualify for a veteran's non-service-connected disability pension are of relatively minor importance. The combined cost of these items would be $80,000 a year, or 0.001 percent of payroll on a level cost basis.

Cost of benefits provided under the Railroad Act as it would be amended by this bill

The cost of benefits payable under the Railroad Retirement Act as it would be amended by the reported bill is shown in the following table:

TABLE 2.—*Annual cost and level rate required to support the Railroad Retirement Act as revised by proposed amendment (assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling)*

Benefit provision	Annual dollar cost (in thousands)	Level cost
1. Railroad retirement benefit under present act	$670,500	12.303
2. Change limit on creditable earnings from $300 to $350 a month	31,000	.569
A. Retirement benefits	25,000	.459
B. Survivor benefits (including residual lump sum)	6,000	.110
3. Reduce eligibility age for widows and parents from 65 to 60	23,500	.432
4. Change in disability work clause provision to $100 per month (as accrued)	−(1,500)	−(.028)
5. Survivor benefits continued to young widow and dependent disabled child past age 18	750	.014
6. Disregarding compensation after age 65 if use of such compensation would reduce annuity	50	.001
7. Elimination of reduction in survivor benefits on account of railroad retirement benefit in own right	20	
8. Elimination of national delegate service where other railroad service is not creditable	10	
Net level rate	724,330	13.290

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, p. 29.

The above table shows that under the present Railroad Retirement Act, benefits cost $670.5 million per year. The estimated level tax rate required to support these benefits is 12.3 percent, assuming a

level annual payroll of $5,450 million, based on a $350 monthly ceiling as proposed in the bill. (The estimated level tax rate required to support these benefits under present law, assuming a level annual payroll of $5 billion, based on a $300 monthly ceiling, is 13.41 percent of payroll.) This table, however, does not include the additional cost of benefits provided for in Public Law 398, approved June 16, 1954, which was estimated at an earlier hearing to be $7.5 million a year, or 0.15 percent of payroll, on a level cost basis.

The amendments proposed by H. R. 7840 would increase the ceiling on taxable payroll form $300 to $350 per month, thereby adding $450 million to the total taxable payroll, $56 million to the taxes under the existing schedule of tax rates and $54 million to the benefit costs.

The overall effect of the amendments to the Railroad Retirement Act proposed by this bill, including the effect of Public Law 398 of the 83d Congress, would be to increase the benefit costs to approximately $732 million a year on a level cost basis. This is equivalent to a tax rate of 13.4 percent of covered payroll based on a maximum taxable compensation of $350 per month.

UNEMPLOYMENT INSURANCE BENEFITS

The bill proposes to amend the Railroad Unemployment Insurance Act so as to increase the maximum monthly compensation for both benefit and employer contribution purposes from the present $300 a month to $350 a month.

The increase in the contribution base to $350 a month would increase the taxable payroll by approximately 9 percent. At the current contribution rate for unemployment insurance of 0.5 percent, the effect of increasing the tax base would be to add approximately $2¼ million a year to the contributions paid by the railroads. This additional payment will continue for several years and will increase in amount as the contribution rate increases in the future. The carrier member of the Railroad Retirement Board has estimated that over the long run the additional cost to the carriers will average $26 million a year.

It has been the uniform policy of the Congress, since the establishment of the Railroad Unemployment Insurance Act, to use the same base year earnings for benefit and contribution purposes under this law as under the Railroad Retirement Act. This policy has great advantage in simplifying the administration of the two acts. There is no logical reason why there should be a different base for one act than for the other.

The provision in the reported bill that the daily benefit rate shall be not less than half of the employee's last daily wage rate payable to him in the last position he held in the base year, with a maximum of $8.50 per day, is consistent with the recent recommendation regarding the Federal-State unemployment insurance systems made by the President in his Economic Report to the Congress, dated January 28, 1954, wherein he urged that such unemployment insurance systems be improved and expanded and that the effectiveness of the unemployment insurance program be strengthened. The President suggested that the States raise the dollar maximums payable under their unemployment insurance systems "so that the payments to the great

majority of the beneficiaries may equal at least half their regular earnings." [1]

At the present time railroad unemployment and sickness benefits are approximately 40 percent of the average railroad weekly wages. Your committee believes that these benefits should be closer to 50 percent of the average weekly wages, as provided for in the bill. This would make the benefits payable under the railroad unemployment insurance system conform more nearly to the recommendations made by the President for the improvement of State unemployment insurance systems.

The benefit program under the Railroad Unemployment Insurance Act is financed by contributions made by the employers alone, and the contributions are made with respect to each employee's monthly compensation not in excess of $300. This $300 limit was fixed in 1937. Since then, average railroad wages have more than doubled. Hence, even under the increase in the contribution base to $350 a month, as proposed in the bill, a smaller percentage of the total wages paid in the railroad industry will be subject to unemployment insurance contributions than was the case in 1937.

The contribution rate with respect to each employee's monthly compensation is based on a sliding scale. The rate varies according to the balance in the railroad unemployment insurance account as shown in the following schedule:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

The minimum contribution rate is 0.5 percent of compensation; the maximum is 3 percent of compensation. The reported bill makes no change in the above schedule.

Since January 1, 1948, when the above schedule became effective, the carriers have contributed at the minimum rate of 0.5 percent each year because the balance in the unemployment insurance account has exceeded $450 million in each year. Prior to 1948, the contribution rate paid by the railroads was 3 percent of payroll, exclusive of amounts paid to any employee in excess of $300 a month.

The annual contributions made by the railroads under the Railroad Unemployment Insurance Act since 1945 have been as follows:

Fiscal year:	*Contributions*
1945–46	$129, 058, 585
1946–47	141, 770, 293
1947–48	145, 124, 181
1948–49	87, 010
1949–50	16, 180, 861
1950–51	24, 411, 957
1951–52	25, 689, 321
1952–53	25, 056, 674

Source: Railroad Retirement Board, Annual Report for the fiscal year ended June 30, 1953, table A–2, p. 87.

[1] Economic Report of the President, transmitted to the Congress, January 28, 1954, p. 98.

During the 5-year period from July 1, 1948, to June 30, 1953, the total contributions made by the carriers amounted to $91,425,823, or only 63 percent of the contributions made for the single fiscal year July 1, 1947, to June 30, 1948.

The committee was advised by the Railroad Retirement Board that the balance in the unemployment insurance account, plus the current income to the account, will be sufficient to pay all unemployment and sickness benefits provided for under present law and still maintain the contribution rate of 0.5 percent up to January 1, 1958, or January 1, 1959, when it would become necessary to increase the contribution rate to 1 percent. The committee was further advised by the Board that the amendments to the Railroad Unemployment Insurance Act proposed by the bill would cause the contribution rate to increase to 1 percent in January 1957 and possibly not before January 1958.

In contrast with the railroad contribution rate of 0.5 percent which has been paid since January 1, 1948, employers covered under State unemployment insurance laws now pay an average rate of approximately 1.5 percent to the States and 0.3 percent to the Federal Government. Rates for employers under State laws, including the 0.3-percent Federal tax, are compared with rates payable under the Railroad Unemployment Insurance Act since 1948, in the following tabulation:

Contribution rate

Year	State laws, average	RUIA
1948	1.54	0.5
1949	1.61	.5
1950	1.80	.5
1951	1.88	.5
1952	1.75	.5

Source: Report of the Railroad Retirement Board to the Committee on Interstate and Foreign Commerce on H. R. 7840, Mar. 5, 1954.

Your committee believes that the amendments to the Railroad Unemployment Insurance Act proposed in the reported bill are consistent with the President's recommendations for improving the Federal-State unemployment insurance systems, are equitable and just, and should be adopted.

Your committee urges the prompt passage of the reported bill.

Reports of Executive Departments and Agencies

Reports on H. R. 7840 were received from the Railroad Retirement Board and the Bureau of the Budget. The Chairman and the labor member of the Railroad Retirement Board favor enactment of the reported bill. The carrier member of the Board is opposed to the bill. The Bureau of the Budget, except for one provision relating to the reduction of the eligibility age for widows, favors enactment of the bill.

These reports are shown in the appendix to this report.

Section-by-Section Explanation of the Committee Bill

Section 1. Compensation of delegates to railway labor conventions

This section amends section 1 (h) of the Railroad Retirement Act (which defines the term "compensation") to provide that compensa-

tion for service by an individual as a delegate to a convention of a national railway labor organization shall be disregarded, in determining his eligibility for benefits under that act and the amount of such benefits, if he has no previous service creditable under that act. Under existing law, delegates to these conventions are covered by the taxing and benefit provisions of the railroad retirement and unemployment insurance systems. Many of these delegates, including those from Canada and those representing lodges or other units in outside industries, have no other service creditable under the Railroad Retirement Act. Service as a delegate occurs only once in several years and does not last for more than a month or so at a time, with the certain result that those delegates with no other creditable service will never acquire the 120 months of service credit now required for eligibility under the Railroad Retirement Act. It is almost equally certain that in the large majority of cases these delegates' services will be insufficient to provide the required quarters of coverage for eligibility under the Social Security Act at retirement or death.

The amendment made by this section would apply only to compensation (for service as a delegate) received on or after April 1, 1954, and would have no effect on earlier delegate service, in order to avoid the necessity of making small refunds of taxes heretofore paid by such delegates. To provide for refunds for the earlier periods would not be practicable because the administrative cost to the Board and to the labor organizations would be considerably more than the refunds.

Sections 2 and 3. Disability work clause

Section 2 of the bill eliminates from the last paragraph of section 2 (a) of the Railroad Retirement Act the provision which establishes, in the case of a disability annuitant, a presumption of recovery from disability whenever such annuitant earns more than $75 (in service for hire or in self-employment) in each of any six consecutive calendar months. The purpose of this provision has been widely misunderstood, and the provision itself has proved very difficult to administer.

To remedy the situation and still provide a practical disability or retirement test, the present test is eliminated and section 3 of the bill adds to section 2 (d) of the Railroad Retirement Act a new paragraph providing a month-to-month work clause under which a disability annuitant would not be paid his annuity for any month in which he receives more than $100 in earnings from employment or self-employment of any form. The following illustrates how the new work clause would operate:

If the disability annuitant receives more than $100 in a particular month, whether from employment for hire or from self-employment, he will be presumed to have earned that amount in that month unless there is evidence that definite or ascertainable parts of the total sum received represent earnings accrued in earlier months. If any such accrual for any such earlier month is in excess of $100, the annuity would not be payable for that month either. On the other hand, if upon the breakdown of the total sum received and the allocation of specific parts to the earlier months in which they accrued there is no month having accrued in it more than $100, no reduction would be made for any month.

In determining the amount of these accruals, in self-employment cases, only net accruals would be counted; expenses or losses incurred in connection with the earning of the self-employment income would, of course, be deducted (since it is only "earnings" which would cause a deduction), attributing such expenses or losses to the months with respect to which they were incurred.

The provision, in disability cases, for loss of an additional amount equal to the amount of the annuity for any month with respect to which no report was made to the Board as required, is patterned after a similar provision in the Social Security Act, and is intended to have the same general effect. If, for example, a disability annuitant had accrued earnings of more than $100 in each month between April and October, inclusive, he will for 7 months have received annuities to which he was not entitled. Assuming the annuity was $100 a month, the Board would require him to repay the $700 overpayment either by deductions from later benefits or otherwise. In addition, the Board would make a deduction of 1 month's annuity from any later annuities due him if he fails to report these accruals before accepting his annuity check dated July 1 (which would be for June, the second month following April), even though he does not make the report until December or does not make it at all. Limiting the penalty for failure to report to 1 month's annuity would apply in this case only because it is his first failure to report. If, however, the same individual should return to work (in employment or self-employment paying in excess of $100 a month) for the same 7 months of the next year, with the Board continuing to pay the annuity for these months, he will have again been overpaid $700 in annuities as he was the year before, but if he should again fail to make the required report, the Board would not only recover the overpayment of the annuities but would have to make a deduction from annuities later due the employee in an amount equal to the total of the annuities for the 7 months with respect to which he failed to make the report.

Individuals whose annuities have been terminated under the present law because they earned more than $75 a month for six consecutive months will have their annuities restored, if they are still actually disabled, effective on the first day of the first month after the month in which the bill is enacted, but subject thereafter to the new work clause.

Sections 4, 5, and 6. Increase in earnings base

Section 4 amends section 3 (a) of the Railroad Retirement Act so as to increase from $300 to $350 the maximum amount of monthly compensation which may be used in the computation of annuities. The percentages of the monthly compensation to be multiplied by the years of service in making such computation would not be changed.

Section 5 amends section 3 (b) (1) of the Railroad Retirement Act so as to conform to the increase effected by section 4 of the bill.

The first part of section 6 amends section 3 (c) of the Railroad Retirement Act so as to increase from $300 to $350, in conformity with the increase effected by section 4 of the bill, the amount of compensation earned in a month which may be taken into account in determining monthly compensation for periods after June 30, 1954.

Section 6. Compensation earned after attaining age 65

The second part of section 6 adds at the end of section 3 (c) of the Railroad Retirement Act a new sentence which would exclude (in determining average monthly compensation) earnings and service acquired after the calendar year in which an individual attains age 65, but only if such exclusion would result in a larger average monthly compensation. Under this amendment, service after the year in which age 65 is attained would still be included in the years of service used in computing the annuity but not in determining the average monthly compensation.

Section 7. Minimum benefits based on social security benefit levels

This section is included in the bill because of the effect of section 8 (discussed below), which would permit payment to an employee's widow, dependent widower, or dependent parent of a survivor annuity at age 60, rather than at age 65 as at present, and because of the effect of section 12 (discussed below), which would provide for the payment of a child's annuity after age 18 if the child is totally and permanently disabled and for the payment of a widow's current insurance annuity to the child's mother, because of having the child in her care, if she is otherwise entitled to such annuity. At the present time, more than 50 percent of the survivor benefits are higher, because of the application (under the so-called social security minimum provision) of the formulas of the Social Security Act, than would be payable under the Railroad Retirement Act if the regular computation formulas were used. The provision for the overall social security minimum makes certain that any survivor annuity which is lower than a social security benefit under the same circumstances is paid at the higher rate. The Social Security Act, however, has no corresponding provision for the payment of survivor annuities before age 65 or for the payment of a child's annuity after age 18. In order to conform the minimum amounts of the annuities in these newly covered cases to the amounts payable under the Social Security Act at age 65 or, in the case of a child (and the mother who has the child in her care), before age 18, section 7 of the bill would provide that, in the application of the social-security minimum provision, the annuity of a widow, widower, or parent at age 60 is to be computed as if the beneficiary were age 65, and the annuity of a child after age 18 and of his mother, based on her care of the child, is to be computed as though the child were under 18.

Section 8. Reduction in eligibility age for widows, widowers, and parents

Section 5 (a) of the Railroad Retirement Act now provides for the payment of annuities to widows and widowers at age 65, and section 5 (d) of that act provides for the payment of annuities to dependent parents at age 65. The amendments made by section 8 of the bill to such sections would reduce the eligibility age from 65 to 60 for widows, dependent widowers, and parents. The changes in section 5 (f) (2) of the act necessitated by these amendments are made by section 9 of the bill.

Section 9. Residual lump sum death benefits

The provisions of section 5 (f) (2) of the Railroad Retirement Act, relating to the payment of residual lump-sum death benefits, would be

amended by section 9 of the bill to conform to the other amendments in the bill which reduce the eligibility age for survivor benefits and provide for the crediting of compensation up to $350 a month. The amendments made by this section would require the election to obtain the lump sum residual benefit (in lieu of the future monthly survivor benefits) to be made before age 60, instead of age 65, if the future monthly survivor benefits are payable under the Railroad Retirement Act. However, when the future monthly survivor benefits are payable under the Social Security Act the election, as before, can still be made at any time before attaining age 65.

Section 10. Elimination of restriction on double annuities

This section strikes out the last sentence of section 5 (g) (2) of the Railroad Retirement Act, which contains a limitation upon the right of a widow, dependent widower, or dependent parent to receive a survivor annuity under the Railroad Retirement Act in addition to a retirement annuity under that act. Under the amendment made by this section, instead of having his or her survivor annuity reduced by the amount of his or her railroad retirement annuity, as is required by the present law, the widow, widower, or parent would receive both annuities without reduction.

Section 11. Repeal of provision requiring school attendance for child's benefits

This section would eliminate section 5 (i) (1) (iii) of the Railroad Retirement Act, which requires school attendance by children over age 16 and under age 18 as a condition to receiving survivor benefits. This provision was included in the Railroad Retirement Act because of its inclusion, originally, in the Social Security Act. The corresponding provision has now been eliminated from the Social Security Act and hence the only reason for its inclusion in the Retirement Act has disappeared.

Section 12. Benefits for disabled children over age 18

This section would amend section 5 (l) (1) (ii) of the Railroad Retirement Act, which provides the conditions under which an annuity may be paid to a child. One of these conditions is that the child must be less than 18 years of age. This amendment would provide a survivor annuity to a child over age 18 if he is incapable of self-support because of a permanent disability. Under this provision a child under age 18 would receive the child's benefit regardless of disability; that is, no proof of disability would be required before age 18, assuming, of course that the child is otherwise entitled to the survivor annuity. To continue to be eligible for the annuity after age 18, however, proof of disability would be required. As a condition of eligibility for this disability annuity, the amendment would require the disability to have begun before age 18, although the annuity itself could be applied for and could begin later. The disability annuity for the child would be payable for as long as the Board finds that his disability continues, and the annuity of the child's mother, based on her care of the child, would also be payable as long as the child's annuity continues and she remains otherwise entitled to a widow's current insurance annuity.

Sections 13 and 14. Increase in earnings base for purposes of survivors' benefits

Sections 5 (l) (9) and 5 (l) (10) of the Railroad Retirement Act provide the formulas for determining the "average monthly remuneration" and the "basic amount", respectively, for the purpose of computing survivor benefits under the act. Sections 13 and 14 of the bill would amend these formulas in order to conform to the increase effected by the other provisions of the bill in the maximum creditable compensation from $300 to $350 a month.

Section 15. Waiver of annuities and pensions

This section would add a new section 20 to the Railroad Retirement Act for the purpose of permitting an annuitant or pensioner to waive his annuity or pension in whole or in part. The effect of such waiver would be to reduce the total annual income of the annuitant or pensioner and thus (by bringing his total income within the applicable limitations) to provide eligibility for a benefit from the Veterans' Administration. Such waiver, however, would have no effect on the amount of any spouse's or survivor's annuity, or on the amount of any residual benefit under section 5 (f) (2) of the act.

Sections 201 to 204. Increase in earnings base for tax purposes

The change in the maximum compensation from $300 to $350 a month, effected by the preceding sections of the bill for the purposes of the Railroad Retirement Act, is paralleled by the amendments made by sections 201, 202, 203, and 204 of the bill to sections 1500, 1501, 1510, and 1520, respectively, of the Railroad Retirement Tax Act. Under these amendments the employee tax, the employee representative tax, and the employer tax would apply to as much as $350 of compensation in any month, rather than only to $300 as is now the case.

Section 205. Tax on compensation of delegates to railway labor conventions

This section would amend section 1532 of the Railroad Retirement Tax Act so as to exclude from taxation the compensation, for service as a delegate to a national or international convention of a railway labor organization, of any person who has no other previous creditable service, and would make the Tax Act conform to the Retirement Act in this respect.

Section 301. Unemployment insurance in case of delegates to railway labor conventions

This section would amend subsection (g) of section 1 of the Railroad Unemployment Insurance Act with respect to delegates to national or international conventions of railway labor organizations in the same way that the Retirement Act and Tax Act are amended by sections already discussed.

Section 302. Increase in earnings base for unemployment insurance purposes

The change in the maximum compensation from $300 to $350 a month, effected by the previous sections of the bill for the purposes of the Railroad Retirement Act and the Railroad Retirement Tax Act, is paralleled by the changes made by sections 302, 305, and

306 of the bill, which amend (for credit and contribution purposes) sections 1 (i), 8 (a), and 8 (b), respectively, of the Railroad Unemployment Insurance Act.

Section 303. Limitation on eligibility for unemployment insurance benefits

This section would conform the definitions of "qualified employee" and "subsidiary remuneration" (in the Railroad Unemployment Insurance Act) to the changes made by section 304 of the bill and would provide that unemployment and sickness benefits are not payable to anyone whose base-year earnings are less than $400.

Section 304. Daily benefit rates

This section would amend the Railroad Unemployment Insurance Act by changing the table of daily benefit rates and qualifying amounts of earnings in the base year so that such rates and amounts will begin with $3.50 and $400, respectively, with graduations in the daily benefit rates in steps of 50 cents to a maximum of $8.50 based on successively greater qualifying amounts within a range of $400 to $4,000 and over. In addition, this section would provide an overall minimum daily benefit rate of one-half of the daily rate of the employee's compensation for his last railroad employment in the base year, but in no event to exceed a daily benefit rate of $8.50. The daily rate of compensation for these minimum purposes is to be determined by the Railroad Retirement Board on the basis of information which the Board may receive from either the employee or his employer, or both. This section also imposes a limitation on benefits in terms of the employee's base-year compensation. His total benefits for days of unemployment in a benefit year may not exceed his base-year compensation. Likewise, his total benefits for days of sickness, other than days of sickness in a maternity period, may not exceed his base-year compensation. Finally, the employee's total benefits in a maternity period may not exceed her base-year compensation in the base year on the basis of which she qualified for benefits; usually this will be the base year for the benefit year in which the maternity period began, but if she did not have the necessary qualifying earnings in that base year, and was held entitled to some benefits in the maternity period on the basis of her compensation in the succeeding base year, it is the compensation in the latter year which sets the limit on the amount of benefits she may receive. It is possible for an employee to receive benefits in two maternity periods during the same benefit year. In such cases, the new proviso is applied to each maternity period separately; that is, the employee's total benefits in each maternity period may not exceed her base-year compensation in the base year on the basis of which she qualified for benefits in that maternity period. The proviso does not relate to the combined benefits for the two maternity periods in which an employee may receive benefits during the same benefit year.

Sections 305 and 306. Increase in earnings base for unemployment insurance purposes

For comments on sections 305 and 306, see the discussion above on section 302.

Sections 401 to 406. Effective dates

Sections 401 through 403 provide the effective dates for most of the provisions of the bill and need no further comment.

Section 404 would provide for the reinstatement of a disability annuity which has been terminated under the present law because the annuitant earned more than $75 a month in each of 6 consecutive calendar months, if he is still in fact disabled. In order to prevent the applicability of the "last person" provision in section 2 (d) of the Railroad Retirement Act to any employment for the person by whom the annuitant was employed before the annuity was reinstated, this section also provides that for this purpose the annuity shall not be considered to have ceased.

Section 405 would make the provisions of section 6 of the bill (permitting the exclusion of service after age 65 where its inclusion would reduce the average monthly compensation) retroactive to November 1, 1951, but would also provide that an award of an increase in benefits, based on the amendment, will be made only upon application.

Section 406 would make the provisions of section 10 of the bill (permitting a widow, widower, or parent to receive a survivor annuity without reduction on account of his or her railroad retirement annuity) effective as to annuities accruing, and as to annuities awarded, on and after the first day of the first calendar month after the month of enactment.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

Section 1. For the purposes of this Act—

(a) * * *

* * * * * * *

(h) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips, or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of subsections (a), (c), and (d) of section 2 and subsection (a) of section 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (1) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to sections 2 (a) and 3 (a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (2) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be

deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year, or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. *Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service".*

* * * * * * *

ANNUITIES

SEC. 2. (a) * * *

* * * * * * *

Such satisfactory proof shall be made from time to time as prescribed by the Board, of the disability provided for in paragraph 4 or 5 and of the continuance of such disability (according to the standards applied in the establishment of such disability) until the employee attains the age of sixty-five. If the individual fails to comply with the requirements prescribed by the Board as to proof of the continuance of the disability until he attains the age of sixty-five years, his right to an annuity by reason of such disability shall, except for good cause shown to the Board, cease, but without prejudice to his rights to any subsequent annuity to which he may be entitled. If before attaining the age of sixty-five an employee in receipt of an annuity under paragraph 4 or 5 is found by the Board to be no longer disabled as provided in said paragraphs his annuity shall cease upon the last day of the month in which he ceases to be so disabled. [An employee, in receipt of such annuity, who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months, shall be deemed to cease to be so disabled in the last of such six months; and such employee shall report to the Board immediately all such service for hire, or such self employment.] If after cessation of his disability annuity the employee will have acquired additional years of service, such additional years of service may be credited to him with the same effect as if no annuity had previously been awarded to him.

* * * * * * *

(d) No annuity shall be paid with respect to any month in which an individual in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to accrue. Individuals receiving annuities shall report to the Board immediately all such compensated service.

No annuity under paragraph (4) or (5) of subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age sixty-five and is paid more than $100 in earnings from employment or self-employment of any form: Provided, That for purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of sixty-five shall report to the Board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual

who fails to make such report, in the annuity or annuities otherwise due the individual of an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed.

* * * * * * *

COMPUTATION OF ANNUITIES

SEC. 3. (a) The annuity shall be computed by multiplying an individual's "years of service" by the following percentages of his "monthly compensation": 2.76 per centum of the first $50; 2.07 per centum of the next $100; and 1.38 per centum of the next [$150] *$200.*

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however,* That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation ([including compensation in any month in excess of $300] *without regard to any limitation on the amount of compensation otherwise provided in this Act*) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation ([including compensation in any month in excess of $300] *without regard to any limitation on the amount of compensation otherwise provided in this Act*) for service rendered anywhere to an employer after January 1, 1937.

* * * * * * *

MONTHLY COMPENSATION

(c) The "monthly compensation" shall be the average compensation paid to an employee with respect to calendar months included in this "years of service", except (1) that with respect to service prior to January 1, 1937, the monthly compensation shall be the average compensation paid to an employee with respect to calendar months included in his years of service in the years 1924–1931, and (2) the amount of compensation paid or attributable as paid to him with respect to each month of service before September 1941 as a station employee whose duties consisted of or included the carrying of passengers' hand baggage and otherwise assisting passengers at passenger stations and whose remuneration for service to the employer was, in whole or in substantial part, in the forms of tips, shall be the monthly average of the compensation paid to him as a station employee in his months of service in the period September 1940–August 1941: *Provided, however,* That where service in the period 1924–1931 in the one case, or in the period September 1940–August 1941 in the other case, is, in the judgment of the Board, insufficient to constitute a fair and equitable basis for determining the amount of compensation paid or attributable as paid to him in each month of service before 1937, or September 1941, respectively, the Board shall determine the amount of such compensation for each such month in such manner as in its judgment shall be fair and equitable. In computing the monthly compensation, no part of any month's compensation in excess of $300 *for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,* shall be recognized. *If the employee earned compensation in service after June 30, 1937, and after the last day of the calendar year in which he attained age sixty-five, such compensation and service shall be disregarded in computing the monthly compensation if the result of taking such compensation into account in such computation would be to diminish his annuity.*

* * * * * * *

(e) In the case of an individual having a current connection with the railroad industry, the minimum annuity payable shall, before any reduction pursuant to section 2 (a) (3) or the last paragraph of section 3 (b), be whichever of the following is the least: (1) $4.14 multiplied by the number of his years of service; or (2) $69; or (3) his monthly compensation: *Provided, however,* That if for any

entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, *individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age sixty-five, and individuals entitled to insurance annuities under subsection (c) of section 5 on the basis of disability to be less than eighteen years of age*, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 [thereof] *of the Social Security Act*) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act and quarters of coverage were determined in accordance with section 5 (1) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.

* * * * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) Widow's and Widower's Insurance Annuity.—A widow or widower of a completely insured employee, who will have attained the age of [sixty-five] *sixty*, shall be entitled during the remainder of her or his life, or if she or he remarries, then until remarriage to an annuity for each month equal to such employee's basic amount: *Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.

* * * * * * *

(d) Parent's Insurance Annuity.—Each parent, [sixty-five] *sixty* years of age or over, of a completely insured employee, who will have died leaving no widow, no widower, and no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to an annuity for each month equal to two-thirds of the employee's basic amount.

* * * * * * *

(f) Lump-Sum Payment.—(1) * * *

(2) Whenever it shall appear, with respect to the death of an employee on or after January 1, 1947, that no benefits, or no further benefits, other than benefits payable to a widow, widower, or parent upon attaining age [sixty-five] *sixty* at a future date, will be payable under this section or, pursuant to subsection (k) of this section, *Upon attaining age sixty-five at a future date, will be payable* under section 202 of the Social Security Act, as amended, there shall be paid to such person or persons as the deceased employee may have designated by a writing filed with the Board prior to his or her death, or if there be no designation, to the person or persons in the order provided in paragraph (1) of this subsection or, in the absence of such person or persons, to his or her estate, a lump sum in an amount equal to the sum of 4 per centum of his or her compensation paid after December 31, 1936, and prior to January 1, 1947, and 7 per centum of his or her compensation after December 31, 1946 (exclusive in both cases of compensation in excess of $300 for any month *before July 1, 1954, and in the latter case in excess of $350 for any month after June 30, 1954*), minus the sum of all benefits paid to him or her, and to others deriving from him or her, during his or her life, or to others by reason of his or her death, under this Act, and pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended: *Provided, however*, That if the employee is survived by a widow, widower, or parent who may upon attaining age [sixty-five] *sixty* be entitled to further benefits under this section, or pursuant to subsection (k) of this section *upon attaining age sixty-five be entitled to further benefits* under section 202 of the Social Security Act, as amended, such lump sum shall not be paid unless such widow, widower, or parent makes and files with the Board an irrevocable election, in such form as the Board may prescribe, to have such lump sum paid in lieu of all benefits to which such widow, widower, or parent might otherwise become entitled under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended. Such election shall be legally effective according to its terms. Nothing in this section shall operate to deprive a widow, widower, or parent

making such election of any insurance benefits under section 202 of the Social Security Act, as amended, to which such widow, widower, or parent would have been entitled had this section not been enacted. The term "benefits" as used in this paragraph includes all annuities payable under this Act, lump sums payable under paragraph (1) of this subsection, and insurance benefits and lump-sum payments under section 202 of the Social Security Act, as amended, pursuant to subsection (k) of this section, except that the deductions of the benefits which pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).

(g) Correlation of Payments.—(1) * * *

(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. [If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.]

* * * * * * *

(i) Deductions From Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have rendered service for wages as determined under section 209 of the Social Security Act, without regard to subsection (a) thereof, of more than $75, or will have been charged under section 203 (e) of that Act with net earnings from self-employment of more than $75; *or*

[(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or]

[(iv)] *(iii)* if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * * * *

(l) Definitions.—For the purposes of this section the term "employee" includes an individual who will have been an "employee", and—

(1) The qualifications for "widow", "widower", "child", and "parent" shall be, except for the purposes of subsection (f), those set forth in section 216 (c), (e), and (g), and section 202 (h) (3) of the Social Security Act, respectively; and in addition—

(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife empolyee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began;

(ii) a "child" shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death by other than a stepparent, grandparent, aunt, or uncle; shall be unmarried; [and less than eighteen years of age] *and shall be less than eighteen years of age, or shall have a permanent physical or mental condition which is such that he is unable to engage in any regular employment: Provided, That such disability began before the child attains age eighteen*; and

(iii) a "parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.

A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or

(5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216(h) (1) of the Social Security Act shall be applied[;]. *Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided in clause (ii) of this paragraph and of the continuance, in accordance with regulations prescribed by the Board, of such disability. If the individual fails to comply with the requirements prescribed by the Board as to the proof of the continuance of the disability his right to an annuity shall, except for good cause shown to the Board, cease.*

* * * * * * *

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month *before July 1, 1954, and any excess over $350 for any calendar month after June 30, 1954,* and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than [$300] *$350* and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided,* That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further,* That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further,* That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation, and wages shall be so excluded.

With respect to an employee who will have been awarded a retirement annuity, the term "compensation" shall, for the purposes of this paragraph, mean the compensation on which such annuity will have been based;

(10) The term "basic amount" shall mean—

(i) for an employee who will have been partially insured, or completely insured solely by virtue of paragraph (7) (i) or (7) (ii) or both: the sum of (A) 40 per centum of his average monthly remuneration, up to and including $75; plus (B) 10 per centum of such average monthly remuneration exceeding $75 and up to and including [$300] *$350,* plus (C) 1 per centum of the sum of (A) plus (B) multiplied by the number of years after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more; if the basic amount, thus computed, is less than $14 it shall be increased to $14;

RAILROAD RETIREMENT TAX ACT

PART I—TAX ON EMPLOYEES

SEC. 1500 RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every employee a tax equal to the following percentages of so much of the compensation, paid to such employee after December 31, 1946, for services rendered by him after such date, as is not in excess of $300 for any calendar month *before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954:*

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ per centum;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 per centum;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ per centum.

SEC. 1501. DEDUCTION OF TAX FROM COMPENSATION.

(a) REQUIREMENT. The tax imposed by section 1500 shall be collected by the employer of the taxpayer by deducting the amount of the tax from the compen-

sation of the employee as and when paid. If an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1946 and the aggregate of such compensation is in excess of $300 *for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,* the tax to be deducted by each employer other than a subordinate unit of a national railway-labor-organization employer from the compensation paid by him to the employee with respect to such month shall be that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such months bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if such month is before July 1, 1954, or is less than $350 if such month is after June 30, 1954,* each subordinate unit of a national railway-labor-organization employer shall deduct such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month.

* * * * * * *

PART II--TAX ON EMPLOYEE REPRESENTATIVES

SEC. 1510. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of each employee representative a tax equal to the following percentages of so much of the compensation, paid to such employee representative after December 31, 1946, for services rendered by him after such date, as is not in excess of $300 for any calendar month *before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954*:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 11½ per centum;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 12 per centum;
3. With respect to compensation paid after December 31, 1951, the rate shall be 12½ per centum.

* * * * * * *

PART III—TAX ON EMPLOYERS

SEC. 1520. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of so much of the compensation, paid by such employer after December 31, 1946, for services rendered to him after December 31, 1936, as is, with respect to any employee for any calendar month *before July 1, 1954,* not in excess of $300, *and for any calendar month after June 30, 1954, not in excess of $350*: *Provided, however,* That if an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1936, the tax imposed by this section shall apply, *with respect to any calendar month before July 1, 1954* to not more than $300, *and with respect to any calendar month after June 30, 1954, to not more than $350* of the aggregate compensation paid to such employee by all such employers after December 31, 1946, for services rendered during such month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if the month is before July 1, 1954, or is less than $350 if the month is after June 30, 1954.*, each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such

month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ per centum;

2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 per centum;

3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ per centum.

* * * * * * *

PART IV—GENERAL PROVISIONS

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SEC. 1532. DEFINITIONS.

As used in this subchapter—

* * * * * * *

(e) Compensation.—* * *.

A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. *Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.*

RAILROAD UNEMPLOYMENT INSURANCE ACT

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

* * * * * * *

(g) The term "employment" means service performed as an employee. For the purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this Act, employment after June 30, 1940, in the service of a local lodge or division of a railway-labor-organization employer or as an employee representative shall be disregarded. *For purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this Act, employment as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section, shall be disregarded if the individual having such employment has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.*

* * * * * * *

(i) The term "compensation" means any form of money remuneration including pay for time lost but excluding tips, paid for services rendered as an employee to one or more employers, or as an employee representative: *Provided, however,* That in computing the compensation paid to any employee with respect to any calendar month *before July 1, 1954,* no part of any compensation in excess of $300 shall be recognized *and with respect to any calendar month after June 30, 1954, no part of any compensation in excess of $350 shall be recognized.* A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time

lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned.

* * * * * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; and (2) a "day of sickness," with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work or which is included in a maternity period, and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe: *Provided, however,* That "subsidiary remuneration," as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidary remuneration, is less than [$150] *$300*: *Provided further,* That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the second of such two days, and any individual who takes work for such working day shall not by reason thereof be deemed not available for work on the first of such calendar days: *Provided further,* That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

For the purpose of this subsection, the term "subsidiary remuneration" means, with respect to any employee, remuneration not in excess of an average of one dollar a day for the period with respect to which such remuneration is payable or accrues, if the work from which the remuneration is derived (i) requires substantially less than full time as determined by generally prevailing standards, and (ii) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation.

* * * * * * *

BENEFITS

SEC. 2. (a) Benefits shall be payable to any qualified employee (i) for each day of unemployment in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more days of unemployment, and for each day of unemployment in excess of four during any subsequent registration period in the same benefit year, and (ii) for each day of sickness (other than a day of sickness in a maternity period) in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more such days of sickness, and for each such day of sickness in excess of four during any subsequent registration period in the same benefit year, and (iii) for each day of sickness in a maternity period.

The benefits payable to any such employee for each such day of unemployment or sickness shall be the amount appearing in the following table in column II on

the line on which, in column I, appears the compensation range containing his total compensation with respect to employment in his base year:

Column I Total compensation	Column II Daily benefit rate
$300 to $474.99	$3.00
$475 to $749.99	3.50
$750 to $999.99	4.00
$1,000 to $1,299.99	4.50
$1,300 to $1,599.99	5.00
$1,600 to $1,999.99	5.50
$2,000 to $2,499.99	6.00
$2,500 to $2,999.99	6.50
$3,000 to $3,499.99	7.00
[$3,500 and over	7.50]
$3,500 to $3,999.99	*7.50*
$4,000 and over	*8.00*

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer preceding the registration period, such rate shall be increased to such amount but not to exceed $8.

* * * * * * *

CONTRIBUTIONS

SEC. 8. (a) Every employer shall pay a contribution, with respect to having employees in his service, equal to the percentage determined as set forth below of so much of the compensation as is not in excess of $300 for any calendar month paid by him to any employee for services rendered to him after June 30, 1939, *and before July 1, 1954, and is not in excess of $350 for any calendar month paid by him to any employee for services rendered to him after June 30, 1954*: *Provided, however,* That if compensation is paid to an employee by more than one employer with respect to any such calendar month, the contributions required by this subsection shall apply to not more than $300 *for any month before July 1, 1954, and to not more than $350 for any month after June 30, 1954* of the aggregate compensation paid to said employee by all said employers with respect to such calendar month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the contribution with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services during any calendar month after 1946 bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if such month is before July 1, 1954, or less than $350 if such month is after June 30, 1954,* each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional contribution as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employees after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid prior to January 1, 1948, the rate shall be 3 per centum;

2. With respect to compensation paid after December 31, 1947, the rate shall be as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on September 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent
$400,000,000 or more but less than $450,000,000	1 percent
$350,000,000 or more but less than $400,000,000	1½ percent
$300,000,000 or more but less than $350,000,000	2 percent
$250,000,000 or more but less than $300,000,000	2½ percent
Less than $250,000,000	3 percent

As soon as practicable following the enactment of this Act, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30, 1947, and on or before December 31 of 1948 and of each succeeding year, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30 of such year.

(b) Each employee representative shall pay, with respect to his income, a contribution equal to 3 per centum of so much of the compensation of such employee representative as is not in excess of $300 for any calendar month, paid to him for services performed as an employee representative after June 30, 1939 *and before July 1, 1954, and as is not in excess of $350 paid to him for services rendered as an employee representative for any calendar month after June 30, 1954.* The compensation of an employee representative and the contribution with respect thereto shall be determined in the same manner and with the same effect as if the employee organization by which such employee representative is employed were an employer as defined in this Act.

APPENDIX

Report of the Railroad Retirement Board to the Committee on Interstate and Foreign Commerce on H. R. 7840

This is a report on H. R. 7840, introduced in the House of Representatives by Mr. Wolverton on February 12, 1954, and referred to your committee for consideration.

OUTLINE OF PROVISIONS

The bill would amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, in the following respects:

1. The bill would amend all three acts by—
   (*a*) Increasing for benefit and taxing purposes the present maximum compensation a month from $300 to $350; and
   (*b*) Excluding the service of delegates to national or international conventions of railway labor organizations from the benefit and taxing provisions of the railroad retirement and railroad unemployment insurance systems if these delegates would not otherwise be covered by the railroad retirement system.
2. The bill would amend the Railroad Retirement Act by—
   (*a*) Reducing the eligibility age for survivor annuities of widows, dependent widowers, and dependent parents from 65 to 60;
   (*b*) Permitting the payment of a survivor annuity to a child over age 18, and to its mother, if the child became totally and permanently disabled before age 18;
   (*c*) Substituting a straight month-to-month work clause for the present recovery test for disability annuitants of earnings over $75 in each of 6 consecutive months (under this substitution, if the disability annuitant is paid more than $100 in any month in employment for hire or self-employment, his annuity would not be paid for such month);
   (*d*) Permitting the payment to a widow, dependent widower, or dependent parent of a survivor annuity under the Railroad Retirement Act without reducing the annuity by any retirement annuity under that act for which such widow, widower, or parent may be eligible by reason of his or her own employment; and
   (*e*) Excluding from the computation of the "monthly compensation" an individual's earnings after the year in which he attained age 65 if such exclusion would result in a larger annuity.
3. The bill would amend the Railroad Unemployment Insurance Act by providing an additional daily unemployment benefit rate of $8 if the employee's earnings in a base year totaled as much as $4,000. The present maximum rate of $7.50 a day would apply to earnings, in a base year, of $3,500 to $3,999.99. In addition, this amendment would provide that, if the daily benefit rate is otherwise less than 50 percent of the employee's daily wage rate, the benefit rate would be increased to one-half of the wage rate, but not to more than $8.

RETIREMENT ACT AMENDMENTS

1. *Increase in tax and creditable compensation base from $300 to $350 per month.*—Since about 40 percent of all present employees do not earn more than $300 a month, the increase in the tax base would not affect them. The remainder would pay the tax on the increase from $300 to $350 per month in the taxable base beginning July 1, 1954. The total taxable payroll would be increased by about 9 percent or $450 million a year, and retirement tax collections by about $56 million a year. This amendment would of itself result in increased benefits which would cost approximately $31 million a year—$25 million under the retirement and $6 million under the survivor provisions. Deducting the increased benefits from the $56 million additional taxes leaves a net increase in revenue of about $25 million

a year, which would be more than enough to pay the other benefit increases provided in part I of the bill. The $31 million increase in benefits from this provision plus the additional cost for other Retirement Act amendments included in the bill would total approximately $54 million. The $56 million additional revenue would more than pay for all the increased benefits provided for in the bill. The director of the bureau of wage and service records strongly urges that the effective date of this provision be made January 1, 1955, instead of July 1, 1954. This would save the Board considerable expense in reconciling the correct compensation to be recorded to the employees' accounts, especially where the employee worked for more than one employer during the year. Similarly, it would appear that changing the maximum creditable compensation during the year would pose serious problems for employers making reports to the Board. Appropriate changes in the Railroad Retirement Tax Act to increase the taxable base from $300 to $350 a month are included in the bill.

2. *Reduction in the eligibility age for widows, dependent widowers, and parents from 65 to 60.*—It is well known that women who have not been in employment outside the home, on reaching age 60, find it very difficult to secure a paying position at or after that age. Under the present act no benefits are payable to such widows and parents until they reach age 65. The present Railroad Retirement Act permits the payment of full retirement annuities at age 60. This is recognition of the facts regarding employability of women at that age. There are about 30,000 widows and parents between the ages of 60 and 65 who would become eligible for survivor benefits, averaging about $45 a month, on the first of the month after the bill is enacted. The cost of this provision would come to approximately $23.5 million a year.

3. *Substitution of a work clause for the presumptive recovery provision for disabled annuitants under 65.*—The present Retirement Act provides that a disabled annuitant under age 65 is presumed to have recovered from his disability if he earns in employment or self-employment more than $75 a month for 6 consecutive months. The provision has been found to be difficult of administration and subject to abuse. The Board believes that the substitution for this provision of one that would suspend benefits for any month for which the employee earns in employment or self-employment more than $100 a month would be more equitable and easier to administer than the present provision. There are approximately 43,000 disabled annuitants under age 65 who would be potentially affected by this provision. About 800 of them are now suspended because of the application of the present 6-month recovery test and would have to be reexamined for possible reinstatement. It is estimated that the provision would be a little less costly than the present one, the amount of savings being approximately $1.5 million a year.

4. *Payment of survivor benefits to a widow and dependent disabled child past age 18.*—Under the present Railroad Retirement Act, a widow under age 65 can receive a widow's benefit if, and so long as, she has a child under age 18 in her care, regardless of whether the child, after age 18, is able to work or not. The Board believes that any widow who has a child past 18 who is permanently and totally disabled has a greater burden than a widow who has a nondisabled child under 18. It therefore believes that any widow who has such a disabled child in her care should receive her benefits and the child should receive his benefits as long as the disability continues, just as in the case of a child under age 18. No good estimate is available as to the number of survivors who will be affected by this provision. A rough estimate of the cost of the provision is $750,000 per year.

5. *Utilization of employment after age 65 in computing the monthly compensation.*—The present Railroad Retirement Act provides that all compensation earned by an employee, including compensation after age 65, shall be used in determining the amount of the retirement annuity. In a considerable number of cases, the employee after age 65 earns less than he did before age 65. In the judgment of the Board, such an employee should not be penalized because he continues to work beyond age 65. The Board therefore believes that the amendment in the bill which freezes the monthly compensation at age 65, unless the use of such compensation would increase the annuity, is a desirable one. Approximately 100,000 annuitants who had service after age 65 are now on the current payment rolls. Only those among them who file applications will have their annuities considered for recomputation under this provision. It is estimated that, if all file, some 7,500 will be eligible to receive higher annuities from a few cents to a few dollars a month and averaging 55 cents per month, retroactive to November 1, 1951. Of the current new retirements at age 65 or over, about two-thirds have had some service after age 65. Only a small minority of these,

however, had higher average earnings before age 65 than after and would therefore profit from the provision. It is estimated that the cost of the provision would be about $50,000 per year.

6. *Elimination of reduction in survivor benefits on account of entitlement to railroad retirement benefits.*—Under the present act, a woman who is covered by the act and whose husband is also covered cannot receive both a widow's benefit and a retirement benefit based on her own earnings. In effect, she can receive only the larger of the two benefits. Since such an individual has earned her Retirement Act credits by her own work, she should be entitled to receive benefits based on her own earnings. There are fewer than 100 aged widows and parents now receiving less than the full amount of both survivor and retirement annuities. These individuals would receive increases averaging about $20 a month. The cost of the provision would be about $20,000 per year.

7. *Elimination of national delegate service in the absence of previous railroad employment.*—In the conventions of the railroad brotherhoods, there are a considerable number of delegates who are not railroad employees and whose service as delegates is now taxed under the Railroad Retirement Taxing Act. Practically all such persons will never receive benefits under the act, because they would not have the minimum of 120 months' service required for eligibility for benefits. The work of collecting the taxes on this small and irregular service and of keeping compensation records in the Board is not justified by the small amount of taxes and benefits involved. Appropriate amendments to the Railroad Retirement Tax Act are also included in the bill. There is no way of knowing the number of individuals who would be affected, but it is probably small. A rough estimate of the cost is about $10,000 a year.

8. *Elimination of deductions because of failure of children to attend school.*—Under the Railroad Retirement Act, a child of a deceased employee is entitled to benefits until he reaches age 18, except that if he is age 16 or over and is not attending school, no benefit will be paid for any month while he is not so attending. Such a provision was originally in the Social Security Act, but has been removed, and there is no good reason for continuing it under the Railroad Retirement Act. Some 150 children, whose annuities are now being withheld under the school attendance clause, would be affected by this provision. Most of these children, however, are in families already receiving a social-security minimum amount. The total benefits to the family would therefore not be affected in these cases, although a recalculation of the individual benefits may have to be made. The amendment will have little effect on the total cost of the bill.

The table on the following page gives the costs of the amendments in the bill to the Railroad Retirement Act. Both dollar costs and tax rates are given. The table and the footnote show that the increased revenue from the increase in the taxable ceiling to $350 per month is more than enough to pay the increased benefits without increase in the tax rate.

COST AND TAX RATE SUMMARY

A. *Additional annual costs and corresponding level tax rate required by amendments in H. R. 7840 to the Railroad Retirement Act*

[Assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling]

Provision	Annual dollar cost (in thousands)	Level cost (percent of taxable payroll)
1. Additional benefits resulting from increase in ceiling to $350 per month:		
Retirement benefits	$25,000	0.459
Survivor benefits	6,000	.110
2. Reduction of eligibility age for widows and parents to 60	23,500	.431
3. Change in disability work clause	−(1,500)	−(.028)
4. Disabled child—continuation of benefit to widow and child	750	.014
5. Disregard compensation after age 65 if use would reduce annuity	50	.001
6. Allow widow full widow's annuity and any annuity based on her own compensation	20	
7. Elimination of credit for national delegate service for persons who have no other creditable service	10	
8. Elimination of provision for suspension of benefit of child over 16 not attending school	1	
Total	53,831	.987

Under the present Railroad Retirement Act, benefits cost $670.5 million per year on a level basis. The proposed amendments would thus increase the required annual outlay to $724.3 million ($670.5 plus $53.8). This would be equivalent to a 13.29-percent tax rate on the $5,450 million covered payroll based on a $350-per-month ceiling. The latter payroll compares with the $5,000 million assumed level annual payroll based on the present $300-per-month creditable ceiling on taxes and compensation.

The existing tax rates are not changed by the proposed amendments. However, because of the increased payroll there will be available $56 million in additional tax revenue. This compares with the annual cost of $53.8 million resulting from the benefit liberalizations of the proposed amendments.

RAILROAD UNEMPLOYMENT INSURANCE ACT AMENDMENTS

The provision of the bill mentioned earlier increasing the tax and benefit base from $300 to $350 a month applies also to the the Railroad Unemployment Insurance Act contributions and benefits. As stated previously, it is estimated that the increase in the conbribution base to $350 a month would increase the taxable payroll by about 9 percent. This would add, at the current contribution rate for unemployment insurance of 0.5 percent, about $2¼ million a year to the contributions paid by the railroads. However, it would make necessary an increase in the contribution rate from 0.5 percent to 1 percent by about January 1, 1957. The bill in effect provides for two changes in the benefit formula of the Railroad Unemployment Insurance Act which includes both unemployment and sickness benefits. The first change is to add the new bracket to the present formula. This additional benefit bracket would bring the benefit schedule more in line with the earnings of employees at the present time. It also would help to carry out the recommendation of the President that unemployment insurance benefits be increased in the various unemployment insurance systems so as to more nearly approach 50 percent of wages. The present formula provides that any employee whose earnings in a base year exceeded $3,500 would have a benefit rate of $7.50 a day. The bill provides that a new rate be provided as follows:

	Per day
$3,500 to $3,999.99	$7.50
$4,000 and over	8.00

The addition of the $8 benefit rate would have no effect on benefits until July 1956 since 1955 would be the first base year in which any employee could have creditable compensation of $4,000 or more.

Increasing the earnings to $350 a month would have some effect on all benefit rates in the existing schedule, but would affect principally those now in the top 3 or 4 compensation ranges.

However, the increased earnings limit for the second half of 1954 will have a slight effect on benefit rates starting July 1955. Is is estimated that the effect of the $350-a-month limit and the $8 benefit rate, excluding the proviso, would be to increase benefits by about 3.5 to 4 percent beginning with July 1956. Over a long period of time the addition of the $8-per-day bracket would probably increase benefits by about 5 percent.

The second change in the unemployment insurance act provides that the employee's daily benefit rate should not be less than 50 percent of the daily rate of compensation for the employee's last employment in which he engaged for an employer preceding the registration period, but that no such rate should be increased above $8 per day.

The majority of the Board is in agreement on all of the proposed amendments except for the proposed method of achieving increases in unemployment benefits. The separate statements on this provision from the Chairman of the Board and from the labor member of the Board are attached.

This is the report of Chairman Kelly and Board Member Harper, a majority of the Board. A separate statement from the carrier member concerning the bill is attached.

All three members of the Board, however, call attention to a suggestion from the Board's budget officer that if the committee reports out a bill as a result of this hearing, a section substantially as follows should be included in the bill as reported by the committee so that, if the bill is enacted, the Board may immediately start processing adjustments necessitated by the changes in the Railroad Retirement Act:

SEC. —. In order to carry out the purposes of this Act, there shall be set aside as of enactment date, as an additional amount appropriated to "Salaries and expenses, Railroad Retirement Board (trust account)," $500,000 to be derived from

the Railroad Retirement Account and apportioned by the Bureau of the Budget as required, for administrative expenses in administering the provisions of this Act. Any unobligated balance on June 30, 1955, of the amount hereby appropriated shall revert to the railroad retirement account."

STATEMENT OF COL. RAYMOND J. KELLY, CHAIRMAN OF THE RAILROAD RETIREMENT BOARD, ON H. R. 7840

The problems created by the proposed amendments to the Railroad Retirement Act, as described in the statement by the majority of the Board, are minor.

I am in favor of the amendment to the Railroad Unemployment Insurance Act which would increase benefit rates for unemployment and sickness benefits. Such action would be in accordance with the recommendations contained in the President's economic message.

At the present time our railroad unemployment and sickness benefits are about 40 percent of average weekly wages. Our benefits should be higher to be in line with the President's recommendation—closer to 50 percent of average weekly wages.

While I do favor an increase in benefit rates, I am not in favor of the method proposed in H. R. 7840 for increasing them. It proposes to get these results the hard way by changing the whole benefit formula in the present law.

The present formula is a fairly simple one. It is one Congress gave us in 1938. It is one the labor organizations favored in 1938 and have since supported.

This formula provides a daily benefit rate based on an employee's annual compensation in the railroad industry. For each of ten different categories of annual compensation, there is a benefit rate specified in the law. Within any benefit year (July 1 to June 30) a benefit rate does not change.

We can easily tell from the Board's wage records what benefit rate an employee is entitled to and he can easily understand how we arrived at it.

I can understand how a benefit rate is determined under the present law. It is not easy for me to understand how it would be determined under the proposed amendment and I do not think railroad employees will find it easy to understand either.

It would cost us about $700,000 to administer the proposed amendment and it would be expensive for the railroads to provide us with the necessary information to administer it.

We don't need a new and more complicated formula in order to get higher benefit rates.

We don't need to spend a lot of money on administration to get these result.

We can get these results and the results the President wants, without much increase in administrative costs. We can do it by sticking to the basic benefit formula we now have and revising the scale of benefits upward.

Here is one way to do it:

1. Increase the amount recognized as compensation in any one month from $300 to $350 (as provided in sec. 305 of H. R. 7840).
2. Add a new top benefit rate of $8.50 for earnings over $4,000.
3. Split the lowest 2 wage brackets into 3 with benefit rates of $3, $3.50, and $4.
4. Raise remaining benefit rates by 50 cents.

A comparison of the present table of benefit rates and the new table of benefit rates is set forth below:

Present rates		Proposed rates	
Total compensation	Daily benefit rate	Total compensation	Daily benefit rate
$300 to $474.99	$3.00	$300 to $399.99	$3.00
$475 to $749.99	3.50	$400 to $499.99	3.50
$750 to $999.99	4.00	$500 to $749.99	4.00
$1,000 to $1,299.99	4.50	$750 to $999.99	4.50
$1,300 to $1,599.99	5.00	$1,000 to $1,299.99	5.00
$1,600 to $1,199.99	5.50	$1,300 to $1,599.99	5.50
$2,000 to $2,499.99	6.00	$1,600 to $1,999.99	6.00
$2,500 to $2,999.99	6.50	$2,000 to $2,499.99	6.50
$3,000 to $3,499.99	7.00	$2,500 to $2,999.99	7.00
$3,500 and over	7.50	$3,000 to $3,499.99	7.50
		$3,500 to $3,999.99	8.00
		$4,000 and over	8 50

This proposal might possibly pay out in benefits about $18 million more a year.

It would cost us very little more in administrative expense to pay benefits under this proposal.

The structure of the present benefit formula which has stood the tests of 15 years of benefit payments would remain unchanged.

I recommend it for your consideration and the consideration of the railroad labor organizations and carriers.

Average benefit payments as a percentage of average weekly wage

	Present	With proposed increase
Unemployment	39.7	44.1
Sickness	42.5	47.6

Benefit payments would be increased by the following percentages: 11 percent for unemployment benefits and 12 percent for sickness benefits.

(Estimated by the Office of the Director of Research.)

STATEMENT BY MR. HORACE W. HARPEL, LABOR MEMBER OF THE RAILROAD RETIREMENT BOARD, ON THE PROVISO IN SECTION 304 OF H. R. 7840

As stated in the report by the Railroad Retirement Board on H. R. 7840, I am submitting a separate statement on the proviso in section 304 of the bill. I believe that this proviso is important and necessary, and should be approved for the following reasons:

The Railroad Unemployment Insurance Act has never provided adequately for the railroad employees who, because of sickness or lack of available work or because they entered railroad employment late in the benefit year were not able to work more than a few months in the base year. Nor does it provide adequately for individuals whose rate of earnings has increased substantially after the end of the base year, and before the period of unemployment. The annual compensation base used to determine benefit rates is adequate for most employees fortunate enough to be fully employed in the base year, and on the whole, is more satisfactory than State law provisions. However, there remains this group for whom benefits are inadequate. The proviso that benefit rates should be at least 50 percent of the daily rate of compensation in last employment, subject to the $8-per-day maximum is designed to take care of them.

The beneficiaries this proviso is designed to protect are not just casual employees. They include thousands of regular railroad workers with years of railroad service. Others are at the beginning of railroad careers and may have worked as long as a year in addition to their brief base-year service before becoming unemployed or sick. They included workers in many different occupations, such as firemen, brakemen, stenographers, station agents, carmen, and machinists, not just laborers.

Of the 68,000 unemployment beneficiaries paid at a rate less than $6 per day for unemployment in the 1952–53 benefit year, 35,000 were employed in the railroad industry within 30 days of the beginning of their unemployment. In other words, this large group had substantial employment after the base year. Frequently, among the beneficiaries, those with low rates are employees who were forced to stop working because of sickness early in the base year. Among the sickness beneficiaries with rates under $6 the proportion still active in the industry at the time their benefits began was about the same as among those unemployed. Of those not recently employed, 53 percent had worked in the railroad industry for more than 5 years.

Benefits under the Railroad Unemployment Insurance Act in 1952–53 totaled close to $100 million, and it now appears that the total for the current benefit year will not be much different. However, to be on the safe side, I have assumed for cost purposes that benefits under the present law would average $125 million a year. For all cost estimates the Board has used an average taxable payroll of $5 billion a year. With this payroll the benefits under the present law, for long-range cost calculations, are estimated at 2.5 percent of the taxable payroll.

I have estimated that H. R. 7840, if enacted, would add 16 percent to the benefits for a year like 1952–53. Here again, to be on the safe side, I have assumed a 20-percent increase for cost estimates. Thus the total benefits including the proposal are estimated at $150 million a year. Increasing the taxable earnings limit to $350 a month will add about 9 percent to the taxable payroll, raising it

to $5.45 billion a year. Thus the unemployment and sickness benefits under H. R. 7840, for long-range cost calculations, are estimated at 2.75 percent of the taxable payroll.

The Railroad Unemployment Insurance Act sets aside an amount from contributions equal to 0.2 percent of the taxable payroll to be used for administrative purposes. The administration of the law has never cost this much. However, assuming that it would, the total cost of the Railroad Unemployment Insurance Act, adding H. R. 7840 and including administration, would be 2.95 percent of payroll. Considering the conservative nature of the above calculations, I consider this to be ample evidence that the financing of the Railroad Unemployment Insurance Act is more than sufficient to provide the benefits proposed in H. R. 7840.

As of January 31, 1953, there was a total of $653 million in the railroad unemployment insurance account as a reserve to support payments under the Railroad Unemployment Insurance Act. This balance is currently earning interest at a rate of 2⅜ percent. Contributions by employers are paid at a rate of 0.5 percent of taxable payrolls. This rate will remain in effect as long as the balance in the account is above $450 million. The income from interest and contribution is sufficient so that, on the basis of recent benefit experience, there is little prospect under the present law of an increase in the contribution rate to 1 percent before January 1958. It may not increase before January 1959. If the proposals in H. R. 7840 are enacted, our experience indicates that the contribution rate would increase 1 year sooner; that is, the contribution rate would probably increase to 1 percent in January 1957, but it might not increase before January 1958.

As I have just stated, the contribution rate under the Railroad Unemployment Insurance Act has been 0.5 percent since January 1, 1948. By contrast, the employers covered under State unemployment insurance laws now pay an average rate of about 1.5 percent to the States plus 0.3 percent to the Federal Government, and it is more probable that they will pay at a higher rate in the future than that they will pay at a lower one. Thus, now and for a number of years to come the railroads have the advantage of a relatively low rate for unemployment contributions. Rates for employers under State laws since 1948 have been as follows, including the 0.3-percent Federal tax:

Year	Contribution rate	
	State laws, Average	RUIA
1948	1.54	0.5
1949	1.61	.5
1950	1.80	.5
1951	1.88	.5
1952	1.75	.5

One objection which is given to this proviso is that administrative difficulties and costs would be very great. It appears to me that the administrative difficulties are overemphasized and that in actual operation will not be found to be very important. While it is true that the administrative costs will increase by a relatively small amount, I do not believe that such costs should take precedence over equitable and necessary benefits in the consideration of this bill.

For the reasons given above, I believe that the increases in benefits which would follow enactment of this provision are equitable and just, and that they should be enacted by Congress.

STATEMENT OF F. C. SQUIRE, MEMBER, RAILROAD RETIREMENT BOARD ON H. R. 7840

I am opposed to two of the principal provisions of H. R. 7840 for the reasons given below.

Increase in maximum compensation from $300 to $350 is inequitable

The rate of the payroll tax on the railroads is already three times (6¼ percent versus 2 percent) the payroll tax rate on their nonrailroad competitors and other industries. To increase the tax base from a maximum of $300 per month to $350 would increase this existing discrimination by $28 million a year.

The bill proposes liberalization of the benefit rates of the Railroad Unemployment Insurance Act, the provisions of which are already far more liberal than those of the State laws

Only 2 years ago substantial increases were made by Public Law 343, approved May 15, 1952, in the daily benefit rates.

Will increase cost $25 million to $30 million per year.—As these rates are increased, more claims are induced. For example, during the consideration of the bills in 1952 it was calculated that the increases proposed in daily benefit rates would increase total benefits paid by $25 million to $30 million per year. Actual experience has shown the increase to be about $35 million or more. As to sickness benefits alone, it was calculated in 1952 that the then proposed increases in daily benefit rates would increase total sickness benefits paid by 41.2 percent (1952 hearings on H. R. 6625, p. 125). Instead, actual experience has shown an increase of about 60 percent. Although a calculation shows that the daily benefit rates proposed in H. R. 7840 average only 16 percent above the existing benefit rates, I estimate for the reasons given above that the proposed rates would increase the total annual cost of benefits by $25 million to $30 million.

Already provides sickness benefits which most State laws do not.—Over 40 percent of the benefits normally paid under the Railroad Unemployment Insurance Act are for sickness and maternity. Only four States have laws for the payment of sickness benefits and those laws provide for the employees to pay all or part of the cost of sickness benefits. In contrast, the Railroad Unemployment Insurance Act provides sickness and maternity benefits for railroad employees nationwide and requires that the entire cost be borned by the railroads. Consequently, the Railroad Unemployment Insurance Act, in providing such sickness and maternity benefits entirely at the employers' expense, is already much more liberal than the State systems.

Comparison of railroad and State average weekly benefits.—Disregarding the additional sickness and maternity benefits already provided by the Railroad Unemployment Insurance Act, let us see how the unemployment benefits already provided by the railroad law compare with the unemployment benefits provided by State laws. A common comparison, because readily available, is between the average per week paid to all beneficiaries under State laws and the average benefits per week of unemployment paid under the railroad law. Under State laws, the average per week of total unemployment for the calendar year 1953 was only $23.58 as compared with average per week of total unemployment under the railroad law of $29 for the last 6 months of 1953.

The following table shows the proportions of beneficiaries paid at the highest rate, and the average payment under the railroad law and for the States.

	Percent of beneficiaries at maximum benefit rate	Average benefits per week of total unemployment
Railroad:		
Unemployment, year ended June 30—		
1948	23	$17.60
1949	35	19.20
1950	45	19.80
1951	24	17.40
1952	37	18.50
1953	19	29.50
July to December 1953	9	29.00
Sickness, year ended June 30—		
1948	55	21.50
1949	59	21.60
1950	68	21.70
1951	68	22.00
1952	71	22.30
1953	34	31.60
July to December 1953	36	31.50
States:		
Unemployment, calendar year—		
1948	54	19.03
1949	60	20.48
1950	54	20.76
1951	51	21.09
1952	55	22.79
1953	57	23.58

Sources: The weekly rates for railroad total unemployment and sickness are from the Annual Report of the Railroad Retirement Board for fiscal year 1952, pp. 265 and 275, and similar data for subsequent periods; the percentages were calculated by the Office of Director of Research. The percentages and weekly rates for the States are from Statistical Supplement, Labor Market and Employment Security, May 1953, p. 11.

The sharp drop in the percent of railroad payments at the maximum rate and the sharp rise in the railroad averages for fiscal year 1953 are the result of the drastic increase in benefit rates granted by the 1952 amendments to the Railroad Unemployment Insurance Act. Obviously, if the proportion of beneficiaries paid at the maximum under the railroad law were as large as the proportion paid the maximum under State laws, the difference between the railroad unemployment average payment for the last 6 months of 1953 and the State average payment for the calendar year 1953 would be much greater than the difference of $5.42 shown in the table.

Comparison of State and railroad minimum and maximum.—The more important provisions of State unemployment compensation laws are shown on pages 16 and 17 of the Social Security Bulletin for December 1953. Excluding dependents' allowances, which are payable in only 11 States, there is no State law with a maximum of more than $35 a week. This may be compared with the maximum of $37.50 now payable under the Railroad Unemployment Insurance Act, and a maximum of $40 proposed in H. R. 7840. Even including dependents' allowances, there are only 4 States paying a maximum of more than $38 a week. In the following tables, averages of the provisions of State laws are compared with the present railroad law and the proposals in H. R. 7840. Allowances for dependents are omitted from the State figures because such allowances constitute only about 1 percent of the total paid by the States for unemployment.

Provision	States		Railroads	
	Simple average	Weighted average [1]	Present law	H. R. 7840
Minimum weekly benefits	$7.82	$8.62	$15.00	[2] $29.10
Maximum weekly benefits	$26.66	$27.64	$37.50	$40.00
Maximum total benefits payable in a year	$612.77	$675.44	$975.00	1,040.00
Maximum weeks of total unemployment payable	23	24	26	26

[1] Computed by weighting figure for each State by number of beneficiaries in calendar year 1952.
[2] $29.10 is based on $1.455 per hour. Those now being paid in the lowest compensation range of $15 per week would average under H. R. 7840 about $31.25.

Other respects in which the present railroad unemployment system is already more liberal than those of the States—

1. All State laws prohibit the payment of unemployment benefits to strikers. Radically contrary is the railroad unemployment system under which strikers are paid unemployment benefits unless the strike is in violation of the Railway Labor Act or the rules and practices of the labor organization. If the act is to be amended, certainly the payment of benefits to strikers should be prohibited the same as in all the State laws.

2. Of the 4 States that have sickness (temporary disability) laws, 3 of them specifically prohibit payment of benefits for maternity, and while the other provides for sickness benefits in maternity cases, it is for a shorter length of time than the railroad unemployment insurance law, and is at the expense of the employees. In contrast, the Railroad Unemployment Insurance Act provides for nationwide payment of maternity benefits. These average about $755 per case, and aggregate about $3 million per year. About two-thirds of the women do not return to work. The entire cost is on the railroads. I have never heard any railroadman attempt to justify this maternity provision. If the act is to be amended, the maternity provision should be eliminated. It should be remembered that under no State law are even sickness benefits payable at the expense of the employer.

3. Under most State laws the taxpaying employer can under certain conditions object in the administrative proceedings and also obtain court review if he thinks that payments of certain unemployment benefits to his employees, or former employees, by the State agency are contrary to the State law. Under the Railroad Unemployment Insurance Act, the taxpaying railroad employer does not have that right, according to the decision of the Court of Appeals for the Seventh Circuit in *Railway Express Agency, Inc.* v. *Kennedy et al.* ((189 F. (2d) 801), certiorari denied in 342 U. S. 830).

4. Under the railroad law a man who quits a job without good cause, or who refuses to accept suitable work is disqualified from receiving unemployment benefits for 30 calendar days. All States have related provisions. In some of them

the disqualification is complete. In a great majority of the others the disqualifying period is much longer than 30 days (pp. 9, 10, Statistical Supplement, Labor Market and Employment Security. September 1951).

5. All States disqualify for varying lengths of time a man who has been suspended or discharged for misconduct. The railroad law does not disqualify, but, on the other hand, pays unemployment benefits in such a case just the same as if the man had been laid off due to lack of work.

6. In most States, the maximum total amount of benefits, in addition to being restricted to a certain number of weeks, is further limited to a specified proportion of base-year earnings. The most common limitation is that total benefits shall not exceed one-third of the total base-year earnings. There is no such restriction in the Railroad Unemployment Insurance Act. In the fiscal year 1953, 5,000 of the beneficiaries exhausting unemployment-benefit rights under the Railroad Unemployment Insurance Act received payments ranging from 50 up to 130 percent of their base-year earnings.

Fifty-percent proviso.—This is the proposed provision that all the lower benefit rates in the present law be increased to half the claimant's daily rate of compensation. This sounds simple, but would result in the grossest inequities and also in difficulties of administration. It would, in effect, substitute daily benefit rates of about $6 or more for the first 6 brackets of the present schedule.

Of the "hard core" of regular railroad employees, most earn over $3,000 per year and under the present law are entitled to $7 or $7.50 per day for unemployment. However, there are a few hundred thousand casual or temporary railroad workers every year. Under the present law 4 or 5 weeks' work in the base year with $300 earnings entitles one to $3 per day unemployment for a maximum of 130 days. The 50-percent proviso proposed in H. R. 7840 would entitle him to about $6 per day (very few wage rates are now less than $1.50 per hour or $12 per day), nearly as much as a regular railroad employee who had spent years in the railroad industry. While many regular railroad employees would benefit from this 50-percent proviso, the greatest benefit from it would go to casual and temporary workers. The claimant who earned the bare minimum of $300 required to qualify, and had never before worked for a railroad, could receive for his small amount of work as much as $1,040 in unemployment benefits and then later be paid additional benefits for sickness. Under H. R. 7840 he would be entitled, provided he had a brief job at $16 per day, to the same benefits as a man who earned the maximum creditable amount of $4,200.

Some of the other bad features of this proposal I will mention only briefly:

1. Employees with practically the same earnings in the base year in the same type of work may get entirely different benefit rates because of the transfer of one or both to some other type of work before becoming unemployed.

2. Thousands of beneficiaries will receive more in benefits than they earned in railroad employment. Many of them will receive 2 or 3 times as much as their total railroad earnings.

3. Benefit payments will be so high if this proviso is enacted that the incentive to seek work will be reduced and there will be the temptation to malinger in sickness cases.

4. The 50-percent proviso could have the effect of penalizing an unemployment claimant who accepts a temporary railroad job. For example, a machinist with low base-year earnings may be entitled to the maximum rate of $8 because his last employment paid over $16 a day. But if he accepts a temporary job such as handling mail or shoveling snow for $12 a day, his benefit rate would be reduced to $6 for any subsequent unemployment or sickness. This is certainly a poor way to encourage the unemployed to seek work.

5. Basically the proposed 50-percent proviso is an attempt to graft onto the present law, which bases the benefit rate on total earnings in the base year, a feature somewhat similar to the provisions of some State laws which base the benefit rate on earnings in a single quarter or in the period immediately preceding the beginning of unemployment. However, the proposal omits entirely the safeguards that are in these State laws. These safeguards are in the form of provisions requiring total base-period wages of some such figure as 30 times the weekly benefit amount to be eligible for benefits or of provisions which restrict the total benefits payable in the year to a fraction (commonly one-third) of the total base-year earnings.

6. The administration of the Railroad Unemployment Insurance Act, instead of being simple and economical, will be made costly and complex by this 50 percent proviso.

(*a*) The Railroad Retirement Board has emphasized promptness in payment of unemployment and sickness claims. The checking and certification

of a large proportion of the claims is completed the day they are received in the regional office. This is possible because the claimant already has received from the Board a card stating his base-year earnings or if he has lost the card, the information is obtained from the headquarters wage record by teletype. This method was adopted after careful consideration when the original act was drawn in 1938. The 50-percent proviso of H. R. 7840 would largely abandon that quick source and in the large majority of cases probably require obtaining information as to last wages from the railroads, which would delay the unemployment and sickness benefit checks and cost many hundreds of thousands of dollars to the Board in additional administrative expense and many hundreds of thousands of dollars' expense to the railroads in looking up last wages.

(*b*) The benefit rate will not be fixed for the year, but will fluctuate with changes in railroad occupation. In extreme cases, which will arise among operating employees on the extra board, it may be necessary to determine the benefit rate separately for each claim period, since the employee's pay rate will vary according to the particular type of service and the weight and type of the engine on each day's run.

(*c*) The fluctuations and inconsistencies in benefit rates will be confusing to the claimants with the result that there will be many disputes and many special investigations will be required.

(*d*) The present benefit formula of the Railroad Unemployment Insurance Act is as simple and as easy to understand and administer as there is in any unemployment insurance law and it has stood the tests of 15 years of benefit payments.

It has 10 earnings groups and a daily benefit rate for each group which remains unchanged for any employee for 1 year.

When this principle of earnings group was adopted in the original Railroad Unemployment Insurance Act in 1938, its adoption was considered an advance over the provisions of most State unemployment compensation benefit formulas of the time (the latter used principles similar to those of the proposed amendment).

The testimony in support of the original railroad unemployment insurance legislation and the committee reports on it said of the present benefit formula:

1. It would simplify and "speed up benefit payments."
2. It would "reduce the number of disputes concerning what the benefit is."
3. "This method of determining the benefit rate and maximum benefits is far simpler than the methods provided in the various State acts, under which elaborate (and probably administratively costly) calculations are necessary."
4. When an employee receives his statement of earnings he will be able readily to tell whether he met the earnings requirement and the amount of benefits for which he can be eligible. "Such prior determinations, it is believed, are not possible under the present (State) system."
5. "The present bill * * * we believe to be the simplest and soundest for unemployment insurance ever introduced into legislature in this country."
6. At that time a proposal similar to the 50-percent proviso, establishment of a different benefit rate for each different wage rate, was carefully considered and rejected.

Under the present benefit formula if the claimant agrees to the record of base-year compensation there is no ground for dispute about the benefit rate and he can readily understand how it is determined. This fact is apparent by the absence, during 15 years of benefit payment, of any appeal concerned with the determination of benefit rate.

There were in the last fiscal year approximately 3,600 statements of base-year compensation disputed by claimants. All of these disputes were resolved without appeal by a claimant. In the whole year approximately 380,000 determinations of benefit rate were made.

This record of acceptance of benefit rate determinations would not continue to prevail with the formula of the proposed amendment, partly because there will not infrequently be opportunity for difference of opinion as to a claimant's daily rate of compensation but also because the proposed basis for benefit payments will be less easily understood.

APRIL 12, 1954.

Hon. CHARLES A. WOLVERTON,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

DEAR MR. WOLVERTON: Enclosed is our proposal to amend sections 303 and 304 of the bill H. R. 7840 which, we believe, will resolve the differences between us concerning the present section 304 of the bill.

Sincerely yours,

RAYMOND J. KELLY, *Chairman.*
HORACE W. HARPER, *Member.*

AMENDMENTS TO H. R. 7840

Amend section 303 of H. R. 7840 by substituting in line 15 on page 9, the figure "400" for the figure "300"; and by inserting after the period in line 15 the following sentence: "Section 3 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure '400' for the figure '300'."

Strike out section 304 of H. R. 7840 and substitute therefor the following section:

"SEC. 304. (a) Subsection (a) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by substituting for the table the following:

" 'Column I Total compensation	Column II Daily benefit rate
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to 1,999.99	6.00
$2,000 to 2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed $8.50. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.' "

"(b) Subsection (c) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by changing the period at the end thereof to a colon and by inserting after the colon the following: '*Provided, however,* That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; that the total amount of benefits which may be paid to an employee for days of sickness, other than days of sickness in the maternity period, within a benefit year shall in no case exceed the employee's compensation in the base year; and that the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period.' "

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 22, 1954.

Hon. CHARLES A. WOLVERTON,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of February 16, 1954, wherein you request a report on H. R. 7840, to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. It is also in answer to your request relative to H. R. 7869, 7951, 7956, 7973, and 7979, bills identical to H. R. 7840.

The proposal would revise the railroad retirement program in several important respects. It would increase the maximum wages subject to payroll taxes and creditable toward benefits from $300 to $350 a month. It would reduce the eligibility age for widows and dependent parents from 65 to 60 years of age. Eligibility for disability benefits would be put on a month-by-month basis and the allowable earnings raised to $100. Compensation after age 65 would not be counted toward benefits if it had the effect of reducing such benefits. Surviving spouses entitled to benefits in their own right would be permitted to receive such benefits, and their survivorship benefits as well, without any offset requirements. In cases where a dependent child is disabled, his benefit rights would continue after his 18th birthday both in respect to the offspring and the widow. Several other relatively minor revisions, which would be brought about by the proposed bill, include elimination of the school attendance provision for children's benefits and exemption of service as a union delegate from covered employment.

The Railroad Retirement Board has made a cost analysis of the proposal and indicates that it would not add to the present deficiency of the program. Raising the tax base would increase revenues by an estimated $56 million a year and the automatic increase in benefits resulting from a parallel increase in creditable wages would be $31 million a year. Other changes would add another $23 million a year to annual costs. The net effect would be a slight reduction in the financial deficiency under which the program is now operating.

In respect to the railroad unemployment insurance program, the bill would raise the tax base to $350 a month with a parallel increase in maximum benefits from $7.50 to $8. This provision is recommended. The unemployment benefits would be further liberalized by a provision that in no instance could they be less than 50 percent of the claimant's last daily rate of pay. We believe this provision requires careful examination.

The change in the method of computing unemployment benefits from an annual wage base to a "last daily rate of pay" would favor particularly the casual employees of the railroad industry. The casual worker is already favored in that the present railroad unemployment insurance program does not contain any limitation on the duration of benefits to keep it in accordance with the claimant's prior service in the industry. In consequence, it is possible now for a person who works 5 or 6 weeks or earns a minimum of $300 in the railroad industry to get benefits for as much as 26 weeks of unemployment and 26 weeks of sickness—far more in the aggregate than the total wages earned in the railroad industry. The proposed bill would have the effect of increasing substantially the benefits going to such claimants. Inasmuch as the cost of unemployment insurance is borne by the carriers, we believe the Congress will wish to consider whether these provisions of the bill create an inequity by increasing the burden of the carriers with respect to individuals whose connection with the industry is of short duration. If it is intended to depart from the annual basis of determining benefits, such a step might be accompanied by a standard requiring more substantial connection with the railroad industry as a precondition of receiving benefits. Such standards exist in the great majority of State unemployment insurance programs.

The proposed increase in the covered wage base to $350 a month would correspond to the President's proposal for revision of old-age and survivors insurance. In view of these Presidential recommendations, the proposal for a higher wage base and resulting automatic increases in benefits under the railroad system would appear appropriate. Its enactment is recommended. Because of the complex interrelationship between social security and railroad retirement, however, it is important that enactment of a wage base increase in the railroad-retirement program not become effective in advance of the increase in old-age and survivors insurance.

The case regarding the other increases in benefits, amounting to $23 million a year, is one which the Congress will wish to consider in connection with (1) the existing financial situation of the railroad-retirement system, and (2) the potential effect of railroad-retirement increases on the general old-age and survivors insurance program, and on relationships between the 2 systems.

In respect to the first point, the fact that the system is presently underfinanced by approximately 0.9 percent of payroll raises a question as to whether a substantial part of the increased revenues should be allocated to decreasing the deficiency. As indicated above about 60 percent of the increased revenues resulting from the higher wage base in the retirement program would be required to finance the automatic increase in benefits. Most of the remaining 40 percent, under the bill, would be devoted to the other liberalizations.

In regard to the second point, the reduction of the eligibility age for widows may well lead to pressures for a similar measure in the old-age and survivors insurance program. Inasmuch as the railroad-retirement program is a social insurance system, as well as a staff pension plan, it may serve to some extent as a precedent for OASI. As a matter of principle, the social insurance features of the railroad-retirement program should be kept in consonance with the general social-security program insofar as it is practicable and equitable to do so. Although we recognize that there may be special problems of survivorship in the railroad industry, we cannot endorse this provision.

In according eligibility to disabled dependents beyond 18 years of age, the bill creates a new class of beneficiaries which is not provided for in the old-age and survivors insurance system. The principle, however, is equitable and provided for in tax law. It would seem desirable to provide specifically that the offspring be, in fact, economically dependent.

The provision making it possible for surviving spouses to receive two benefits may be questioned on the grounds that (*a*) the spouse's benefit is a social benefit based on the added financial need of annuitants with dependent wives and (*b*) that it has no relation to individual contributions. We believe this argument has validity and would suggest that it be considered by the committee. Favorable action on this provision should not be considered a precedent for similar liberalization of social-security laws.

The other provisions of the bill are without objection.

In summary, the increase in the taxable wage base and the concomitant automatic increase in benefits would be consistent with the President's recommendations respecting the old-age and survivors insurance program. Their enactment is recommended to become effective at such time as the amendments to the Social Security Act become effective. The increase in maximum unemployment benefits is also recommended at such time as the wage base is raised. With respect to the other changes in the railroad-retirement program, the Bureau, although agreeing that most of these are socially desirable, believes that the Congress will wish to consider carefully whether they should be enacted at this time.

Sincerely yours,

JOS. M. DODGE, *Director.*

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AMEND THE RAILROAD RETIREMENT ACT

Mr. BROWN of Ohio. Mr. Speaker, I call up House Resolution 660 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. After general debate, which shall be confined to the bill, and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

AMENDMENT OF RAILROAD RETIREMENT ACT

Mr. BROWN of Ohio. Mr. Speaker, I yield 30 minutes to the gentleman from Virginia [Mr. SMITH], and yield myself such time as I may use.

Mr. Speaker, I rise to urge the adoption of House Resolution 660, which will make in order the consideration of the bill (H. R. 7840) to amend the Railroad Retirment Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

House Resolution 660 provides for an open rule with 1 hour of general debate on the bill.

Mr. Speaker, this bill, if passed, would amend the Railroad Retirement Act and the related measures in the following important respects. First of all the age eligibility for a survivor annuity is reduced from 65 to 60 years of age.

The second major change would provide that if a child, under 18, who is entitled to the benefit under the act, has a permanent physical or mental condition, which makes the child totally disabled, then that child would be the recipient of

the benefits, even after the age of 18 years has been attained.

H. R. 7840 would also provide that a widow, dependent widower or dependent parent who receives a survivor benefit, and who is entitled to a retirement annuity in his or her own right, shall receive both the survivor benefit and the annuity. Prior to this, the person who received an annuity at the time of his or her own retirement, would have the survivor benefit, which had been coming in, reduced because the person was now receiving an annuity on his own retirement.

H. R. 7840 would also provide that in the calculation of annuities up to $350 a month in compensation shall be credited. Thus an annuity of an individual would be computed by multiplying the years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $200. Under the old bill, no more than $300 could be credited in the calculation of annuities in any month.

Mr. Speaker, there are numerous other provisions in this bill which will be thoroughly explained by the members of the Committee on Interstate and Foreign Commerce. The Bureau of the Budget while expressing some reservations on the bill, nevertheless approves of most of the general provisions contained therein.

I hope that the House membership will see fit to adopt the rule, which will make the consideration of this bill possible. The rule is an open one, and therefore the bill is open to amendment from the floor. Under these circumstances, I can see no reason why the rule should be seriously objected to.

Mr. BROWN of Ohio. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. BENDER].

Mr. BENDER. Mr. Speaker, it does not seem possible to the Members of Congress and the people of Ohio that a year has passed since the loss of Senator Robert A. Taft. When he was called from our midst, Bob Taft was already a great man.

In these last 12 months, we have had the opportunity to evaluate his achievments from the perspective of time. Republicans, Democrats, and Independents alike have come to recognize the breadth of his vision, the intelligence of his perspective, and the wisdom of his counsel.

America has always produced great leaders in its time of crisis. Bob Taft was such a leader. Our lives are richer, our work is more certain because of the foundation he helped us to establish.

His memory will grow from year to year as we pay our respects to the American traditions for which he lived and worked and fought all the days of his life.

Mr. HOFFMAN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. BENDER. I yield.

Mr. HOFFMAN of Michigan. If the gentleman would permit, I would like to join in the endorsement of the statement he made.

Mr. BROWN of Ohio. Mr. Speaker, will the gentleman yield?

Mr. BENDER. I yield.

Mr. BROWN of Ohio. Mr. Speaker, may I add that I believe that all Members of this body join with the gentleman from Ohio [Mr. BENDER] in the tribute he has paid to the memory of the late Robert A. Taft, one of Ohio's and America's most distinguished sons, whose death took place a year ago today.

Mr. Speaker, I have no further requests for time on the rule and, therefore, move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to, and a motion to reconsider was laid on the table.

AMENDMENT OF RAILROAD RETIREMENT ACT

Mr. WOLVERTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

The SPEAKER. The question is on the motion offered by the gentleman from New Jersey.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for consideration of the bill H. R. 7840, with Mr. CANFIELD in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentlemen from New Jersey [Mr. WOLVERTON] will be recognized for 30 minutes and the gentleman from Florida [Mr. ROGERS] will be recognized for 30 minutes.

The Chair recognizes the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, during the 83d Congress, the Committee on Interstate and Foreign Commerce has received thousands of letters and telegrams from retired railroad annuitants and pensioners, widows of railroad workers, active railroad workers, and representatives of these groups, and Members of Congress, urging various improvements in the benefits payable under the railroad retirement system and the railroad unemployment insurance system. The wide interest in this legislation is evidenced by the fact that over 60 bills to amend the Railroad Retirement Act have been introduced by Members of the House of Representatives and referred to your Committee during this Congress. Your Committee has held hearings on all these bills and considered each one very carefully.

Last year, the Committee held hearings on H. R. 356 and 17 similar bills proposing to repeal the dual-benefit restriction provision enacted by the 1951 amendments to the Railroad Retirement Act—section 7 of Public Law 234, 82d Congress. Under this provision of the law, a railroad retirement annuity which was based in part on service before 1937 had to be reduced if the annuitant or pensioner was receiving, or was eligible to receive on application, an old-age insurance benefit under the Social Security Act.

Your Committee on Interstate and Foreign Commerce reported favorably on H. R. 356, providing for the repeal of section 7 of Public Law 234, retroactive to October 30, 1951, the date it became effective. This bill passed the House on July 24, 1953, and passed the Senate on June 2, 1954. I am happy to state that this act was approved on June 16, 1954, and is now Public Law 398 of the 83d Congress.

This law will increase benefits for approximately 36,000 annuitants and pensioners presently on the retirement rolls by an average of $24 a month, or 20 percent of their average annuity, retroactively to October 30, 1951.

In March 1954 your Committee held hearings on H. R. 7840, the bill now under consideration, and 10 identical bills. Again on June 2 and 3, 1954, your committee held hearings on 30 other bills to amend the Railroad Retirement Act pending before the committee at that time.

None of the bills which proposed increases in retirement and survivor benefits provided for any means of financing the cost of those additional benefits

except the bill reported by the committee, H. R. 7840, and the 10 bills identical to it. The reported bill does provide for the adequate financing of the additional benefits recommended in the bill.

In the consideration of all these bills, the committee has placed great emphasis on the effect of the proposed amendments on the financial soundness of the railroad retirement account. The committee is unanimously of the opinion that, regardless of the desirability of certain proposals for the liberalization of benefits under the Railroad Retirement Act, no amendments to the law should be made which would jeopardize the financial soundness of the railroad-retirement system. The principle is accepted by all the standard railway labor organizations as well as railroad management.

Your committee has every desire to be helpful to retired railroad workers and their dependents. We are also mindful of our grave responsibility toward the currently active railroad workers and those who will follow, and who will retire in the future. We must make certain that when they retire from the railroad industry, the reserves in the railroad-retirement account plus the income into the system will be adequate to pay the benefits due them.

PROVISIONS OF REPORTED BILL

The reported bill, H. R. 7840, would amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act in several important respects. I shall discuss these amendments briefly, omitting the amendments which are of a clarifying or technical nature.

RAILROAD RETIREMENT ACT AMENDMENTS—BENEFITS TO WIDOWS, WIDOWERS, AND DEPENDENT PARENTS AT AGE 60

In the consideration of the many bills and suggestions for amending the Railroad Retirement Act, the Committee on Interstate and Foreign Commerce was particularly impressed with the desirability of reducing from age 65 to 60 the age at which a widow of a railroad worker, without an eligible child, may qualify for survivor benefits.

We are well aware of the fact that there is dire need in the case of many widows who had the misfortune of losing their husbands, with consequent loss of income to them. Experience has shown that few widows are fortunate enough to have employment at age 60. This is especially true when a widow is about age 60 at the time of her husband's death. A woman whose chief function in life has been to take care of her family and home is hardly in a position to secure employment after she is 50 years of age, and her opportunities are fewer still at age 60. The same conditions essentially exist with respect to dependent widowers and parents.

Mr. A. E. Lyon, executive secretary of the Railway Labor Executives' Association, who spoke for the 23 railway labor organizations that supported this bill, stated that if such organizations were free to base their recommendations on need alone, they would have recommended an even lower eligibility age for widows, but the costs involved made such a recommendation impossible at this time.

The reported bill provides for a reduction in the eligibility age for a widow without an eligible child, dependent widower, and dependent parent, who would be eligible to receive a survivor's annuity at age 60, rather than at age 65.

The estimated cost of this provision is $23,500,000 a year, or 0.432 percent of payroll on a level-cost basis. The reported bill provides for the adequate financing of this proposal.

BENEFITS TO WIDOWED MOTHERS AND DISABLED CHILDREN

Another provision of this bill is designed to relieve the hardships experienced by a number of surviving children of deceased railroad employees, over age 18, who are not capable of self-support, and their mothers. At the present time, an annuity to a child ceases at age 18 whether or not he is capable of self-support. This, in turn, results in a cessation of the annuity to the child's mother, and causes great hardship for the widowed mother and child.

The reported bill provides that a survivor's annuity shall be paid to a disabled child, regardless of age, provided his physical or mental condition is such that he is unable to engage in any regular employment and provided further that such disability began before age 18.

Under the bill, the widowed mother, having such child in her care, would also be entitled to a widow's annuity so long as the child is disabled and if she is otherwise qualified. Upon recovery from disability after age 18, the child's annuity and the annuity of his mother would terminate at the same time.

The estimated cost of this provision is $750,000 a year or 0.014 percent of payroll on a level-cost basis. The reported bill provides for the adequate financing of this proposal.

ELIMINATION OF REDUCTION IN SURVIVOR BENEFITS ON ACCOUNT OF RAILROAD RETIREMENT BENEFITS IN OWN RIGHT

Under present law, a widow, dependent widower, or dependent parent who receives a survivor benefit, and who is eligible for a retirement annuity in his or her own right, because such individual has had railroad employment, would have the survivor benefit reduced by the annuity to which such individual is entitled by reason of his or her own employment. Such individual cannot receive both amounts. The reported bill provides that both annuities shall be payable without deduction. The estimated cost of this amendment is approximately $20,000 a year. The bill provides for the financing of this proposal.

INCREASE IN CREDITABLE COMPENSATION IN THE CALCULATION OF ANNUITIES

Under present law, a retirment annuity, other than the minimum annuity, is calculated on the basis of the individual's years of service in the railroad industry and his average monthly compensation. No more than $300 may be credited in any month.

The reported bill provides that compensation up to $350 a month shall be credited. Under this provision, individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. In fact, an individual who will have had 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Other examples of the effect of the bill on the annuities of individuals who will retire with 30 years' service, of which 5, 10, 15, 20, and 25 years of service at a monthly compensation of $350 will have occurred after the enactment of this bill, are shown in the table I now present:

TABLE 1.—*Effect of increasing creditable and taxable base to $350 per month on employees retiring on full annuities after 30 years of service, assuming all service after increase in base to be at $350*

Average monthly compensation before increase in base	Years of service		Increase in monthly annuity		Increase in aggregate taxes to date of retirement	Increase in aggregate benefits for life expectancy of 12½ years after retirement
	Before base increase	After base increase	Per month	Per year		
0	0	30	$20.70	$248.40	$1,126.80	$3,105.00
$200						
$250	5	25	17.25	207.00	939.00	2,587.50
$300						
$200						
$250	10	20	13.80	165.60	751.20	2,070.00
$300						
$200						
$250	15	15	10.35	124.20	563.40	1,552.50
$300						
$200						
$250	20	10	6.90	82.80	375.60	1,035.00
$300						
$200						
$250	25	5	3.45	41.40	187.80	517.50
$300						

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, p. 58.

The proposed increase from $300 to $350 in the creditable compensation base would provide higher retirement benefits in the future for almost two-thirds of the active railroad workers who now earn in excess of $300 a month, since their annuities would be computed on a higher average monthly compensation.

Survivor benefits also would be increased in those cases where the deceased employee will have had an average monthly compensation in excess of $300. In the future an increasing number of employees and their families will benefit from this increase in the taxable base.

The increase in retirement and survivor benefits resulting from the proposed change in the creditable compensation base would amount to approximately $31 million a year, or 0.569 percent of payroll on a level cost basis, assuming a level annual payroll of $5,450,000,000 on the basis of a $350 monthly compensation ceiling. Of the $31 million to be paid in increased benefits, $25 million would be payable in retirement benefits, and $6 million in survivor benefits.

The reported bill provides for the adequate financing of these proposals.

CREDITING OF COMPENSATION EARNED AFTER AGE 65

Under present law, compensation earned after retirement age is used in computing an individual's retirement annuity, even though he may have had lower earnings after age 65 which would operate to reduce his average monthly compensation and therefore reduce his annuity. The reported bill provides that compensation earned after the individual has reached age 65 would be disregarded if the result of taking such compensation into account would be to diminish his annuity. The estimated cost of this amendment is $50,000 a year. The reported bill provides for the financing of this proposal.

DISABILITY WORK CLAUSE

Under present law, a disability annuitant who earns more than $75 in service for hire, or in self-employment, in each of any 6 consecutive calendar months is deemed no longer disabled at the end of the 6-month period.

This provision has proved to be very difficult to administer. The Railroad Retirement Board has advised that many disability annuitants have misunderstood the significance of this provision of the law, and have made arrangements with their employers to be paid a good deal more than $75 in some of the 6-month period and to be paid less than $75 in one or more months in this period. Thus, they continue to be in regular employment and at the same time continue to receive their disability annuity.

The reported bill proposes to substitute for the present disability work clause a limitation applicable to each month on the amount of earnings that may be received without causing the annuity for that month to be lost. Under this proposed clause, if a disabled annuitant is paid more than $100 in any month in employment for hire or in self-employment, his annuity would not be paid for such month. The Railroad Retirement Board has estimated that the substitution of this work clause for the present provision would result in a net saving to the retirement account of $1,500,000 a year.

OTHER RETIREMENT ACT CHANGES IN THE BILL

The other amendments to the Railroad Retirement Act provided for in the bill, namely, the elimination of national delegate service from coverage under the act, providing benefits to children who do not attend school, and the waiver of retirement benefits for individuals who desire to qualify for a veteran's nonservice-connected disability pension, are of relatively minor importance. The combined cost of these items would be very slight.

COST OF BENEFITS PROVIDED UNDER THE RAILROAD RETIREMENT ACT AS IT WOULD BE AMENDED BY THIS BILL

The cost of benefits payable under the Railroad Retirement Act as it would be amended by the reported bill is shown in the following table:

TABLE 2.—*Annual cost and level rate required to support the Railroad Retirement Act as revised by proposed amendment (assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling)*

Benefit provision	Annual dollar cost (in thousands)	Level cost
1. Railroad retirement benefit under present act	$670,500	12.303
2. Change limit on creditable earnings from $300 to $350 a month	31,000	.569
A. Retirement benefits	25,000	.459
B. Survivor benefits (including residual lump sum)	6,000	.110
3. Reduce eligibility age for widows and parents from 65 to 60	23,500	.432
4. Change in disability work clause provision to $100 per month (as accrued)	−(1,500)	−(.028)
5. Survivor benefits continued to young widow and dependent disabled child past age 18	750	.014
6. Disregarding compensation after age 65 if use of such compensation would reduce annuity	50	.001
7. Elimination of reduction in survivor benefits on account of railroad retirement benefit in own right	20	
8. Elimination of national delegate service where other railroad service is not creditable	10	
Net level rate	724,330	13.290

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, p. 29.

The above table shows that under the Railroad Retirement Act, as amended, prior to June 16, 1954, when Public Law 398 was approved, benefits cost $670.5 million per year. The estimated level tax rate required to support these benefits was 12.3 percent of payroll, assuming a level annual payroll of $5,450 million, based on a $350 monthly ceiling as proposed in the bill. The estimated level tax rate required to support these benefits under the law in effect prior to June 16, 1954, assuming a level annual payroll of $5 billion, based on a $300 monthly ceiling, was 13.41 percent of payroll. This table, however, does not include the additional cost of benefits provided for in Public Law 398, approved June 16, 1954, which was estimated at an earlier hearing before the committee to be $7.5 million a year, or 0.15 percent of payroll, on a level cost basis.

The amendments proposed by H. R. 7840 would increase the ceiling on taxable payroll from $300 to $350 per month, thereby adding $450 million to the total taxable payroll, $56 million to the taxes under the existing schedule of tax rates and $54 million to the benefit costs.

The overall effect of the amendments to the Railroad Retirement Act proposed by this bill, including the effect of Public Law 398 of the 83d Congress, would be to increase the benefit costs to approximately $732 million a year on a level cost basis. This is equivalent to a tax rate of 13.4 percent of taxable payroll based on a maximum taxable compensation of $350 per month.

RAILROAD RETIREMENT TAX ACT AMENDMENTS

Benefits payable under the Railroad Retirement Act are presently financed by a payroll tax of 6¼ percent on railroad employees and an equal tax on their employers, payable on each employee's compensation up to $300 a month, and by contributions from the Federal Government on account of creditable military service.

The reported bill would amend the Railroad Retirement Tax Act by increasing the maximum employee compensation subject to taxation from $300 to $350 a month, effective July 1, 1954, leaving the tax rate of 6¼ percent unchanged.

Since about 36 percent of all present employees do not earn more than $300 a month, the increase in the tax base would not affect them, because the existing tax rates have not been changed. The remaining two-thirds would pay the employee tax beginning July 1, 1954, on the increase from $300 to $350 per month in the taxable base. The total taxable payroll would be increased by about 9 percent or $450 million a year, and retirement-tax collections would be increased by about $56 million a year.

When the $300 limit on the creditable and taxable compensation base was established in 1937, 98 percent of the number of railroad employees were earning no more than $300 a month. Also, 98 percent of the total railroad payroll was creditable and taxable under the $300 limitation in effect without change during the past 18 years. Since 1947 wage rates have more than doubled. The average annual earnings per railroad employee in 1937 was $1,780; in 1953 it was $4,400. As a result, at the present time only 36 percent of the employees are earning $300 a month or less, and only 80 percent of the payroll is creditable and taxable under the $300 limitation now in the law.

Even with the proposed increase in the creditable and taxable compensation to $350 a month, only 88 percent of the payroll would be taxable compared with 98 percent 18 years ago. In other words, the proposed increase in creditable and taxable compensation to $350 would still apply to a smaller percentage of the total payroll than was the case in 1937.

The $300 per month ceiling on creditable and taxable compensation for railroad-retirement purposes has been

recognized as out of date by many railroad companies for a number of years, as evidenced by the fact that they have established supplemental pension plans covering their officials and employees who regularly earn salaries higher than that amount. As long as 5 years ago the Railroad Retirement Board had knowledge of 53 such supplementary pension plans. There are undoubtedly a considerable number that have since been established.

The employee who pays the tax on the additional monthly compensation in excess of $300 but not in excess of $350, as proposed in the bill, would be adequately compensated by the increased benefits resulting from crediting the additional compensation. On the average, he would obtain benefit rights at the rate of $3 for each $1 in taxes he paid by reason of this provision in the bill. This may be illustrated by the following example: Let us assume an employee who will work, following the enactment of this bill, for 15 years at $350 per month until reaching retirement age. The additional taxes he would pay during this period on the additional $50 of monthly taxable compensation, as proposed in the bill, would be at the rate of $3.13 a month, or, in the aggregate, $563 during the entire 15-year period. As a result of paying this additional tax, his annuity would be increased, when he retires, by $10.35 a month. At present, a man's life expectancy at age 65 is 12½ years. Normally, this individual may, therefore, expect to have his aggregate benefits increased by a total of $1,552.50. He would, therefore, receive $3 in benefits for each $1 of additional taxes he would pay under the provisions of this bill. Other illustrations of the effect on retirement annuities of increasing the creditable and taxable base to $350 a month are given in table 1, to which I have already referred.

The additional revenue, to be collected from the carriers under the proposed amendment to increase the tax base, would amount to $28 million a year on a level-cost basis. However, a very substantial percentage of this amount would be offset by an automatic adjustment in the Federal income tax payable by the carriers. Assuming that the Federal income-tax rate on corporations will not change greatly from the present rate, the additional $28 million, which it is estimated they would have to pay under the proposed amendment, would be offset to the extent of approximately 50 percent by reductions in their corporate income-tax payments. Furthermore, an additional amount would be saved by reductions in their supplemental pension plans.

It is also important to note that the proposed increase in the compensation base to $350 a month would be in conformity with the President's recommendation for an increase in the creditable and taxable wage base from $3,600 to $4,200 a year under the old-age and survivors insurance program. The House of Representatives, on June 1, 1954, did adopt the President's recommendation in this respect when it passed H. R. 9366, a bill to amend the Social Security Act and the Internal Revenue Code.

UNEMPLOYMENT INSURANCE ACT AMENDMENTS

The reported bill, H. R. 7840, would amend the Railroad Unemployment Insurance Act to provide that the daily benefit rate to a qualified employee who is unemployed or sick would be based on the following schedule:

Base year compensation:	*Daily benefit rate*
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

The reported bill further provides that if the daily benefit rate, in accordance with the above schedule, would be less than half of the employee's daily rate of compensation for the last employment in which he was engaged in the base year, his daily rate would be increased to half of such amount, but not exceeding $8.50. Also, the total amount of benefits which may be paid to an employee separately for unemployment or sickness within a benefit year cannot exceed his total compensation in the base year.

The provision in the reported bill that the daily benefit rate shall be not less than half of the employee's last daily wage rate payable to him in the last position he held in the base year, with a maximum of $8.50 per day, is consistent with the recent recommendation regarding the Federal-State unemployment insurance systems made by the President in his economic report to the Congress, dated January 28, 1954, wherein he urged that such unemployment insurance systems be improved and expanded and that the effectiveness of the unemployment insurance program be strengthened. The President suggested that the States raise the dollar maximums payable under their unemployment insurance systems "so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings."

At the present time railroad unemployment and sickness benefits are approximately 40 percent of the average railroad weekly wages. Your committee believes that these benefits should be closer to 50 percent of the average weekly wages, as provided for in the bill. This would make the benefits payable under the railroad unemployment insurance system conform more nearly to the recommendations made by the President for the improvement of State unemployment insurance systems.

The unemployment and sickness benefit programs under the Railroad Unemployment Insurance Act are supported by contributions collected by the Railroad Retirement Board from the employers alone with respect to each employee in service. The contribution rate is based on a sliding scale and is fixed for any 1 year in accordance with the balance remaining in the unemployment insurance account as of the close of business on September 30 of the preceding year. The contribution rate is applicable to the employee's compensation not in excess of $300 for any calendar month.

The reported bill would increase the maximum compensation that would be subject to contribution to $350 a month.

The schedule of contribution rates provided for in section 8 of the Railroad Unemployment Insurance Act, as amended on June 23, 1948, is as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

Since the balance to the credit of the unemployment-insurance account has been in excess of $450 million from the time this amendment became effective on January 1, 1948, the rate of contribution has been one-half of 1 percent since that time. The balance in the account as of March 1954 was approximately $627 million.

In accordance with the amendments proposed to be made in the Railroad Retirement Act and the Railroad Retirement Tax Act with respect to delegates attending a national or international convention of a railway labor organization, the reported bill likewise exempts from the provisions of the Railroad Unemployment Insurance Act such delegates if they have not previously rendered service to an employer as defined in that act.

The increase in the contribution base from $300 to $350 a month would increase the taxable payroll by approximately 9 percent. At the current contribution rate for unemployment insurance of 0.5 percent, the effect of increasing the tax base would be to add approximately $2¼ million a year to the contributions paid by the railroads. This additional payment would continue for several years and would increase in amount as the contribution rate increases in the future. The carrier member of the Railroad Retirement Board has estimated that over the long run the additional cost to the carriers will average $2¢ million a year.

It has been the uniform policy of the Congress, since the establishment of the Railroad Unemployment Insurance Act, to use the same base year earnings for benefit and contribution purposes under this law as under the Railroad Retirement Act. This policy has great advantage in simplifying the administration of the two acts. There is no logical reason why there should be a different base for one act than for the other.

The committee was advised by the Railroad Retirement Board that the balance in the unemployment insurance

account, plus the current income to the account, will be sufficient to pay all unemployment and sickness benefits provided for under present law and still maintain the contribution rate of 0.5 percent up to January 1, 1958, or January 1, 1959, when it would become necessary to increase the contribution rate to 1 percent. The committee was further advised by the Board that the amendments to the Railroad Unemployment Insurance Act proposed by the bill would cause the contribution rate to increase to 1 percent in January 1957, and possibly not before January 1958.

In contrast with the railroad contribution rate of 0.5 percent, which has been paid since January 1, 1948, employers covered under State unemployment insurance laws now pay an average rate of approximately 1.5 percent to the States and 0.3 percent to the Federal Government. Rates for employers under State laws, including the 0.3 percent Federal tax, are compared with rates payable under the Railroad Unemployment Insurance Act since 1948, in the following tabulation:

Contribution rate

Year	State laws, average	RUIA
1948	1.54	0.5
1949	1.61	.5
1950	1.80	.5
1951	1.88	.5
1952	1.75	.5

CONCLUSION

Your committee is convinced that H. R. 7840 is sound and necessary legislation, and that it is consistent with the retirement and unemployment insurance programs recommended by the President.

I urge the House to pass H. R. 7840 as reported by your Committee on Interstate and Foreign Commerce.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Does this bill provide for an increase in the benefits to all of those who are now receiving retirement benefits?

Mr. WOLVERTON. No, it does not, however, the amendments to the Social Security Act (H. R. 9366) which was recently passed by this body with reference to increasing the amount of the social security benefits inures to the benefit of the beneficiaries under the Railroad Retirement Act because in the Railroad Retirement Act there is a minimum guarantee provision which states that retired railroad employees and their families are not to receive less than what is being paid under social security for equal length of service and compensation. So in that respect, they are taken care of.

Mr. ROGERS of Florida. Mr. Chairman, I yield such time as he may require to the gentleman from Ohio [Mr. CROSSER].

Mr. CROSSER. Mr. Chairman, on this occasion it will be unnecessary to consume much time to the discussion of the bill now before the committee. I could probably talk for hours in regard to the subject of the bill but there is practically no opposition to the measure and it is unnecessary.

Mr. Chairman, all the railway labor organizations that have been interested in this subject from the very beginning are now in favor of this measure. They are unanimously in favor of the bill.

Mr. Chairman, it is more than 23 years ago since I first began to pioneer for the establishment of a Railroad Retirement System. In my opinion we have now the best retirement in the whole United States and I believe it is highly desirable that this measure be passed.

Mr. Chairman, H. R. 7840 is a bill reported from the Committee on Interstate and Foreign Commerce on June 21, 1954.

The main additional retirement benefits provided for by this bill are as follows:

First. Benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65.

Second. Benefits to widowed mothers with physically or mentally disabled children over age 18.

Third. Full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad retirement annuity in their own right.

Fourth. Increasing the creditable compensation subject to assessment from the present maximum of $300 a month to a maximum of $350 a month in the calculation of a retirement or survivor annuity.

Fifth. Disregarding the compensation earned after age 65, if the crediting of such compensation would diminish the annuity.

Sixth. Changing the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

The main increases in unemployment insurance benefits provided for by this bill are an increase in the daily benefit rates for unemployment and sickness and a guarantee that each eligible employee shall be entitled to receive a daily benefit equal in amount to half his daily rate of compensation for the last employment in which he will have been engaged during the last calendar year, up to the maximum amount of $8.50, daily.

The bill would also increase, for retirement and unemployment insurance purposes, the maximum amount, subject to taxation by employers and by employees, from the present maximum of $300 of the employee's monthly salary to a maximum of $350 of the employee's monthly salary.

The standard railway labor organizations are unanimously in favor of the bill. The Railroad Retirement Board, the Secretary of Labor, and the Bureau of the Budget also favor the bill.

This bill will provide some $55 million in retirement benefits to retired workers and their families in addition to the benefits that are now being paid. Approximately two-thirds of the active railroad employees who will retire in the future will obtain higher retirement benefits as a result of this bill. The widows of all railroad workers will benefit under this bill. It is reasonably certain that the payment of the additional benefits will not endanger the financial soundness of the retirement system.

Provision for the payment of the additional benefits stipulated in H. R. 7840 is made by the increase in taxable base as already explained.

I therefore recommend that my colleagues support H. R. 7840 by their votes.

Mr. WOLVERTON. Mr. Chairman, I regret exceedingly the manner in which I must divide the time amongst those who would like to speak. Because of the limited time available, if I were to allot 1 minute to each Member, I would still not have enough time. At this time I yield 1 minute to the gentleman from Massachusetts [Mr. HESELTON].

Mr. HESELTON. Mr. Chairman, I favor this much needed legislation. I want to congratulate the chairman of the Committee on Interstate and Foreign Commerce for his continuous and now successful efforts to make it possible for us to vote on this legislation today.

H. R. 7840 is a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. This bill was approved by the House Committee on Interstate and Foreign Commerce after extensive hearings held on March 9, 10, 12, 16, and 17, and is supported by all the standard railway labor unions, representing about 1½ million railroad workers in the country. It would make a number of changes in the railroad retirement and unemployment insurance systems, and I shall discuss these in the order of their importance.

The first change would permit widows who have no minor children to have their widow's benefit begin at age 60 rather than at age 65, as at present. It was testified during the hearings that most widows of railroad men have devoted their lives to the duties of housekeeping and being a mother. Such a widow, if she is 60 years old, has no more opportunities to secure employment than a widow at age 65. Realistically speaking, a woman at age 60, especially one who has had no training outside of running a home, cannot secure employment. Under the present law, she would receive the widow's benefit only if she has a minor child under age 18; otherwise, her widow's benefit cannot begin before age 65. This has proved to be a very serious hardship on many railroad widows, and the committee approved this proposal.

The committee also approved the proposal in the bill to provide eligibility for a child's annuity even after the child has attained age 18 if the child has a disability which occurred before that age. It has been testified before the committee that in a number of cases a child's annuity, and that of its mother, were terminated upon the child's attainment of age 18 on the assumption that the child was then able to provide for itself. This, of course, is untrue with regard to a child that is permanently disabled. Both the child and the mother taking care of it should have their annuities continued in such case as long as the child remains

disabled. This bill so proposes and your committee approved this proposal.

The next proposal in the bill with regard to widows would permit her to receive her widow's annuity in addition to her railroad retirement annuity, if she has one coming to her in her own right. This liberalization would cost very little because there are not many such cases. The committee therefore believed it appropriate to let the widow have the retirement annuity in her own right in addition to the widow's annuity, particularly because the widow's annuity would still be subject to reduction by any social security benefit to which the widow might be entitled.

For employees earning more than $300 a month, the bill proposes to increase the basic monthly wage upon which annuities are computed from the present maximum of $300 a month to $350 a month. I need not remind this House that this increase in creditable base to a maximum of $3,600 a year is similar to that proposed by the President for the Social Security Act and which was passed by the House several months ago.

With regard to the crediting of compensation for computing an annuity, the bill recognizes that some people earn less after age 65 than before that age, and this necessarily results in a lower average of monthly earnings. The bill would therefore eliminate the compensation earned after age 65 if the result of crediting such compensation would operate to decrease the monthly average. This provision has been in the law at the beginning of the railroad retirement system, but has been changed since then. Experience has proved it to be a desirable provision, and the committee has therefore restored it.

The next change relates to disability annuities. At the present time an individual in receipt of a disability annuity is presumed to have recovered from his disability if he earned more than $75 in each of 6 consecutive calendar months. This has been a very unsatisfactory provision; it has presented a good many administrative problems and resulted in many complaints. All the railway labor organizations have recommended that this provision be changed so that a man could have his annuity for each month in which he earns no more than $100 in service for other than a railroad or a last employer. After age 65, of course, he can earn more than $100 in such service without losing the disability annuity.

On behalf of delegates to the conventions of railway labor organizations who have no other service creditable under the act, all the railway labor unions pointed out to the committee that such delegates pay taxes on the compensation they receive for service as delegates without realizing any benefits therefrom. Very few, if any, delegates could ever acquire as much as 120 months of delegate's service, and without that number of months there would be no eligibility under the Railroad Retirement Act. Moreover, very few would ever acquire enough of such service to qualify them under the Social Security Act. For this reason, the service as delegates was excluded from the coverage of the acts.

The next change would eliminate the requirement that children between the years of 16 and 18 attend school as a condition of eligibility for a child's annuity. This provision was difficult to administer, was eliminated from the social-security system some years back, and would therefore be eliminated by this bill from the Railroad Retirement Act.

Finally, the bill would permit a railroad retirement annuitant or pensioner to waive his annuity, in whole or in part, if he should find it to his advantage in order not to lose his disability pension from the Veterans' Administration. During the last Congress we made a similar amendment to the Civil Service Retirement Act for the same reason.

In order to meet the cost of the liberalizations I have discussed, the bill would increase the taxable base from $300 to $350 a month. According to the Railroad Retirement Board, as shown by its report on the bill, this increase in the taxable base would add $56 million a year to the railroad retirement account. The cost of the higher benefits resulting from the crediting of $350 instead of $300 a month for benefit purposes would be $31 million a year. The cost for reducing the eligibility age for widows without minor children from 65 to 60, and the remaining amendments in the bill for the Railroad Retirement Act, would be about $23 million a year, making the total cost of the bill to amend the Railroad Retirement Act $54 million a year. The Railroad Retirement Board therefore concludes, and I quote:

> The $56 million additional revenue would more than pay for all the increased benefits provided in the bill.

For the Railroad Unemployment Insurance Act the bill would increase the daily rate for unemployment and sickness benefits generally by 50 cents up to a maximum of $8.50 per day, with the assurance that in no case would the daily rate be less than 50 percent of the employee's last daily wage rate in the preceding base year. This guaranty is subject to two limitations. The first is that in no case would the amount exceed $8.50 a day, and the next is an overall limitation that in no case would the total amount of benefits for unemployment or sickness in a benefit year exceed the employee's total earnings in a base year. The guaranty of benefits up to 50 percent of an employee's daily wage rate is in conformity with the President's proposal for the State unemployment-insurance systems and the limitation against total benefits exceeding the employee's earnings in the preceding base year is 1 of 2 conditions directed against casual workers. Objections have been raised that the railroad unemployment insurance benefits constitute a windfall to many casual workers in the railroad industry that their benefits in a year exceed by far their earnings in the preceding base year. To meet this objection your committee has amended the bill so as to require no less than $400 a year as a condition to qualify for benefits under the Railroad Unemployment Insurance Act instead of the present $300 a year. This provision alone would eliminate many casual workers from the coverage of the act and this provision, together with the overall limitation against total benefits exceeding the total earnings in the preceding base year, go a long way to meet the objection as to casual workers.

As I stated earlier this committee held extensive hearings on the bill permitting all persons having an interest in any of its provisions to express themselves fully and completely, so that the hearings on the bill comprise 179 printed pages. During those hearings it was suggested to this committee that the proposal in the bill to increase the tax base from the maximum of $300 to $350 a month should not be adopted before a similar proposal by the President for the Social Security Act is adopted. In fact, it has even been suggested that this proposal in the bill should not be adopted even if the similar proposal for the Social Security Act were adopted because the taxes under the railroad retirement system are higher than under the social-security system. This argument, in my opinion, is without merit. It is a matter of record that the railroad retirement system from the very beginning had higher benefits and higher tax rates than the social-security system. In other words, Congress has never permitted the social-security system to stand in the way of improving the railroad retirement system as long as improvements were needed and funds were available. Thus, in 1937, when the two systems were first established, the maximum wage base under the railroad retirement system was about $600 above that of the social-security system. At that time the maximum wage base under the Social Security Act was $3,000 a year, averaging $250 a month, while the maximum base under the railroad retirement system was $300 a month. Then, as now, the taxes for the support of the railroad retirement system were higher than those for the social-security system. Since that time the wage base under the social-security system was increased to $3,600 a year, while the base under the railroad retirement system remained unchanged. There is no doubt that the social-security base will be increased during this session of Congress from $3,000 to $3,600 a year, but the proposal in the bill to increase the railroad base is merited on other grounds. In 1937 when the $300 base was first established, 98 percent of the total railroad payroll was taxable and creditable for benefit purposes under the Railroad Retirement Act. Since that time, wages have more than doubled so that at the present time only 80 percent of the railroad payroll is taxable and creditable for benefit purposes under the Railroad Retirement Act. Moreover, even after the increase in the base from $300 to $350 a month is adopted, only 80 percent of the total railroad payroll will be taxable and creditable for benefits under the act as compared with 98 percent in 1937. The railroads themselves have recognized the inadequacy of the $300 limit because

most of them now maintain supplemental pension systems under which the railroads and their employees earning more than $300 a month are taxed on the amount in excess of $300 for the financing of the supplemental benefits.

With regard to comparing benefits between the railroad-retirement and the social-security systems, no value can be derived from such a comparison. The assertion that benefits under the Railroad Retirement Act are higher than under the Social Security Act has no meaning whatever as long as the benefits under either system remain inadequate. We all know that the benefits under the Social Security Act are low and those under the Railroad Retirement Act are far from adequate. The comparison says no more than that the Retirement Act benefits are higher than the low benefits under the Social Security Act, but this is no evidence that the benefits under the Railroad Retirement Act are themselves adequate.

In closing, I wish to call attention to the similar argument made by the opposition in regard to the increase in benefits under the Railroad Unemployment Insurance Act. It is generally recognized that the benefits under the State unemployment insurance systems are very low. Consequently, the comparison of the benefits under the Railroad Unemployment Insurance Act to those of the State systems is equally meaningless. With regard to the cost of the benefits under the Railroad Unemployment Insurance Act, I must point out that even after the increase in benefits the tax rate under the Railroad Unemployment Insurance Act will continue, for several years at least, at the rate of one-half of 1 percent of payroll, and at no time will the tax rate under that act exceed the 3 percent originally fixed in the statute. In order to avoid the accumulation of a large reserve not immediately needed for benefits, the Congress, in 1948, established a sliding-scale tax rate reducing the 3-percent tax rate temporarily to one-half of 1 percent, to be raised back to the 3 percent under certain conditions. This proved to be of great advantage to the railroads who saved hundreds of millions of dollars in taxes in the last 5 years. No one, however, intended this reduced rate to become a permanent rate. It has never been suggested that the rate should not be increased to the 3-percent rate whenever conditions required an increase in benefits. The cost estimates submitted by the Railroad Retirement Board, and which were not questioned by anyone, establish that even with the increase in benefits the rate will continue to be one-half of 1 percent, at least to 1957, and thereafter may go up to 1 percent, and that the total cost will at no time reach the 3 percent fixed by statute.

The bill has been reported favorably by this committee, it is supported by all the standard railway labor unions, and by the majority of the Railroad Retirement Board. In its report on this bill, the Bureau of the Budget said, and I quote:

> The proposed increase in the covered wage base to $350 a month would correspond to the President's proposal for revision of old-age and survivors insurance. In view of these Presidential recommendations, the proposal for a higher wage base and resulting automatic increases in benefits under the railroad system would appear appropriate. Its enactment is recommended.

But it suggested that this increase be postponed until the similar increase is adopted for the Social Security Act. As I stated before, I do not regard this postponement as necessary or valid. Our committee did not so regard it and the Railroad Retirement Board does not so regard it. Let us in this session of Congress enact this modest bill for the railroad workers; let us show all the standard railway labor unions that we are with them, not against them, in their efforts to improve the lot of 1½ million railroad workers and their families.

Mr. JAVITS. Mr. Chairman, will the gentleman yield?

Mr. HESELTON. I yield.

Mr. JAVITS. I join the gentleman in the sentiments he has expressed in congratulating the chairman on getting this bill before us and I shall support it. I am very glad that the House is acting on this long needed and very just legislation in aid of railroad retirement. If our railroad retirement system is to serve its vital purpose it must conform to modern conditions and costs of living.

Mr. FULTON. May I likewise congratulate the chairman and the members of the committee for bringing this forward looking legislation to the floor for House vote. This railroad retirement increase of benefits is part of the program and promises the Eisenhower administration has made to the railroad workers, and it is a great step forward. I will vote for the increase in unemployment and retirement benefits for railroad workers and am glad to note the increased benefit provisions for widows and children, too.

Mr. ROGERS of Florida. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, I am going to speak very briefly for the reason that our chairman has explained the provisions of the bill. This is a nonpartisan bill or bipartisan which came out of our committee. There were witnesses appearing before our committee representing the railroads that were opposed to that provision of the bill increasing the basic sum subject to taxation from $3,600 to $4,200. The only controversial clause in the bill, as I recall it, is on the increase of the tax base. As you know, under the present law there is a percentage of 6¼ on the part of the employees and 6¼ percent on the part of the railroads. This increases it up to $4,200 a year or rather will increase it from $300 a month to $350 a month. That makes the employees have to pay more and it makes the railroads have to pay more. Possibly, this would be a burden on the railroads but for the fact that it is going to be passed on to you in the form of increased freight rates. It also increases the tax of the employees. However, the bill was supported by all standard railroad labor unions, including the 4 train and engine service brotherhoods, and all the 19 organizations affiliated with the Railway Labor Executives Association.

The main objection to the bill was the increase in the tax base. We hated to see the tax base increased because you know we have enough taxes and to continually increase and keep on increasing the tax base and the increase in taxes thereon is not sound economy. But after long discussion and consideration the bill was reported out favorably since it contained so many and needed benefits to widows, dependent widowers, the disability work clause and many other desirable and welfare provisions. As a whole, the provisions of this bill are worthy of your consideration and support. I think the committee is to be commended for this splendid piece of legislation.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Iowa, Mr. DOLLIVER.

Mr. DOLLIVER. Mr. Chairman, apropos of what the gentleman from Florida [Mr. ROGERS] has said with respect to the increased burden upon the railroads, that is true. But there are some mitigating circumstances. Because this additional amount that will be paid by the railroads into the retirement fund is deductible from their net income, therefore, is not taxable as corporate income tax.

In addition, several years ago there was a net savings of about a billion dollars on the unemployment compensation tax because of the action of this House. Then the rate was reduced from 3 percent to one-half of 1 percent.

Of course, the railroads do not like this additional tax, and I do not blame them for it. But, on the other hand, this legislation represents the necessities of the situation for the retired people, because there is only a modest increase in the amount paid for unemployment compensation and for retirement compensation. There is only a modest increase in the categories to whom the compensation is paid.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. ROGERS of Florida. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. DOLLIVER. I want to say this in the additional minute, that this legislation is for the distribution of money that belongs not to the taxpayers of the United States, but it belongs to the railroad people who contributed to the fund.

We have before us a measure which is supported by practically all organized labor in the railroad field. Every major railroad labor organization is behind this measure. Indeed, it is their measure, because they came before us and told us they were for it. Therefore, it seems to me that this House ought to unanimously support the measure, because we are dealing with a matter that the participants and the contributors to the fund have agreed upon. We are doing their bidding with money that belongs to them.

The CHAIRMAN. The time of the gentleman from Iowa has again expired.

Mr. ROGERS of Florida. Mr. Chairman, I yield 3 minutes to the gentlewoman from Pennsylvania [Mrs. BUCHANAN].

Mrs. BUCHANAN. Mr. Chairman, I rise in support of the committee bill. I was very happy to be a cosponsor of H. R. 7840, because of the clear and pressing need for this legislation.

There are many railway workers in my district and I have become deeply interested in the railroad retirement system. One of the great problems confronting all social insurance systems in the world that we live in today is the plight of the aged widow. These widows are badly in need of consideration both as to the eligibility requirements of their annuities and the amount of benefits that they are now drawing. The bill before us, H. R. 7840, is a big step forward in this respect. If this bill becomes law, we immediately provide badly needed survivor benefits for a little over 30,000 railroad widows who are between the ages of 60 and 65.

For the greater part these women have spent their lifetimes in the kitchen and in the nursery and are not prepared to earn their livelihood when the hand of death takes the breadwinner of the house. The result has been that they have had to depend upon relatives and friends, and in some instances the relief agencies of local government, pending their attaining the age 65 and thereby qualifying for widows' benefits. I am delighted to support this bill if for no other reason than that it does reduce the age for widows' pensions from 65 to 60. But, fortunately, there are many other reasons why this bill should become law.

The increase in the taxable and creditable maximum from $300 to $350 is a constructive move that will result in the railroad retirement system being in better balance financially in the years to come. This will assure a more realistic relationship between the wages paid in the railroad industry and the tax base upon which the railroad retirement system is founded. For the younger people now employed in this industry the extra contributions that are made on the additional $50 a month income will be repaid at the rate of 3 to 1 in benefits when they reach the average age of retirement later in life. In this respect this is not really an additional contribution, but in a greater sense it amounts to an opportunity for these young folks to save. What we will really be doing is saying to these young workers, "We are going to make it possible for you to invest more in your retirement future by the method that we are adopting in H. R. 7840."

Another important feature of H. R. 7840 that I desire to bring to the attention of the House is that it will continue financial integrity in the railroad retirement system. As all of you know, H. R. 356 passed the House last year and the Senate this year, and has since become law in the form of Public Law 398. As most Members of the House know, this was an emergency measure designed specifically to correct a problem that arose out of the 1951 amendments to the Railroad Retirement Act. Great pressures were brought on the entire Congress to solve this problem which we grew to know as dual benefits. In view of the majority that the bill received in both Houses of Congress, it is needless to say that the bill was an attractive one in the eyes of most of us. What I should like to remind the House is that when we were considering H. R. 356 our committee handling the bill frankly advised us that it would add to the cost of the railroad retirement system and that at a later date it would be necessary to arrange adequate financing.

I submit to you that H. R. 7840 with the added revenues that it contains makes provision for paying for the benefits contained in H. R. 356. In other words, in addition to all of the fine features and the fine benefits in H. R. 7840, we are given an opportunity here to pay for the bill dealing with dual benefits that we passed a year ago. For all of these reasons, Mr. Chairman, I strongly urge the Members of the House to support the committee bill without amendment.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentlewoman from New York [Mrs. ST. GEORGE].

Mrs. ST. GEORGE. Mr. Chairman, I am happy to have this opportunity, however brief, to congratulate the chairman of the committee and also the other members of this great Committee on Interstate and Foreign Commerce on the bill H. R. 7840.

This bill is a great step forward and I, like my colleague from Pennsylvania [Mrs. BUCHANAN], who has just spoken, am very happy and impressed over the provisions for benefits to widows and also to the orphan children of employees. It is a great step forward to have the age taken down from 65 to 60. There are many women over 60 years of age who in this modern world find it increasingly difficult to find gainful occupation.

It is also a great step forward to permit children over the age of 18 if they suffer from permanent physical or mental disability to continue on the pension rolls.

I hope this legislation will pass without amendment.

(By unanimous consent permission to extend their remarks at this point was granted to Mr. GRANAHAN, Mr. MILLER of Kansas, Mr. SHELLEY, and Mr. SELDEN.)

Mr. GRANAHAN. Mr. Chairman, we on the House Committee on Interstate and Foreign Commerce devote many, many hours of each congressional term to a study of the railroad-retirement system and in the consideration of legislation to improve this system. I think I can honestly say that we are seldom completely satisfied with any bill we report out, for the simple reason that it is impossible to do all the things we would like to do to improve the system and still keep it solvent and sound for the future.

This bill, which is an excellent measure as far as it goes, is a good example of that problem. We have taken steps to raise maximum benefits by increasing the amount of a railroad worker's pay check subject to credit for retirement purposes. But there is no general increase in benefits in this bill, even though we know that retired workers are having a tough time, due to increase in living costs.

There is nothing we would like better—certainly nothing I personally would like better—than to vote a general increase in all benefits of this type and give the retired worker a better break in making ends meet. Some of my constituents who are railroad men, are perturbed over the slow progress in improving benefits and feel we are often too cautious in the concern we show for the soundness of the system in future years.

But my feeling is that we would be doing a great disservice to every railroad man in the United States if we were to go overboard on this, fly in the face of all of the actuarial experts, and let the fund pay out more than it can handle and remain solvent.

For if that happened the railroad retirement fund would be dissipated and the program would collapse, and the upshot would be that this outstanding system developed for and by railroad men and paid for jointly by the railroads and their employees would have to be absorbed into the social-security system. So far as I know, no railroader wants to see that happen.

He pays much more out of his wages for contributions to the railroad retirement fund than other industrial workers receiving the same pay contribute to social security. And his benefits are in many respects much better. It is his own system and I know each railroad worker sincerely wants it protected against unsound practices.

The railroad brotherhoods are in the forefront in this matter. I think they are to be congratulated for the industrial statesmanship they have displayed in their recommendations on railroad retirement and their constant desire to see the fund kept sound. It conceivably might be better union politics for the brotherhood leaders to clamor for more and bigger benefits, regardless of the actuarial results to the fund, but they have opposed that kind of thing wholeheartedly. They are often in the position of opposing certain improvements many of their members would like to obtain. Their explanation is that the solvency of the fund and the continuance of the program are the first considerations.

SURVIVORSHIP BENEFITS AND UNEMPLOYMENT PAYMENTS

That is how we who are on the Interstate and Foreign Commerce Committee and who initiate legislative action on railroad-retirement bills also feel about it. We have a responsibility over this program which goes much further than just voting for any improvement any particular railroader would like to receive.

Many who are interested in this matter urge less attention to the so-called fringe benefits affecting families and the use of these funds instead for higher individual benefits for the worker himself. But I think we must travel in both directions, and this bill is an attempt to do so.

We have written a new provision to allow widows of railroad workers to begin collecting their survivorship benefits

at age 60 instead of the present 65. I think that is a big advance and extremely worthwhile from a social standpoint. The widow of 60 is in a very poor situation employmentwise. She needs this help now as much or more than at age 65. I am hopeful that in succeeding years we can also lower the voluntary retirement age for the railroad workers themselves, but from an actuarial standpoint we are told that is not possible this year.

One of the most significant features of this bill is the provision on unemployment insurance, providing for half-pay up to $8.50 a day. This works out to the same formula for railroad workers which we on the Democratic side tried to write into the recent unemployment compensation law for other workers. Unfortunately, we were defeated on that, and so maximum unemployment compensation benefits in Pennsylvania still remain at the unrealistic figure of $30 a week tops. Our proposal would have raised it to half pay up to about $44 a week top, the highest amount for workers normally earning $88 a week or more. While we failed on that for those workers under the regular unemployment compensation system—and I think it was a great mistake for the administration to oppose our writing that standard into the Federal law—I am glad we have gotten the principle of that formula into this railroad retirement bill to apply to railroad workers. If it passes, maximum benefits will be $8.50 a day for those normally earning $17 a day or more in railroad work. So that is a big improvement.

It is a most necessary improvement right now because of the alarming extent of unemployment in the railroad industry, due to the general decline in business activity. In the Philadelphia area, railroad workers constitute a significant portion of the total unemployment, which is now so large that Philadelphia is a group IV, or distressed, labor-market area, meaning it has unemployment of more than 6 percent.

There are other changes in this bill, some of a technical nature, which will be of great benefit to certain categories of railroad retirement-fund beneficiaries, including the disabled railroad worker. He would be permitted, under this bill, to earn up to $100 a month in part-time or other work without jeopardizing his benefits as a disabled railroad worker. His annuity would be withheld only in those months when he earned more than $100. Under the present setup, a disabled worker is assumed to have recovered and loses his disability benefits if he earns $75 a month in each of 6 consecutive months. As has been pointed out, this will remove hardships on one hand and also eliminate possible abuses on the other.

All in all, this is a good bill, but, like all its predecessors, not good enough to satisfy everyone. We must keep improving the program year after year, but never at the expense of failing to keep it sound.

Mr. MILLER of Kansas. Mr. Chairman, I rise in support of this bill. It has been before the Committee on Interstate and Foreign Commerce for several weeks. The able chairman of that committee, Mr. WOLVERTON, of New Jersey, who has the confidence and respect of every Member of this House, states that it is reported out by a unanimous vote. The very able member of the committee, Mr. ROBERT CROSSER, of Ohio, who is recognized in the House as the father of railroad-retirement legislation, has given it his personal endorsement. I have received from the leaders of the railroad brotherhoods nothing but approval of its provisions. These facts, coupled with the additional consideration that the funds involved in this bill are all contributed by the railroad management and the members of the railway brotherhoods, together with the fact that it is an economically sound arrangement, make it imperative that this bill shall be passed. I shall vote for the bill.

Mr. SHELLEY. Mr. Chairman, I rise to congratulate the Committee on Interstate and Foreign Commerce for bringing this legislation to the floor of the House for action, and to urge that the House pass H. R. 7840 this afternoon without restricting amendments.

Mr. Chairman, this bill is badly needed to correct a number of gross inequities in the present operation of the Railroad Retirement and Unemployment Insurance Acts. However, before commenting on the provisions of the bill I want to say a few words in tribute to my great and dear friend, the distinguished author of all of our major railway labor legislation, BOB CROSSER. BOB CROSSER has served in this House in every Congress since the 63d, with but one exception. The use of the word "served" in his case is not just a pleasant way of saying that he has occupied a seat. BOB CROSSER'S record of service, although it is by no means limited to the type of legislation we are considering today, is best exemplified by his monumental achievements in this field. It is certainly fitting that in these closing days of the 83d Congress one of our last important acts is to consider a bill providing new benefits for railroad workers. I only regret that he will not be with us next year to continue the great work he has so ably handled for 40 years.

Bob CROSSER'S absence from the 84th Congress will be a loss not only to railway labor and to the people of his home city of Cleveland, but a sharp setback for all the people of all of the United States. Although it may not be generally realized, the Railway Labor Act of 1934 and the Railroad Retirement Acts of 1934 and 1935 were something more than enlightened legislation for the special benefit of railroad labor. In writing those measures and in securing their enactment BOB CROSSER blazed the trail for much of the great social welfare legislation which came into being in succeeding years of Franklin D. Roosevelt's administration. The working people of America are indebted to him in large measure for our social-security laws and for the protection of their right to organize, first fully guaranteed by the Wagner Act which can be traced directly to Bob Crosser's Railway Labor Act of 1934. For my part I want to pay my own sincere tribute to him now for those great achievements. I know that every enlightened American will be glad to join me in so doing, and in wishing good luck and a long life to him as a great American and an outstanding humanitarian.

Mr. Chairman, the benefits provided in H. R. 7840 are essential to our retired railroad workers and to the widows and disabled children of deceased railway employees. One of the most important aspects of the bill is the provision reducing from 65 to 60 the age at which widows may receive survivors benefits. During the first session of this Congress I introduced a bill which would have lowered the 65-year age limit now applicable in the case of widows of workers covered by our social-security system. Unfortunately, the Ways and Means Committee did not see fit to include this provision in the social-security bill now awaiting Senate action. I sincerely hope that its inclusion in this bill will serve as a first step in extending a similar benefit to the aging widows of other classes of workers in the United States.

Similarly, I believe it to be vitally necessary that we remove from the present law the unjust provision which takes survivors benefits from the widowed mother of a disabled child at the time such a child reaches the age of 18. Certainly a mother with a totally disabled child or children is in far greater need of assistance than one whose children are, through the grace of God, in sound health. I am sure that we can all recognize the essential injustice of penalizing an already distraught mother by cutting off what is possibly her only source of income at a time when she needs it most. The provision in H. R. 7840 eliminating this injustice must be retained.

One other feature of H. R. 7840 deserving of special mention is that dealing with liberalization of unemployment benefits for jobless railroad workers. The Interstate and Foreign Commerce Committee is to be congratulated for recognizing its responsibility in this field. I trust that the House as a whole will not fail to shoulder the responsibility and to accept the provision in contrast to its action the other day in voting down the Forand amendments to the general unemployment insurance bill we had up at that time. This enlightened attitude in legislation applying to our unemployed railway people will, let us hope, eventually lead to the establishment of similar standards for unemployment insurance benefits for all of American labor.

Mr. Chairman, it is a pleasure to note that all rail labor organizations, both the operating and the nonoperating groups, have joined in support of these and the other benefits included in H. R. 7840, including the increased limit on outside earnings of disabled railroaders, the increased retirement benefits to be enjoyed by those who pay the additional tax and the increase in the monthly wage taxable base made necessary to finance these improvements. I urge my colleagues in the House to show a like unanimity in voting for passage of H. R. 7840.

Mr. SELDEN. Mr. Chairman, I would also like to commend the Committee on Interstate and Foreign Commerce for the fine work they have done in prepar-

ing the bill that is now before the House for consideration.

Earlier this year, I introduced a bill, H. R. 7916, to amend the Railroad Retirement Act of 1937 to provide annuity for certain incompetent and disabled children of deceased railroad workers.

Under the present provisions of the Railroad Retirement Act, a widowed mother and her child cease receiving survivors benefits when the child reaches age 18 even though the child may be completely disabled. My bill, H. R. 7916, provided that those benefits would continue beyond age 18 if the child is permanently incapable of self-support by reason of mental or physical defect. A totally disabled person, regardless of age, is just as incapable of earning a livelihood as a normal child under 18. Certainly a person mentally or physically disabled requires more personal and medical attention than most normal children.

Section 12 of the bill now under consideration, H. R. 7840, incorporates the provisions of the bill, H. R. 7916, introduced by me earlier in this session. I commend the committee for including these provisions in H. R. 7840, and I am certain the great majority of the Members of the House will agree that the law should be extended to cover children of deceased workers who are incapable of self-support due to a total mental or physical disability, even though they have passed the age of 18.

Mr. ROGERS of Florida. Mr. Chairman, I yield 6 minutes to the gentleman from Mississippi [Mr. WILLIAMS].

Mr. WILLIAMS of Mississippi. Mr. Chairman, the legislation before you is the result of many months of hard work on the part of the Committee on Interstate and Foreign Commerce. Perhaps the most difficult of all legislation to work out satisfactorily is that legislation dealing with retirement programs. In the case at hand it is even more difficult than usual, because the responsibility rests upon Congress to maintain the solvency of the railroad retirement fund, and to broaden benefits within the actuarial limits of the fund.

All of the taxes, it should be remembered, that go to the payment of railroad retirement are collected jointly from the railroads and from the railroad workers; yet the benefits are paid and the policies under which payments are made are outlined by the Congress of the United States. It is a rather odd situation when a private retirement program is handled by elected public officials, but apparently it has worked satisfactorily. I know of no one of any consequence, or no group of any consequence, asking that the program be removed from the control of Congress.

When it appeared that there was indeed a need for liberalizing certain benefits accruing to retired railroad workers, our committee got busy and began to hold hearings on quite a number of retirement bills before it. H. R. 7840 is the result of many compromises, and comes as nearly to representing the composite views of our committee members as possible under the circumstances.

Frankly, like my colleague from Florida [Mr. ROGERS], I am not satisfied with all of the provisions of this legislation. Unfortunately, I am not prepared at the moment to suggest amendments due to the fact that I did not know this legislation was going to be called up until I arrived on the floor this morning. I believe the same situation is true with respect to the gentleman from Florida who is the senior member of the committee on the Democratic side except for our former chairman, the gentleman from Ohio [Mr. CROSSER]. Therefore, we who do have suggestions for further improving the bill are not prepared to offer amendments at this time.

Generally though, Mr. Chairman, the bill is just about as good a railroad-retirement bill as we have had presented to the House, certainly since I have been in the Congress. For that reason I intend to support the legislation, although I do question a few of its provisions. Even so, I believe that the bill deserves the support of the membership of the House and at this time I would like to thank the chairman of my committee for the long, hard hours he has put in on this legislation, and to compliment other members of the committee for the work they have done on this bill. We have considered this legislation long and meticulously, and I believe it represents the best our committee could report to the House at this time.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, I would like to associate myself with the gentleman from Mississippi in supporting this bill, and to compliment the committee on their fine report and the careful study the committee's members have given to this matter. I trust the House will vote its approval of this legislation.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Iowa [Mr. JENSEN].

Mr. JENSEN. Mr. Chairman, I want to thank the committee for bringing to the floor this very worthwhile legislation. I know of the need for the provisions of this bill. I have many people in my district who are in need of the benefit provided in the bill. It is completely justified. I am happy to support the bill.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Indiana [Mr. BEAMER].

Mr. BEAMER. Mr. Chairman, I rise to speak on behalf of H. R. 7840. Briefly, the amendments to the Railroad Retirement Act by this bill are:

First. Benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65.

Second. Benefits to widowed mothers with physically or mentally disabled children over age 18.

Third. Full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad annuity in their own right.

Fourth. Increases the creditable compensation from the present maximum of $300 per month to a maximum of $350 per month in the computation of a retirement or survivor annuity.

Fifth. Disregard the compensation earned after age 65, if the crediting of such compensation would diminish the annuity.

Sixth. Changes the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

Seventh. Excludes the service of certain delegates to national or international conventions of railway labor organizations from coverage under this act.

Eighth. Elimination of the requirement in the present law that a child over age 16 and under 18 years must attend school regularly in order to be eligible for a survivors annuity.

Ninth. Waives retirement benefits for certain individuals who are receiving non-service-connected veterans' pensions.

I shall not take the time to justify the provisions of the bill since the proposed liberalizations are very modest, the need for liberalization has been demonstrated, and the proposed increase from $300 to $350 a month in the taxable and creditable compensation is in conformity with the President's program for the old-age and survivors insurance system. Next to consider is the fact that the proposed increase in benefits under the Railroad Unemployment Insurance Act is in conformity with the President's program for the State unemployment insurance systems. Finally, the financial status of the railroad retirement system will not be affected by the proposed liberalization of the Railroad Retirement Act, and the increased cost under the unemployment-insurance system will not reach the 3-percent rate fixed by statute. In view of these facts, I prefer to direct my remarks not only to a justification of the bill, but also certain explanations.

To the argument that the benefits under the Railroad Retirement Act are already higher than under the Social Security Act, let me point out that some benefits really offer little benefit. This comparison would be valid if the social-security benefits were not so low, or the railroad-retirement benefits were already adequate. The congressional policy has always been to consider the proposals in the Railroad Retirement Act on their own merits without regard to inadequate benefits elsewhere, as long as the finances in the railroad-retirement account permit improvement. That the finances permit improvement has been well established by the figures submitted by the Railroad Retirement Board and not challenged by others. These figures show that the total revenues from the bill to the railroad-retirement account would be $56 million and that the total cost of the liberalization of the Railroad Retirement Act resulting from the bill would be $54 million. It is obvious, therefore, that for the Railroad Retirement Act the benefits proposed in the bill would not result in a financial situation less favorable than at the present time. The argument that the railroad-retirement account now has a deficit of about 1 percent of payroll does not alter the fact that the enactment of the bill would not increase that deficit; if anything, it would decrease it to some extent. In other words, the deficit would be about

1 percent of payroll whether or not we enact this bill.

It has been testified in the past that in a system such as the railroad retirement system, when the cost of the benefits and the income from taxes differ 1 percent either way, the financial status of the system need not be considered with alarm. The Congress has proceeded on that basis ever since 1948. In fact, at the end of the 1951 amendments, the difference was closer to 1½ percent. In any event, without attempting to justify the argument that 1 percent one way or the other is not alarming, we must remember that the enactment of this bill would not affect adversely the present financial status of the railroad retirement account.

It should be remembered also that while the additional revenue to the railroad retirement account would be $56 million a year, the cost would not be borne by employers alone. In fact, the employers would bear the smaller proportion of the cost. Under the provisions of the Railroad Retirement Tax Act, $28 million of this $56 million would be paid by employers and $28 million by employees. Having in mind, however, the corporation income tax on the employers, it is a safe assumption that about one-half of this $28 million would be saved to employers in taxes. Moreover, many railroads, if not all, maintain private pension systems supplementing benefits under the Railroad Retirement Act. These private pensions are financed by taxes on railroads and employees on compensation in excess of $300 a month. It is certainly reasonable to assume that after the enactment of this bill the taxes for the supplemental systems will be on compensation in excess of $350 instead of $300. Thus, if you take into account all the savings that the railroads would achieve, the cost to them probably will be less than $14 million.

The objection to increasing the creditable and taxable maximum monthly base from $300 to $350 a month is made on two grounds—first, the social security base still is only $3,600 a year. That is, the President's proposal to increase that base to $4,200 a year has not yet been enacted. Secondly, it is argued that even if the social security base were increased to $4,200 per year, the railroad base of $300 a month should nevertheless remain unchanged because of the higher taxes required to maintain the railroad retirement system. Both objections may be questioned. The railroad retirement system and the social security system were established in 1937. At that time, the wage base in the Social Security Act was $3,000 a year, averaging $250 a month, while the wage base under the railroad retirement system was $300. Thus, from the very beginning, the railroad retirement system had a wage base which was $600 a year in excess of the social security wage base. At that time also the tax rate for the maintenance of the railroad retirement system was higher than the rate for the social security system. The fact is that Congress recognized from the very beginning that the railroad retirement system, because it was not in a sense a new system—since it took over the railroads' old private pension systems—could not start from scratch with smaller benefits and low costs. The benefits under that system were therefore higher and more costly than those under the social security system. Since that time all the amendments made to the railroad retirement system showed a congressional policy of not permitting the social security system to stand in the way of improving the railroad retirement system as long as improvements were needed and funds were available. The hearings on the bill demonstrated that the improvements are needed and that the funds are available, and, also, that the financial status of the railroad retirement account will remain unaffected by the enactment of this bill.

Moreover, when the $300 limit was first established in the Railroad Retirement Act, 98 percent of the number of railroad employees were earning no more than $300 a month, and 98 percent of the total railroad payroll was creditable and taxable for benefit purposes under the act. The average monthly earnings per railroad employee in 1937 was $1,780, but in 1953 the average was $4,400. Although the social-security base was changed from $3,000 to $3,600 a year, the railroad base remained unchanged at $300 a month to date. The result is that at the present time only 36 percent of the employees are earning $300 a month or less and only 80 percent of the payroll is creditable and taxable for benefit purposes under the act. As a matter of fact, even after this bill is enacted and the base is increased from $300 to $350 a month, only 88 percent of the total railroad payroll would be creditable and taxable for benefit purposes of the act as compared with 98 percent in 1937. The fact is that many railroads have long since recognized the inadequacy of maintaining the $300 limit. As I said earlier, a substantial number, if not all, railroad companies, have established private pension systems to supplement the benefits under the Railroad Retirement Act. These supplemental systems are financed by payroll taxes on employers and employees on amounts in excess of $300 a month.

With regard to the amendments proposed for the Railroad Unemployment Insurance Act, we must remember that the benefits provided in the State unemployment insurance systems, generally speaking, are inadequate and that the comparison to such benefits as a measuring yardstick is inappropriate. The President of the United States has recognized this inadequacy of State benefits and has recommended State action to substantially increase benefits. The proposal in the bill to increase benefits up to 50 percent of the employee's last daily wage rate in the base year is substantially the same as the proposal of the President for the State systems.

In considering the cost of the proposed increase in benefits under the Railroad Unemployment Insurance Act, it is well to remember that such cost will come within the 3 percent tax rate fixed in the Railroad Unemployment Insurance Act. I do not believe that anyone has maintained that the cost of the railroad unemployment insurance system, even after the enactment of this bill, would exceed, or even approach this 3 percent rate. This rate was reduced in 1948 to one-half of 1 percent of payroll by the use of a sliding-scale schedule of rates fixed by Congress at that time in order to avoid the accumulation of a large reserve for which there was no immediate need. This was a proper and justified measure and saved the railroads hundreds of millions of dollars from 1948 to date. If there were no need for improving benefits we would welcome both contributors to the additional savings resulting from the reduced rate, but this reduction in rate was only a temporary measure subject to increases up to the original 3 percent should there be a need for improving the benefits. Now, it is evident that the need has arisen and there is an apparent need for an increase from the present one-half of 1 percent to perhaps 1 percent in 1957, since there is the assurance that in no event would the total cost of the improved benefits reach as much as the 3 percent of payroll originally adopted for the system.

I appeal to you on behalf of 1½ million railroad workers in this country and their families to vote for this bill. I appeal to you to make this session of Congress a memorable one for the railroad workers. Let us assure our friends in all the railway labor unions that we are with them in their cause for improving the railroad retirement and railroad unemployment insurance systems.

Mr. ROGERS of Florida. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. DAVIS].

Mr. DAVIS of Georgia. Mr. Chairman, I take this opportunity to congratulate the chairman of this great committee and the members of that committee for the bill which they have brought to the floor of the House this morning. There has been a growing consciousness on the part of the American people for quite a while that the various retirement systems for our aged and those who become disabled and handicapped should make more adequate provision for them in the declining years of their life and in the years when need overtakes them.

There are nine fine provisions in this bill which will make the railroad retirement setup much more adequate to take care of the needs of these people. I am particularly glad to see in this bill the first benefit which goes to dependent widows. Whereas they now begin to draw these benefits when they reach the age of 65, this act, as amended, which we will vote upon today, will reduce that age to 60 years. That will mean quite a bit in the lives of these dependent widows. As has been so ably said here by some of those who have preceded me, when a widow reaches that age, that is, when the wife of a working railroad employee becomes a widow at that age, at the age of 60, it is practically impossible for one of them to obtain employment. I think that it is very fitting indeed that this bill makes this provision.

Another thing which I am sure appeals to the hearts and consciences of all of us is this second benefit which is de-

scribed in the bill, and that is the benefit to a widowed mother who has a child of the age of 18 or over who is mentally or physically incapacitated to take care of its own needs. This bill which we have before us today will continue the benefits to this disabled child or incapacitated child after the age of 18 is reached and would provide that benefit also for the widowed mother. I think it is a tribute to the forward-looing philosophy of the railroads and of the railroad employees that they have worked out this railroad retirement system to take care of their people, their employees, and the dependents of these employees, so that they would not become a charge upon the Government and so that they would not become a charge upon their relatives. Experience has shown that the provisions of the railroad retirement law, as it has existed up to this present time, have not been adequate in many instances to meet the needs of these people, and it has become high time, as this committee has determined in working out this bill, that more adequate provision should be made after studying the bill and the committee report, I believe the proposed amendments greatly improve the railroad retirement law.

Mr. Chairman, I think this bill will appeal to all of us. I am certainly glad that the committee has brought it out, and I urge that the bill be passed.

Mr. SEELY-BROWN. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. SEELY-BROWN. Mr. Chairman, I rise in support of this legislation, H. R. 7840, to amend the Railroad Retirement Act, the Railroad Tax Act, and the Railroad Unemployment Insurance Act.

I congratulate Chairman WOLVERTON for his untiring efforts in behalf of this legislation and I am pleased to associate myself with him in urging its adoption.

I have every desire to be properly helpful to retired railroad workers and their dependents. I am also mindful of my grave responsibilities toward the currently active railroad workers and those who will follow, and who will retire in the future. We must make certain that when they retire from the railroad industry the reserves in the railroad-retirement account plus the income into the system will be adequate to pay the benefits due them.

In keeping with the overall program recommended by President Eisenhower this legislation provides:

First. Benefits to widows, dependent widowers, and dependent parents at age 60.

Second. Benefits to widowed mothers with disabled children.

Third. Elimination of reduction in survivor benefits on account of railroad retirement benefits in own right.

Fourth. Increase in creditable compensation in the calculation of annuities.

Fifth. Crediting of compensation earned after age 65.

Sixth. Improvement in disability work clause.

Seventh. Benefits to children who do not attend school.

Eighth. Waiver of retirement benefits.

In addition this measure provides proper amendments to the Railroad Retirement Tax Act and the Railroad Unemployment Insurance Act.

Mr. WOLVERTON. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota [Mr. O'HARA].

Mr. BAKER. Mr. Chairman, will the gentleman yield?

Mr. O'HARA of Minnesota. I yield to the gentleman from Tennessee.

Mr. BAKER. Mr. Chairman, this is a very fine piece of legislation. I am most happy to support it.

Mr. O'HARA of Minnesota. Mr. Chairman, this legislation has been given a great deal of study by our committee. In all railroad retirement legislation it is always the problem of the committee dealing with that subject to be sure of the soundness of the legislation and the soundness of the fund into which these taxes are paid both by the employer and the employee. This legislation represents some very fine features which are of great benefit to the railroad workers. Naturally, those who have to pay more in taxes are not going to be as happy as those who get increased benefits without any increase of their taxes.

Mr. Chairman, I ask unanimous consent that my colleague, the gentleman from Michigan [Mr. BENNETT], who has been called home because of serious illness in his family, and who is one of the members of our committee and who has been most conscientious and deeply sympathetic to this type of legislation, may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. BENNETT of Michigan. Mr. Chairman, the bill we are now considering, H. R. 7840, has had the most careful study and consideration by the Committee on Interstate and Foreign Commerce which has recommended that it pass. It has had the most careful study and consideration by all the 23 standard railway labor organizations and they recommend that the bill be passed. These labor organizations include the 4 train and engine service brotherhoods and all the 19 organizations affiliated with the Railway Labor Executives' Associations.

These labor organizations speak for practically all the active railroad workers in the United States. They support this bill 100 percent. The Secretary of Labor, the Bureau of the Budget, and a majority of the members of the Railroad Retirement Board favor the passage of the bill. I urge the House to vote for it overwhelmingly. It is a financially sound, well balanced, and deserving piece of legislation that will help practically all retired and active railroad workers and their families.

The provisions of this bill have been stated in considerable detail by the distinguished chairman of the Committee on Interstate and Foreign Commerce, the gentleman from New Jersey [Mr. WOLVERTON] and other able members of the committee. I shall not repeat their statements but shall try to show how practically every active and retired railroad worker and his family will benefit directly from the provisions of H. R. 7840 and indirectly from the Social Security Act amendments which the House passed on June 1, 1954, H. R. 9366.

The provision in the bill to increase the maximum creditable compensation from $300 to $350 a month in the calculation of a retirement and survivor benefit will help all workers and their families, who will earn in excess of $300 a month, to obtain higher retirement and survivor benefits. And almost two-thirds of the presently active railroad workers are earning more than $300 a month. So that the great majority of the active railroad workers and their families will obtain directly higher benefits as a result of this provision of the bill.

Approximately one-third of the active railroad workers are not earning more than $300 a month. They and their families will not receive any direct increase in benefits as a result of the increase in the compensation base to $350. But they will benefit as a result of another provision of the amendment to the Railroad Retirement Act enacted in 1951—Public Law 234, 82d Congress. This is the provision which guarantees that the benefits payable to a retired railroad worker and his family would never be less under the Railroad Retirement Act than the benefits to which such worker and his family would have been entitled to under the Social Security Act if his employment were covered under the Social Security Act. This is an extremely important provision for the low-paid, short-term workers and their families who, by virtue of the short term service in the railroad industry, are getting the minimum benefits payable under the law.

On June 1, 1954, the House passed H. R. 9366, amending the Social Security Act. This bill provides for an increase in the retirement and survivor benefits payable under the old age and survivors insurance program. By virtue of the fact that the railroad retirement system guarantees to railroad employees and their families the minimum benefits they would have received under social security coverage, many thousands of retired railroad employees and their survivors will benefit from the enactment of H. R. 9366. It has been estimated by the Railroad Retirement Board that the passage of H. R. 9366 would increase the benefits of 17,000 retired annuitants and pensioners by an average of $3 a month. Those who have eligible wives would receive on the average an additional benefit of $3 for the eligible wife. Similarly, the benefits of 125,000 survivors, or over 75 percent of the total survivors now on the railroad retirement rolls, would be increased by an average of $5.50 a month per family.

The families of active and retired railroad workers would get additional and potentially valuable benefits under the

bill in the form of a reduction in the eligibility age for a widow's annuity. Under present law, a widow who does not have a child under 18 years of age in her care must wait until age 65 in order to qualify for a widow's benefit. The bill we are considering today would permit such a widow to qualify for a benefit at age 60. This is a very valuable amendment, in my opinion.

Similarly, the provision for paying benefits to widowed mothers with physically or mentally disabled children over age 18, and the provision for paying a full survivor benefit to a widow who is also eligible to a railroad retirement annuity in her own right, by reason of her own employment, are likewise beneficial to practically all presently active and former railroad employees who are married.

The amendments to the Railroad Unemployment Insurance Act proposed in H. R. 7840 would increase the daily benefit rate now payable to a qualified employee by 50 cents a day, generally speaking. Under the bill, the employee who is unable to work by reason for unemployment or sickness would be entitled to receive at least half of the daily rate of pay he received on his last job in the preceding base year, up to a maximum of $8.50. The total amount of benefits payable in any one year for unemployment or sickness would not exceed the employee's total compensation in the base year.

The Congress is ever mindful of the need for improving the benefits payable under the railroad retirement system and is constantly conducting studies toward that end. In 1951 the Congress passed a law, Public Law 234, 82d Congress, which provided for very substantial increases in benefits to retired annuitants, pensioners, and their survivors, costing over $100 million annually. There were no increases in either the tax rate or the tax base.

Under this law, retired annuitants and pensioners were granted a flat 15 percent increase in their benefits. An eligible wife was awarded a spouse's benefit equal to half of her husband's retirement benefit up to a maximum of $40 a month. Survivor benefits were increased by at least 33⅓ percent. And under a minimum guaranty provision contained in this law the survivors of a deceased railroad employee were guaranteed that the total monthly benefits payable to them would in no case be less than the total amount that they would have been entitled to under the social-security formula, had these survivors been covered under the Social Security Act, instead of the Railroad Retirement Act. Because of this minimum guaranty provision, the total survivor benefits per family, in fact, were increased on the average by 43 percent over and above the amount that was payable prior to the passage of this law.

The additional revenue required for the financing of the above-mentioned benefits was obtained by another amendment to the Railroad Retirement Act which provided, in effect, for the reinsurance of the railroad retirement system by the social-security system.

At the very beginning of the railroad retirement system, it was recognized by the Railroad Retirement Board that the separate existence of the railroad-retirement system would result in a substantial savings to the general social-security system, because the railroad-retirement system covers an older group of workers, a group which is in other respects a higher cost segment of the national working population. By removing railroad workers from coverage under the general social-security system, therefore, a high-cost segment of the population were removed from that system.

Under the amendment to section 5 (k) (2) of the Railroad Retirement Act adopted in 1951, the Congress established the policy that the old-age and survivors insurance trust fund should neither gain nor lose from the separate existence of the railroad retirement system. The Congress provided a standard for settling all accounts between the two retirement systems, namely, that the OASI trust fund is to be put in the same position in which it would have been if railroad employment had been covered under the Social Security Act. This means, in effect, that all railroad workers are purchasing the basic social-security benefits for the social-security tax rates, and they are thus sharing in the low-cost insurance the same as they would if they were directly covered under the Social Security Act for basic benefits.

The effect of this interchange provision of the law was to make available to the railroad-retirement system a saving of a little more than 2 percent of taxable payroll, or in excess of $100 million a year, according to the estimates of the actuaries of the Railroad Retirement Board.

Again, in the present Congress an amendment to the Railroad Retirement Act was passed repealing the so-called dual benefit restriction in section 3 (b) of the act. This amendment is now Public Law 398. The effect of this law is to refund to some 34,000 retired workers and their spouses all deductions which have been made since October 30, 1951, in their railroad-retirement benefits because they were receiving, or were eligible to receive, social-security benefits. No further reductions will be made in such annuities. It has been estimated by the Railroad Retirement Board that the cost of repealing this restriction will ultimately amount to $385 million during the next 50-year period.

H. R. 7840, which we are now considering, does contain financing provisions which will adequately cover the cost of the additional benefits provided for in the bill. This financing is to be accomplished by increasing the presently taxable earnings from the maximum of $300 to $350 a month. The House has already adopted a similar increase in the creditable and taxable base for employees covered under the Social Security Act. It is therefore consistent that the House should approve this feature of H. R. 7840.

We all recognize that there is a constant need for improving and liberalizing retirement and survivor benefits under the Railroad Retirement Act. Many meritorious proposals have been referred to the Committee on Interstate and Foreign Commerce towards this end. However, the members of this committee are extremely aware of their grave responsibility, as trustees and guardians of the railroad retirement system, to make certain that the financial soundness of this system will not be impaired by the granting of additional benefits without at the same time making provision for the financing of those benefits. The 1.5 million active railroad workers and their families and the untold millions yet to come are relying on us to keep this retirement system in a sound condition so that the system will be able to pay their benefits in due course. That is the reason why the Committee found it necessary to pass over many bills which were highly meritorious so far as benefits were concerned but which had no provision for the financing of those benefits.

H. R. 7840 and the other bills, indentical to it, are the only bills to amend the Railroad Retirement Act which provide for any means of financing the benefits proposed therein. Indeed, this bill provides for the adequate financing of all the benefits. I urge the House to pass this bill.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Pennyslvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, I rise in support of H. R. 7840, a bill to liberalize the Railroad Retirement Act. While this bill does not entirely satisfy me or the railroad population I represent, yet with Congress ready to adjourn, I realize there is no choice but to accept or reject it. To take the latter course would mean that there would be no liberalization of the Railroad Retirement and the Railroad Unemployment Insurance Acts during this session of Congress.

There are several provisions of this bill that represent legislation I introduced which will prove beneficial to my constituents. These provisions include reducing the eligibility age of widows from 65 to 60 years.

In addition, the bill provides if a child has a permanent physical or mental condition prior to reaching age 18 which made him totally disabled, survivor benefits will be payable even though the child may be over 18 years of age.

The bill eliminates the present policy of reducing survivor benefits where a widow, dependent widower, or dependent parent is eligible for a retirement annuity in his or her own right because such individual had railroad employment. In such cases under H. R. 7840, the survivor is entitled to both annuities without reduction.

The bill also provides that when a person is receiving a disability annuity instead of the present limitation on his earnings of $75 a month in each of any 6 consecutive months, he will be permitted to earn up to $100 monthly and still be eligible for his disability annuity.

Under the present law, a child of a deceased employee under 18 and over 16 years of age must attend school regularly, if feasible, in order to be eligible for a survivor's annuity. H. R. 7840 eliminates the requirement that such a child must attend school to establish eligibility for survivor's benefits.

This bill provides that any person entitled to an annuity or pension under the Railroad Retirement Act may waive, in whole or in part, such annuity or pension which would otherwise be due. The purpose of this provision is to enable the annuitant or pensioner, by waiving all or part of his railroad retirement benefit, to come within the income limitation specified in the veterans' laws ($1,400 per year if the veteran is unmarried or $2,700 per year if the veteran is married or a widower with minor children), and thereby qualify for a veterans' non-service-connected pension.

Another provision of the bill which is of great interest to some 7,500 unemployed railroaders in my congressional district is the provision which amends the Railroad Unemployment Insurance Act whereby the present daily unemployment-insurance rate is increased on the average of $1 daily.

Time will not permit me to discuss the entire bill. However, I do want to take the time to state that my constituents are disappointed that the bill does not grant an increase in railroad-retirement benefits. They have called my attention to the fact that social-security benefits are being increased and they are at a loss to understand why an increase is not granted to recipients of railroad-retirement benefits. I am certain that a study will reveal that railroad-retirement benefits have not kept pace with the cost of living.

When I appeared before the House Committee on Interstate and Foreign Commerce, I expressed the wishes of many of my constituents who are employed in the railroad industry in regard to seeking approval of H. R. 5269, a bill designed to liberalize the Railroad Retirement Act.

When the committee reported out H. R. 7840 rather than H. R. 5269, I wrote Chairman WOLVERTON for an explanation as to why such action was taken. I received the following reply which is self-explanatory:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND
FOREIGN COMMERCE,
Washington, D. C., July 10, 1954.

Hon. JAMES E. VAN ZANDT,
Member of Congress,
House Office Building,
Washington, D. C.

DEAR COLLEAGUE: Reference is made to your letter of July 1, 1954, concerning H. R. 5269, a bill to amend the Railroad Retirement Act. Hearings on this bill and 29 other bills to amend the act were held by this committee on June 2 and 3, 1954. The principal provisions of H. R. 5269 are:

(1) Full annuities would be payable after 35 years of service regardless of age, or at age 60 after the completion of 30 years of service; (2) in the computation of the average monthly compensation for service before 1937, the present 1924–31 base period would be replaced by the 5 calendar years before 1937 for which the employee received highest aggregate earnings; (3) annuities and pensions would be increased by 15 percent; (4) a new minimum provision would apply in the case of persons retiring after 30 years of service; this minimum would equal half of the employee's average monthly compensation during his 5 years of highest earnings; (5) the dual benefit restriction contained in the last paragraph of section 3 (b) of the act would be repealed; and (6) the present restriction in section 2 (e) of the act requiring the reduction of the spouse's annuity by the amount of her insurance benefit under the Social Security Act would be repealed.

As you know, one provision of H. R. 5269, namely, the repeal of the dual benefit restriction in the last paragraph of section 3 (b) of the act, has already been enacted as Public Law No. 398.

In the consideration of all bills to amend the Railroad Retirement Act, the Committee on Interstate and Foreign Commerce has placed great emphasis on the effect of the proposed amendments on the financial soundness of the railroad retirement account. The committee is unanimously of the opinion that, regardless of the desirability of certain proposals for the liberalization of benefits under the Railroad Retirement Act no amendments should be made to this law which would jeopardize the financial soundness of the railroad retirement system. This principle is accepted by all the standard railway labor organizations as well as railroad management.

As you know, the combined employer and employee taxes for the support of the railroad retirement system amount to 12.5 percent of taxable payroll (a maximum of $300 per month per employee). The fifth actuarial valuation of the assets and liabilities under the Railroad Retirement Act, including the effect of Public Law 398 of the 83d Congress, shows that the level cost of paying present benefits under the act is 13.56 percent of taxable payroll, indicating a present deficiency of 1.06 percent of payroll, or over $50 million a year, each year in perpetuity.

The Railroad Retirement Board has estimated the additional cost of paying the benefits provided for under H. R. 5269 to be 4.7 percent of payroll, or $235 million a year, each year in perpetuity. The bill does not provide for any additional income into the railroad retirement system. Hence, if this bill becomes law, the deficiency in the railroad retirement account would be increased from 1.06 percent of taxable payroll to 5.7 percent of payroll, or by approximately $285 million a year, each year in perpetuity. It is obvious, therefore, that enactment of H. R. 5269 would very seriously jeopardize the financial soundness of the railroad retirement system.

During the hearings on H. R. 5269, Mr. Thomas Stack, president, and Mr. Walt Sands, research director, of the National Railroad Pension Forum, Inc., which is the principal organization sponsoring this bill, suggested four alternative methods of financing part or all of the $235 million which the benefits provided for by this bill would cost. These four methods are:

1. A gross revenue tax of 2 percent on the railroads.

2. Increasing from 10 to 15 or 20 years the amount of service necessary to become eligible for a railroad retirement annuity. The railroad retirement credits for employees who retire or die with less than 15 or 20 years of railroad service would be transferred to the social security system.

3. Transfer all dependent and survivor benefits to the social security system. All dependents and survivors of railroad employees would receive their benefits from the social security system at the social security scale of benefits.

4. Coordination of the railroad retirement system with the social security system.

Pursuant to my request, the Railroad Retirement Board made a very careful and exhaustive study of the four proposals suggested by Mr. Stack and Mr. Sands, and submitted a detailed report. This report concluded as follows:

"In brief, the first of the four financing proposals submitted by Mr. Stack and Mr. Sands is impractical, and none of the other three offers any hope of providing any significant amount of additional funds."

As you know, this committee submitted a favorable report to the House of Representatives on H. R. 7840. This bill provides for the adequate financing of all the benefits proposed in the amendments to the Railroad Retirement Act contained in the bill. A copy of this report is enclosed.

Sincerely yours,
CHARLES A. WOLVERTON,
Chairman.

Mr. Chairman, as I said in the beginning of my statement, I am supporting H. R. 7840 with a degree of reluctance since I feel that although it does not satisfy all my constituents, there are many who will benefit, especially many widows, disabled annuitants, and the 7,500 unemployed railroaders in my congressional district.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Wisconsin [Mr. WITHROW].

Mr. WITHROW. Mr. Chairman, I want to take this opportunity to commend the Committee on Interstate and Foreign Commerce, and particularly the chairman of that committee, for the very constructive work done by that distinguished committee in bringing forth the bill under consideration at the present time.

During the short time allocated to me, I can merely say that the benefits provided in H. R. 7840 are very conservative. The need for them has been recognized for the past 10 years. Much has been said but very little, until now, has been done to alleviate the conditions which we all recognize as being bad.

These amendments to the Railroad Retirement Act will not cost the taxpayers of this country one single solitary cent. The moneys provided for this fund are raised by tax which is levied on the employer and the employee. The additional revenue that will be raised by raising the employee and the employer contributions which will amount to approximately $56 million. The benefits prescribed under these amendments will cost the fund less than $54 million.

This measure has the support of all the operating and nonoperating railroad brotherhoods. It is a very necessary piece of legislation, a constructive piece of legislation, and should be passed by this House unanimously.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, I should like to congratulate those responsible for bringing this legislation to its present status. I hope it will pass. There are many deserving cases that need attention.

I want to say that a number of years ago when this legislation was more or less in its infancy our late colleague, Fred Vinson, and I and other members of the Ways and Means Committee had something to do with the tax features of this system. Mr. Vinson and I had a special assignment with reference to the tax features of this legislation. We collaborated with men representing the railroads and with men representing the railroad employees. I was always glad of that opportunity and am glad that we

were able to lay a solid foundation for this big program.

I have watched the growth of this legislation and will be glad to vote for this measure under consideration.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. GAVIN].

Mr. GAVIN. Mr. Chairman, I want to compliment my very good and able friend [Mr. WOLVERTON] and the Committee on Interstate and Foreign Commerce on a very fine piece of legislation. I heartily endorse it. It is long overdue. I should like the chairman to know we are pleased with the work of the committee, with their report and with the bill. I shall wholeheartedly support it. It is a much needed piece of legislation. I also want to express my appreciation for the great interest and fine work of my Pennsylvania colleagues, Representative VAN ZANDT and Representative ALVIN BUSH, members of the committee, who worked tirelessly for many months on behalf of this legislation. It is a fine bill and I know will pass overwhelmingly.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, I am in hearty sympathy with this legislation. I think it is a great piece of humanitarian legislation. I shall support the bill, although I feel the age should be 65.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. McDONOUGH].

Mr. McDONOUGH. Mr. Chairman, I want to compliment this committee for bringing this very necessary legislation to the floor. The chairman has made a militant fight in behalf of the beneficiaries of this legislation. I am pleased to support the action of the committee and to support the bill.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. YOUNGER].

Mr. YOUNGER. Mr. Chairman, after several days of acrimonious debate on a number of other bills, I think it is apparent to everyone that the Committee on Interstate and Foreign Commerce has hit the jackpot in bringing this bill here, because everyone can endorse it. I am particularly pleased that we were able to bring out a bill that will maintain the integrity and financial soundness of the railroad retirement fund. That is one of the ideas that was uppermost in the minds of the committee. The actuaries in charge of this fund assure us that this is the case. We are more than pleased to be able to present this bill to the House, and I am sure the House will unanimously accept it.

Mr. ROGERS of Florida. Mr. Chairman, I yield 5 minutes to the gentleman from West Virginia [Mr. STAGGERS].

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from West Virginia.

Mr. BAILEY. Coming from a State that is highly industrialized, a coal-mining State, where the percentage of railroad and coal employment is excessively high in the overall labor load, I want to compliment the excellent work of this committee. I appeared before this committee particularly in reference to dependency payments to widows. While they did not carry out my ideas on the matter, they have gone more than half way by reducing the retirement age for widows and by taking care of dependents where they are physically unfit. I again want to compliment the committee, and particularly compliment my colleague from West Virginia for his excellent work on the committee.

Mr. HOWELL. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from New Jersey.

Mr. HOWELL. Mr. Chairman, I support this bill to continue the year-by-year modernization of the Railroad Retirement Act, as proposed and endorsed by all of the standard railway labor organizations, and shall vote for its passage.

I sincerely hope it can be pushed through the Senate in time for enactment in this session, for in some of its provisions it can be of tremendous value right now—particularly its provisions dealing with unemployment compensation.

The weekly statistics on railroad freight car loadings during nearly all of this year have been so much below the figures for the comparable periods of 1953 that it is obvious the railroad industry is having great difficulty. And that has meant extensive layoffs of employees, some of them for long periods of time.

So I believe it is urgent to get into operation the proposed new formula on unemployment compensation for these railroad workers. It would assure half-pay during periods of unemployment up to a maximum benefit of $8.50 a day.

The decline in purchasing power among our people has been both a result of and a cause of lowered industrial activity and lower incomes. We have let our economy go downhill to such an extent that it appears to be snowballing; the automobile companies lay off men because they cannot sell their full output; that means a cutback in orders for steel, glass, tires, electrical equipment, and so on, so these firms, in turn, lay off workers; the coal industry suffers, and miners are furloughed, and as this cycle continues the automobile companies, can sell even fewer cars so they lay off more men. The snowball, therefore, grows bigger.

Unemployment compensation was supposed to provide an effective cushion against this snowballing effect, and, of course, it has helped greatly in this respect. But all of us, I am sure, must recognize that unemployment-compensation benefits have been permitted to decline in purchasing power year by year as a result of higher living costs, so that today the payments in most States are completely unrealistic.

This bill seeks to correct that situation insofar as the railroad workers covered by the Railroad Unemployment Insurance Act are concerned. It is a very necessary step right now, as I said, because of the high unemployment in the railroad industry. I think we should do no less, however, for other workers, too—those covered by the regular unemployment-compensation program. It is tragic that this Congress is soon to adjourn without writing into law any improvement whatsoever in the benefits of the millions of workers now dependent upon unemployment compensation to keep them going during this period of recession.

IMPROVEMENTS IN RAILROAD RETIREMENT SYSTEM

In addition to the unemployment-compensation provisions, this bill deals with other portions of the Railroad Retirement Act in a worthwhile manner, even though I am sure no individual railroader will be completely satisfied with it. I think they all would like to see higher primary benefits for retirement and an optional lower retirement age. I am sure the latter will come eventually, but I am impressed in this connection by the fact that the brotherhoods as well as the Committee on Interstate and Foreign Commerce do not believe it can be done this year without jeopardizing the actuarial soundness of the system.

As for higher primary benefits, they are afforded here only for those who earn more than $300 a month and come about as a result of raising from $300 to $350 a month the amount of wages to be credited toward retirement benefits. While this will mean higher benefits for those in that category, it will also mean higher payroll deductions for them, too, and, of course, that is again dictated by the necessity of protecting the soundness of the reserve fund. I do not think many people realize that the railroader contributes more than 6 percent of his first $300 of wages each month to this fund.

I am pleased that the committee has seen fit to recommend that widows of railroad workers be permitted to begin collecting their survivorship annuities at age 60 instead of the present 65. I should also like to see the social-security program advanced in that same manner. We all know how difficult it is for women of 60 and over to find suitable employment, and it seems cruel to say to these hard-pressed women, "Just hold out until you are 65 and then we will begin paying you social security."

Other provisions of this bill deal with a variety of problems and inequities which have come to light as a result of experience under the program and are, I understand, generally approved and desired by most railroad workers and retirement beneficiaries. It is impossible to write a bill on so technical and involved a subject which is a perfect bill making everyone happy, but I commend the committee and the brotherhoods for the effective work this bill represents in advancing the program realistically.

Mr. POLK. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from Ohio.

Mr. POLK. I wish to join with the gentleman from West Virginia in his valiant efforts to secure favorable consideration of this bill, H. R. 7840. I wish to associate myself with him in

urging that it be favorably considered here today.

I was one of those who in 1937, under the able leadership of Hon. ROBERT CROSSER, of Ohio, helped secure the enactment into law of the original Railroad Retirement Act. Since its inception I have been deeply interested in this program and in its improvement.

The bill, H. R. 7840, provides greatly needed amendments to present law, including, among others, the reduction in the eligibility age for survivor annuities for widows, dependent widowers, and dependent parents from age 65 to age 60. This is an amendment I have long advocated in the interest of fairness and equity to these deserving persons.

I also strongly favor the amendment which provides a liberalization of the benefits payable to widowed mothers with disabled children.

Likewise, I strongly favor the amendment herein provided on the disability work clause and the provision that a disability annuitant may receive up to $100 per month from employment or self employment. I have always opposed the present provisions of the law in this regard.

The other amendments contained in H. R. 7840 will provide several other long overdue improvements in the Railroad Retirement Act.

I strongly urge the House to approve this bill.

Before I conclude, may I say a few words in commendation of the long years of service to railway labor by my old and very dear friend the dean of the Ohio Democratic delegation in the House, Hon. ROBERT CROSSER, of Cleveland.

As you all know, BOB CROSSER is the father of the Railroad Retirement Act. It was largely because of his untiring efforts that this legislation was enacted in 1937. He introduced the first bill on this subject and from that date to the present, he has continually worked faithfully and conscientiously to bring about improvements in the law.

Railway labor, and in fact all labor, owe a great debt of gratitude to the gentleman from Ohio [Mr. CROSSER] for his untiring efforts in the field of labor legislation.

It is with a feeling of deep regret that I realize he will not be serving in the next session of Congress to champion the cause of those who need beneficial and helpful legislation.

Mr. PHILBIN. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from Massachusetts.

Mr. PHILBIN. I want to commend my good friend from New Jersey, the able and distinguished chairman of this committee, and his committee, for the splendid work they have done in bringing this bill to the floor of the House. I will support it.

Mr. Chairman, one of the great men in this House is the genial, able, and patriotic chairman of this committee, my friend the gentleman from New Jersey [Mr. WOLVERTON]. His untiring work on this very fine bill shared by his capable committee will long stand as a monument to his zeal and concern for the working people of this Nation and their families.

There is apparently no real controversy over this bill, and that is well. The measure strikes an appealing humanitarian chord. It will immeasurably help many loyal, faithful, efficient railroad workers and their families, and if there is a finer, more capable, more devoted group of citizens in this Nation than the railroad workers, I do not know them.

So far as I am concerned, the railroad workers not only compel admiration for their reliability, courtesy, steadfastness, and meticulous devotion to their tasks, but are entitled to the gratitude of the entire American people for their indispensable, long-continued contributions to our great public transportation system—one of the envies of the world—and consequently of course to our great country.

Day after day, night after night, in sunshine or tempest, with unerring punctuality and unceasing application to duty, our loyal railroad workers working together as a well-knit team provide the brains and sinew to activate the enormous complex but smooth-working mechanism that runs our railroads.

Another desirable feature of the bill lies in the fact that it is actuarially sound and solvent. While additional levies and taxes are required, the committee has, I think, to a very remarkable degree succeeded in insuring stability at the same time extending and enlarging the benefits. I am especially impressed that there is such widespread approval of the bill. I will gladly render it my support and vote and sincerely hope it will pass unanimously and in turn prove of benefit to many worthy people.

Mr. STAGGERS. Mr. Chairman, in the little time I have remaining I would like first to congratulate the gentleman from New Jersey [Mr. WOLVERTON] on the fine work he has done in seeing that this bill was reported from the committee, and the great and courageous fight he has made in seeing that this bill was brought before the Congress for consideration. He has worked hard and diligently and has done a good job.

As a former railroad worker, I am in favor of the bill and will vote for it, and have worked for it. I believe honestly that it has been a piece of bipartisan legislation, as most railroad legislation that has come out of the Committee on Interstate and Foreign Commerce in the past has been.

I believe that it is, too, in line with the program advocated by the President in taking care of the retirement program and our unemployment program in the Nation. It has been backed by the Bureau of the Budget, the Secretary of Labor, and the majority of the Retirement Board, so that necessarily means that it is backed by the President's program.

At this time I would like to pay tribute to the gentleman from Ohio [Mr. CROSSER], ranking minority member on our committee. He really is known as the father of railroad retirement. He introduced the first bill for railroad retirement, backed by all the railroad unions. He is one of the most capable men in our Congress along this line of work. His many years of service to his constituency in Ohio are equalled by only a very few Members of this House. He has long been a champion of the working people, especially the railroad workers. He is revered by all railroad workers for his 4 decades of public service and his progressiveness in fighting for legislation beneficial to this group. He has pioneered many great reforms sorely needed by the working men, and he advocated them at a time when such reforms were not too popular in this country.

I want to take this opportunity to wish the gentleman from Ohio [Mr. CROSSER] many years of well-deserved rest. He will long be remembered by his host of friends in and out of the Halls of Congress.

Mr. CHELF. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from Kentucky.

Mr. CHELF. I want to associate myself with the gentleman from West Virginia in the tribute he has paid to the chairman of the committee, the gentleman from New Jersey [Mr. WOLVERTON]. He is a wonderful man, and has made a great contribution. He has courage the likes of which I have not seen in a long, long time. He truly is the workingman's friend.

May I also associate myself with what the gentleman has said about our dear friend from Ohio [Mr. CROSSER]. May God bless him and keep him for many, many years to come.

Mr. Chairman, I also want to compliment the committee on the fine job they have done in bringing out this bill. It is a piece of legislation that is well deserving of the favorable consideration of every Member of the House, and I give it my full support.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from Minnesota.

Mr. MARSHALL. Mr. Chairman, the railroad workers of my district have always shown a great interest in the Railroad Retirement Act and many of them have submitted recommendations to me for important improvements in the retirement system.

Because the railroad retirement system belongs not to the Federal Government or the Congress but to the men who work on the railroads of this country, I have always sought and welcomed this advice. We, as Members of Congress, are merely trustees of the retirement fund and we have an obligation to respect the wishes of the people who own it.

The wages of railroad workers are taxed to provide their own retirement system and we have become the guardians of this fund in the name of the workers themselves. This imposes upon all of us the serious moral obligation of administering the fund in the best interests of those who have built it.

In my visits to the shops and yards of my district, I have gained much valuable advice from railroad workers who have firsthand knowledge of the problems of

retired workers. These recommendations are the result of practical, commonsense thinking and I am glad that some of them are incorporated in the bill before us today.

Every railroad worker I have ever talked to has expressed his wish that the retirement fund be kept in a sound condition. They also want to keep the payroll tax within reason since it is already much higher than social security taxes.

The bill before us has the support of the labor organizations representing almost all of the railroad workers of this country.

It is proper, therefore, that we as trustees of the fund should respect the wishes of those who have built the railroad-retirement system and I am happy to support the major provisions of the bill. Other improvements may be necessary but I think it is important that we act before this session of the Congress adjourns. The committee has made a careful study of the more than 60 bills which were introduced and has reported significant improvements which will not in any way jeopardize the financial stability of the retirement fund.

The following improvements will help to correct weaknesses and inequities which have occurred:

First. Provides benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65.

Second. Provides benefits for widowed mothers with physically or mentally disabled children over 18 years of age.

Third. Provides full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad-retirement annuity in their own right.

Fourth. Increases the creditable compensation from the present maximum of $300 a month to a maximum of $350 in calculating the retirement or survivor annuity.

Fifth. Disregards compensation earned after age 65, if the crediting of such compensation would lower the annuity.

Sixth. Changes the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

While the tax base is increased from $300 to $350 a month, the tax rate of 6¼ percent is left unchanged.

The bill also includes necessary increases in unemployment insurance benefits by raising the daily benefit rates by 50 cents a step with a maximum daily rate of $8.50.

As I have said, Mr. Chairman, this bill will not make all of the improvements which might be made without weakening the fund but it does make those changes which are needed now to correct hardships arising under the present law.

The committee has wisely provided that the financing provisions of the bill are adequate to meet the costs of the additional benefits provided by it. In this way, we can assure every railroad worker that his investment in the retirement system is sound and that the changes made actually strengthen rather than weaken the fund. Today's workers must be guaranteed that their future benefits are protected.

We all know that rising costs have had a serious impact on the retired worker. A realistic program of security in retirement demands that we constantly reexamine the program to be sure that it provides a decent standard of living for the men who built and who operate the world's greatest transportation system and their survivors.

H. R. 7840 is a step in the right direction and I hope that we can follow it in the next Congress with other improvements based on the studies made by the Joint Committee on Railroad Retirement Legislation.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield.

Mr. EBERHARTER. I think the gentleman now in the well of the House is to be commended for paying tribute at this time to our esteemed and beloved colleague, the gentleman from Ohio [Mr. CROSSER], who has served here so many years so well, so ably, and so diligently. I join with the gentleman and agree most earnestly with everything he has said about the character, ability, and service of the gentleman from Ohio [Mr. CROSSER], and for whom, I am sure, every Member of the House has the highest respect and kindliest feelings. All of us wish for him the best of everything.

Mr. LANHAM. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield.

Mr. LANHAM. Mr. Chairman, I, too, want to associate myself with the gentleman from West Virginia in all the fine things he has said about our associate, Mr. BOB CROSSER. The House of Representatives is about to lose one of its most influential and able Members. I wish Godspeed. I wish also to pay tribute to him for the many fine things he has done not only for the railroad workers but for others as well. He and I have been unusually congenial, because we both are admirers of America's greatest economist, Henry George, and both believe that his insistence on a sound land policy is fundamentally sound.

Mr. Chairman, I also at this time want to say I am in favor of this bill, and I congratulate the committee upon the fine work they have done in bringing it before us. It will be a boon to the railroad workers and their wives and dependents.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. BENDER].

Mr. BENDER. Mr. Chairman, I want to add my personal word of tribute to the chairman of this committee, CHARLES WOLVERTON, the distinguished gentleman from New Jersey, chairman of the Committee on Interstate and Foreign Commerce, for his excellent performance, not only on this meritorious legislation which provides essential amendments to the Railroad Retirement Act, the Railroad Tax Act, and the Railroad Unemployment Insurance Act. I especially want to pay tribute to my colleague from my home city of Cleveland, Ohio, the distinguished gentleman, who for 40 years has served his district, his State, and his country so ably—ROBERT CROSSER. On occasion, we have disagreed, but I have always had the highest respect for him, especially since I learned to know him better while serving with him 14 years in the House of Representatives. He has the respect and good will of the people of Ohio. We all know that every railroad employee considers him his ablest advocate and best friend, and this is as it should be. I am sure I speak for the citizens of Cleveland and Ohio when I say that we wish him Godspeed and hope that he will live many, many years to enjoy the deserving reward of leisure and comfort which he has so richly earned.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. RADWAN].

Mr. RADWAN. Mr. Chairman, I join in paying tribute to the chairman, the gentleman from New Jersey, as well as the ranking Democratic member of the committee, the gentleman from Ohio [Mr. CROSSER].

Both gentlemen certainly deserve all the praise that has been heaped upon them today.

I am happy to have this opportunity to speak briefly in favor of this bill, H. R. 7840. I introduced a similar measure, H. R. 7979, and for this reason I am especially happy to rise in support of this legislation.

Although I also favored certain provisions, which were supported by many railroad employees in my district, in H. R. 5269, nevertheless, the bill before us is a very good bill and I enthusiastically join with the recommendation made by the Committee on Interstate and Foreign Commerce in supporting this worthy measure.

In this connection, it is important that we pay tribute to the people most vitally concerned about this legislation. The railroad network of the United States is the most fabulous network of railroad transportation in the entire world. The records of the railroads in the First World War and the Second World War were simply fabulous. A large part of the success of the railroad-transportation system is due to the skilled and capable workers who are employed by the railroad companies. The management also made a distinct contribution toward the efficiency of the railroads in handling greatly increased tonnages. The legislation before us can briefly be summarized as follows:

First, benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65.

Second, benefits to widowed mothers with physically or mentally disabled children over the age of 18.

Third, full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad-retirement annuity in their own right.

Fourth, increasing the creditable compensation from the present maximum of $300 a month to a maximum of $350 a month in the calculation of a retirement or survivor annuity.

Fifth, disregarding the compensation earned after the age of 65, if the credit-

ing of such compensation would diminish the annuity.

Sixth, changing the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

Seventh, excluding the service of certain delegates to national or international conventions of railway labor organizations from coverage under this act.

Eighth, elimination of the requirement in the present law that a child over the age of 16 and under 18 years must attend school regularly in order to be eligible for a survivor's annuity.

Ninth, waiver of retirement benefits for certain individuals who are receiving non-service-connected veterans' pensions.

Again, I want to state that this is very good and sound legislation, and I urge every Member of this House to support it.

Mr. GAVIN. Mr. Chairman, will the gentleman yield?

Mr. RADWAN. I yield.

Mr. GAVIN. Mr. Chairman, I, too, at this time want to pay tribute to our very good and able friend, the gentleman from Ohio [Mr. CROSSER], a man who by his work in the Congress of the United States has won for himself the hearty commendations of the membership on both sides of the aisle. My wish for him is good health, happiness, and all the good things in life for the years ahead.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Chairman, I rise in support of H. R. 7840, which provides a number of improvements in the benefits payable under the railroad-retirement system and under the railroad-unemployment-insurance system.

There is a real need for such a bill. It will be helpful to retired railroad workers and their dependents. It will also be of benefit to currently active railroad workers and those who will follow, and who will retire in the future. Many of these people live in my district. It is in their best interests that I shall vote for this bill. The amendments proposed can be enacted without jeopardizing the financial soundness of the railroad-retirement system.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. JUDD].

Mr. JUDD. Mr. Chairman, I am happy to vote for this piece of legislation amending the Railroad Retirement Act. A great many of the persons who will be most benefited by it live in my district, They need the benefits to be granted. Furthermore, they come out of funds that belong to them—not to the Government. The reserve fund is protected. In every sense this is a good bill that we can all wholeheartedly support.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Ohio [Mr. SCHENCK].

Mr. SCHENCK. Mr. Chairman, I commend the gentleman from New Jersey, the chairman of our Committee on Interstate and Foreign Commerce, for his tireless work on this bill, and also acknowledge with deep appreciation the service of our colleague the gentleman from Ohio [Mr. CROSSER]. It is a pleasure and real honor to serve on this great committee. This is a bill to assist human beings. Almost all legislation has some features with which we do not fully agree. It is my feeling, however, that this is a good bill and that its advantages far outweigh the disadvantages that it may contain. This legislation is approved by the operating brotherhoods, and the benefits are paid out of contributions made by them. I think the bill should be passed unanimously. This legislation is but another example of the kind of legislation considered by our Committee on Interstate and Foreign Commerce. We constantly consider legislation that affects in very personal ways the lives and conditions under which all our citizens live. The work and hearings are most interesting and constantly remind us of our responsibilities. The cooperation and careful and serious consideration given the measures considered by our committee by all members of our committee assures Members of the House that all aspects of these questions are fully explored and the bill properly prepared for presentation to the House. I am confident that the vote on H. R. 7840 today will show the confidence which Members of the House place in our committee.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from New Jersey [Mr. WIDNALL].

Mr. WIDNALL. Mr. Chairman, I want to commend and compliment the committee on the fine bill they have brought out for consideration, especially the ranking minority member, Mr. CROSSER, and the distinguished chairman, Mr. WOLVERTON.

There is no Member of this House who works more tirelessly than the gentleman from New Jersey [Mr. WOLVERTON]. He has dedicated years of his life to public service and his record is replete with sponsorship of excellent legislation.

This bill provides most worthy changes in railroad retirement legislation. I am particularly pleased with the section that applies to widows' annuities, reducing the age for benefits from 65 to 60. This should prove most helpful in many cases.

At this time I would also like to pay tribute to the railroad employees of the United States whom I have known. I have come in contact with many of them during a period of years. I have always found them solid citizens of the community and fair and reasonable in their suggestions and requests.

I am particularly pleased to support this bill.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, during the 83d Congress the House Committee on Interstate and Foreign Commerce received thousands of letters and telegrams from railroad workers, retired railroad pensioners, widows of railroad workers, and active railroad workers urging various improvements in the benefits payable under the railroad retirement system and the railroad unemployment insurance system. The great interest in this bill is best seen by the fact that over 60 bills to amend the Railroad Retirement Act have been introduced by Members of the House of Representatives and referred to this committee. The committee has held hearings on all of these bills and has considered each one of them carefully.

I would like to emphasize that in the consideration of this bill your committee has placed great emphasis on the effect of the proposed amendments on the financial soundness of the Railroad Retirement Act. The committee is unanimously of the opinion that, regardless of the desirability of any proposals, no amendments should be made which will jeopardize the financial soundness of the railroad retirement system. This principle has been accepted by all the responsible railroad labor organizations as well as railroad management. All on this committee are mindful of their grave responsibility toward the currently active railroad worker and thousands who will follow him and will retire in the future. We intend to make certain that when they retire from the railroad industry that there will be sufficient reserve money on hand to adequately pay the benefits due them. In the next few minutes I would like to tell the Members of the House of the desirable features that are incorporated in this bill.

First. In all of the consideration of the many bills for amending the Railroad Retirement Act the committee was most impressed with the desirability of reducing from 65 to 60 the age at which a widow of a retired railroad worker may qualify for survivor benefits.

The committee had before it much evidence of the necessity in the case of many widows who had the misfortune of losing their husbands before the widows themselves became 65. On the average, married men are 4 to 5 years older than their wives. In addition, experience shows that few widows are fortunate enough to have employment at age 60, especially where those women have not been employed during the existence of the marriage. A woman whose chief function in life has been to take care of her family and home has very few working opportunities remaining at age 60. Most of the railroad labor organizations testified that the need of widows existed in many instances considerably below the age of 60, but the cost involved made any recommendation below that figure impossible at this time.

Second. Another provision of the bill will relieve the hardships experienced by a number of surviving children over age 18 who are not capable of self-support, and their mothers. Section 12 provides a survivor's annuity to a disabled child, regardless of age, provided he is unable physically to engage in any regular employment. Likewise, the widowed mother, having a child in her care would also be entitled to a widow's annuity so long as the child is disabled. However, if the child recovers from the disability after 18, the annuity would terminate.

Third. At the present time, a widow who receives a survivor benefit and who also has an annuity in her own right

because she has been in railroad employment would have the survivor benefit reduced by the annuity to which she is entitled by reason of her own employment. In other words, under existing law she cannot receive both amounts. This legislation provides that both annuities shall be payable without deduction. I think all of us can see the justice in this provision. If both the husband and wife have been employed by railroad, the surviving widow should be able to accept her own pension by virtue of her own work as well as to receive a pension from a private pension system, all at the same time. That is a similar situation to the one I am pointing out in this paragraph.

Fourth. Under the present law a retired employee cannot receive compensation that is calculated on more than $300 per month. This bill provides that compensation up to $350 per month shall be credited and figured as a base for the pension, for those months that he was employed and contributed at that rate. This will naturally establish higher benefits for those in the higher brackets in proportion to their payments into the railroad-retirement system. This will also increase survivor widow benefits in those cases where the deceased employee had contributed in an average monthly compensation in excess of $300.

Fifth. At the present time, in some instances the retired employee's annuity may have been lowered because of lower earnings after age 65. This bill provides that compensation earned after the employee has reached 65 would be disregarded if the result of taking the lower compensation into account would diminish his annuity.

Sixth. Under the present law, a disabled employee who earns more than $75 in each of any 6 consecutive months is considered no longer disabled at the end of a 6 months' period of continuous earning. The reported bill eliminates this test. The bill provides instead for nonpayment in any month in which the disabled employee earns more than $100.

The provision in the existing law has proved very difficult to administer. In addition, the Railroad Retirement Board has estimated that the clause in this bill would result in a net saving to the entire account of $1,500,000 a year.

Seventh. Under present law, a child of a deceased employee between 16 and 18 years of age must attend school regularly to receive a survivor's annuity. This bill would strike out that requirement. This provision was placed in the law originally because a similar provision was contained in the Social Security Act. This provision has long since been stricken from the Social Security Act and by this legislation it is removed from the Railroad Retirement Act.

I am sure all the Members of this House realize that the Railroad Retirement Act, although created by this Congress and administered as a quasipublic body, does not receive Federal funds for the payment of these pensions. The contributions under the act are met in equal part by the railroad and by the employee. There are no Federal funds involved in this bill nor will any be expected at any time in the future. In other words, in this bill we are voting allocation of monies which are the entire contributions of private persons and corporations in a common fund.

The bill being reported herewith is supported by all standard railroad labor unions, including the 4 train and engine service brotherhoods and all the 19 organizations affiliated with the railroad labor organization.

In the appearances before the committee, the representatives of these organizations show a constant review and study of the operations of the railroad-retirement system and of improving the benefits to railroad workers and their families. These organizations have shown not only concern with benefits, but also have placed great importance on the financial soundness and administration of the retirement system.

As a result of the thorough study that your committee gave to this legislation, I believe that it is sound and justified and for that reason I am happy to support the bill.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. SAYLOR].

Mr. SAYLOR. Mr. Chairman, I take this opportunity to congratulate the gentleman from New Jersey [Mr. WOLVERTON], the chairman of the Committee on Interstate and Foreign Commerce, and through him all of the other members of that great committee of the House of Representatives for the excellent work that they have done in bringing to the floor of the House for action, and I am sure almost unanimous vote of the Members, on the amendments to the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

From my district more individuals wrote personal letters to me pointing out their problems and asking for my assistance in having these amendments passed which would aid in the solution of those problems.

The increased benefits to widows by reducing from 65 to 60 the age at which they may qualify for survivors' benefits will be of tremendous assistance. The liberalizing of benefits to widowed mothers and disabled children shows that the committee sincerely endeavored to take care of the railroad family which is suddenly deprived of its wage earner.

The unemployment insurance benefits are welcomed by the railroadmen themselves. These provisions are consistent with the President's recommendations for improving the Federal-State unemployment insurance system.

The important feature of all of these improvements is that they are being done while still maintaining the railroad retirement funds actuarially sound, so that when the men now working retire, or their beneficiaries become claimants, there will be adequate funds available to pay benefits to them.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Washington [Mr. HOLMES].

Mr. HOLMES. Mr. Chairman, I congratulate the committee on bringing out this legislation. I am happy indeed to support it. The bill should be passed.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from West Virginia [Mr. NEAL].

Mr. NEAL. Mr. Chairman, I am glad there is such general evidence of approval of this bill. It must be a good one. There are a great many railroad people in my district and while I know many demands have been made, I am sure they will accept this bill since it provides many desirable improvements.

Through the adoption of operational changes there are a sizable number of employees being relieved of their jobs prior to retirement age. Even after long periods of faithful service these employees, trained for no other occupations, are compelled to twiddle their thumbs without wages and without help from the fund they themselves helped to create by their contributions.

This is only one of many existing irregularities in railroad-pension laws this bill fails to correct.

Mr. ROGERS of Florida. Mr. Chairman, I yield to the gentleman from California [Mr. DOYLE] such time as he may desire.

Mr. DOYLE. Mr. Chairman, I am glad to approve the legislation—H. R. 7840. It is timely and necessary. I congratulate the chairman and the members of his distinguished committee for bringing it out at this time before this Congress adjourns.

Among the other very beneficial provisions of this legislation, which is so essential and so much in the best interests of our beloved Nation, the benefits to widows, dependent widowers, and dependent parents at age 60; the benefits to widowed mothers with disabled children are also of significant benefit. The increase in creditable compensation in the calculation of annuities is also another significant amendment in this bill. The present bill provides that a compensation which is earned after the retired railroad man has reached the age of 65 would be disregarded if it appears the result of taking such compensation earned after 65 would be to reduce or diminish his annuity. Then, also, there is the more favorable disability work clause wherein it specifies that a disabled annuitant who earns more than $75 for hire or self-employment in each of any 6 consecutive calendar months, according to this bill, is no longer deemed to be disabled for the purposes of hire or self-employment at the end of the 6-month period.

I am also glad to see in the bill a benefit to children who are not able to attend school, for under the present law, and unless this bill is adopted, any child of a deceased employee who is under 18 years of age and who is over 16 years of age must still regularly attend school, if it is at all feasible, to be eligible for a survivors annual annuity. This bill today reported strikes out that requirement which insists that such child must be a regular attendant at school in order to receive a survivors benefit. These are

but a few of the manifest benefits of the bill.

I, of course, rely upon the assurance of our distinguished committee wherein it reports that this legislation does not in any way jeopardize the strong financial or fiscal position of the trustee funds involved, for we must remember that both the employer and the employee contribute to this fund and that those who handle same are, in fact, trustees and chargeable with the utmost good faith and efficiency in handling every nickel of this fund.

Ten Members of this session of Congress have filed identical bills to this one, H. R. 7840. This shows the great interest and need for the legislation. I am pleased also, to see the benefits in the bill for the Railroad Retirement Act and the Railroad Unemployment Insurance Act. I am pleased and proud to have the opportunity to vote for this worthy legislation. I have heretofore urged it.

Mr. Chairman, before I take my seat, I wish to extend my compliments and best wishes, and my sincere appreciation to the distinguished gentleman from Ohio, Representative CROSSER, who sits here in our midst today in continuing endorsement and approval of this H. R. 7840. For, I well remember that all the 8 years I have now been a Member of this House, I have observed with great admiration the tenacity of purpose and the efficiency with which our distintinguished colleague, Mr. CROSSER, has fathered Railroad Retirement Act protection, expansion and improvement. As he retires from this House of legislation at the conclusion of this session of Congress, I wish to join with my many colleagues who are this day audibly expressing to him our appreciation and best wishes.

Mr. ROGERS of Florida. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. MADDEN].

Mr. MADDEN. Mr. Chairman, during the last 10 years there has been hardly a time when I returned home that a number of railroad employees did not inquire regarding legislation of this kind which they have needed for a long time.

I want to congratulate the chairman of the committee, the gentleman from New Jersey [Mr. WOLVERTON], and the members of the committee for bringing this bill to the floor of the House so that we could have an opportunity to enact it before Congress adjourns.

This bill would boost unemployment benefits for railroad employees a maximum of $8.50 a day; allow widows to draw survivors benefits at 60 instead of 65; permit disabled railroaders to earn up to $100 a month without affecting their pensions; liberalize survivors benefits for disabled children and widowed mothers, and provide other added benefits.

Although the bill could be improved on in a number of ways, nevertheless it is a step in the right direction; and as I stated before, the committee is to be congratulated for having worked hard and bringing the legislation to the floor.

I also want to commend the leaders of the railroad brotherhoods for the outstanding work they have done back through the years in getting needed railroad employee legislation before the Congress.

I cannot close without paying tribute to our colleague the gentleman from Ohio [Mr. CROSSER], who probably today made his last speech for the railroad employees on the floor of this Congress. For 38 years, as a member of this Congress he has been a champion of the working people and especially the railway employees. I do not know of any Member of this House who has worked harder or more strenuously year in and year out for the welfare of the railroad workers of America; and I know, Congressman CROSSER, I bespeak the minds and hearts of everybody here when I say we regret to see you leave this body. I know I bespeak the minds and hearts of all the railroad workers of America when I say they will be sorry you are not going to be with us the next session.

Mr. CHELF. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. I yield.

Mr. CHELF. I would like to say that when the time comes for the rest of us to retire I hope we shall be able to command the respect and esteem of all respectable people and of the Members of Congress that the gentleman from Ohio [Mr. CROSSER] carries with him upon his retirement. That should be our ambition, to leave Congress some day and take with us the great respect of all of the people and of the Members of this body just as the gentleman from Ohio is doing.

This is legislation greatly needed and highly deserved by the members of that fine brotherhood of labor working for our Nation's railroads. I sincerely hope the bill is passed unanimously.

Mr. WOLVERTON. Mr. Chairman, I yield 1 minute to the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, I think the Members have been pretty well informed with respect to the provisions of the bill. I want to emphasize the need for it.

Like any welfare fund, pension fund, or unemployment fund that has been in existence 10 years or more, the benefits of railroad retirement has been cut in half through inflation and the lowered buying power of the dollar. This legislation would bring benefits under railroad retirement more nearly in line with needs and the realities of the situation.

It has certainly been encouraging to me as a member of this great Committee on Interstate and Foreign Commerce to find so much interest in keeping the fund on a sound actuarial basis. I regret that it is going to cost the railroads more money and is going to result in more taxes on certain railroad employees' wages, but I think we have before us a bill that provides only bare minimum benefits to widows, retired workers, and the unemployed covered by this program.

It has been a pleasure to work on this legislation with the gentleman from New Jersey [Mr. WOLVERTON] and other committee members. I urge passage of the bill.

The CHAIRMAN. The gentleman from Florida has one-half minute remaining.

Mr. ROGERS of Florida. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. MCCARTHY].

Mr. MCCARTHY. Mr. Chairman, I wish to express my support of this legislation and commend the committee members for their action as trustees of this program.

Mr. ROGERS of Florida. Mr. Chairman, I yield myself the balance of the time on this side.

In conclusion, Mr. Chairman, I would like to say one word of tribute for our distinguished colleague from Ohio [Mr. CROSSER], who has been here a long time. I think the one title he has earned in his service here is "The Champion of the Railroad Employees." He is the champion of the laboring man. He leaves us with our very best wishes and hope that in the balance of this life he will enjoy happiness and contentment.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Montana [Mr. D'EWART].

Mr. D'EWART. Mr. Chairman, I am personally acquainted with a family in Montana where a brother has worked all of his life on the railroad, and never married, and during all of that time has supported a sister, who kept house for him and also never married. It seems to me that the law should make provision for a sister in this circumstance, just as provision is made for a spouse.

Since I introduced the legislation I have had correspondence from other retired railroad people in the same circumstances.

While there may be only a few cases, the fact is that such a household is faced with a very grave situation when the breadwinner retires. The responsibilities and expenses continue just as with a man and wife, but the railroad retirement law does not take this into consideration.

In the case I have in mind, the substantial savings and investments of the retired man have been virtually wiped out by the added expenses he has borne.

As I stated, I appeared before the committee with a plea for this measure. I regret very much that the committee did not include it in the amendments we are considering today. I still believe that it is good legislation, worthy of adoption, and I will continue to urge it upon the committee. I firmly believe this amendment would further improve the recommendations of the committee.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. BONIN].

Mr. BONIN. Mr. Chairman, I join my colleagues in support of the pending legislation and congratulate the chairman of the committee and all its members for bringing in this very worthwhile legislation.

Mr. Chairman, I want to commend the chairman of the Interstate and Foreign Commerce Committee, Mr. WOLVERTON, and the other members of that great committee for bringing out this splendid legislation to liberalize the Railroad Retirement Act provisions. The complimentary remarks made on this floor

clearly indicate that this bill will provide benefits to widows, dependent widowers, and dependent parents under the age of 60. Under present law, an aged widow, dependent widower, or dependent parent is not eligible for survivorship annuity until the age of 65 is reached. This bill provides for a reduction in the eligibility age to 60.

The many additional benefits in this bill are as follows:

Benefits to widowed mothers with disabled children: Under the present law, benefits are payable to a widowed mother under age 65 only if she has in her care a child of the deceased employee under age 18. The child also is entitled to a benefit. Such benefits both to the widow and child cease when the child reaches 18 years of age. As stated above, under the provisions of the reported bill, a widow without children would become eligible for an annuity at age 60. The new bill further provides that if the child has a permanent physical or mental condition prior to reaching age 18, which made him totally disabled, survivor benefits to the widowed mother and child would be payable even though the child may be over 18 years of age.

Elimination of reduction in survivor benefits on account of railroad retirement benefits in own right: Under present law, a widow, dependent widower, or dependent parent who receives a survivor benefit, and who is eligible for a retirement annuity in his or her own right because such individual has had railroad employment, would have the survivor benefit reduced by the annuity to which such individual is entitled by reason of his or her own employment. Such individual cannot receive both amounts. The bill provides that both annuities shall be payable without deduction.

Increase in creditable compensation in the calculation of annuities:

Under present law, a retirement annuity other than the minimum annuity, is calculated on the basis of the individual's years of service in the railroad industry and his average monthly compensation. No more than $300 may be credited in any month.

The annuity is computed by multiplying an individual's years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $150.

The bill provides that compensation up to $350 a month shall be credited. Hence, under the provisions of this bill, an individual's annuity would be computed by multiplying his years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $200.

Under this provision for increasing the creditable compensation to $350, individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. In fact, an individual who will have had 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Other examples of the effect of the bill on the annuities of individuals who will retire with 30 years' service, of which 5, 10, 15, 20, and 25 years of service at a monthly compensation of $350 will have occurred after the enactment of this bill are computed to run from $41.40 to $248.40 per year.

Survivor benefits also will be increased in those cases where the deceased employee will have had an average monthly compensation in excess of $300.

Crediting of compensation earned after age 65: Under present law, compensation earned after retirement age is used in computing an individual's retirement annuity, even though he may have had lower earnings after age 65 which would operate to reduce his average monthly compensation and therefore reduce his annuity. This bill provides that compensation earned after the individual has reached age 65 would be disregarded if the result of taking such compensation into account would be to diminish his annuity.

Disability work clause: Under present law, a disability annuitant who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months is deemed no longer disabled at the end of the 6-month period. This bill eliminates this test and provides instead for the nonpayment of the annuity to a disability annuitant with respect to any month in which he is paid more than $100 in earnings from employment or self-employment.

Delegates to conventions: Under present law, the service of delegates to national or international conventions of railway labor organizations is covered employment under the act. These conventions frequently include delegates from units outside the railroad industry or outside the country who have no other covered employment. The accumulation of these trifling credits is of little if any value, particularly when compared with the nuisance of recording them and collecting the taxes on them. The reported bill excludes such service from coverage where the individual has no other previous covered employment.

Benefits to children who do not attend school: Under present law, a child of a deceased employee under 18 and over 16 years of age must attend school regularly if feasible in order to be eligible for a survivor's annuity. This bill strikes out the requirement that such a child must attend school in order to be eligible for a survivor's benefit.

Waiver of retirement benefits: This bill provides that any person entitled to an annuity or pension under the Railroad Retirement Act may waive, in whole or in part, such annuity or pension which would otherwise be due. The purpose of the provision is to enable the annuitant or pensioner, by waiving all or part of his railroad retirement benefit, to come within the income limitations specified in the veterans' laws—$1,400 per year if the recipient is unmarried and $2,700 per year if the recipient is married or with minor children—and thereby qualify for a veteran's nonservice-connected pension. A similar provision is contained in the Civil Service Retirement Act of May 29, 1930, as amended by Public Law 555, 82d Congress.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Under this bill, the daily-benefit rate would be determined by the employee's base-year compensation in accordance with the following schedule:

Base year compensation:	*Daily benefit rate*
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

This proposal further provides that if the daily benefit rate to which an employee would be entitled under the above schedule would amount to less than half of his daily rate of compensation for the last employment in which he was engaged in the base year, his daily benefit rate would be increased to half of such amount but not exceeding $8.50. Also, the total amount of benefits which may be paid to an employee separately for unemployment or sickness within a benefit year cannot exceed his total compensation in the base year.

Benefits for sickness are the same as those for unemployment.

I shall support this legislation, which has the support of all railroad workers in the United States.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. REES].

Mr. REES of Kansas. Mr. Chairman, although this legislation may not be completely satisfactory to all parties affected thereby, it does take care of a number of inequities and does provide for liberalization for those who are in need of it.

The committee has made a real effort to bring to this House a proposal that will relieve situations where most needed.

Among the important features of this legislation is that those who contribute to the fund are the ones who participate in its benefits, either directly or indirectly. It is quite different from other funds in that the Government makes no contribution to this fund.

It is proper to observe the added benefits go largely to the benefits of the widows and other dependents of the former employee of railway service.

Another outstanding feature is the amendment in respect to unemployment insurance.

This legislation is intended to be a humanitarian measure.

I commend the committee, and I especially commend the groups of railroad employees in their insistence that the fund be kept actuarily sound. Also that it be carefully checked at frequent intervals in order to make sure that complete soundness is maintained.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to

the gentleman from New York [Mr. KEATING].

Mr. KEATING. Mr. Chairman, I am enthusiastically supporting this legislation, H. R. 7840, and wish to commend the committee for bringing out this very fine bill.

I have received a great many communications from retired railroad workers and their dependents who are anxious to see legislation such as this enacted into law. I realize it is difficult to strike a proper balance between liberalized retirement benefits and the stability and soundness of the retirement fund, but, in my opinion, this committee has done a fine job in achieving a result which is fair to the millions of railroad workers involved and at the same time will insure that the fund is maintained intact.

Seldom do we have the opportunity to vote on legislation which is, in all respects, satisfactory. There must be a certain amount of give and take. But this bill, on the whole, deserves the wholehearted support of the membership.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. CRETELLA].

Mr. CRETELLA. Mr. Chairman, I join with so many of my colleagues today who have paid such well deserved compliments to the chairman of the Interstate and Foreign Commerce Committee, the Honorable CHARLES A. WOLVERTON, and the members of his committee, who have worked so hard and long in bringing out H. R. 7840, an act to amend the Railroad Retirement Act. The outpouring of support for this bill would indicate the popularity of it, especially when considered in the light of the endorsement of it by 23 railroad unions.

I had the privilege of offering a bill as one of my first undertakings when I came to Congress, which is H. R. 1378, and while it was considered together with many similar bills dealing with the same problem, I am happy to be privileged to wholeheartedly support H. R. 7840 today.

Many substantial changes in the law as are outlined on pages 3, 4, and 5 of the report are of such immeasurable value to widows and dependent children that I believe the bill demands the wholehearted support and enthusiastic support by all of my colleagues.

There are many railroad employees in my district where there is located one of the largest freight terminals in the country and I rejoice with them that these very substantial changes in the law will now enure to them or their dependents.

Mr. WOLVERTON. Mr. Chairman, I ask unanimous consent that all Members may have permission to extend their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. TRIMBLE. Mr. Chairman, I just want to add my word of commendation to the committee for bringing this bill to us for consideration and vote. It corrects some of the injustices in the present law and enlarges some of the benefits without jeopardizing the solvency of the trust fund. I hope the legislation passes unanimously.

Mr. GARMATZ. Mr. Chairman, the railroad employees in my district, and I believe throughout the Nation, sincerely hope that bill H. R. 7840 will pass at this session of the Congress. This measure has been pending before the House since June 21, 1954, when the bill was favorably reported by the Committee on Interstate and Foreign Commerce. H. R. 7840 is supported by all the standard railway labor organizations, both operating and nonoperating, and contains many provisions beneficial to railroad employees and their dependents. So the Members of the House might know just what is being proposed, following will be found a short digest of what the bill contains:

First. Under the present law aged widows are not eligible for survivor benefits until age 65. The bill reduces the eligibility age to 60. The same change would apply to dependent widowers or dependent parents otherwise eligible.

Second. Under the present law a widowed mother and her child cease getting survivor's benefits when the child reaches age 18, even though the child may be completely disabled for any employment. The bill provides that if the child is permanently and totally disabled the survivor's benefits to the widowed mother and child will continue beyond age 18.

Third. Under the present law a widow who has had railroad employment and is eligible for a retirement annuity in her own right and who would also be eligible for a survivor annuity by reason of her husband's employment has the latter offset against the former and cannot receive both. The bill provides for both to be paid.

Fourth. Under the present law the maximum compensation that is taxable and creditable for both railroad retirement and unemployment insurance purposes is $300 per month. The bill increases this maximum to $350 both for tax purposes and for credit toward benefits. Individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. A person with 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Survivor benefits would also be increased in those cases where the deceased employee has had an average monthly compensation in excess of $300.

Fifth. Under the present law, compensation earned after retirement age is used in computing the annuity even though through lower earnings in later years this operates to reduce the annuity. The bill provides for disregarding such compensation—though crediting the service—if using such compensation would reduce the annuity.

Sixth. Under the present law, a disability annuitant who earns more than $75 in each of 6 consecutive months is deemed no longer disabled at the end of the 6-month period. The bill eliminates this test and provides instead for the nonpayment of the annuity to a disability annuitant with respect to any month in which he is paid more than $100 in earnings from employment or self-employment. This will remove hardships on the one hand and eliminate abuses on the other.

Seventh. Under the present law, the service of delegates to national or international conventions of railway labor organizations is covered employment under the act. These conventions frequently include delegates from units outside the railroad industry or outside the country who have no other covered employment. The accumulation of these trifling credits is of little if any value, particularly when compared with the nuisance of recording them and collecting the taxes on them. The bill excludes such service from coverage where the individual has no other previous covered employment.

Eighth. The bill would strike out the present requirement that the child of a deceased employee under 18 and over 16 must attend school regularly if feasible in order to be eligible for a survivor's benefit. This provision was placed in the law originally because a similar provision was contained in the Social Security Act. This provision has long since been stricken from the Social Security Act and it should be removed from the Railroad Retirement Act.

Ninth. The bill proposes to establish a new unemployment insurance daily benefit rate of $8 for persons having had base year compensation of $4,000 or more and it further provides that if the daily benefit rate payable to an employee is less than 50 percent of his daily rate of compensation for his last railway employment such daily benefit rate will be increased to that amount, but not to exceed $8.

This Congress should not adjourn without taking action on the bill. It is sound and well-balanced legislation in that it provides the revenue out of which the increased benefits are to be paid.

Mrs. KEE. Mr. Chairman, while the bill before us to amend the Railroad Retirement Act does not go as far as I would like in providing additional benefits for our retired, disabled, or unemployed railroad workers or their dependents, it does represent a good strong step forward. For that I am very grateful.

From personal knowledge, I am aware of the very long hours and the very hard work expended on this legislation by the members of the House Committee on Interstate and Foreign Commerce. It is a most difficult and complex subject. It is not the kind of bill which can be read hurriedly, called up quickly for hearings, and then disposed of overnight. The members of the committee who worked on this legislation deserve the thanks of the entire House of Representatives for the care they have exercised in considering the Railroad Retirement Act proposals now before us.

As a woman, I am particularly pleased by the consideration the committee has shown in this bill for the widows, dependent parents, and children of our railroad men. This is one of the key provisions of the legislation, and one, I believe, which will stand as a fine forward step in making our Railroad Retirement Act

more realistic in meeting the needs of the workers and their families.

Under this bill, full benefits for widows can be paid beginning at age 60. This is a reduction of 5 years from the present age requirement of 65. It is based not only on good motives, but on the hard facts of life.

A wife and mother who has devoted her adult life to caring for her family and keeping the home faces a heartbreaking problem of adjustment when the husband and father passes on. She must assume the role of father as well as mother, of chief accountant in the family's financial affairs; she must begin making all the decisions for her family in contrast to the previous years when these were shared decisions made by husband and wife together.

When there is added to these already heavy responsibilities and serious problems the further obligation to begin for the first time to support the family and earn its income, then indeed the widow's role is a most difficult one.

This bill does not by any means solve all of those burdensome problems. But it does help in one very substantial fashion to ameliorate a part of the problem for widows of railroad workers.

In any period in our economy, it is extremely difficult for a woman of 60, entering or trying to enter the working force for the first time in many years after devoting her life largely to home and family, to find any suitable employment. In a period of economic downturn—of the kind of recession we are in today—it is virtually impossible for such a woman to find suitable work.

Under the present law, however, such a widow must wait 5 years until she is eligible to collect widows' benefits under the Railroad Retirement Act. Under this bill, she becomes eligible immediately upon reaching the age of 60.

Another provision of the bill is also aimed at helping the surviving dependents of a railroad worker. This allows for special treatment on survivorship benefits for disabled children, regardless of age. At the present time, survivorship benefits for mother and child cease when the child reaches the age of 18. But under this bill those benefits would continue beyond that period if the child is totally disabled. While this affects a small percentage of the total number of families covered by the Railroad Retirement Act, it is a real boon to those to whom it does apply and a justified improvement in the law.

Throughout the bill, changes are made in existing law to benefit the individual railroader and his family. Better provision is made for avoiding hardship under the income-limitation requirements of the disability work clause: the annuity would now be withheld only in those months when the disabled worker earned more than $100. Under present law, a disabled worker is considered recovered, and therefore no longer eligible for these special benefits, if he earns as much as $75 a month in each of six consecutive months.

Again, maximum benefits will be increased as a result of increasing from $300 to $350 a month the amount of railroad pay subject to tax and therefore counted toward determining an annuitant's wage base.

Further, the reduced earnings of a worker over age 65 no longer operate to reduce the amount of pension for which he would be eligible had he retired at age 65.

In addition, unemployment compensation rates are increased so that the rate is now to be one-half of a worker's daily rate of pay up to a maximum of $8.50.

Other provisions of the bill allow for greater leeway for individual workers so that they can waive part or all of their annuity, or pension in particular, under unusual circumstances where it would be to their advantage to do so. And another provision which will be important to some families permits a widow who has herself earned retirement credits as a railroad worker to collect both her own earned pension and her survivorship benefits.

These various provisions of the bill, plus a few of a more technical nature, do not by any means make this a perfect railroad retirement law. Much still has to be done to improve the benefits available under this legislation before we can be entirely satisfied with it.

I, for one, shall gladly support any measure which comes before this House which will further improve the railroad retirement program without endangering the soundness of the system itself. It would no doubt be very easy for us to amend this law to provide anything any railroad worker would like to have included; but if we were to do so at the expense of the solidity and soundness and stability of the system itself, we would be acting contrary to the best interests of every railroad worker.

That is what makes the problem so difficult for the members of the House Committee on Interstate and Foreign Commerce in drafting changes in the legislation, and that is also what makes our problem on the House floor so difficut in considering the additional improvements and recommendations suggested to us.

This bill has the advantage of being backed not only as to its fairness but as to its actuarial soundness by the spokesmen for all of the great railroad workers' organizations. We are assured these added benefits amounting to many millions of dollars a year can be financed out of the fund without damage to its integrity. That is good news. It is reassuring information.

I think that is the cardinal principle which must guide us at all times in consideration of this kind of measure. We must be certain before we act that what we propose to do will work out over the long range. I am glad we have the assurance that this bill fits that specification.

Mr. CARRIGG. Mr. Chairman, harking back to the days when I was once employed by the Erie Railroad Co. in my home town of Susquehanna, it little occurred to me then that the day might come when, as a Member of this great deliberative body, I might have a small part in framing a law which would benefit so many of the wonderful people who make up such a large segment of our industrial life, namely, the railroad men of America.

For that reason I am happy to join with my chairman and other colleagues of the Interstate and Foreign Commerce Committee in recommending for your favorable consideration, H. R. 7840.

This is a realistic step forward in giving assistance to men and women and their surviving dependents, which they so well deserve and for which they have practically paid for in advance by their contribution to the Railroad Retirement Fund.

During the session many bills have been introduced bearing on retirement benefits, which were broader in scope and which carried larger benefits than H. R. 7840, but after exhaustive hearings by the committee, we felt that the favorable consideration of any of the other bills would only jeopardize the stability of the fund, and that we would be derelict in our duty as the trustees of this fund if we were to recommend any action which in a few years would deplete the fund to a point where future beneficiaries would have no protection.

In addition to giving my wholehearted approval to this legislation, I would like to pay tribute to the chairman of our committee, the gentleman from New Jersey [Mr. WOLVERTON], first for the eminently fair and impartial manner in which he conducted hearings on this bill, and secondly for his courage and tenacity in bringing the measure to the floor of Congress.

It is true that all through the years our good friend, Congressman CROSSER, has been considered the champion of the railroad men, this title he won by his devotion to their service. Unfortunately, the people of his district did not see fit to reward him by renomination and perhaps today we heard him for the last time raise his voice on the floor of the House in behalf of those whom over the years he has befriended. We who have worked with him on the committee wish for him only the best that life can provide, and we ask a kind Providence to shower His choicest blessings on him in the years to come.

Today we have crowned a new champion of those who are beneficiaries of the railroad retirement fund, the tireless worker and chairman of the Interstate and Foreign Commerce Committee, our good friend CHARLES WOLVERTON.

Mrs. HARDEN. Mr. Chairman, I am very much in favor of H. R. 7840, the bill to expand benefits under the Railroad Retirement Act. I trust that it will pass and become law, for it makes many improvements in the present act and I know its adoption will benefit many of my constituents. I am particularly interested in the provision lowering the age at which widows of railroad employees can begin drawing survivorship benefits. Under present law the age is 65, but the bill before us lowers the age of entitlement to 60 years. I also strongly support the provision which permits disabled railroaders to earn up to $100 a month without affecting their pensions. This is an improvement over the present limitation. Other changes in the law included in this bill include liberalization of survivorship benefits for disabled

children and widowed mothers. All in all, I consider it a very worthy measure and I am happy to vote for it.

Mr. OBRIEN of New York. Mr. Chairman, the favorable attitude of the House today toward badly needed amendments liberalizing the Railroad Retirement Tax Act and the Railroad Unemployment Insurance Act is a demonstration of bipartisanship at its finest.

I had favored some additional amendments, but I realize that what we have before us today is a good compromise and a long stride in the right direction.

Many railroadmen are residents of my district and for them, I thank the distinguished chairman and members of the Committee on Interstate and Foreign Commerce for this legislation. I offer special thanks to the chairman for his courageous insistence that we have an early vote on the bill. It would have been unthinkable to adjourn without favorable action thereon.

Mr. Chairman, I am very pleased with the amendment which permits an aged widow, dependent widower or dependent parent to collect a survivor annuity at the age of 60 instead of 65. This is a humane move and one which will eliminate much hardship.

I also approve all the other amendments to the law and I hope the spirit demonstrated here today will be reflected in even greater liberalization of this statute at future sessions of Congress.

Mr. BYRNE of Pennsylvania. Mr. Chairman, the cause of the railroad workers of the United States is a matter of vital concern to each and every one of us. These men and women are today asking us to support legislation which will provide them with an assurance that the benefits which they will receive upon their retirement will be sufficient to cover the expenses of their day-to-day living.

It is not necessary for me to point out to you the merits of this bill, H. R. 7840. The Railroad Retirement Act has not been amended since 1951. During the interim the cost of living has risen steadily. Pensions and annuities now being paid to retired railroad workers and their dependents are not in line with similar benefits being received by other retired people.

Let me also bring out that railroad retirement benefits are paid out of a fund administered by the railroad retirement system. This fund is supported by contributions from the monthly paychecks of workers covered by the system, who are assessed 6¼ percent of their income for this purpose. There are almost $4 billion in the fund now. Any pension increase would be absorbed by it and not by the Federal Government.

It is particularly gratifying to me to note that the Committee on Interstate and Foreign Commerce has reported out a bill which so nearly fulfills the expectations of all interested parties. Special emphasis has been placed on improving benefits to widows, children, and other dependents. The eligible age has been reduced from 65 years to 60 years. Payment of an annuity to a disabled child over 18 years of age has been provided for. In addition, every child under 18 years of age automatically is provided for. Retired employees' benefits under this bill could reach a maximum of $350 per month as compared with the maximum of $300 per month under the present act.

I am proud that I have an opportunity to support this legislation and expect to see it go into effect in the very near future.

Mr. KARSTEN of Missouri. Mr. Chairman, in supporting H. R. 7840, I would like to pay tribute to the fine work of the Committee on Interstate and Foreign Commerce. The committee is to be congratulated on this legislation, which I am confident will pass the House this afternoon.

I should also like to say a few words of tribute to our long-time friend and former chairman of the committee, Hon. ROBERT CROSSER. He is truly one of the outstanding Members of the House. He has been an inspiration to everyone and is perhaps the greatest expert on railroad legislation. His talents, however, are not limited to that one field, but, rather, cover a wide range. They were eloquently presented in an address of the late Honorable Charles M. Hay, of St. Louis, some time ago at Cleveland, Ohio. In order that BOB CROSSER's friends may know the high esteem in which he has always been held by the people of my city, I am placing this address in the RECORD:

ADDRESS OF THE LATE HONORABLE CHARLES M. HAY, OF ST. LOUIS, AT CLEVELAND, OHIO, AUGUST 9, 1942

Permit me, first of all, to acknowledge the debt which we Missourians owe the voters of the 21st Congressional District of Ohio.

You may not have realized that we are in your debt, but we are; as, indeed, the people of the whole country are. We—all of us—are indebted to you for the service you have rendered us by sending to Congress for more than 25 years so wise, faithful, and loyal a public servant as Congressman ROBERT CROSSER.

He has been your Representative, but he has been our servant as well as yours. We have all been the beneficiaries of his work and achievements in Congress.

The bank depositor of my city, who feels a sense of security in his bank deposits, is as much indebted to ROBERT CROSSER for his masterful generalship as chairman of the House steering committee in assuring the passage of the Federal deposit insurance law as any bank depositor of your district.

The people of my State and of every State, as well as your people, who have been aided by his work for pension, unemployment insurance, and social security measures, the Railway Labor Act, the National Labor Relations Act and the Air Pilots Act, all are in the debt of ROBERT CROSSER.

We should, therefore, be most remiss, indeed, if we did not in some way acknowledge our appreciation of the service of Congressman CROSSER and our obligation to you voters of his district for making that service possible.

We would, moreover, be unmindful of our welfare and of the highest interests of our common country if we did not make known to you our fervent wish and hope that you keep him in Congress.

It should be a source of great pride and satisfaction to you good people of the 21st District to know that your Congressman is appreciated and, indeed, revered by millions of people throughout America, to know that people in every State of the Union will await the result of next Tuesday's election with deepest concern, waiting to learn whether their friend, BOB CROSSER, will be returned to Congress or not. I, personally, know many, many people in my own State who are much more concerned over the election of Congressman CROSSER than over the election of the Congressman representing their own districts.

Why this is so is easy to explain: Mr. CROSSER has become, in fact, has long been a national figure. That, as you well know, is not true of every Congressman. Indeed, it is not true of the great majority of the Members. If any man thinks that the minute he is selected to Congress he becomes a national figure, he is due for a rude awakening. He has only to walk down the streets of Washington itself or of any city in America, outside of his own district, and ask the first 10 men he meets whether they ever heard of him. Before he is through he will shrink to the stature of the man of whom Bob Taylor of Tennessee used to tell, who when caught in a mine with only a one-inch opening to the outside world—remembered that once he voted for Taylor's opponent, whereupon he shrivelled up and crawled right out the one-inch hole. (Please be careful not to bring that fate on yourself by voting for this Bob's opponent.)

No. Merely going to Congress doesn't make a man a national figure or a great man.

Merely staying in Congress for a long period of years dose not assure greatness. It gives one a chance to grow—but it does not guarantee real growth.

President Wilson said that there are two types of men who go to Congress—those who grow and those who swell. It may be said, also, that there are some who shrivel. They may go there with good ability and worthy ambitions—but are switched off on the wrong track. Instead of working toward real statesmanship, they merely play politics. They may succeed for a period of years in playing the game so skillfully as to keep themselves in Congress, but their capacity for statesmanship, for real service of the people shrivels and finally dies.

It takes three things to make a Congressman a national figure—character, ability, and tenure—all three. There may be an exception to that—once or twice in a generation—but in the long run—that's the rule.

Congressman CROSSER has character and ability, and thanks to the sound judgment of the voters of the 21st district, he has enjoyed long tenure in office. In him, therefore, are combined the three things essential to make a national figure, and a truly great public servant.

You know his character. By your votes over a period of 25 years you have attested it. I count it one of the great privileges of my life to have known him intimately for the last 10 years. I have never sat in his presence without feeling the inspiration which comes from a clean mind, a pure heart and a noble soul. He has integrity, honor, consecration to service—of the contagious sort. These virtues in him are not only sufficient unto his own life and character, but they strengthen and inspire all who know him.

You have likewise attested your knowledge of his ability, Congressman CROSSER is a brilliant, eloquent talker, but, first of all, he is a thinker. We have a young Congressman from my State of whom a Senator said that the trouble with him is that he learned to talk before he learned to think. Too often they never learn to think first—or to think beneath the surface of things at all.

We have plenty of glib talkers, storytellers, humorists, entertainers, clowns. What the Nation cries out for is men who can think.

Congressman CROSSER, as you of his district must know, is a profound thinker. He understands things; he has thought through

to basic, underlying principles. He believes in democracy, in the broadest, truest sense, with an understanding heart; for he knows what democracy is and how it is to be realized in the life of the Nation.

My countrymen, how we need such men in Congress in the dark days now upon us and which lie just ahead of us. Democracy is challenged today as never before in all history. This is, therefore, no time to dim the lamps of democracy in our land; least of all in the Halls of Congress. If there be a mind in Congress which, above others, can think democracy and a tongue which more persuasively than others can preach democracy, in God's name and for our country's sake, let's keep them there. Few men have served Congress, since the founding of the Republic, whose understanding of democracy has been deeper, or whose eloquence to proclaim it has been greater than the understanding and eloquence of ROBERT CROSSER.

The cause of democracy needs him in Congress now as never before.

By your wisdom in the exercise of your sovereignty as voters, you have kept BOB CROSSER in Congress and enabled him to grow.

He has grown in knowledge, the knowledge born of experience, and grown in prestige and power.

During the last 10 years, I have spent much time in Washington. I have had abundant opportunity to know and to appraise the Members of Congress. I say to you what any man must say who knows Congress as I know it—that there is no man in either House who commands greater respect, or who enjoys a higher esteem of the Members of Congress, than BOB CROSSER. There is no name worth more on a bill than the name ROBERT CROSSER.

In 1937 I witnessed a thing which I have sometimes thought may be unprecedented in the history of Congress. I saw and heard Congressman CROSSER present to the House a highly technical unemployment insurance bill. It was so technical and intricate that few, if any, Members had time or opportunity to master it in every detail. But they didn't ask for time to do that. They wanted to know whether the bill had the full approval of Mr. CROSSER. That was sufficient. The bill passed without a single dissenting vote.

Verily, there is something in a name. Because of his character, ability, and long years of service the name of ROBERT CROSSER has come to have great prestige and power in Congress and the Nation. What a name.

What, chiefly, endears BOB CROSSER to me, and I am sure has endeared him to you, is that above all else, he has been the friend and champion of the poor and humble, of the workingman, the toilers, the immigrant, who, like himself, came here in search of greater liberty and opportunity. Ask any man in Congress to name the best friend the humble people of America have there, and 9 out of 10 of them will tell you BOB CROSSER.

Everyone knows that our devoted friend is getting older; and knows also that he has grown older in service and experience.

But he is still building, not for himself, but, as always, for others. He carries on in the spirit of the old bridge builder, as expressed in lines which I have heard Mr. CROSSER repeat many times:

"An old man, going a lone highway,
Came, at the evening, cold and gray,
To a chasm, vast, and deep, and wide
Through which was flowing a sullen tide.
The old man crossed in the twilight dim;
The sullen stream had no fears for him;
But he turned, when safe on the other side,
And built a bridge to span the tide.

"'Old man,' said a fellow pilgrim, near,
'You are wasting strength with building here;
Your journey will end with the ending day;
You never again must pass this way;
You have crossed the chasm, deep and wide—
Why build you the bridge at the eventide?'

"The builder lifted his old gray head;
'Good friend, in the path I have come,' he said,
'There followeth after me today
A youth, whose feet must pass this way,
This chasm, that has been naught to me,
To that fair-haired youth may a pitfall be.
He, too, must cross in the twilight dim;
Good friend, I am building the bridge for him.'"

Throughout his life, as citizen, lawyer, legislator, delegate to constitutional convention, Member of Congress, BOB CROSSER has been building bridges over which his fellowmen might pass to better things, to the more abundant life.

On next Thursday, I beg of you, good people of Cleveland, build again the bridge from your hearts and homes to Washington and send back to Congress your friend, my friend, the people's friend, ROBERT CROSSER.

Mr. STRINGFELLOW. Mr. Chairman, I am happy to have this opportunity to speak briefly in favor of this bill H. R. 7840, which will amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. The Interstate and Foreign Commerce Committee has done an outstanding job in drafting and reporting this legislation to the House Chamber, and I, for one, wish to commend my friend and colleague Representative CHARLES A. WOLVERTON for his efforts in behalf of our railroad employees.

My home town is Ogden, Utah, which is one of the major railroad centers of the West. Therefore, I have a great many personal friends and constituents who are lifetime employees of the railroad who will be delighted with the passage of this legislation.

In my opinion this is sound legislation which is well justified. Some of the changes which are proposed simply adjust benefits in line with liberalizations recently made to the Social Security Act and which have previously been made to the Civil Service Retirement Plan. Other changes which permit benefits to widows at an earlier age recognize the need of providing funds at a time in life when they are sorely needed and fully carries out our responsibility of providing for the beneficiaries of those employees who have contributed to the railroad retirement fund.

This legislation can and will be carried out without in anyway jeopardizing the financial soundness of the railroad retirement account. It also can be accomplished without any cost or expense to the Government. The slight additional cost to railroad employees and to the operating companies by extending the base without changing the rate of deduction, will be more than offset by the increased benefits and security provided to employees and their beneficiaries.

I have carefully reviewed this legislation and am firmly convinced that it is in keeping with sound fiscal financing and will promote the best interests of both railroad employees and our Federal Government.

Mr. HAYS of Arkansas. Mr. Chairman, the soundly conceived and faithfully administered Railroad Retirement Act serves as a model. This bill, representing long and careful study, will provide essential improvements and I trust it will receive the unanimous vote of the House.

RETIRED RAILROAD WORKERS ENTITLED TO INCREASED RETIREMENT PAY

Mr. JOHNSON of California. Mr. Chairman, H. R. 7840 is a good bill and I intend to support it. Briefly, it liberalizes the benefits to retired railroad workers. During my 12 years in Congress I have voted for every bill which had to do with enlarging the benefits to these workers.

I wish to congratulate the chairman of the committee, Mr. CHARLES WOLVERTON, the gentleman from New Jersey, and also Mr. ROBERT CROSSER, the gentleman from Ohio the ranking Democrat on the committee, for the leadership which they have furnished in the enactment of this bill. The railroad network of the United States is the most fabulous network of railroad transportation in the entire world. The record of the railroads in the First World War and the Second World War were simply fabulous. A large part of the success of the railroad transportation system is due to the skilled and capable workers who are employed by the railroad companies. The management also made a distinct contribution toward the efficiency of the railroads in handling greatly increased tonnages.

Mr. ROBERT CROSSER, who was chairman of this committee for many years is leaving Congress. I have come to know Mr. CROSSER quite well during my service in the House of Representatives. He has done more for railroad workers than any other Member of Congress. Practically every benefit which the railroad workers have received in the last 20 years is a reflection of the devotion of Mr. CROSSER to the interests of the railroad workers of the United States. Mr. CROSSER has a keen sense of humor and many times I have exchanged wise cracks with him and his son, Robert. He is a great admirer of the poet, Robert Burns, and can quote his poems by the hour. Now that he is leaving Congress he will have more time for leisure and reading It is generally known that Mr. CROSSER has arthritis and despite that affliction, he has carried his share of the load as a member and chairman of one of the great committees of the House of Representatives.

Mr. DONOHUE. Mr. Chairman, we all, of course, realize there can be no such thing as a perfect piece of legislation. This bill, H. R. 7840, designed to amend the Railroad Retirement Act so as to humanely liberalize and enlarge the benefits, could, undoubtedly, be improved upon, but in substance it contains amendments needed by those affected and they should be adopted. On the whole, the bill contains much merit and is fundamentally sound.

When we analyze the major amendments, they can be shortly summarized as follows:

First, benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65,

Second, benefits to widowed mothers with physically or mentally disabled children over the age of 18.

Third, full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad-retirement annuity in their own right.

Fourth, increasing the creditable compensation from the present maximum of $300 a month to a maximum of $350 a month in the calculation of a retirement or survivor annuity.

Fifth, disregarding the compensation earned after the age of 65, if the crediting of such compensation would diminish the annuity.

Sixth, changing the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

Seventh, excluding the service of certain delegates to national or internation conventions of railway-labor organizations from coverage under this act.

Eighth, elimination of the requirement in the present law that a child over the age of 16 and under 18 years must attend school regularly in order to be eligible for a survivor's annuity.

Ninth, waiver of retirement benefits for certain individuals who are receiving non-service-connected veterans' pensions.

The principal amendment proposed to the Railroad Retirement Tax Act would increase the tax base from $300 to $350 a month, leaving the tax rate of 6¼ percent unchanged.

A similar increase in the tax base for employment covered under the Social Security Act was approved by the House on June 1, 1954. This bill provides, among other things, for the increase in the creditable and taxable wage base from $3,600 to $4,200 a year.

Almost two-thirds of the railroad employees now earn more than $300 a month, and they would pay the tax on their additional monthly compensation in excess of $300, but not in excess of $350. In return for this additional tax, these employees would get increased benefits resulting from the crediting of this additional compensation in the computation of their annuities. On the average, these employees would obtain benefit rights at the rate of $3 for each $1 in taxes they would pay. Furthermore, the liberalization of the survivor benefits provided for in the bill would apply across the board, and the families of all railroad workers would benefit, regardless of whether or not the employee was taxed at the rate of $300 a month or $350 a month.

It has been estimated by the Railroad Retirement Board that the increase in tax base from $300 to $350 a month would increase retirement tax collections by $56 million a year, on a level cost basis. This amount is sufficient to pay for all the additional retirement and survivor benefits provided for by this measure.

The amendments proposed by the Railroad Unemployment Insurance Act are shown on pages 6 to 8 of the committee's report. Briefly, the schedule of base year compensation is slightly altered, and the daily benefit rates for unemployment are increased by 50 cents a step, with a maximum daily rate of $8.50. Moreover, an eligible employee would be entitled to receive a daily benefit rate equal to half of his daily rate of compensation for the last employment in which he was engaged in the last calendar year. The total amount of benefits which may be paid to an employee separately for unemployment or sickness within a benefit year would not exceed his total compensation in the base year. The bill also would increase the maximum compensation subject to contribution from $300 to $350 a month.

Considering the measure in its entirety, it is substantially worthy and I urge its unanimous approval.

Mr. RHODES of Pennsylvania. Mr. Chairman, this bill which would amend the Railroad Retirement Act is meritorious legislation.

As one who has introduced legislation to amend and improve this act I am glad to see that we are going to pass on this bill before final adjournment of the Congress.

There is no question in my mind that it will get the overwhelming approval of Members of the House.

I regret that the bill does not go much further in liberalizing benefits. It seems to me that favorable action is a step toward stimulating the Nation's economy. More than that, it is a recognition of faithful service given by the railroad workers.

Even more important is the human element. Retired railroad workers are entitled to pension payments which are sufficient to meet rising costs of living and to a better share of the good things and luxuries of life which would brighten their twilight years.

That is why, Mr. Chairman, I would liked if more substantial improvements would have been made this year. I am, however, glad at least some progress can be made at this time.

Mr. O'HARA of Illinois. Mr. Chairman, I join with my colleagues in congratulating the chairman and the membership of the committee in reporting out a bill which will bring a large measure of relief to retired railroad personnel and to the widows, and permanently afflicted children of great and noble railroad men who have passed on.

I desire especially to mention my colleague from Illinois [Mr. MACK], who has worked day and night and with untiring industry in the deliberations of the committee.

The representatives of the railroad brotherhoods are entitled to the appreciation of every Member of this body, of the railroading rank and file, and of the Nation at large. Without the tremendous effort put into the work by the representatives of the brotherhoods, ironing out differences, seeking always to protect to the fullest extent the soundness of the fund and at the same time to give to pensioners the fullest possible measure of benefits, we would not have before us today a bill for which all of us will vote with happiness.

Mr. Chairman, I join with my colleagues in giving tribute to BOB CROSSER. This is a day that I shall never forget. Seldom in the history of the Congress of the United States has there been a period more freighted with drama and significance than when BOB CROSSER was making his final speech in the Congress of which for 38 years he has been a Member; and that speech, Mr. Chairman, was in the joy of a great soul that the last measure for which he spoke was one bringing benefit to the railroading men and women for whom he had given a lifetime of devoted service. No man has ever served the people with greater fidelity, with greater brilliance, and with greater degree of self-abnegation than BOB CROSSER, one of the greatest Americans of all times.

Mr. SCOTT. Mr. Chairman, as is pretty generally known I have always taken a deep interest in the welfare of our railroad employees and have devoted much time and effort in securing for them the benefits to which they are justly entitled. I was glad to have been able to be of help to the approximately 36,000 annuitants affected for whom this legislation will grant an increase of an average of $24 a month, or 20 percent of their average annuity retroactively to October 30, 1951. The changes in the railroad retirement and unemployment insurance systems which the pending bill provides have the approval and commendation of all the standard railroad unions, who have been reasonable, understanding and conscientious in their support. I urge you, my colleagues, to join in the enactment of this worthy legislation.

Mr. HAGEN of Minnesota. Mr. Chairman, it is with pleasure that I rise to lend my support to H. R. 7840, recently approved by the Committee on Interstate and Foreign Commerce. Because of the keen interest this type of legislation holds for hundreds of members in my district, I have followed closely the detailed hearings on this bill.

May I state that I am aware H. R. 7840 is not a panacea for all existing ills in the Railroad Retirement Act, and does not provide the key to the many complex problems which beset those who fall under its provisions, and who must depend for their existence solely on the meager benefits afforded by the act. But on the other hand, this bill corrects in one simple measure several minor inequities which have been permitted already too long to exist.

For that reason I urge the House to lend its approval to H. R. 7840 for the small, but much-needed assistance it will provide at this time. I wish to make it clear that I feel the inequities, which will remain, even after this legislation is enacted, should be corrected after sufficient study, as soon as Congress reconvenes at the beginning of next year.

If I am fortunate enough to be a Member of Congress next year, I intend to introduce a bill to provide for adequate increases in all classes of pensions. There is an urgent need for such legislation. I trust I will have the cooperation of all elements in the railroad industry in an attempt to formulate amendments to the act, which will not only be actuarially practicable, but which will be liberal enough to afford all annuitants a sizeable increase in the amount of their subsistence.

But of necessity that will have to remain for next session. Right now we have the chance to effect some minor changes in the act, which will then put us in a better position to know what further general improvements can be made next year.

The legislation before us can briefly be summarized as follows:

First, benefits to widows, dependent widowers, and dependent parents at age 60 instead of age 65.

Second, benefits to widowed mothers with physically or mentally disabled children over the age of 18.

Third, full survivor benefits to widows, dependent widowers, and dependent parents who are also eligible for a railroad retirement annuity in their own right.

Fourth, increasing the creditable compensation from the present maximum of $300 a month to a maximum of $350 a month in the calculation of a retirement or survivor annuity.

Fifth, disregarding the compensation earned after the age of 65, if the crediting of such compensation would diminish the annuity.

Sixth, changing the disability work clause to a maximum of $100 in earnings for any month without loss of the annuity for that month.

Seventh, excluding the service of certain delegates to national or international conventions of railway labor organizations from coverage under this act.

Eighth, elimination of the requirement in the present law that a child over the age of 16 and under 18 years must attend school regularly in order to be eligible for a survivor's annuity.

Ninth, waiver of retirement benefits for certain individuals who are receiving non-service-connected veterans' pensions.

Many members of the railroad industry residing in my district have taken occasion to write me concerning this legislation. Many of them are in one of the categories mentioned above, and from their sincere letters, I can assure you that this legislation is needed and needed badly. For what little improvement it will make in their bleak lives, I think we should not hesitate to approve H. R. 7840 without further delay, for the benefit of the retired railroad workers.

Mr. WOLVERTON. Mr. Chairman, I yield myself the balance of the time on this side.

Mr. Chairman, the remaining time does not give me proper opportunity to give expression as I should like, first, for the very fine remarks that have been made with reference to my work as chairman and to the Committee on Interstate and Foreign Commerce, every member of which has worked very hard in formulating this legislation in such a satisfactory manner, as is indicated by the general approval that has been given by the Members who have spoken.

Second, I am in full accord with everything that has been said of a complimentary character with reference to our former chairman, ROBERT CROSSER. It has been my privilege to serve on the committee with him through many years and during these years he has been most active in promoting railroad retirement legislation. Nothing said here today, in my opinion, begins to express as fully as would be justified what I believe is the great debt that is owed to him by the railroad workers of this country for the splendid service he has rendered in their behalf.

Certainly I join with every Member of this House in extending to him our very best wishes for the future and the regret we have that he did not receive the recognition he was entitled to have, in my opinion, from the members of his party in the district that he has so well represented during these many years.

The CHAIRMAN. All the time having expired, the Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc.—

PART 1—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SECTION 1. Subsection (h) of section 1 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the end of the last sentence thereof the following: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service'."

SEC. 2. The last paragraph of subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is hereby amended by striking the fourth sentence thereof.

SEC. 3. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is hereby amended by adding after the end thereof the following paragraph:

"No annuity under paragraph (4) or (5) subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age 65 and is paid more than $100 in earnings from employment or self-employment of any form: *Provided,* That for purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of 65 shall report to the board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual who fails to make such report, in the annuity or annuities otherwise due the individual of, in an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed."

SEC. 4. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting "$200" for "$150."

SEC. 5. Subsection (b) (1) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting for the parenthetical phrase "(including compensation in any month in excess of $300)" wherever it appears the phrase "(without regard to any limitation on the amount of compensation otherwise provided in this act)."

SEC. 6. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the figure "300" the following: "for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,"; and by adding at the end thereof the following: "If the employee earned compensation in service after June 30, 1937, and after the last day of the calendar year in which he attained age 65, such compensation and service shall be disregarded in computing the monthly compensation if the result of taking such compensation into account in such computation would be to diminish his annuity."

SEC. 7. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the comma following the word "respectively" the following: "individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age 65, and individuals entitled to insurance annuities under subsection (c) of section 5 on the basis of disability to be less than 18 years of age,"; and by substituting the words "of the Social Security Act" for the word "thereof" in the last parenthetic phrases of the subsection.

SEC. 8. Subsections (a) and (d) of section 5 of the Railroad Retirement Act of 1937, as amended, are hereby amended by substituting the word "sixty" for the word 'sixty-five."

SEC. 9. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting the word "sixty" for the word "sixty-five" wherever it appears; by inserting after the phrase "pursuant to subsection (k) of this section" where it first appears, the following: "Upon attaining age 65 at a future date, will be payable"; by inserting after the word "month" in the parenthetical phrase the following: "before July 1, 1954, and in the latter case in excess of $350 for any month after June 30, 1954"; and by inserting after the phrase "pursuant to subsection (k) of this section" where it appears in the proviso the phrase: "upon attaining age 65 be entitled to further benefits."

SEC. 10. Subsection (g) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by striking the last sentence of paragraph (2).

SEC. 11. Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting the word "or" after the semicolon in clause (ii) of paragraph (1); by striking clause (iii) of such paragraph and by redesignating clause (iv) of such paragraph as clause (iii).

SEC. 12. Subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by striking from paragraph (1) (ii) the phrase "and less than 18 years of age" and substituting in lieu thereof the following: "and shall be less than 18 years of age, or shall have a permanent physical or mental condition which is such that he is unable to engage in any regular employment: *Provided,* That such disability began before the child attains age 18." Such subsection is further amended by changing the semicolon at the end of paragraph (1) to a period, and adding the following: "Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided in clause (ii) of this paragraph and of the continuance, in accordance with regulations prescribed by the Board, of such disability. If the individual fails to comply with the requirements prescribed by the Board as to the proof of the continuance of the disability his right to an annuity shall, except for good cause shown to the Board, cease."

SEC. 13. Subsection (1) (9) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the term "calendar month" the phrase: "before July 1, 1954, and any excess over

$350 for any calendar month after June 30, 1954"; and by substituting the figure "350" for the figure "300" where it appears the second time.

SEC. 14. Subsection (1) (10) (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting the figure "350" for the figure "300."

PART II

SEC. 201. Section 1500 of the Railroad Retirement Tax Act is hereby amended by inserting after the word "month" the following: "before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954."

SEC. 202. Section 1501 of the Railroad Retirement Tax Act is hereby amended by inserting after the figure "300", where it first appears, the following: "for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954"; and by inserting after the figure "300" where it appears the second time, the following: "if such month is before July 1, 1954, or is less than $350 if such month is after June 30, 1954."

SEC. 203. Section 510 of the Railroad Retirement Tax Act is hereby amended by inserting after the word "month" the following: "before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954."

SEC. 204. Section 1520 of the Railroad Retirement Tax Act is hereby amended by inserting after the word "month" where it first appears the phrase: "before July 1, 1954"; by inserting after the figure "$300" where it first appears the following: ", and for any calendar month after June 30, 1954, not in excess of $350"; by inserting after the phrase "shall apply" where it first appears the phrase: ", with ", respect to any calendar month before July 1, 1954,"; by inserting after the figure "300" where it appears the second time, the phrase: ", and ", with respect to any calendar month after June 30, 1954, to not more than $350,"; and by inserting after the figure "300" where it appears the third time the phrase: "if the month is before July 1, 1954, or is less than $350 if the month is after June 30, 1954."

SEC. 205. Subsection (e) of section 1532 of the Railroad Retirement Tax Act is hereby amended by inserting at the end thereof the following sentence: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act."

PART III

SEC. 301. Subsection (g) of section 1 of the Railroad Unemployment Insurance Act is hereby amended by adding at the end thereof the following sentence: "For purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this act, employment as a delegate to a national or international convention of a railway labor organization defined as an 'employer', in subsection (a) of this section, shall be disregarded if the individual having such employment has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act."

SEC. 302. Subsection (i) of section 1 of the Railroad Unemployment Insurance Act is hereby amended by inserting after the term "calendar month" where it first appears the phrase: "before July 1, 1954"; and by inserting before the period at the end of the first sentence the phrase: "and, with respect to any calendar month after June 30, 1954, no part of any compensation in excess of $350 shall be recognized."

SEC. 303. Subsection (k) of section 1 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure "300" for the figure "150."

SEC. 304. Subsection (a) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by striking the last line of the table and substituting therefor the following:

"$3,500 to $3,999.99	7.50
$4,000 and over	8.00

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 percent of the daily rate of compensation for the employee's last employment in which he engaged for an employer preceding the registration period, such rate shall be increased to such amount but not to exceed $8."

SEC. 305. Subsection (a) of section 8 of the Railroad Unemployment Insurance Act is hereby amended by inserting after the date "June 30, 1939" the following: ", and before July 1, 1954, and is not in excess of $350 for any calendar month paid by him to any employee for services rendered to him after June 30, 1954"; by inserting after the figure "300" where it first appears in the proviso of the subsection the following: "for any month before July 1, 1954, and to not more than $350 for any month after June 30, 1954", and by inserting after the figure "300" where it appears the second time in the proviso the following: "if such month is before July 1, 1954, or less than $350 if such month is after June 30, 1954."

SEC. 306. Subsection (b) of section 8 of the Railroad Unemployment Insurance Act is amended by inserting after the date "June 30, 1939", the following: "and before July 1, 1954, and as is not in excess of $350 paid to him for services rendered as an employee representative for any calendar month after June 30, 1954."

PART IV—EFFECTIVE DATES

SEC. 401. The amendments made by this act shall be effective July 1, 1954, except as otherwise provided.

SEC. 402. The provisions of sections 1, 205, and 301 of this act shall be effective as of April 1, 1954.

SEC. 403. The provisions of sections 2, 3, 7, 8, 9, 11, and 12 of this act shall be effective as of the first day of the first calendar month following the month in which this act is enacted.

SEC. 404. The annuity under section 2 (a) (4) and section 2 (a) (5) of the Railroad Retirement Act to any person who has been deemed to have recovered from his disability, pursuant to the provisions of the last paragraph of section 2 (a) which have been amended by sections 2 and 3 of this act, shall be reinstated to begin the first day of the first calendar month following the month in which this act is enacted and deemed, for purposes of section 2 (d) only, never to have ceased: *Provided,* That such proof is made of the continuance of such disability as is required in accordance with the provisions of such paragraph as are not amended by this act.

SEC. 405. The provisions of section 6 of this act amending subsection (c) of section 3 of the Railroad Retirement Act, by adding a sentence at the end of the subsection, shall be effective as of November 1, 1951: *Provided, however,* That no increase in any annuity heretofore awarded shall be granted pursuant to the amendments made by such section except upon application therefor by the person to whom the annuity was awarded.

SEC. 406. The provisions of section 10 of this act shall be effective with respect to annuities accruing and annuities awarded on and after the first day after the enactment of this act.

SEC. 407. The provisions of section 303 of this act shall be effective as of July 1, 1952.

Mr. WOLVERTON (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. MCCORMACK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in supporting the bill, I want to join with the other Members in complimenting the chairman of the Committee on Interstate and Foreign Commerce, the gentleman from New Jersey [Mr. WOLVERTON], and the other members of the committee for their careful, painstaking work in bringing out a bill which is so universally supported. I want to particularly express my feeling of gratitude to my distinguished friend, the gentleman from Ohio [Mr. CROSSER], for the inspiration that he has been to me during the years I have been a Member of this body. BOB CROSSER is one of the greatest Americans that I have ever met. He has served in this body for 38 years. He has rendered not only outstanding service to the railroad employees, but he has rendered outstanding service to our country as a whole. No man, in my opinion, has made a greater contribution to the progress of our country than has BOB CROSSER. For years I have seen him enter the Chamber in his wheelchair, as have my other colleagues. He did not realize what an inspiration he was to me, and I know to my other colleagues. Each and every one of us knew that practically every minute he was sitting here he was suffering extreme pain. Yet, his devotion to duty inspired me in a manner that I am proud to express publicly on this occasion. I hesitate to tell a man what I think of him, because it might be considered as flattery when intended as a compliment. But on an occasion of this kind I can speak out with a feeling that I am sure all of us have. And I am attempting to express in the few minutes I have on this occasion my feeling, to let the people of his district and the people of our country know about this grand gentleman and the great work that he has done while a Member of this body; a man of vision; a man of courage; a man of ability. His minn and his vision were never dimmed; always looking forward to see what could be done 5 or 10 years from now, what we today can do 5 or 10 years from now, in the best interests of our country and of our people.

To you, BOB CROSSER, I want to convey as strongly as I can the deep respect, the strong friendship that I have for you, and particularly the inspiration that you have been to me. I am a better man because I have met and I have known you. In your retirement I hope that God will continue to shower an abundance of His choicest blessings upon you and your loved ones for many years to come.

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Page 2, line 12, strike out "(4) or (5)" and insert "4 or 5."

The committee amendment was agreed to.

Mr. HALLECK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have asked for this time only that the RECORD might be clear as far as my position was concerned in respect to the scheduling of this bill. On July 24, Saturday, which was just 2 days after the rule was granted, I announced the program for this week. In that announcement I said that bills would not necessarily be called up in the order in which they were listed.

We listed certain bills for Monday, including the Fryingpan-Arkansas project, which was defeated; conservation of water resources, which was passed by unanimous consent; military housing, which was a matter that we had to dispose of and it has been disposed of; prisoner-of-war benefits, which has not yet been disposed of; a bill dealing with patents, which was disposed of by unanimous consent; the tariff on hardboard, which has not yet been disposed of; two bills from the Committee on Banking and Currency that were necessary, not only because they had to be on the program but because the chairman of that committee had to go back to Michigan for the primaries.

Then there were two reclamation projects, the Rogue River and the Palo Verde projects, which have not yet been disposed of, and the Railroad Retirement Act.

In other words, I scheduled this bill for consideration. I never had any intention except to consider it this week, unless something unforeseen developed. I am happy that the bill is being considered and will come to passage today.

The CHAIRMAN. The question is on the first committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: Page 3, line 1, strike out "of" and insert "in."

The committee amendment was agreed to.

Mr. WOLVERTON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I do this in order that the record may be clear. I assume that the remarks of our distinguished leader come at this time as the result of statements that I made on the floor yesterday in connection with my inquiry as to when H. R. 7840 would come before the House. If so, I want to give the basis for those statements. I probably did not make it as detailed yesterday as I might have done.

In the first place, there were two issues of the daily CONGRESSIONAL RECORD of Friday, last, July 23, due to the late session of the House. The first issue—was delivered the day following the granting of the rule by the Committee on Rules making H. R. 7840, amending the Railroad Retirement Act, in order to be brought to the floor—showed on page D891 of that issue in the Daily Digest under the title House Chamber, Week of July 26 to 31, an enumeration of the bills and the order in which they would be taken up and on the particular day each would be taken up. As anyone who will look at the page in the Daily Digest to which I have referred, can see, H. R. 7840 was not set down for consideration during this week.

I wish to concur in what the gentleman has said with respect to that portion of the RECORD to which he referred and which appeared as the second edition of the July 23 daily CONGRESSIONAL RECORD. In that issue reference to the bill was made, and the statement made that it would be heard sometime during the week. However, the whip on the majority side did not include this bill in his notice of the work for this week.

Under the circumstances that I have enumerated, I felt justified in making the inquiry which I did yesterday as to when the bill would be programed for consideration by the House.

I want to say in this connection that I deeply appreciate the very helpful interest that has been taken in this matter by the Speaker of the House, and the willingness of the majority leader today to see that this bill was brought before us so promptly.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. Certainly.

Mr. HALLECK. Of course, that morning we were working rather late. Certainly it was not my responsibility to see to the Digest on the closing page of the RECORD. All I could do was to announce the program which evidenced my good faith. The whip notice had several other errors, but there again that was the result of the lateness of the hour and the general situation existing then.

It is not that I felt that any specific mention was necessary, but I wanted it completely understood that so far as I am concerned I have been in complete good faith in respect to the scheduling of this bill. The rule was granted on the 22d, and on the 24th I announced that the bill would come up this week.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield to me?

Mr. WOLVERTON. I yield.

Mr. McCORMACK. For the RECORD, I should say that on the notice that I as Democratic whip sent out to the Democratic Members, H. R. 7840 was listed for this week.

Mr. WOLVERTON. Mr. Chairman, that is true. I have only this to say in conclusion: All is well that ends well.

Mr. MILLER of Nebraska. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, while everyone seems to be in such a nice mellow mood, therefore, I want to speak about several bills that our committee has on tap, ready to go. May I say that I am very happy and pleased at the number of times the leadership has scheduled the bills from the Interior Committee. We have a couple coming up this afternoon. The leadership knows there are 3 or 4 termination bills for Indians that have been very carefully considered. The leadership on the Democratic side, the gentleman from Texas [Mr. RAYBURN], and the gentleman from Colorado [Mr. ASPINALL], have agreed that they can come up on the Consent Calendar. I will give the gentleman from Indiana [Mr. HALLECK] a list of the four Indian termination bills. They can be cleared without any difficulty. Then there are five bills that can come up under suspension. I will give those bills to the gentleman from Indiana.

Again I want to say thanks to the Members of the House for the number of times they have supported me and my committee in presenting proposed legislation. Several of you have small bills that you hope to get up on the Consent Calendar. I hope that can be done.

I would like to bring up the bill for statehood for Hawaii and Alaska, and if the gentleman from Texas [Mr. RAYBURN] would remove his objection we could let the bill go to conference. That is all we ask, let it go to conference. The leadership here representing the minority on the Democratic side of the House would not let the bill go to conference and it was necessary to ask for a rule. The Rules Committee has seen fit to table the request. However, it is still alive, and before we get through I may ask unanimous consent that the bill that came over from the other body be permitted to go to conference. I will not do it until the gentleman from Texas [Mr. RAYBURN] is here. Perhaps he may be in a more mellow mood at the close of the session and it might be possible to permit the bill to go to conference. When it does go to conference the conferees can then work the will of the House and the people on that bill.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Nebraska. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I agree that we are in a mellow mood. If the bill should by any chance go to conference, would my friend's mellow mood permit him to agree to the Senate amendment, so that both Hawaii and Alaska would get statehood?

Mr. MILLER of Nebraska. I do not know what the conferees would do.

Mr. McCORMACK. I am asking about the gentleman himself.

Mr. MILLER of Nebraska. Oh, I am going to ask for a separation of the bill. The two Territories must stand on their own merits. I hope the gentleman from Massachusetts will support the Territory of Hawaii's coming in as a State. I never did vote for statehood for Alaska.

Mr. McCORMACK. The gentleman from Massachusetts has always supported statehood for Hawaii, and has always supported statehood for Alaska. I know the gentleman cannot bind the other conferees, but he can speak for himself. It would be a most pleasing answer to the gentleman from Massachusetts if the gentleman with his great power in the committee of conference would state now that he will fight to include Alaska.

Mr. MILLER of Nebraska. I thank the gentleman so much. I doubt my powers to get the Democratic leadership's permission to send the bill to conference. But I have a curious feeling about the votes on my right side on either one of the bills. They made a monstrosity out of it, a Siamese twin, and then they would not let it go to conference. It is a most unusual thing for the Democratic Party to stop a bill the

House worked its will on from just going to conference, not allowing a vote on it but just going to conference, and then bringing back a conference report. It seems certain that because of the objection from the Democratic leader the gentleman from Texas [Mr. RAYBURN] that the bill cannot go to conference. The responsibility for no statehood bills belongs to the Democratic Party. If they permitted the bills to stand on their own merits, in my judgment, Hawaii would be the 49th State.

The CHAIRMAN. The Clerk will report the next committee amendment

The Clerk read as follows:

On page 4, line 14, strike out "parenthetic phrases" and insert "parenthetical phrase."

The committee amendment was agreed to.

Mrs ROGERS of Massachusetts. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I shall vote for this measure with a great deal of pleasure. I use the railroads a great deal and I want to state I have never received anything but the utmost courtesy from any person who has anything to do with the operation of the railroads. It is with real joy that I shall vote for this measure.

Mr. Chairman, I compliment the chairman of the committee, the gentleman from New Jersey [Mr. WOLVERTON], the minority member, the gentleman from Ohio [Mr. CROSSER] and all the members of the committee for the tremendously fine work they have done not only on this bill but on all bills during this session of the Congress. Certainly no committee has worked harder than this committee. Before I take my seat, I pay my great tribute—the tribute is not as great as it should be, Mr. Chairman, the feeling behind it is very sincere— for my colleague, the gentleman from Ohio [Mr. CROSSER]. He has given his life and his health and he must feel happy today because he sees now the many years of his labor coming to fruition in this bill for the benefit of the railroad people. No person has been more devoted to the railroad people. Through all of the pain and the agony that he must have suffered during the last years, he has never been anything but a very courteous friend, a great gentleman and a great Member of Congress.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 4, line 24, insert a comma after "section."

The committee amendment was agreed to.

Mr. SPENCE. Mr. Chairman, I move to strike out the last word.

Mr. HOFFMAN of Michigan. Mr. Chairman, a point of order or a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HOFFMAN of Michigan. Is it out of order for Members to shout "vote" when somebody is seeking recognition, or is it not?

The CHAIRMAN. That is not in order.

Mr. SPENCE. Mr. Chairman, it is with pleasure that I shall support this bill. I congratulate the committee for bringing it up. I think bills of this character dignify labor. The assurance of the employee that his old age will not be spent in poverty and want makes a better workman of him. Such constant fear lessens his productive capacity, so measures of this kind help not only the employee but the employer. This is legislation which does not cost the taxpayers anything. It is paid for in part by those who reap the benefits. I also wish at this time to pay tribute to one who I think richly deserves it. I have known BOB CROSSER intimately for more than 20 years. He is a man of courage, character and ability. He has served his people with ferver and intensity and he has constantly endeavored to study their best interests and make himself more efficient in his representation. During all these years he has waged a battle to help the railroad people, and he is held in deep affection by all of them. They know the great service he has rendered them. I cannot understand why his people have now failed to send him back. But, this takes nothing from him. His record has been made and is secure. I know he will go back to his people with honor and that he will be held in respect and admiration and confidence as long as he lives. I could not refrain from rising at this time to wish him the success and happiness to which his long and faithful service richly entitles him. I hope that the rest of his life may be happy and carefree in the knowledge that he has done everything that he could for his people and his country.

The CHAIRMAN. The Clerk will report the next committee amendments.

The Clerk read as follows:

Committee amendments:

Page 4, line 25, strike out "Upon" and insert "upon."

Page 5, line 5, insert a comma after "section" and insert "first" before "appears."

Page 5, line 14, insert a semicolon at the end of the line.

Page 5, line 17, and page 6, lines 11 and 16, strike out "(1)" and insert "(1)."

Page 6, line 10, strike out "cease.' " and insert "cease'."

Page 6, after line 21, insert the following new section:

"SEC. 15. The Railroad Retirement Act of 1937, as amended, is hereby amended by adding at the end thereof the following new section:

" 'SEC. 20. Any person awarded an annuity or pension under this act may decline to accept all or any part of such annuity or pension by a waiver signed and filed with the Board. Such waiver may be revoked in writing at any time, but no payment of the annuity or pension waived shall be made covering the period during which such waiver was in effect. Such waiver shall have no effect on the amount of the spouse's annuity, or of a lump sum under section 5 (f) (2), which would otherwise be due, and it shall have no effect for purposes of the last sentence of section 5 (g) (1)'."

Page 6, line 22, insert "—Amendments to the Railroad Retirement Tax Act" after "Part II."

Page 7, line 11, strike out "510" and insert "1510."

Page 7, line 21, correct the reversed quotation marks.

Page 7, line 22, strike out "calenlar" and insert "calendar," and insert a comma after "1954."

Page 7, line 24, correct the reversed quotation marks.

Page 8, line 1, insert a comma after "$350."

Page 8, line 3, strike out "phrase;" and insert "phrase."

Page 8, line 4, strike out "1954.' " and insert "1954'."

Page 8, line 12, strike out "Act" and insert "subchapter."

Page 8, line 16, insert "—Amendments to the Railroad Unemployment Insurance Act" after "Part III."

The committee amendments were agreed to.

The Clerk read as follows:

Committee amendment: Page 9, line 10, insert a comma before "and."

Mr. HESELTON. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. HESELTON: On page 10, line 4, before the comma insert a quotation mark.

Mr. HESELTON. Mr. Chairman, this was simply to correct a typographical error in printing the bill.

The amendment to the committee amendment was agreed to.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendments.

The Clerk read as follows:

Committee amendments:

Page 9, line 15, strike out "300" and insert "400", and add after the period the following sentence:

"Section 3 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure '400' for the figure '300'."

Page 9, strike out line 16 and all that follows down through page 10, line 3, and insert the following section:

"SEC. 304. (a) Subsection (a) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by substituting for the table the following:

" 'Column I Total compensation	Column II Daily benefit rate
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 percent of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed $8.50. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.'

"(b) Subsection (c) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by changing the period at the end thereof to a colon and by inserting after the colon the following: '*Provided, however,* That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; the total amount of benefits which may be paid to an employee for days of sickness, other than days of sickness in a maternity period, within a benefit year shall in no case exceed the employee's compensation in the base year; and the total

amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period'."

Page 10, line 13, strike out "1954'" and insert "1954'."

Page 10, line 19, insert a comma before "and."

Page 10, line 21, strike out "for" and insert "in."

Page 11, line 5, strike out "as of" and insert "with respect to compensation paid on and after."

Page 11, lines 6 and 7, strike out "and 12" and insert "12, and 15."

Page 11, lines 10 and 11, strike out "under section 2 (a) (4) and section 2 (a) (5)" and insert "awarded under paragraph 4 or 5 of section 2 (a)."

Page 11, lines 14 and 15, strike out "which have been amended by sections 2 and 3" and insert "as in effect prior to the enactment."

Page 11, line 20, strike out "as" and insert "which."

Page 12, strike out lines 12 and 13.

The committee amendments were agreed to.

Mr. KERSTEN of Wisconsin. Mr. Chairman, I offer an amendment:

The Clerk read as follows:

Amendment offered by Mr. KERSTEN of Wisconsin: On page 7, after line 10, insert a new section as follows:

"Employees who, prior to death, had not less than 30 years of service as defined in section 1 (f) of the Railroad Retirement Act of 1937 as amended, and who died in the period beginning August 29, 1935, and ending June 30, 1938, shall be deemed, solely for the purpose of a widow's age 65 annuity, to have died fully insured, within the meaning of section 5 (1) of such act:

"*Provided, however,* That any annuity awarded under this section shall be computed in the same manner as if such annuity had been awarded under section 5 (a) of such act:

"*Provided further,* That this section shall apply only with respect to widows who are not receiving monthly pensions (whether under public or private plans) based on the railroad service of their deceased husbands."

Mr. KERSTEN of Wisconsin. Mr. Chairman, I want at the outset to congratulate the chairman, the gentleman from New Jersey [Mr. WOLVERTON], in bringing in the very worthwhile amendments that have been presented to the committee.

This amendment that I have offered at this time refers to a very small class of people but a very important class of widows. During the struggle to enact a proper railroad-retirement bill, those here who are more familiar with the legislation than I will recall that there was a period between the years 1935 and 1938 during which there was no act operative to take care of surviving widows. I believe one of the laws enacted previous to that time had been declared unconstitutional. The result was to leave a small group of widows who up to the present time have received nothing, although their husbands died in the service over a long period of time.

What my amendment does is simply this: To consider as beneficiaries those widows whose husbands died during this period between August of 1935 and June of 1938 who had 30 years of service and which widows now have no other kind of benefits, public or private, widows whose husbands really helped build the railroads of this country at that particular period, that they be considered as beneficiaries under this act.

I offered this amendment in 1951 and recall Mr. Harris remarked at that time that it was a worthwhile provision, but he wanted to give it more study. I think the gentleman from Florida might recall that the following year I offered it again, and he indicated that it should be studied and have consideration.

At that time the Railroad Retirement Board stated, 1951, that there would be no increase in the tax rate needed to take care of the situation.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield.

Mr. ROGERS of Florida. Has the gentleman estimated what the cost would be?

Mr. KERSTEN of Wisconsin. At that time the cost was esimated to be less than $10 million completely, all through the years. That was in 1951. It was estimated that the number of such widows was less than 2,000. At the present time it would be reasonable to assume that it will be half of that amount. This is for widows who are absolutely unprovided for by any kind of benefit. So that this narrowing small group of aged widows of railroad men who had more than 30 years' service might participate in this act, people who were left out because of the interpretation of the law during that period of time. They deserve sympathetic consideration as well as the children. As I say, it is a worthy small group of aged widows whose husbands have had 30 years of service. I think they should be given consideration, because their husbands were the men who helped build the railroads.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield.

Mr. VAN ZANDT. Why fix the starting date at 1935? How about going back further and taking care of widows whose husbands died prior to 1935?

Mr. KERSTEN of Wisconsin. I think this period covers practically all the widows who survive. There might be some few others perhaps with these qualifications, but I think widows in this category when the law was not operative, when it had been declared unconstitutional, should be given consideration.

Mr. VAN ZANDT. The gentleman understands, of course, that this $10 million it will cost must come out of the railroad retirement fund.

Mr. KERSTEN of Wisconsin. That was the cost estimated in 1951. The Railroad Retirement Board estimated that it would not require any increase in the tax rate. That was in 1951.

Mr. VAN ZANDT. During the hearings on the bill H. R. 7840 the gentleman will find statements to the effect that any further liberalization of this law will further weaken the fund.

Mr. KERSTEN of Wisconsin. However, this very small group of widows whose husbands died after 30 years of service are deserving of consideration and the Board has said the cost would not impair the fund.

Mr. WOLVERTON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Wisconsin [Mr. KERSTEN].

Mr. Chairman, I do so with full appreciation of the feeling of sympathy that exists on the part of everyone for widows. However, the experience that the Committee on Interstate and Foreign Commerce has had in this and similar matters indicates that if we permitted our hearts to run away with our heads and good judgment, the fund in the railroad-retirement account would be disbursed overnight. Of course, that might not be the result of this particular amendment, but it could be very detrimental in its effect. The exact effect we do not know.

During the hearings conducted by the committee there were many worthwhile suggestions made and amendments offered that had a very strong appeal to the heart. It may be this amendment would have such an appeal. However, we must be realistic in this matter and we must recognize that our first obligation is to keep the fund absolutely sound.

The figures that have been given by the gentleman, as he has stated, relate to a period in 1951. There is nothing before our committee, to my knowledge, in the way of testimony, other than what the gentleman has said, that would indicate that the cost of this proposal would be limited to less than $10 million. We have had no hearing on this amendment. It was not presented in any bill that came before our committee. Therefore, the committee has had no opportunity to study it, nor has it had an opportunity to ascertain to what extent the proposal might be harmful to the fund in general. We do not know how many people it would affect. The statement has been made it might affect as many as 2,000. The number might be more. I do not know. The statement has been made that the cost might be as much as $10 million in 1951. It could well be greater at this time because of the increase in the level of benefits that were made in 1951 and subsequent thereto. The lack of information presented is such that I cannot recommend the acceptance of this amendment at this time and must therefore oppose it.

Mr. KERSTEN of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Wisconsin.

Mr. KERSTEN of Wisconsin. Is it not true that if it had cost $10 million in 1951 or less than $10 million, the number of such widows would be less today, it could not possibly be more at this time because a number of them have died in the meantime.

Mr. WOLVERTON. There might be some who became widows in the meantime.

Mr. KERSTEN of Wisconsin. This only affects those who became widows during this particular period, 1935 to 1938.

Mr. WOLVERTON. I do not think it is a matter on which we can legislate intelligently by the action of the Commit-

tee of the Whole without the Committee on Interstate and Foreign Commerce having had some opportunity to consider this matter first.

May I make this reference to the report of the committee which covers not only amendments such as this but many others. On page 9 of our report we state our thought in this way:

In the consideration of all these bills, your committee has placed great emphasis on the effect of the proposed amendments on the financial soundness of the railroad retirement account. The committee is unanimously of the opinion that, regardless of the desirability of certain proposals for the liberalization of benefits under the Railroad Retirement Act, no amendments to the law should be made which would jeopardize the financial soundness of the railroad retirement system. The principle is accepted by all the standard railway labor organizations as well as railroad management.

Your committee has every desire to be helpful to retired railroad workers and their dependents. We are also mindful of our grave responsibility toward the currently active railroad workers and those who will follow, and who will retire in the future. We must make certain that when they retire from the railroad industry, the reserves in the railroad retirement account plus the income into the system will be adequate to pay the benefits due them.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. I want to comment on the responsibility that we have as a Congress in maintaining the solvency of the railroad retirement fund. On the first of every month when an annuitant receives a check, he or she expects enough money in the railroad retirement fund to cover the amount of the check when they cash it.

Mr. WOLVERTON. That is very true.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. KERSTEN].

The amendment was rejected.

Mr. McCARTHY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McCARTHY: On page 7, line 10, after the period, insert:

"SEC. 21. For the purposes of this act the term 'widow' or 'widower' shall include the wife or husband of a deceased employee who has been separated from his or her spouse but not divorced, whether reconciled or not before death of said spouse providing legal marriage was of at least 10 years duration."

Mr. McCARTHY. Mr. Chairman, the purpose of this amendment, I think, is clear from the language. It would take care of the widow or widower of a deceased employee who has been separated but not divorced. It relates to cases in which there might be religious or other obstacles to a divorce. Any persons here covered would, of course, never have remarried because he or she had never been divorced. My amendment simply requires that the marriage of the parties must have been in existence for at least 10 years previous to the death of the employee. That in itself establishes, in my opinion, that the life of the survivor had been disrupted or that he or she had suffered personal, economic, or other loss because of the marriage, and consequently such a person should be entitled to some benefit under the retirement program following the death of his or her spouse. Payments had been made into the fund by the employee, and consequently his surviving legal spouse or her surviving spouse in the case of a woman should be entitled to benefits.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. McCARTHY. I yield to the gentleman from Mississippi.

Mr. COLMER. Did I understand the gentleman's amendment correctly that if she was a widow because of separation and not because of death, that it would apply?

Mr. McCARTHY. No. Death would have to occur.

Mr. COLMER. But they had to be separated prior to that. I am just wondering if you are not bordering upon a premium for separation of the spouse where the law usually encourages people to remain married.

Mr. McCARTHY. On the contrary, it seems to me now, that there is a premium on divorce under the present law.

Mr. COLMER. No.

Mr. McCARTHY. Because through the divorce action you would get a court declaration in regard to alimony and dependency and so on.

Mr. COLMER. It seems to me you are on dangerous ground there.

Mr. McCARTHY. The 10-year provision for the existence of the legal marriage would take care of the possible difficulty the gentleman suggests.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. McCARTHY. I yield to the gentleman from California.

Mr. YOUNGER. There is nothing in the act that provides for proof of dependency, is there?

Mr. McCARTHY. In the amendment that I have offered?

Mr. YOUNGER. No. There is nothing in the act.

PROVISIONS OF THE SOCIAL SECURITY ACT APPLY

Mr. McCARTHY. The act requires reconciliation for a period before the death of the spouse.

Mr. YOUNGER. All they have to do is to prove that they are legally married.

Mr. McCARTHY. No, that they are legally married and living together at the time of death of the employee.

Mr. YOUNGER. In the act itself?

Mr. McCARTHY. In the existing law, and this amendment would eliminate the last condition.

Mr. WOLVERTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I wish it had been possible for the gentleman to have presented his amendment to the committee so that it might have had consideration by the committee when the hearings were held.

Mr. McCARTHY. I submitted material of this kind to the committee, and I believe it was within the period of this session of the Congress.

Mr. WOLVERTON. I am not aware of that fact, and if the gentleman did, it evidently did not receive favorable consideration by the committee. The fact that the committee has made no recommendation in connection with it nor made it a part of the bill would indicate that the committee did not agree with the suggestion. This is one of those proposals, it seems to me, that comes within the same category as those about which I have previously spoken. There is such uncertainty as to whom it covers, how many individuals it covers, the conditions under which they could avail themselves of the benefits of the Railroad Retirement Act. Therefore I regret exceedingly that in my opinion we should not give it favorable consideration at this time. I think it is one of those matters that should be left to the further consideration of the committee. The committee is continually giving attention to all matters which pertain to the welfare of the railroad workers in connection with the retirement fund. The committee recognizes it has a very great responsibility. It recognizes that notwithstanding our heartfelt desire at all times to be helpful, we must nevertheless be realistic and not expand the eligibility conditions beyond those originally intended in the Railroad Retirement Act, when to do so would result adversely to the stability and soundness of the fund.

Mr. ROONEY. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. ROONEY. Mr. Chairman, I hesitate to take the House's time at this point as I feel there will not be a vote against this Railroad Retirement Act and Railroad Unemployment Act legislation. There should not be. I urge its immediate adoption. These small increases in retirement and unemployment benefits have been long overdue.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. McCARTHY].

The amendment was rejected.

The CHAIRMAN. Under the rule the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANFIELD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, pursuant to House Resolution 660, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule the previous question is ordered.

Is a separate vote demanded on any of the amendments? If not, the Chair will put them en bloc.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. WOLVERTON. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 361, nays 0, not voting 71, as follows:

[Roll No. 129]

YEAS—361

Abbitt	Dawson, Ill.	Jones, Ala.
Abernethy	Dawson, Utah	Jones, Mo.
Adair	Deane	Jones, N. C.
Addonizio	Delaney	Judd
Albert	Dempsey	Karsten, Mo.
Alexander	Derounian	Kean
Allen, Calif.	Devereux	Kearney
Allen, Ill.	D'Ewart	Kearns
Andersen, H. Carl	Dies	Keating
	Dodd	Kee
Andresen, August H.	Dolliver	Kelley, Pa.
	Dondero	Kelly, N. Y.
Andrews	Donohue	Kersten, Wis.
Arends	Dorn, N. Y.	Kilday
Ashmore	Dorn, S. C.	King, Calif.
Aspinall	Dowdy	King, Pa.
Auchincloss	Doyle	Kirwan
Ayres	Eberharter	Kluczynski
Bailey	Edmondson	Knox
Baker	Elliott	Kruger
Barden	Ellsworth	Laird
Barrett	Engle	Landrum
Bates	Fallon	Lanham
Battle	Feighan	Lantaff
Beamer	Fenton	Latham
Becker	Fino	LeCompte
Belcher	Fisher	Lesinski
Bender	Fogarty	Lipscomb
Bennett, Fla.	Forand	Lovre
Bentley	Ford	McCarthy
Berry	Forrester	McConnell
Betts	Fountain	McCormack
Bishop	Frazier	McCulloch
Blatnik	Frelinghuysen	McDonough
Boggs	Friedel	McGregor
Boland	Fulton	McIntire
Bolling	Garmatz	McMillan
Bolton, Frances P.	Gary	McVey
	Gathings	Mack, Ill.
Bolton, Oliver P.	Gavin	Mack, Wash.
	Gentry	Madden
Bonin	George	Magnuson
Bonner	Golden	Mahon
Bosch	Goodwin	Marshall
Bow	Gordon	Martin, Iowa
Bowler	Graham	Mason
Boykin	Granahan	Matthews
Bramblett	Grant	Meader
Bray	Green	Merrill
Brooks, Tex.	Gregory	Merrow
Brown, Ga.	Gross	Metcalf
Brown, Ohio	Gubser	Miller, Calif.
Brownson	Hagen, Calif.	Miller, Kans.
Broyhill	Hagen, Minn.	Miller, Md.
Buchanan	Hale	Miller, Nebr.
Budge	Haley	Miller, N. Y.
Burdick	Halleck	Mills
Burleson	Hand	Mollohan
Busbey	Harden	Morano
Bush	Hardy	Moss
Byrd	Harrison, Va.	Moulder
Byrne, Pa.	Hart	Multer
Byrnes, Wis.	Harvey	Mumma
Campbell	Hays, Ark.	Natcher
Canfield	Hays, Ohio	Neal
Cannon	Herlong	Nelson
Carlyle	Heselton	Nicholson
Carnahan	Hess	Norblad
Carrigg	Hiestand	Norrell
Cederberg	Hillelson	Oakman
Chelf	Hillings	O'Brien, Ill.
Chenoweth	Hoeven	O'Brien, N. Y.
Chiperfield	Hoffman, Ill.	O'Hara, Ill.
Chudoff	Hoffman, Mich.	O'Hara, Minn.
Church	Holifield	O'Konski
Clevenger	Holmes	Osmers
Cole, Mo.	Holt	Ostertag
Cole, N. Y.	Holtzman	Passman
Colmer	Hope	Patman
Condon	Horan	Patten
Cooley	Hosmer	Patterson
Coon	Howell	Pelly
Cooper	Hruska	Pfost
Corbett	Hunter	Philbin
Cretella	Hyde	Phillips
Crosser	Jackson	Pilcher
Crumpacker	Jarman	Pillion
Cunningham	Javits	Poage
Curtis, Mass.	Jenkins	Polk
Curtis, Mo.	Jensen	Preston
Dague	Johnson, Calif.	Price
Davis, Ga.	Johnson, Wis.	Prouty
Davis, Wis.	Jonas, N. C.	Rabaut
Radwan	Scudder	Tollefson
Rains	Seely-Brown	Trimble
Ray	Selden	Tuck
Rayburn	Shelley	Van Pelt
Reams	Sheppard	Van Zandt
Reece, Tenn.	Shuford	Vorys
Reed, Ill.	Sieminski	Vursell
Reed, N. Y.	Sikes	Wainwright
Rees, Kans.	Simpson, Ill.	Walter
Regan	Simpson, Pa.	Wampler
Rhodes, Ariz.	Small	Watts
Rhodes, Pa.	Smith, Kans.	Westland
Richards	Smith, Miss.	Wharton
Riehlman	Smith, Wis.	Whitten
Riley	Spence	Widnall
Roberts	Springer	Wier
Robeson, Va.	Staggers	Williams, Miss.
Robsion, Ky.	Stauffer	Williams, N. J.
Rodino	Steed	Williams, N. Y.
Rogers, Colo.	Stringfellow	Wilson, Calif.
Rogers, Fla.	Sullivan	Wilson, Ind.
Rogers, Mass.	Talle	Wilson, Tex.
Rogers, Tex.	Taylor	Winstead
Rooney	Teague	Withrow
Sadlak	Thomas	Wolverton
St. George	Thompson, Mich.	Yorty
Saylor		Young
Schenck	Thompson, Tex.	Younger
Scherer	Thornberry	Zablocki

NOT VOTING—71

Angell	Hébert	Rivers
Bennett, Mich.	Hill	Roosevelt
Bentsen	Hinshaw	Scott
Brooks, La.	Ikard	Scrivner
Buckley	James	Secrest
Celler	Jonas, Ill.	Shafer
Chatham	Keogh	Sheehan
Clardy	Kilburn	Short
Cotton	Klein	Smith, Va.
Coudert	Lane	Sutton
Curtis, Nebr.	Long	Taber
Davis, Tenn.	Lucas	Thompson, La.
Dingell	Lyle	Utt
Dollinger	Machrowicz	Velde
Donovan	Mailliard	Vinson
Durham	Morgan	Warburton
Evins	Morrison	Weichel
Fernandez	Murray	Wheeler
Fine	O'Brien, Mich.	Wickersham
Gamble	O'Neill	Wigglesworth
Gwinn	Perkins	Willis
Harris	Poff	Wolcott
Harrison, Nebr.	Powell	Yates
Harrison, Wyo.	Priest	

So the bill was passed.

The Clerk announced the following pairs:

Mr. Short with Mr. Chatham.
Mr. Hinshaw with Mr. Hébert.
Mr. Bennett of Michigan with Mr. Morrison.
Mr. Kilburn with Mr. Willis.
Mr. Mailliard with Mr. Long.
Mr. Wolcott with Mr. Brooks of Louisiana.
Mr. Clardy with Mr. Keogh.
Mr. Hill with Mr. Klein.
Mr. Scott with Mr. Celler.
Mr. Taber with Mr. Evins.
Mr. Poff with Mr. Fine.
Mr. Gamble with Mr. Dollinger.
Mr. Gwinn with Mr. Roosevelt.
Mr. Jonas of Illinois with Mr. Buckley.
Mr. James with Mr. Powell.
Mr. Shafer with Mr. Machcrowicz.
Mr. Wigglesworth with Mr. Priest.
Mr. Warburton with Mr. Durham.
Mr. Coudert with Mr. O'Brien of Michigan.
Mr. Velde with Mr. O'Neill.
Mr. Wilson of Indiana with Mr. Rivers.
Mr. Sheehan with Mr. Smith of Virginia.
Mr. Angell with Mr. Thompson of Louisiana.
Mr. Cotton with Mr. Vinson.
Mr. Curtis of Nebraska with Mr. Yates.
Mr. Harrison of Nebraska with Mr. Fernandez.
Mr. Weichel with Mr. Dingell.
Mr. Harrison of Wyoming with Mr. Perkins.

Mr. ANDREWS changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. WOLVERTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to extend or to revise and extend their remarks on this bill.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

visions of the railroad retirement program. I believe that the improvements included in the bill are excellent, although there are a number of other benefits which I believe could have been included without impairing the economic stability of the railroad retirement fund. H. R. 7840, however, appears to be the only bill covering the subject on which we will be permitted to vote this session. It has, therefore, my wholehearted support.

I particularly am happy to be able to support legislation lowering the age at which widows may receive survivors benefits from 65 to 60. I also think it is very important to continue survivors benefits for the widowed mother of a totally disabled child after the child reaches the age of 18.

The liberalization of unemployment benefits for jobless railroad workers also is a step which should have been taken earlier. These, and other improvements in the railroad retirement program, deserve the strongest support of Congress. I hope we will be able, in the future, to apply some of these improvements to other retirement and unemployment insurance programs just as I hope we will soon approve other needed changes in the railroad retirement program.

Railroad Retirement Program

EXTENSION OF REMARKS
OF
HON. JOHN E. MOSS, JR.
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Friday, July 30, 1954

Mr. MOSS. Mr. Speaker, on last Friday I voted for H. R. 7840 to improve pro-

state and Foreign Commerce to be helpful to retired workers and their dependents. I want to pay tribute to the chairman of the committee, Hon. CHARLES A. WOLVERTON, of New Jersey, and the entire committee for reporting this bill for consideration by the House of Representatives.

I am in full accord with the committee that, regardless of the desirability of certain proposals for the liberalization of benefits under the Railroad Retirement Act, no amendments to the law should be made which would jeopardize the financial soundness of the Railroad Retirement System. The Congress should always adhere to this fundamental principle.

Last year, Mr. Speaker, I introduced H. R. 4171 in the House of Representatives. This bill was designed to repeal the provisions of the Railroad Retirement Act amendments of 1951 that prohibited an increase in railroad retirement benefits to those persons who also have coverage under the Social Security Act.

The Committee on Interstate and Foreign Commerce held hearings on H. R. 356 and 17 similar bills, of which my bill was one, and reported favorably on H. R. 356, providing for the repeal of section 7 of Public Law 234, retroactive to October 30, 1951, the date it became effective. This bill passed the House on July 24, 1953, and passed the Senate on June 2, 1954. It was signed by President Eisenhower on June 16, 1954, and is now Public Law 398 of the 83d Congress.

Railroad Retirement Amendments

EXTENSION OF REMARKS
OF
HON. WILLIAM C. WAMPLER
OF VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 4, 1954

Mr. WAMPLER. Mr. Speaker, on Friday last the House of Representatives by a unanimous vote passed H. R. 7840, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

I voted in favor of this bill because I felt there was a real need for its passage. The very fact that there was not a single dissenting vote against it is evidence of the need for the legislation.

During my service in the House of Representatives, I have received many letters from retired railroad annuitants and pensioners, active railroad workers, and widows of railroad workers urging that action be taken to improve certain provisions under the railroad retirement system and the railroad unemployment insurance system.

Mr. Speaker, I felt that this bill, H. R. 7840, represented a sincere effort on the part of the great Committee on Inter-

Calendar No. 2249

83D CONGRESS, 2d Session } SENATE { REPORT No. 2222

AMENDMENTS TO THE RAILROAD RETIREMENT ACT, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

AUGUST 5, 1954.—Ordered to be printed

Mr. COOPER, from the Committee on Labor and Public Welfare, submitted the following

REPORT

Together with the

MINORITY VIEWS OF MR. GOLDWATER

[To accompany H. R. 7840]

The Committee on Labor and Public Welfare, to whom was referred the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The changes which the bill would make in the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act may be summarized as follows:

AMENDMENTS TO THE RAILROAD RETIREMENT ACT

1. Benefits to widows, dependent widowers, and dependent parents at age 60

Under present law, an aged widow, dependent widower, or dependent parent is not eligible for a survivor annuity until age 65. The reported bill provides for a reduction in the eligibility age to 60.

2. Benefits to widowed mothers with disabled children

Under present law, benefits are payable to a widowed mother under age 65 only if she has in her care a child of the deceased employee under age 18. The child also is entitled to a benefit. Such benefits both

to the widow and child cease when the child reaches 18 years of age. As stated above, under the provisions of the reported bill, a widow without children would become eligible for an annuity at age 60. The bill further provides that if the child has a permanent physical or mental condition prior to reaching age 18 which made him totally disabled, survivor benefits to the widowed mother and child would be payable even though the child may be over 18 years of age.

3. Elimination of reduction in survivor benefits on account of railroad retirement benefits in own right

Under present law, a widow, dependent widower, or dependent parent who receives a survivor benefit, and who is eligible for a retirement annuity in his or her own right because such individual has had railroad employment, would have the survivor benefit reduced by the annuity to which such individual is entitled by reason of his or her own employment. Such individual cannot receive both amounts. The bill provides that both annuities shall be payable without deduction.

4. Increase in creditable compensation in the calculation of annuities

Under present law, a retirement annuity, other than the minimum annuity, is calculated on the basis of the individual's years of service in the railroad industry and his average monthly compensation. No more than $300 may be credited in any month.

The annuity is computed by multiplying an individual's years of service by the following percentages of his monthly compensation: 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $150.

The bill provides that compensation up to $350 a month shall be credited. Hence, under the provisions of this bill, an individual's annuity would be computed by multiplying his years of service by the following percentages of his monthly compensation; 2.76 percent of the first $50; 2.07 percent of the next $100; and 1.38 percent of the next $200.

Under this provision for increasing the creditable compensation to $350, individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. In fact, an individual who will have had 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Other examples of the effect of the bill on the annuities of individuals who will retire with 30 years service, of which, 5, 10, 15, 20, and 25 years of service at a monthly compensation of $350 will have occurred after the enactment of this bill, are shown in table 1, appearing on page 9.

Survivor benefits also would be increased in those cases where the deceased employee will have had an average monthly compensation in excess of $300.

5. Crediting of compensation earned after age 65

Under present law, compensation earned after retirement age is used in computing an individual's retirement annuity, even though he may have had lower earnings after age 65 which would operate to renuce his average monthly compensation and therefore reduce his anduity. The reported bill provides that compensation earned after the

individual has reached age 65 would be disregarded if the result of taking such compensation into account would be to diminish his annuity.

6. Disability work clause

Under present law, a disability annuitant who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months is deemed no longer disabled at the end of the 6-month period. The reported bill eliminates this test and provides instead for the nonpayment of the annuity to a disability annuitant with respect to any month in which he is paid more than $100 in earnings from employment or self-employment.

7. Delegates to conventions

Under present law, the service of delegates to national or international conventions of railway labor organizations is covered employment under the act. These conventions frequently include delegates from units outside the railroad industry or outside the country who have no other covered employment. The accumulation of these trifling credits is of little if any value, particularly when compared with the nuisance of recording them and collecting the taxes on them. The reported bill excludes such service from coverage where the individual has no other previous covered employment.

8. Benefits to children who do not attend school

Under present law, a child of a deceased employee under 18 and over 16 years of age must attend school regularly if feasible in order to be eligible for a survivor's annuity. The reported bill would strike out the requirement that such a child must attend school in order to be eligible for a survivor's benefit. This provision was placed in the law originally because a similar provision was contained in the Social Security Act. This provision has long since been stricken from the Social Security Act, and it should be removed from the Railroad Retirement Act.

9. Waiver of retirement benefits

The bill provides that any person entitled to an annuity or pension under the Railroad Retirement Act may waive, in whole or in part, such annuity or pension which would otherwise be due. The purpose of the provision is to enable the annuitant or pensioner, by waiving all or part of his railroad retirement benefit, to come within the income limitations specified in the veterans' laws ($1,400 per year if the recipient is unmarried and $2,700 per year if the recipient is married or with minor children) and thereby qualify for a veteran's non-service-connected pension. A similar provision is contained in the Civil Service Retirement Act of May 29, 1930, as amended by Public Law 555, 82d Congress.

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

Benefits payable under the Railroad Retirement Act are presently financed by a payroll tax of 6¼ percent on railroad employees and an equal tax on their employers, payable on each employee's compensation up to $300 a month, and by contributions from the Federal Government on account of creditable military service.

The bill would increase the tax base from $300 to $350 a month, effective July 1, 1954, leaving the tax rate of 6¼ percent unchanged.

Compensation for service as a delegate to a national or international convention of a railway labor organization, if such delegate has not previously rendered service covered under the Railroad Retirement Act, would be disregarded. As already noted, the bill would disqualify such delegates for any benefits under the Railroad Retirement Act.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Benefits under the Railroad Unemployment Insurance Act are payable to a qualified employee (1) for each day of unemployment or of sickness in excess of 7 in the first 14-day registration period of unemployment or of sickness in a benefit year in which he has 7 or more days of unemployment or of sickness and (2) for each day of unemployment or of sickness in excess of 4 in any subsequent 14-day registration period of unemployment or of sickness in the same benefit year. Benefits may be paid for a maximum of 130 compensable days in a benefit year for each type of benefit.[1]

Under present law, an employee is qualified for unemployment or sickness benefits in a benefit year if he is paid compensation totaling not less than $300 in a base year.[1] The daily benefit rate is determined by the employee's base-year compensation, in accordance with the following schedule:

Base year compensation:	*Daily benefit rate*
$300 to $474.99	$3.00
$475 to $749.99	3.50
$750 to $999.99	4.00
$1,000 to $1,299.99	4.50
$1,300 to $1,599.99	5.00
$1,600 to $1,999.99	5.50
$2,000 to $2,499.99	6.00
$2,500 to $2,999.99	6.50
$3,000 to $3,499.99	7.00
$3,500 and over	7.50

Under the reported bill the daily benefit rate would be determined by the employee's base year compensation in accordance with the following schedule:

Base year compensation:	*Daily benefit rate*
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

There is a further provision that if the daily benefit rate to which an employee would be entitled under the above schedule would amount to less than half of his daily rate of compensation for the last employment in which he was engaged in the base year, his daily

[1] A benefit year extends from July 1 to the following June 30; the base year is the calendar year preceding the beginning of the benefit year.

benefit rate would be increased to half of such amount but not exceeding $8.50. Also, the total amount of benefits which may be paid to an employee separately for unemployment or sickness within a benefit year cannot exceed his total compensation in the base year.

The unemployment and sickness benefit programs under the Railroad Unemployment Insurance Act are supported by contributions collected by the Railroad Retirement Board from the employers alone with respect to each employee in service. The contribution rate is based on a sliding scale and is fixed for any 1 year in accordance with the balance remaining in the unemployment insurance account as of the close of business on September 30 of the preceding year. The contribution rate is applicable to the employee's compensation not in excess of $300 for any calendar month.

The reported bill would increase the maximum compensation that would be subject to contribution to $350 a month.

The schedule of contribution rates provided for in section 8 of the Railroad Unemployment Insurance Act, as amended on June 23, 1948, is as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

Since the balance to the credit of the unemployment insurance account has been in excess of $450 million from the time this amendment became effective on January 1, 1948, the rate of contribution has been one-half of 1 percent since that time. The balance in the account as of March 1954, was approximately $627 million.

In accordance with the amendments proposed to be made in the Railroad Retirement Act and the Railroad Retirement Tax Act with respect to delegates attending a national or international convention of a railway labor organization, the reported bill likewise exempts from the provisions of the Railroad Unemployment Insurance Act such delegates if they have not previously rendered service to an employer as defined in that act.

BACKGROUND

This bill, as introduced, is a companion bill to S. 2930 which was introduced in the Senate on February 11, 1954, and was the subject of 3 days of hearings on July 7, 14, and 19, 1954.

This bill is supported by the standard railway labor unions, including the 4 train and engine service brotherhoods, and 19 organizations affiliated with the Railway Labor Executives Association.

The four train and engine service brotherhoods are Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, and Brotherhood of Railroad Trainmen.

The organizations affiliated with the Railway Labor Executives' Association are: Switchmen's Union of North America; the Order of

Railroad Telegraphers; American Train Dispatchers Association; Railway Employees' Department, A. F. of L.; International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers; Brotherhood of Railway Carmen of America; Sheet Metal Workers International Association; International Brotherhood of Electrical Workers; International Brotherhood of Firemen and Oilers; Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express, and Station Employees; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen of America; National Organization of Masters, Mates and Pilots of America; National Marine Engineers' Beneficial Association; International Longshoremen's Association; Hotel and Restaurant Employees' and Bartenders International Union; Railroad Yardmasters of America; and Brotherhood of Sleeping Car Porters.

This bill is opposed by pension groups and by the Association of American Railroads.

Reports on S. 2930, the companion bill to H. R. 7840, were received from the Railroad Retirement Board, the Bureau of the Budget, and the Secretary of Labor. The Chairman and the labor member of the Railroad Retirement Board take a position in favor of enactment of this legislation, while the carrier member of the Board is opposed to it. The Bureau of the Budget favors enactment of the bill with the exception of the provision reducing the eligibility age of widows from 65 to 60 years of age. The Secretary of Labor favors enactment of this legislation provided there are reasonable safeguards excluding casual workers from eligibility for unemployment insurance benefits.

The reports of these agencies are printed in the appendix to this report.

Need for Legislation

Retirement Act Benefits

Benefits to widows, widowers, and dependent parents at age 60

The committee was advised that there is dire need in the case of many widows who had the misfortune of losing their husbands, with consequent loss of income to them. Experience has shown that few widows are fortunate enough to have employment at age 60. This is especially true when a widow is about age 60 at the time of her husband's death. A woman whose chief function in life has been to take care of her family and home is hardly in a position to secure employment after she is 50 years of age, and her opportunities are fewer still at age 60. The same conditions essentially exist with respect to dependent widowers and parents.

The reported bill provides for a reduction in the eligibility age for a widow without an eligible child, dependent widower, and dependent parent, who would be eligible to receive a survivor's annuity at age 60, rather than at age 65.

The estimated cost of this provision is $23,500,000 a year, or 0.432 percent of payroll on a level cost basis. The bill provides for the adequate financing of this proposal.

Benefits to widowed mothers and disabled children

Another provision of the bill is designed to relieve the hardships experienced by a number of surviving children over age 18 who are not capable of self-support, and their mothers. At the present time,

an annuity to a child ceases at age 18 whether or not he is capable of self-support. This, in turn, results in a cessation of the annuity to the child's mother, and causes great hardship for the widowed mother and child.

Section 12 of the reported bill provides that a survivor's annuity shall be paid to a disabled child, regardless of age, provided his physical or mental condition is such that he is unable to engage in any regular employment and provided further that such disability began before age 18.

Under the bill, the widowed mother, having such child in her care, would also be entitled to a widow's annuity so long as the child is disabled and if she is otherwise qualified. Upon recovery from disability after age 18, the child's annuity and the annuity of his mother would terminate at the same time.

The estimated cost of this provision is $750,000 a year or 0.014 percent of payroll on a level cost basis. The bill provides for the adequate financing of this proposal.

Disability work clause

Section 2 of the reported bill would eliminate the provision in the present law which provides that a disability annuity ceases if the annuitant earns more than $75 in each of 6 consecutive calendar months.

This provision has proved to be very difficult to administer. The bill proposes to substitute for it a limitation applicable to each month on the amount of earnings that may be received without causing the annuity for that month to be lost. Under this proposed clause, if a disabled annuitant is paid more than $100 in any month in employment for hire or in self-employment, his annuity would not be paid for such month. The Railroad Retirement Board has estimated that the substitution of this work clause for the present provision would result in a net saving to the retirement account of $1,500,000 a year.

Increase in creditable and taxable compensation base for retirement purposes

The bill proposes to amend the Railroad Retirement Act and the Railroad Retirement Tax Act by increasing, for benefit and taxing purposes, the maximum compensation from the present $300 to $350 a month.

Increasing the creditable compensation base from $300 to $350 would provide, of itself, higher retirement benefits and survivor benefits in the future for the almost two-thirds of the active railroad workers who now earn in excess of $300 a month, since their annuities would be based on a higher average monthly compensation. In the future an increasing number of employees and their families will benefit from this increase in the taxable base.

Since about 36 percent of all present employees do not earn more than $300 a month, the increase in the tax base would not affect them, because the existing tax rates have not been changed. The remaining two-thirds would pay the employee tax beginning July 1, 1954, on the increase from $300 to $350 per month in the taxable base. The total taxable payroll would be increased by about 9 percent or $450 million a year, and retirement-tax collections by about $56 million a year. This amendment would of itself result in increased benefits which

would cost approximately $31 million a year—$25 million under the retirement and $6 million under the survivor provisions.

The $31 million increase in retirement and survivor benefits resulting from the proposed increase in the creditable base, plus the additional cost for other Retirement Act amendments included in the bill, including the savings from the change in the disability work clause, would total approximately $54 million. The $56 million additional revenue would more than pay for all the increased benefits provided for in the bill.

When the $300 limit on the creditable and taxable compensation base was established in 1937, 98 percent of the number of railroad employees were earning no more than $300 a month. Also, 98 percent of the total railroad payroll was creditable and taxable under the $300 limitation in effect without change during the past 18 years. Since 1937, wage rates have more than doubled. The average annual earnings per railroad employee in 1937 was $1,780; in 1953, it was $4,400. As a result, at the present time, only 36 percent of the employees are earning $300 a month or less, and only 80 percent of the payroll is creditable and taxable under the $300 limitation now in the law.

Even with the proposed increase in the creditable and taxable compensation to $350 a month, only 88 percent of the payroll would be taxable compared with 98 percent 18 years ago. In other words, the proposed increase in compensation to $350 would still apply to a smaller percentage of the total payroll than was the case in 1937.

The $300 per month ceiling on creditable and taxable compensation for railroad retirement purposes has been recognized as out of date by many railroad companies for a number of years, as evidenced by the fact that they have established supplemental plans covering their officials and employees who regularly earn salaries higher than that amount. As long as 5 years ago the Railroad Retirement Board had knowledge of 53 such supplementary plans and made a study of them. There are undoubtedly a considerable number that have since been established.

The employee who pays the tax on the additional monthly compensation in excess of $300 but not in excess of $350, as proposed in the bill, would be adequately compensated by the increased benefits resulting from crediting the additional compensation, there is testimony that he would receive $3 for each $1 in taxes paid by reason of this provision in the bill.

The effect of increasing the creditable and taxable base to $350 on employees' annuities is illustrated by the following table.

TABLE 1.—*Effect of increasing creditable and taxable base to $350 per month on employees retiring on full annuities after 30 years of service, assuming all service after increase in base to be at $350*

Average monthly compensation before increase in base	Years of service		Increase in monthly annuity		Increase in aggregate taxes to date of retirement	Increase in aggregate benefits for life expectancy of 12½ years after retirement
	Before base increase	After base increase	Per month	Per year		
0	0	30	$20.70	$248.40	$1,126.80	$3,105.00
$200, $250, $300	5	25	17.25	207.00	939.00	2,587.50
$200, $250, $300	10	20	13.80	165.60	751.20	2,070.00
$200, $250, $300	15	15	10.35	124.20	563.40	1,552.50
$200, $250, $300	20	10	6.90	82.80	375.60	1,035.00
$200, $250, $300	25	5	3.45	41.40	187.80	517.50

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, p. 58.

Moreover, as already indicated, the increase in creditable monthly compensation from $300 to $350 would also operate to increase survivor benefits.

The additional revenue, to be collected from the carriers under the proposed amendment to increase the tax base, would amount to $28 million a year on a level cost basis. However, a very substantial percentage of this amount will be offset by an automatic adjustment in the Federal income tax payable by the carriers. Assuming that the Federal income-tax rate on corporations will not change greatly from the present rate, the additional $28 million, which it is estimated they would have to pay under the proposed amendment, would be offset to the extent of approximately 50 percent by reductions in their corporate income-tax payments. Furthermore, an additional amount would be saved by reductions in their supplemental pension plans.

It is also important to note that the proposed increase in the compensation base to $350 a month would be in conformity with the President's recommendation for an increase in the creditable and taxable wage base from $3,600 to $4,200 a year under the old-age and survivors insurance program. The House of Representatives, on June 1, 1954, did adopt the President's recommendation in this respect when it passed H. R. 9366, a bill to amend the Social Security Act and the Internal Revenue Code, etc. This bill is now pending before the Senate.

Other Retirement Act changes in the bill

The other amendments to the Railroad Retirement Act provided for in the bill, namely, disregarding compensation after age 65, if such compensation would reduce an individual's annuity, the elimination of the reduction in a survivor's benefit if the individual is also entitled to a railroad retirement benefit in his own right, the elimination of

national delegate service, providing benefits to children who do not attend school, and the waiver of retirement benefits for individuals who desire to qualify for a veteran's non-service-connected disability pension are of relatively minor importance. The combined cost of these items would be $80,000 a year, or 0.001 percent of payroll on a level cost basis.

Cost of benefits provided under the Railroad Act as it would be amended by this bill

The cost of benefits payable under the Railroad Retirement Act as it would be amended by the reported bill is shown in the following table:

TABLE 2.—*Annual cost and level rate required to support the Railroad Retirement Act as revised by proposed amendment (assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling)*

Benefit provision	Annual dollar cost (in thousands)	Level cost
1. Railroad retirement benefit under present act	$670,500	12.303
2. Change limit on creditable earnings from $300 to $350 a month	31,000	.569
A. Retirement benefits	25,000	.459
B. Survivor benefits (including residual lump sum)	6,000	.110
3. Reduce eligibility age for widows and parents from 65 to 60	23,500	.432
4. Change in disability work clause provision to $100 per month (as accrued)	−(1,500)	−(.028)
5. Survivor benefits continued to young widow and dependent disabled child past age 18	750	.014
6. Disregarding compensation after age 65 if use of such compensation would reduce annuity	50	.001
7. Elimination of reduction in survivor benefits on account of railroad retirement benefit in own right	20	
8. Elimination of national delegate service where other railroad service is not creditable	10	
Net level rate	724,330	13.290

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840. p. 29.

The above table shows that under the present Railroad Retirement Act, benefits cost $670.5 million per year. The estimated level tax rate required to support these benefits is 12.3 percent, assuming a level annual payroll of $5,450 million, based on a $350 monthly ceiling as proposed in the bill. (The estimated level tax rate required to support these benefits under present law, assuming a level annual payroll of $5 billion, based on a $300 monthly ceiling, is 13.41 percent of payroll.) This table, however, does not include the additional cost of benefits provided for in Public Law 398, approved June 16, 1954, which was estimated at an earlier hearing to be $7.5 million a year, or 0.15 percent of payroll, on a level cost basis.

The amendments proposed by H. R. 7840 would increase the ceiling on taxable payroll from $300 to $350 per month, thereby adding $450 million to the total taxable payroll, $56 million to the taxes under the existing schedule of tax rates and $54 million to the benefit costs.

The overall effect of the amendments to the Railroad Retirement Act proposed by this bill, including the effect of Public Law 398 of the 83d Congress, would be to increase the benefit costs to approximately $732 million a year on a level cost basis. This is equivalent to a tax rate of 13.4 percent of covered payroll based on a maximum taxable compensation of $350 per month.

UNEMPLOYMENT INSURANCE BENEFITS

The bill proposes to amend the Railroad Unemployment Insurance Act so as to increase the maximum monthly compensation for both benefit and employer contribution purposes from the present $300 a month to $350 a month.

The increase in the contribution base to $350 a month would increase the taxable payroll by approximately 9 percent. At the current contribution rate for unemployment insurance of 0.5 percent, the effect of increasing the tax base would be to add approximately $2¼ million a year to the contributions paid by the railroads. This additional payment will continue for several years and will increase in amount as the contribution rate increases in the future. The carrier member of the Railroad Retirement Board has estimated that over the long run the additional cost to the carriers will average $26 million a year.

It has been the uniform policy of the Congress, since the establishment of the Railroad Unemployment Insurance Act, to use the same base year earnings for benefit and contribution purposes under this law as under the Railroad Retirement Act. This policy has great advantage in simplifying the administration of the two acts. There is no logical reason why there should be a different base for one act than for the other.

The provision in the reported bill that the daily benefit rate shall be not less than half of the employee's last daily wage rate payable to him in the last position he held in the base year, with a maximum of $8.50 per day, is consistent with the recent recommendation regarding the Federal-State unemployment insurance systems made by the President in his Economic Report to the Congress, dated January 28, 1954, wherein he urged that such unemployment insurance systems be improved and expanded and that the effectiveness of the unemployment insurance program be strengthened. The President suggested that the States raise the dollar maximums payable under their unemployment insurance systems "so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings."

At the present time railroad unemployment and sickness benefits are approximately 40 percent of the average railroad weekly wages. Your committee believes that these benefits should be closer to 50 percent of the average weekly wages, as provided for in the bill. This would make the benefits payable under the railroad unemployment insurance system conform more nearly to the recommendations made by the President for the improvement of State unemployment insurance systems.

The benefit program under the Railroad Unemployment Insurance Act is financed by contributions made by the employers alone, and the contributions are made with respect to each employee's monthly compensation not in excess of $300. This $300 limit was fixed in 1937. Since then, average railroad wages have more than doubled. Hence, even under the increase in the contribution base to $350 a month, as proposed in the bill, a smaller percentage of the total wages paid in the railroad industry will be subject to unemployment insurance contributions than was the case in 1937.

The contribution rate with respect to each employee's monthly compensation is based on a sliding scale. The rate varies according to the balance in the railroad unemployment insurance account as shown in the following schedule:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

The minimum contribution rate is 0.5 percent of compensation; the maximum is 3 percent of compensation. The reported bill makes no change in the above schedule.

Since January 1, 1948, when the above schedule became effective, the carriers have contributed at the minimum rate of 0.5 percent each year because the balance in the unemployment insurance account has exceeded $450 million in each year. Prior to 1948, the contribution rate paid by the railroads was 3 percent of payroll, exclusive of amounts paid to any employee in excess of $300 a month.

The annual contributions made by the railroads under the Railroad Unemployment Insurance Act since 1945 have been as follows:

	Contributions
Fiscal year:	
1945–46	$129, 058, 585
1946–47	141, 770, 293
1947–48	145, 124, 181
1948–49	87, 010
1949–50	16, 180, 861
1950–51	24, 411, 957
1951–52	25, 689, 321
1952–53	25, 056, 674

Source: Railroad Retirement Board Annual Report for the fiscal year ended June 30, 1953, table A–2, p. 87.

During the 5-year period from July 1, 1948, to June 30, 1953, the total contributions made by the carriers amounted to $91,425,823, or only 63 percent of the contributions made for the single fiscal year July 1, 1947, to June 30, 1948.

The Railroad Retirement Board has advised that the balance in the unemployment insurance account, plus the current income to the account, will be sufficient to pay all unemployment and sickness benefits provided for under present law and still maintain the contribution rate of 0.5 percent up to January 1, 1958, or January 1, 1959, when it would become necessary to increase the contribution rate to 1 percent. The Board has further advised that the amendments to the Railroad Unemployment Insurance Act proposed by the bill would cause the contribution rate to increase to 1 percent in January 1957 and possibly not before January 1958.

In contrast with the railroad contribution rate of 0.5 percent which has been paid since January 1, 1948, employers covered under State unemployment insurance laws now pay an average rate of approxi-

mately 1.5 percent to the States and 0.3 percent to the Federal Government. Rates for employers under State laws, including the 0.3-percent Federal tax, are compared with rates payable under the Railroad Unemployment Insurance Act since 1948, in the following tabulation:

Contribution rate

Year	State laws, average	RUIA
1948	1.54	0.5
1949	1.61	.5
1950	1.80	.5
1951	1.88	.5
1952	1.75	.5

Source: Report of the Railroad Retirement Board to the Committee on Interstate and Foreign Commerce on H. R. 7840, Mar. 5, 1954.

Your committee believes that the amendments to the Railroad Unemployment Insurance Act proposed in the reported bill are consistent with the President's recommendations for improving the Federal-State unemployment insurance systems, are equitable and just, and should be adopted.

Your committee urges the prompt passage of the reported bill.

Section-by-Section Explanation of the Committee Bill

Section 1. Compensation of delegates to railway labor conventions

This section amends section 1 (h) of the Railroad Retirement Act (which defines the term "compensation") to provide that compensation for service by an individual as a delegate to a convention of a national railway labor organization shall be disregarded, in determining his eligibility for benefits under that act and the amount of such benefits, if he has no previous service creditable under that act. Under existing law, delegates to these conventions are covered by the taxing and benefit provisions of the railroad retirement and unemployment insurance systems. Many of these delegates, including those from Canada and those representing lodges or other units in outside industries, have no other service creditable under the Railroad Retirement Act. Service as a delegate occurs only once in several years and does not last for more than a month or so at a time, with the certain result that those delegates with no other creditable service will never acquire the 120 months of service credit now required for eligibility under the Railroad Retirement Act. It is almost equally certain that in the large majority of cases these delegates' services will be insufficient to provide the required quarters of coverage for eligibility under the Social Security Act at retirement or death.

The amendment made by this section would apply only to compensation (for service as a delegate) received on or after April 1, 1954, and would have no effect on earlier delegate service, in order to avoid the necessity of making small refunds of taxes heretofore paid by such delegates. To provide for refunds for the earlier periods would not be practicable because the administrative cost to the Board and to the labor organizations would be considerably more than the refunds.

Sections 2 and 3. Disability work clause

Section 2 of the bill eliminates from the last paragraph of section 2 (a) of the Railroad Retirement Act the provision which establishes, in the case of a disability annuitant, a presumption of recovery from disability whenever such annuitant earns more than $75 (in service for hire or in self-employment) in each of any six consecutive calendar months. The purpose of this provision has been widely misunderstood, and the provision itself has proved very difficult to administer.

To remedy the situation and still provide a practical disability or retirement test, the present test is eliminated and section 3 of the bill adds to section 2 (d) of the Railroad Retirement Act a new paragraph providing a month-to-month work clause under which a disability annuitant would not be paid his annuity for any month in which he receives more than $100 in earnings from employment or self-employment of any form. The following illustrates how the new work clause would operate:

If the disability annuitant receives more than $100 in a particular month, whether from employment for hire or from self-employment, he will be presumed to have earned that amount in that month unless there is evidence that definite or ascertainable parts of the total sum received represent earnings accrued in earlier months. If any such accrual for any such earlier month is in excess of $100, the annuity would not be payable for that month either. On the other hand, if upon the breakdown of the total sum received and the allocation of specific parts to the earlier months in which they accrued there is no month having accrued in it more than $100, no reduction would be made for any month.

In determining the amount of these accruals, in self-employment cases, only net accruals would be counted; expenses or losses incurred in connection with the earning of the self-employment income would, of course, be deducted (since it is only "earnings" which would cause a deduction), attributing such expenses or losses to the months with respect to which they were incurred.

The provision, in disability cases, for loss of an additional amount equal to the amount of the annuity for any month with respect to which no report was made to the Board as required, is patterned after a similar provision in the Social Security Act, and is intended to have the same general effect. If, for example, a disability annuitant had accrued earnings of more than $100 in each month between April and October, inclusive, he will for 7 months have received annuities to which he was not entitled. Assuming the annuity was $100 a month, the Board would require him to repay the $700 overpayment either by deductions from later benefits or otherwise. In addition, the Board would make a deduction of 1 month's annuity from any later annuities due him if he fails to report these accruals before accepting his annuity check dated July 1 (which would be for June, the second month following April), even though he does not make the report until December or does not make it at all. Limiting the penalty for failure to report to 1 month's annuity would apply in this case only because it is his first failure to report. If, however, the same individual should return to work (in employment or self-employment paying in excess of $100 a month) for the same 7 months of the next year, with the Board continuing to pay the annuity for these months,

he will have again been overpaid $700 in annuities as he was the year before, but if he should again fail to make the required report, the Board would not only recover the overpayment of the annuities but would have to make a deduction from annuities later due the employee in an amount equal to the total of the annuities for the 7 months with respect to which he failed to make the report.

Individuals whose annuities have been terminated under the present law because they earned more than $75 a month for 6 consecutive months will have their annuities restored, if they are still actually disabled, effective on the first day of the first month after the month in which the bill is enacted, but subject thereafter to the new work clause.

Sections 4, 5, and 6. Increase in earnings base

Section 4 amends section 3 (a) of the Railroad Retirement Act so as to increase from $300 to $350 the maximum amount of monthly compensation which may be used in the computation of annuities. The percentages of the monthly compensation to be multiplied by the years of service in making such computation would not be changed.

Section 5 amends section 3 (b) (1) of the Railroad Retirement Act so as to conform to the increase effected by section 4 of the bill.

The first part of section 6 amends section 3 (c) of the Railroad Retirement Act so as to increase from $300 to $350, in conformity with the increase effected by section 4 of the bill, the amount of compensation earned in a month which may be taken into account in determining monthly compensation for periods after June 30, 1954.

Section 6. Compensation earned after attaining age 65

The second part of section 6 adds at the end of section 3 (c) of the Railroad Retirement Act a new sentence which would exclude (in determining average monthly compensation) earnings and service acquired after the calendar year in which an individual attains age 65, but only if such exclusion would result in a larger average monthly compensation. Under this amendment, service after the year in which age 65 is attained would still be included in the years of service used in computing the annuity but not in determining the average monthly compensation.

Section 7. Minimum benefits based on social-security-benefit levels

This section is included in the bill because of the effect of section 8 (discussed below), which would permit payment to an employee's widow, dependent widower, or dependent parent of a survivor annuity at age 60, rather than at age 65 as at present, and because of the effect of section 12 (discussed below), which would provide for the payment of a child's annuity after age 18 if the child is totally and permanently disabled and for the payment of a widow's current insurance annuity to the child's mother, because of having the child in her care, if she is otherwise entitled to such annuity. At the present time, more than 50 percent of the survivor benefits are higher, because of the application (under the so-called social-security-minimum provision) of the formulas of the Social Security Act, than would be payable under the Railroad Retirement Act if the regular computation formulas were used. The provision for the overall social-security minimum makes certain that any survivor annuity which is lower than a social-security benefit under the same circumstances is paid

at the higher rate. The Social Security Act, however, has no corresponding provision for the payment of survivor annuities before age 65 or for the payment of a child's annuity after age 18. In order to conform the minimum amounts of the annuities in these newly covered cases to the amounts payable under the Social Security Act at age 65 or, in the case of a child (and the mother who has the child in her care), before age 18, section 7 of the bill would provide that, in the application of the social-security minimum provision, the annuity of a widow, widower, or parent at age 60 is to be computed as if the beneficiary were age 65, and the annuity of a child after age 18 and of his mother, based on her care of the child, is to be computed as though the child were under 18.

Section 8. Reduction in eligibility age for widows, widowers, and parents

Section 5 (a) of the Railroad Retirement Act now provides for the payment of annuities to widows and widowers at age 65, and section 5 (d) of that act provides for the payment of annuities to dependent parents at age 65. The amendments made by section 8 of the bill to such sections would reduce the eligibility age from 65 to 60 for widows, dependent widowers, and parents. The changes in section 5 (f) (2) of the act necessitated by these amendments are made by section 9 of the bill.

Section 9. Residual lump sum death benefits

The provisions of section 5 (f) (2) of the Railroad Retirement Act, relating to the payment of residual lump-sum death benefits, would be amended by section 9 of the bill to conform to the other amendments in the bill which reduce the eligibility age for survivor benefits and provide for the crediting of compensation up to $350 a month. The amendments made by this section would require the election to obtain the lump-sum residual benefit (in lieu of the future monthly survivor benefits) to be made before age 60, instead of age 65, if the future monthly survivor benefits are payable under the Railroad Retirement Act. However, when the future monthly survivor benefits are payable under the Social Security Act the election, as before, can still be made at any time before attaining age 65.

Section 10. Elimination of restriction on double annuities

This section strikes out the last sentence of section 5 (g) (2) of the Railroad Retirement Act, which contains a limitation upon the right of a widow, dependent widower, or dependent parent to receive a survivor annuity under the Railroad Retirement Act in addition to a retirement annuity under that act. Under the amendment made by this section, instead of having his or her survivor annuity reduced by the amount of his or her railroad retirement annuity, as is required by the present law, the widow, widower, or parent would receive both annuities without reduction.

Section 11. Repeal of provision requiring school attendance for child's benefits

This section would eliminate section 5 (i) (1) (iii) of the Railroad Retirement Act, which requires school attendance by children over age 16 and under age 18 as a condition to receiving survivor benefits. This provision was included in the Railroad Retirement Act because of its inclusion, originally, in the Social Security Act. The corresponding provision has now been eliminated from the Social Security Act and

hence the only reason for its inclusion in the Retirement Act has disappeared.

Section 12. Benefits for disabled children over age 18

This section would amend section 5 (l) (1) (ii) of the Railroad Retirement Act, which provides the conditions under which an annuity may be paid to a child. One of these conditions is that the child must be less than 18 years of age. This amendment would provide a survivor annuity to a child over age 18 if he is incapable of self-support because of a permanent disability. Under this provision a child under age 18 would receive the child's benefit regardless of disability; that is, no proof of disability would be required before age 18, assuming, of course, that the child is otherwise entitled to the survivor annuity. To continue to be eligible for the annuity after age 18, however, proof of disability would be required. As a condition of eligibility for this disability annuity, the amendment would require the disability to have begun before age 18, although the annuity itself could be applied for and could begin later. The disability annuity for the child would be payable for as long as the Board finds that his disability continues, and the annuity of the child's mother, based on her care of the child, would also be payable as long as the child's annuity continues and she remains otherwise entitled to a widow's current insurance annuity.

Sections 13 and 14. Increase in earnings base for purposes of survivors' benefits

Sections 5 (l) (9) and 5 (l) (10) of the Railroad Retirement Act provide the formulas for determining the "average monthly remuneration" and the "basic amount", respectively, for the purpose of computing survivor benefits under the act. Sections 13 and 14 of the bill would amend these formulas in order to conform to the increase effected by the other provisions of the bill in the maximum creditable compensation from $300 to $350 a month.

Section 15. Waiver of annuities and pensions

This section would add a new section 20 to the Railroad Retirement Act for the purpose of permitting an annuitant or pensioner to waive his annuity or pension in whole or in part. The effect of such waiver would be to reduce the total annual income of the annuitant or pensioner and thus (by bringing his total income within the applicable limitations) to provide eligibility for a benefit from the Veterans' Administration. Such waiver, however, would have no effect on the amount of any spouse's or survivor's annuity, or on the amount of any residual benefit under section 5 (f) (2) of the act.

Sections 201 to 204. Increase in earnings base for tax purposes

The change in the maximum compensation from $300 to $350 a month, effected by the preceding sections of the bill for the purposes of the Railroad Retirement Act, is paralleled by the amendments made by sections 201, 202, 203, and 204 of the bill to sections 1500, 1501, 1510, and 1520, respectively, of the Railroad Retirement Tax Act. Under these amendments the employee tax, the employee representative tax, and the employer tax would apply to as much as $350 of compensation in any month, rather than only to $300 as is now the case.

Section 205. Tax on compensation of delegates to railway labor conventions

This section would amend section 1532 of the Railroad Retirement Tax Act so as to exclude from taxation the compensation, for service as a delegate to a national or international convention of a railway labor organization, of any person who has no other previous creditable service, and would make the Tax Act conform to the Retirement Act in this respect.

Section 301. Unemployment insurance in case of delegates to railway labor conventions

This section would amend subsection (g) of section 1 of the Railroad Unemployment Insurance Act with respect to delegates to national or international conventions of railway labor organizations in the same way that the Retirement Act and Tax Act are amended by sections already discussed.

Section 302. Increase in earnings base for unemployment insurance purposes

The change in the maximum compensation from $300 to $350 a month, effected by the previous sections of the bill for the purposes of the Railroad Retirement Act and the Railroad Retirement Tax Act, is paralleled by the changes made by sections 302, 305, and 306 of the bill, which amend (for credit and contribution purposes) sections 1 (i), 8 (a), and 8 (b), respectively, of the Railroad Unemployment Insurance Act.

Section 303. Limitation on eligibility for unemployment insurance benefits

This section would conform the definitions of "qualified employee" and "subsidiary remuneration" (in the Railroad Unemployment Insurance Act) to the changes made by section 304 of the bill and would provide that unemployment and sickness benefits are not payable to anyone whose base-year earnings are less than $400.

Section 304. Daily benefit rates

This section would amend the Railroad Unemployment Insurance Act by changing the table of daily benefit rates and qualifying amounts of earnings in the base year so that such rates and amounts will begin with $3.50 and $400, respectively, with graduations in the daily benefit rates in steps of 50 cents to a maximum of $8.50 based on successively greater qualifying amounts within a range of $400 to $4,000 and over. In addition, this section would provide an overall minimum daily benefit rate of one-half of the daily rate of the employee's compensation for his last railroad employment in the base year, but in no event to exceed a daily benefit rate of $8.50. The daily rate of compensation for these minimum purposes is to be determined by the Railroad Retirement Board on the basis of information which the Board may receive from either the employee or his employer, or both. This section also imposes a limitation on benefits in terms of the employee's base-year compensation. His total benefits for days of unemployment in a benefit year may not exceed his base-year compensation. Likewise, his total benefits for days of sickness, other than days of sickness in a maternity period, may not exceed his base-year compensation. Finally, the employee's total

benefits in a maternity period may not exceed her base-year compensation in the base year on the basis of which she qualified for benefits; usually this will be the base year for the benefit year in which the maternity period began, but if she did not have the necessary qualifying earnings in that base year, and was held entitled to some benefits in the maternity period on the basis of her compensation in the succeeding base year, it is the compensation in the latter year which sets the limit on the amount of benefits she may receive. It is possible for an employee to receive benefits in two maternity periods during the same benefit year. In such cases, the new proviso is applied to each maternity period separately; that is, the employee's total benefits in each maternity period may not exceed her base-year compensation in the base year on the basis of which she qualified for benefits in that maternity period. The proviso does not relate to the combined benefits for the two maternity periods in which an employee may receive benefits during the same benefit year.

Sections 305 and 306. Increase in earnings base for unemployment insurance purposes

For comments on sections 305 and 306, see the discussion above on section 302.

Sections 401 to 406. Effective dates

Sections 401 through 403 provide the effective dates for most of the provisions of the bill and need no further comment.

Section 404 would provide for the reinstatement of a disability annuity which has been terminated under the present law because the annuitant earned more than $75 a month in each of 6 consecutive calendar months, if he is still in fact disabled. In order to prevent the applicability of the "last person" provision in section 2 (d) of the Railroad Retirement Act to any employment for the person by whom the annuitant was employed before the annuity was reinstated, this section also provides that for this purpose the annuity shall not be considered to have ceased.

Section 405 would make the provisions of section 6 of the bill (permitting the exclusion of service after age 65 where its inclusion would reduce the average monthly compensation) retroactive to November 1, 1951, but would also provide that an award of an increase in benefits, based on the amendment, will be made only upon application.

Section 406 would make the provisions of section 10 of the bill (permitting a widow, widower, or parent to receive a survivor annuity without reduction on account of his or her railroad retirement annuity) effective as to annuities accruing, and as to annuities awarded, on and after the first day of the first calendar month after the month of enactment.

CHANGES IN EXISTING LAW

In accordance with subsection (4) of rule XXIX of the Standing Rules of the Senate, the changes made in existing law are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

(a) * * *

* * * * * * *

(h) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips, or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of subsections (a), (c), and (d) of section 2 and subsection (a) of section 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (1) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to sections 2 (a) and 3 (a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (2) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year, or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. *Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service".*

* * * * * * *

ANNUITIES

SEC. 2. (a) * * *

* * * * * * *

Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided for in paragraph 4 or 5 and of the continuance of such disability (according to the standards applied in the establishment of such disability) until the employee attains the age of sixty-five. If the individual fails to comply with the requirements prescribed by the Board as to proof of the continuance of the disability until he attains the age of sixty-five years, his right to an annuity by reason of such disability shall, except for good cause shown to the Board, cease, but without prejudice to his rights to any subsequent annuity to which he may be entitled. If before attaining the age of sixty-five an employee in

receipt of an annuity under paragraph 4 or 5 is found by the Board to be no longer disabled as provided in said paragraphs his annuity shall cease upon the last day of the month in which he ceases to be so disabled. [An employee, in receipt of such annuity, who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months, shall be deemed to cease to be so disabled in the last of such six months; and such employee shall report to the Board immediately all such service for hire, or such self-employment.] If after cessation of his disability annuity the employee will have acquired additional years of service such additional years of service may be credited to him with the same effect as if no annuity had previously been awarded to him.

* * * * * * *

(d) No annuity shall be paid with respect to any month in which an individual in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to accrue. Individuals receiving annuities shall report to the Board immediately all such compensated service.

No annuity under paragraph (4) or (5) of subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age sixty-five and is paid more than $100 in earnings from employment or self-employment of any form: Provided That, for purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of sixty-five shall report to the Board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual who fails to make such report, in the annuity or annuities otherwise due the individual of an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed.

* * * * * * *

COMPUTATION OF ANNUITIES

SEC. 3. (a) The annuity shall be computed by multiplying an individual's "years of service" by the following percentages of his "monthly compensation": 2.76 per centum of the first $50; 2.07 per centum of the next $100; and 1.38 per centum of the next [$150] *$200*.

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however*, That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States, no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation ([including compensation in any month in excess of $300] *without regard to any limitation on the amount of compensation otherwise provided in this Act*) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation ([including compensation in any month in excess of $300] *without regard to any limitation on the amount of compensation otherwise provided in this Act*) for service rendered anywhere to an employer after January 1, 1937.

* * * * * * *

MONTHLY COMPENSATION

(c) The "monthly compensation" shall be the average compensation paid to an employee with respect to calendar months included in his "years of service," except (1) that with respect to service prior to January 1, 1937, the monthly compensation shall be the average compensation paid to an employee with respect

to calendar months included in his years of service in the years 1924–1931, and (2) the amount of compensation paid or attributable as paid to him with respect to each month of service before September 1941 as a station employee whose duties consisted of or included the carrying of passengers' hand baggage and otherwise assisting passengers at passenger stations and whose remuneration for service to the employer was, in whole or in substantial part, in the form of tips, shall be the monthly average of the compensation paid to him as a station employee in his months of service in the period September 1940–August 1941: *Provided, however,* That where service in the period 1924–1931 in the one case, or in the period September 1940–August 1941 in the other case, is, in the judgment of the Board, insufficient to constitute a fair and equitable basis for determining the amount of compensation paid or attributable as paid to him in each month of service before 1937, or September 1941, respectively, the Board shall determine the amount of such compensation for each such month in such manner as in its judgment shall be fair and equitable. In computing the monthly compensation, no part of any month's compensation in excess of $300 *for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,* shall be recognized. *If the employee earned compensation in service after June 30, 1937, and after the last day of the calendar year in which he attained age sixty-five, such compensation and service shall be disregarded in computing the monthly compensation if the result of taking such compensation into account in such computation would be to diminish his annuity.*

* * * * * * *

(e) In the case of an individual having a current connection with the railroad industry, the minimum annuity payable shall, before any reduction pursuant to section 2 (a) (3) or the last paragraph of section 3 (b), be whichever of the following is the least: (1) $4.14 multiplied by the number of his years of service; or (2) $69; or (3) his monthly compensation: *Provided, however,* That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, *individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age sixty-five, and individuals entitled to insurance annuities under subsection (c) of section 5 on the basis of disability to be less than eighteen years of age,* and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 [thereof] *of the Social Security Act*) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act and quarters of coverage were determined in accordance with section 5 (l) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.

* * * * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) Widow's and Widower's Insurance Annuity.—A widow or widower of a completely insured employee, who will have attained the age of [sixty-five] *sixty,* shall be entitled during the remainder of her or his life, or if she or he remarries, then until remarriage to an annuity for each month equal to such employee's basic amount: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.

* * * * * * *

(d) Parent's Insurance Annuity.—Each parent, [sixty-five] *sixty* years of age or over, of a completely insured employee, who will have died leaving no widow, no widower, and no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to an annuity for each month equal to two-thirds of the employee's basic amount.

* * * * * * *

(f) Lump-Sum Payment.—(1) * * *

(2) Whenever it shall appear, with respect to the death of an employee on or after January 1, 1947, that no benefits, or no further benefits, other than benefits

payable to a widow, widower, or parent upon attaining age [sixty-five] *sixty* at a future date, will be payable under this section or, pursuant to subsection (k) of this section, *Upon attaining age sixty-five at a future date, will be payable* under section 202 of the Social Security Act, as amended, there shall be paid to such person or persons as the deceased employee may have designated by a writing filed with the Board prior to his or her death, or if there be no designation, to the person or persons in the order provided in paragraph (1) of this subsection or, in the absence of such person or persons, to his or her estate, a lump sum in an amount equal to the sum of 4 per centum of his or her compensation paid after December 31, 1936, and prior to January 1, 1947, and 7 per centum of his or her compensation after December 31, 1946 (exclusive in both cases of compensation in excess of $300 for any month *before July 1, 1954, and in the latter case in excess of $350 for any month after June 30, 1954*), minus the sum of all benefits paid to him or her, and to others deriving from him or her, during his or her life, or to others by reason of his or her death, under this Act, and pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended: *Provided, however*, That if the employee is survived by a widow, widower, or parent who may upon attaining age [sixty-five] *sixty* be entitled to further benefits under this section, or pursuant to subsection (k) of this section *upon attaining age sixty-five be entitled to further benefits* under section 202 of the Social Security Act, as amended, such lump sum shall not be paid unless such widow, widower, or parent makes and files with the Board an irrevocable election, in such form as the Board may prescribe, to have such lump sum paid in lieu of all benefits to which such widow, widower, or parent might otherwise become entitled under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended. Such election shall be legally effective according to its terms. Nothing in this section shall operate to deprive a widow, widower, or parent making such election of any insurance benefits under section 202 of the Social Security Act, as amended, to which such widow, widower, or parent would have been entitled had this section not been enacted. The term "benefits" as used in this paragraph includes all annuities payable under this Act, lump sums payable under paragraph (1) of this subsection, and insurance benefits and lump-sum payments under section 202 of the Social Security Act, as amended, pursuant to subsection (k) of this section, except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).

(g) Correlation of Payments.—(1) * * *

(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. [If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.]

* * * * * * *

(i) Deductions From Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have rendered service for wages as determined under section 209 of the Social Security Act, without regard to subsection (a) thereof, of more than $75, or will have been charged under section 203 (e) of that Act with net earnings from self-employment of more than $75; *or*

[(iii) if a child under eighteen, and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or]

[(iv)] *(iii)* if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * * * *

(l) Definitions.—For the purposes of this section the term "employee" includes an individual who will have been an "employee", and—

(1) The qualifications for "widow", "widower", "child", and "parent" shall be, except for the purposes of subsection (f), those set forth in section 216 (c), (e), and (g), and section 202 (h) (3) of the Social Security Act, respectively; and in addition—

(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began;

(ii) a "child" shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death by other than a stepparent, grandparent, aunt, or uncle; shall be unmarried; [and less than eighteen years of age] *and shall be less than eighteen years of age, or shall have a permanent physical or mental condition which is such that he is unable to engage in any regular employment: Provided, That such disability began before the child attains age eighteen*; and

(iii) a "parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.

A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied[;]. *Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided in clause (ii) of this paragraph and of the continuance, in accordance with regulations prescribed by the Board, of such disability. If the individual fails to comply with the requirements prescribed by the Board as to the proof of the continuance of the disability his right to an annuity shall, except for good cause shown to the Board, cease.*

* * * * * * *

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month *before July 1, 1954, and any excess over $350 for any calendar month after June 30, 1954*, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than [$300] *$350* and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation, and wages shall be so excluded.

With respect to an employee who will have been awarded a retirement annuity, the term "compensation" shall, for the purposes of this paragraph, mean the compensation on which such annuity will have been based;

(10) The term "basic amount" shall mean—

(i) for an employee who will have been partially insured, or completely insured solely by virtue of paragraph (7) (i) or (7) (ii) or both: the sum of (A) 40 per centum of his average monthly remuneration, up to and including $75; plus (B) 10 per centum of such average monthly remuneration exceeding

$75 and up to and including [$300] *$350*, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by the number of years after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more; if the basic amount, thus computed, is less than $14 it shall be increased to $14;

SEC. 20. Any person awarded an annuity or pension under this Act may decline to accept all or any part of such annuity or pension by a waiver signed and filed with the Board. Such waiver may be revoked in writing at any time, but no payment of the annuity or pension waived shall be made covering the period during which such waiver was in effect. Such waiver shall have no effect on the amount of the spouse's annuity, or of a lump sum under section 5 (f) (2), which would otherwise be due, and it shall have no effect for purposes of the last sentence of section 5 (g) (1).

RAILROAD RETIREMENT TAX ACT

PART I—TAX ON EMPLOYEES

SEC. 1500. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every employee a tax equal to the following percentages of so much of the compensation, paid to such employee after December 31, 1946, for services rendered by him after such date, as is not in excess of $300 for any calendar month *before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954:*

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ per centum;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 per centum;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ per centum.

SEC. 1501. DEDUCTION OF TAX FROM COMPENSATION.

(a) REQUIREMENT. The tax imposed by section 1500 shall be collected by the employer of the taxpayer by deducting the amount of the tax from the compensation of the employee as and when paid. If an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1946 and the aggregate of such compensation is in excess of $300 *for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,* the tax to be deducted by each employer other than a subordinate unit of a national railway-labor-organization employer from the compensation paid by him to the employee with respect to such month shall be that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such months bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if such month is before July 1, 1954, or is less than $350 if such month is after June 30, 1954,* each subordinate unit of a national railway-labor-organization employer shall deduct such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month.

* * * * * * *

PART II—TAX ON EMPLOYEE REPRESENTATIVES

SEC. 1510. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of each employee representative a tax equal to the following percentages of so much of the compensation, paid to such employee representative after December 31, 1946, for services rendered by him after such date, as is not in excess of $300 for any calendar month *before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954:*

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 11½ per centum;

2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 12 per centum;

3. With respect to compensation paid after December 31, 1951, the rate shall be 12½ per centum.

* * * * * * *

PART III—TAX ON EMPLOYERS

SEC. 1520. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of so much of the compensation, paid by such employer after December 31, 1946, for services rendered to him after December 31, 1936, as is, with respect to any employee for any calendar month *before July 1, 1954*, not in excess of $300, *and for any calendar month after June 30, 1954, not in excess of $350*: *Provided, however*, That if an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1936, the tax imposed by this section shall apply, *with respect to any calendar month before July 1, 1954* to not more than $300, *and with respect to any calendar month after June 30, 1954, to not more than $350* of the aggregate compensation paid to such employee by all such employers after December 31, 1946, for services rendered during such month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if the month is before July 1, 1954, or is less than $350 if the month is after June 30, 1954.*, each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ per centum;

2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 per centum;

3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ per centum.

* * * * * * *

PART IV—GENERAL PROVISIONS

* * * * * * *

SEC. 1532. DEFINITIONS.

As used in this subchapter—

* * * * * * *

(e) Compensation.—* * *.

A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. *Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this Act if the individual rendering such service has not previously rendered service,*

other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.

RAILROAD UNEMPLOYMENT INSURANCE ACT

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

* * * * * *

(g) The term "employment" means service performed as an employee. For the purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this Act, employment after June 30, 1940, in the service of a local lodge or division of a railway-labor-organization employer or as an employee representative shall be disregarded. *For purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this Act, employment as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section, shall be disregarded if the individual having such employment has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.*

* * * * * * *

(i) The term "compensation" means any form of money remuneration including pay for time lost but excluding tips, paid for services rendered as an employee to one or more employers, or as an employee representative: *Provided, however,* That in computing the compensation paid to any employee with respect to any calendar month *before July 1, 1954,* no part of any compensation in excess of $300 shall be recognized *and with respect to any calendar month after June 30, 1954, no part of any compensation in excess of $350 shall be recognized.* A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned.

* * * * * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; and (2) a "day of sickness," with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work or which is included in a maternity period, and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe: *Provided, however,* That "subsidiary remuneration," as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidiary remuneration is less than [$150] *$400*:

Provided further, That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the second of such two days, and any individual who takes work for such working day shall not by reason thereof be deemed not available for work on the first of such calendar days: *Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

For the purpose of this subsection, the term "subsidiary remuneration" means, with respect to any employee, remuneration not in excess of an average of one dollar a day for the period with respect to which such remuneration is payable or accrues, if the work from which the remuneration is derived (i) requires substantially less than full time as determined by generally prevailing standards, and (ii) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation.

* * * * * * *

BENEFITS

SEC. 2. (a) Benefits shall be payable to any qualified employee (i) for each day of unemployment in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more days of unemployment, and for each day of unemployment in excess of four during any subsequent registration period in the same benefit year, and (ii) for each day of sickness (other than a day of sickness in a maternity period) in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more such days of sickness, and for each such day of sickness in excess of four during any subsequent registration period in the same benefit year, and (iii) for each day of sickness in a maternity period.

The benefits payable to any such employee for each such day of unemployment or sickness shall be the amount appearing in the following table in column II on the line on which, in column I, appears the compensation range containing his total compensation with respect to employment in his base year:

Column I Total compensation	Column II Daily benefit rate
[$300 to $474.99	$3.00
$475 to $749.99	3.50
$750 to $999.99	4.00
$1,000 to $1,299.99	4.50
$1,300 to $1,599.99	5.00
$1,600 to $1,999.99	5.50
$2,000 to $2,499.99	6.00
$2,500 to $2,999.99	6.50
$3,000 to $3,499.99	7.00
$3,500 and over	7.50]
$400 to $499.99	*3.50*
$500 to $749.99	*4.00*
$750 to $999.99	*4.50*
$1,000 to $1,299.99	*5.00*
$1,300 to $1,599.99	*5.50*
$1,600 to $1,999.99	*6.00*
$2,000 to $2,499.99	*6.50*
$2,500 to $2,999.99	*7.00*
$3,000 to $3,499.99	*7.50*
$3,500 to $3,999.99	*8.00*
$4,000 and over	*8.50*

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed $8.50. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.

* * * * * * *

(c) The maximum number of days of unemployment within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty, and the maximum number of days of sickness, other than days of sickness in a maternity period, within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty: *Provided, however, That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; the total amount of benefits which may be paid to an employee for days of sickness, other than days of sickness in a maternity period, within a benefit year shall in no case exceed the employee's compensation in the base year; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period.*

* * * * * * *

QUALIFYING CONDITION

SEC. 3. An employee shall be a "qualified employee" if the Board finds that his compensation will have been not less than [$300] *$400* with respect to the base year.

* * * * * * *

CONTRIBUTIONS

SEC. 8. (a) Every employer shall pay a contribution, with respect to having employees in his service, equal to the percentage determined as set forth below of so much of the compensation as is not in excess of $300 for any calendar month paid by him to any employee for services rendered to him after June 30, 1939, *and before July 1, 1954, and is not in excess of $350 for any calendar month paid by him to any employee for services rendered to him after June 30, 1954: Provided, however,* That if compensation is paid to an employee by more than one employer with respect to any such calendar month, the contributions required by this subsection shall apply to not more than $300 *for any month before July 1, 1954, and to not more than $350 for any month after June 30, 1954* of the aggregate compensation paid to said employee by all said employers with respect to such calendar month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the contribution with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services during any calendar month after 1946 bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than $300 *if such month is before July 1, 1954, or less than $350 if such month is after June 30, 1954,* each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional contribution as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employees after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid prior to January 1, 1948, the rate shall be 3 per centum;

2. With respect to compensation paid after December 31, 1947, the rate shall be as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000	1 percent.
$350,000,000 or more but less than $400,000,000	1½ percent.
$300,000,000 or more but less than $350,000,000	2 percent.
$250,000,000 or more but less than $300,000,000	2½ percent.
Less than $250,000,000	3 percent.

As soon as practicable following the enactment of this Act, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30, 1947, and on or before December 31 of 1948 and of each succeeding year, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30 of such year.

(b) Each employee representative shall pay, with respect to his income, a contribution equal to 3 per centum of so much of the compensation of such employee representative as is not in excess of $300 for any calendar month, paid to him for services performed as an employee representative after June 30, 1939, *and before July 1, 1954, and as is not in excess of $350 paid to him for services rendered as an employee representative for any calendar month after June 30, 1954.* The compensation of an employee representative and the contribution with respect thereto shall be determined in the same manner and with the same effect as if the employee organization by which such employee representative is employed were an employer as defined in this Act.

APPENDIX

REPORT OF THE RAILROAD RETIREMENT BOARD TO THE SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE ON S. 2930

JULY 1, 1954.

This is a report on S. 2930, introduced in the Senate on February 11, 1954, and referred to your committee for consideration.

OUTLINE OF PROVISIONS

The bill would amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, in the following respects:

1. The bill would amend all three acts by—
   (*a*) Increasing for benefit and taxing purposes the present maximum compensation a month from $300 to $350; and
   (*b*) Excluding the service of delegates to national or international conventions of railway labor organizations from the benefit and taxing provisions of the railroad-retirement and railroad-unemployment insurance systems if these delegates would not otherwise be covered by the railroad-retirement system.
2. The bill would amend the Railroad Retirement Act by—
   (*a*) Reducing the eligibility age for survivor annuities of widows, dependent widowers, and dependent parents from 65 to 60;
   (*b*) Permitting the payment of a survivor annuity to a child over age 18, and to its mother, if the child became totally and permanently disabled before age 18;
   (*c*) Substituting a straight month-to-month work clause for the present recovery test for disability annuitants of earnings over $75 in each of 6 consecutive months; (under this substitution, if the disability annuitant is paid more than $100 in any month in employment for hire or self-employment, his annuity would not be paid for such month);
   (*d*) Permitting the payment to a widow, dependent widower, or dependent parent of a survivor annuity under the Railroad Retirement Act without reducing the annuity by any retirement annuity under that act for which such widow, widower, or parent may be eligible by reason of his or her own employment; and
   (*e*) Excluding from the computation of the "monthly compensation" an individual's earnings after the year in which he attained age 65 if such exclusion would result in a larger annuity.
3. The bill would amend the Railroad Unemployment Insurance Act by providing an additional daily unemployment benefit rate of $8 if the employee's earnings in a base year totaled as much as $4,000. The present maximum rate of $7.50 a day would apply to earnings, in a base year, of $3,500 to $3,999.99. In addition, this amendment would provide that, if the daily benefit rate is otherwise less than 50 percent of the employee's daily wage rate, the benefit rate would be increased to one-half of the wage rate, but not to more than $8.

RETIREMENT ACT AMENDMENTS

1. *Increase in tax and creditable compensation base from $300 to $350 per month.*—Forty percent of all present employees do not earn more than $300 a month and the increase in the tax base would not affect them. Sixty percent would pay the tax on the increase from $300 to $350 per month in the taxable base beginning July 1, 1954. The total taxable payroll would be increased by about 9 percent or $450 million a year, and retirement-tax collections by about $56 million a year. This amendment would of itself result in increased benefits which would cost approximately $31 million a year—$25 million under the retirement and $6 million under the survivor provisions. Deducting the increased benefits from the $56 million additional taxes leaves a net increase in

revenue of about $25 million a year, which would be enough to pay the other benefit increases provided in part I of the bill. The $31 million increase in benefits from this provision plus the additional cost for other Retirement Act amendments included in the bill would total approximately $54 million. The $56 million additional revenue would pay for all the increased benefits provided for in the bill. The Director of the Bureau of Wage and Service Records strongly urges that, if the bill is reported out, the effective date of this provision be made January 1, 1955, instead of July 1, 1954. This would save the Board considerable expense in reconciling the correct compensation to be recorded to the employees' accounts, especially where the employee worked for more than one employer during the year. Similarly, it would appear that changing the maximum creditable compensation during the year would pose serious problems for employers making reports to the Board. Appropriate changes in the Railroad Retirement Tax Act to increase the taxable base from $300 to $350 a month are included in the bill.

2. *Reduction in the eligibility age for widows, dependent widowers, and parents from 65 to 60.*—Under the present act no benefits are payable to widows and parents until they reach age 65. The present Railroad Retirement Act permits the payment of full retirement annuities at age 60 to women employees if they have had 30 years' railroad service. There are about 30,000 widows and parents between the ages of 60 and 65 who would become eligible for survivor benefits, averaging about $45 a month, on the first of the month after the bill is enacted. The cost of this provision would come to approximately $23.5 million a year.

3. *Substitution of a work clause for the presumptive recovery provision for disabled annuitants under 65.*—The present Retirement Act provides that a disabled annuitant under age 65 is presumed to have recovered from his disability if he earns in employment or self-employment more than $75 a month for 6 consecutive months. The provision has been found to be difficult of administration and subject to abuse. The Board believes that the substitution for this provision of one that would suspend benefits for any month for which the employee earns in employment or self-employment more than $100 a month would be more equitable and easier to administer than the present provision. There are approximately 43,000 disabled annuitants under age 65 who would be potentially affected by this provision. About 800 of them are now suspended because of the application of the present 6-month recovery test and would have to be reexamined for possible reinstatement. It is estimated that the provision would be a little less costly than the present one, the amount of savings being approximately $1.5 million a year.

4. *Payment of survivor benefits to a widow and dependent disabled child past age 18.*—Under the present Railroad Retirement Act, a widow under age 65 can receive a widow's benefit if, and so long as, she has a child under age 18 in her care, regardless of whether the child, after age 18, is able to work or not. The bill eliminates the age restriction if the child became disabled before age 18. No good estimate is available as to the number of survivors who will be affected by this provision. A rough estimate of the cost of the provision is $750,000 per year.

5. *Utilization of employment after age 65 in computing the monthly compensation.*—The present Railroad Retirement Act provides that all compensation earned by an employee, including compensation after age 65, shall be used in determining the amount of the retirement annuity. In a number of cases, the employee after age 65 earns less than he did before age 65. Approximately 100,000 annuitants who had service after age 65 are now on the current payment rolls. Only those among them who file applications will have their annuities considered for recomputation under this provision. It is estimated that, if all file, some 7,500 will be eligible to receive higher annuities from a few cents to a few dollars a month and averaging 55 cents per month, retroactive to November 1, 1951. Of the current new retirements at age 65 or over, about two-thirds have had some service after age 65. Only a small minority of these, however, had higher average earnings before age 65 than after and would, therefore, profit from the provision. It is estimated that the cost of the provision would be about $50,000 per year.

6. *Elimination of reduction in survivor benefits on account of entitlement to railroad-retirement benefits.*—Under the present act, a woman who is covered by the act and whose husband is also covered cannot receive both a widow's benefit and a retirement benefit based on her own earnings. In effect, she can receive only the larger of the two benefits. There are fewer than 100 aged widows and parents now receiving less than the full amount of both survivor and retirement annuities. These individuals would receive increases averaging about $20 a month. The cost of the provision would be about $20,000 per year.

7. *Elimination of national delegate service in the absence of previous railroad employment.*—In the conventions of the railroad brotherhoods, there are a considerable number of delegates who are not railroad employees and whose service as delegates is now taxed under the Railroad Retirement Tax Act. Practically all such persons will never receive benefits under the act, because they would not have the minimum of 120 months' service required for eligibility for benefits. The work of collecting the taxes on this small and irregular service and of keeping compensation records in the Board is not justified by the small amount of taxes and benefits involved. Appropriate amendments to the Railroad Retirement Tax Act are also included in the bill. There is no way of knowing the number of individuals who would be affected, but it is probably small. A rough estimate of the cost is about $10,000 a year.

8. *Elimination of deductions because of failure of children to attend school.*—Under the Railroad Retirement Act, a child of a deceased employee is entitled to benefits until he reaches age 18, except that if he is age 16 or over and is not attending school, no benefit will be paid for any month while he is not attending. Such a provision was originally in the Social Security Act, but has been removed, and there is no good reason for continuing it under the Railroad Retirement Act. Some 150 children, whose annuities are now being withheld under the school attendance clause, would be affected by this provision. Most of these children, however, are in families already receiving a social-security minimum amount. The total benefits to the family would, therefore, not be affected in these cases, although a recalculation of the individual benefits may have to be made. The amendment will have little effect on the total cost of the bill.

The table on the following page gives the costs of the amendments in the bill to the Railroad Retirement Act. Both dollar costs and tax rates are given. The table and the footnote show that the increased revenue from the increase in the taxable ceiling to $350 per month is enough to pay the increased benefits without increase in the tax rate.

COST AND TAX-RATE SUMMARY

Additional annual costs and corresponding level tax rate required by amendments in S. 2930 to the Railroad Retirement Act:

[Assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling]

Provision	Annual dollar cost (in thousands)	Level cost (percent of taxable payroll)
1. Additional benefits resulting from increase in ceiling to $350 per month:		
Retirement benefits	$25,000	0.459
Survivor benefits	6,000	.110
2. Reduction of eligibility age for widows and parents to 60	23,500	.431
3. Change in disability work clause	−(1,500)	−(.028)
4. Disabled child—continuation of benefit to widow and child	750	.014
5. Disregard compensation after age 65 if use would reduce annuity	50	.001
6. Allow widow full widow's annuity and any annuity based on her own compensation	20	
7. Elimination of credit for national delegate service for persons who have no other creditable service	10	
8. Elimination of provision for suspension of benefit of child over 16 not attending school	1	
	53,831	.987

Under the present Railroad Retirement Act, benefits cost $670.5 million per year on a level basis. The proposed amendments would thus increase the required annual outlay to $724.3 million ($670.5 plus $53.8). This would be equivalent to a 13.29 percent tax rate on the $5,450 million covered payroll based on a $350-per-month ceiling. The latter payroll compares with the $5,000 million assumed level annual payroll based on the present $300-per-month creditable ceiling on taxes and compensation.

The existing tax rates are not changed by the proposed amendments. However, because of the increased payroll there will be available $56 million in additional tax revenue. This compares with the annual cost of $53.8 million resulting from the benefit liberalizations of the proposed amendments.

RAILROAD UNEMPLOYMENT INSURANCE ACT AMENDMENTS

The provision of the bill mentioned earlier increasing the tax and benefit base from $300 to $350 a month applies also to the Railroad Unemployment Insurance Act contributions and benefits. As stated previously, it is estimated that the increase in the contribution base to $350 a month would increase the taxable payroll by about 9 percent, or to $5,450,000,000 per annum.

The bill also provides, in effect, for two changes in the benefit formula of the Railroad Unemployment Insurance Act, including both unemployment and sickness benefits. The first change is to add a new bracket to the present formula. The present formula provides that any employee whose earnings in a base year exceeded $3,500 would have a benefit rate of $7.50 a day. The bill provides a new rate as follows:

	Per day
$3,500–$3,999.99	$7.50
$4,000 and over	8.00

The addition of the $8 benefit rate would have no effect on benefits until July 1956, except as it sets a maximum rate for the other change proposed, since 1955 would be the first base year in which any employee could have creditable compensation of $4,000 or more.

The second change in the railroad Unemployment Insurance Act provides that the employee's daily benefit rate shall not be less than 50 percent of the daily rate of compensation for the employee's last employment in which he engaged for an employer preceding the registration period, but that no such rate should be increased above $8 per day. This provision would immediately increase the benefits for about two-thirds of the unemployment and sickness beneficiaries.

Increasing the earnings to $350 a month would have some effect on all benefit rates in the existing schedule, but would affect principally those now in the top 3 or 4 compensation ranges. The proviso, on the other hand, would have its greatest effect on benefits paid to those qualified at the lower benefit rates. It would have the effect of guaranteeing a minimum rate of nearly $6, since all but a few railroad jobs pay at least $12 a day.

It is estimated that the average increase in the total amount of benefits paid if S. 2930 is enacted would be about 20 percent. This estimate allows both for an increase in claims due to higher benefit rates, and for the effect of future wage increases.

It has been estimated that the average level of benefits under the present law would be about $125 million a year. For all cost purposes, the Board has used a taxable payroll of $5 billion for the present laws. With this payroll, the average of benefits under the present unemployment insurance law would be 2.5 percent of the taxable payroll.

The estimated average increase of 20 percent in benefits for S. 2930 would add $25 million to the estimated benefits under the present law, increasing it to $150 million. At the same time, increasing the taxable earnings limit to $350 a month would add about 9 percent to the taxable payroll, raising it to $5.45 billion. From these data, the average of benefits with S. 2930 is estimated at 2.75 percent of the taxable payroll. Based on the experience of the Board over nearly 15 years, .15 percent of payroll is enough to allow for administrative expenses. The average total cost for the Railroad Unemployment Insurance Act with S. 2930 and including administration, is, therefore, estimated at 2.90 percent of payroll.

As far as contributions to be paid by the railroads are concerned, the cost should be reduced by .1 percent to allow for interest on the balance in the railroad unemployment insurance account. The allowance assumes an ultimate balance of $250 million to $275 million in the account and an interest rate of 2¾ percent. This makes the average future contribution rate 2.80 percent of payroll. Because of the present balance in the fund of $600 million, the present contribution rate of .5 percent will continue for about 2 years, and intermediate rates for about 2 years more. Thereafter contributions would average 2.80 percent.

Separate statements of individual members of the Board follow.

RAYMOND J. KELLY, *Chairman.*

SEPARATE STATEMENT OF HORACE W. HARPER, MEMBER OF THE BOARD

I favor the enactment of the bill S. 2930 with such amendments as were made to the companion bill H. R. 7840 by the House Committee on Interstate and Foreign Commerce. See House Report No. 1899, 83d Congress, 2d session, dated June 21, 1954, to accompany H. R. 7840. My reasons for favoring the

enactment of the bill, as so amended, are set out in the Board's report on H. R. 7840 appearing in the hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Congress, 2d session, on H. R. 7840, beginning at the end of page 5 and ending toward the end of page 9; in my statement appearing on pages 11 and 12 of said hearings; in the letter dated April 12, 1954, appearing on pages 84 and 85 of said hearings; and in the Board's report dated February 15, 1954, on the bill H. R. 6403, 83d Congress, 1st session. I request that your committee consider these reasons the same as if they were here restated.

HORACE W. HARPER,
Member of the Railroad Retirement Board.

STATEMENT OF F. C. SQUIRE, MEMBER, RAILROAD RETIREMENT BOARD, ON S. 2930

I am opposed to a number of the principal provisions of S. 2930 for the reasons given below.

A. Retirement Act

Increase in maximum compensation from $300 to $350 is inequitable.—The rate of the payroll tax on the railroads is already 3 times (6¼ percent v. 2 percent) the payroll tax rate on their nonrailroad competitors and other industries.

It should be understood that S. 2930 makes no increases in annuities of railroad employees already retired.—To avoid later disappointment, it should be borne in mind that S. 2930, unlike the provision of social security bill, H. R. 9366, as to those now on the social security rolls, provides no increases in annuities for the 290,000 retired railroad employees now on the railroad retirement annuity rolls; no increases for employees earning less than $300; and but small increases for those earning over $300 who will retire in the next several years. Any sizable increases are for those retiring in the rather distant future.

For those who will receive increases, the increased benefits will come at the following rates, based on earnings of $350: (a) a man who has 1 year yet to work before retirement will pay $3.13 more taxes per month and when he retires 1 year hence will receive $0.69 greater annuity per month; (b) a man who has 5 years yet to work before retirement will pay $3.13 more taxes per month and when he retires 5 years hence will receive $3.45 greater annuity per month.

B. Unemployment Insurance Act

The bill proposes increasing the benefit rates of the Railroad Unemployment Insurance Act, the provisions of which are already far more liberal than those of the State laws.—Only 2 years ago substantial increases were made by Public Law 343, approved May 15, 1952, in the daily benefit rates.

Will increase cost of benefits $25 million per year.—In its report above, this Board estimates that this bill would increase the average annual cost of benefits by 20 percent of $125 million or $25 million per year.

Combined effect of increased unemployment costs in the bill added to effect of exhaustion of the excess in the unemployment insurance fund about 4 years hence, will increase the unemployment taxes the railroads are now paying by about $127 million a year.—Due to the large surplus built up in the unemployment insurance fund prior to the time the sliding scale became effective in 1948, unemployment taxes under the sliding scale have been about $25 million a year. That surplus will disappear in about another 4 years at which time, for that reason and because of the increases under the bill, the average tax will become 2.80 percent of $5,450 million payroll or $152,600,000 per annum, which means that the railroads will then in average years have to pay about $127,600,000 more per year than they are now paying for the unemployment system.

The bill would increase the taxable maximum from $300 to $350 per month whereas the Federal-State unemployment taxable maximum is only $3,000 per year.—The Economic Report of the President makes no suggestion to increase the present taxable maximum of $3,000 per year in the Federal-State unemployment compensation laws. When the social security old-age taxable maximum was raised in 1950 from $3,000 to $3,600, the States and Federal Government (except for the action of Nevada in 1953) let the taxable maximums for their unemployment compensation laws stand at $3,000. The tripartite Federal Advisory Council on Unemployment Security at its meeting October 26, 1953, turned down a proposal to recommend increasing the Federal-State unemployment taxable wage base from $3,000 to $3,600. The Railroad Unemployment Insurance Act has, from the beginning, specified a taxable maximum of $300 per month (approximately $3,600 per year), and S. 2930 now proposes further widening the difference by increasing the taxable maximum for railroad unemployment to $350 per month.

The bill would make the railroad unemployment minimum benefit as high as the maximum of the State systems.—Very few railroad rates of pay are now less than $12 per day so that as a practical matter the 50 percent proviso would make the minimum railroad unemployment benefit about $6 a day or $30 a week. Only two of the States have a maximum higher than $30 a week and the weighted average of the State maximums is $27.64.

This 50-percent proviso would, of course, primarily increase the unemployment benefits to casual labor. For example, the man who works a month or two in the summer would be able to draw just as much unemployment as the man who stayed on the job all year.

The railroad law provides sickness benefits which most State laws do not.—Forty percent of the benefits paid under the Railroad Unemployment Insurance Act are for sickness and maternity. Only four States have laws for the payment of sickness benefits and those laws provide for the employees to pay all or part of the cost of sickness benefits. In contrast, the Railroad Unemployment Insurance Act provides sickness and maternity benefits for railroad employees and requires that the entire cost be borne by the railroads. Consequently, the Railroad Unemployment Insurance Act, in providing such sickness and maternity benefits entirely at the employer's expense, already provides very much more than the State systems.

Comparison of railroad and State average weekly benefits.—Disregarding the additional sickness and maternity benefits provided by the present Railroad Unemployment Insurance Act, let us see how the unemployment benefits already provided by the railroad law compare with the unemployment benefits provided by State laws. A common comparison is between the average per week paid to all beneficiaries under State laws and the average benefits per week of unemployment paid under the railroad law. Under State laws, the average per week of total unemployment for the calendar year 1953 was only $23.58 as compared with average per week of total unemployment under the railroad law of $29 for the last 6 months of 1953.

Comparison of State and railroad minimum and maximum.—The more important provisions of State unemployment compensation laws are shown on pages 16 and 17 of the Social Security Bulletin for December 1953. Excluding dependents' allowances, which are payable in only 11 States, there are only 2 State laws with maximums of more than $30 a week. This may be compared with the maximum of $37.50 now payable under the Railroad Unemployment Insurance Act, and a maximum of $40 proposed in S. 2930. Even including dependents' allowances, there are only 4 States paying a maximum of more than $38 a week. In the following tables, averages of the provisions of State laws are compared with the present railroad law and the proposals in S. 2930. Allowances for dependents are omitted from the State figures because such allowances constitute only about 1 percent of the total paid by the States for unemployment.

Provision	States		Railroads	
	Simple average	Weighted average [1]	Present law	S. 2930
Minimum weekly benefits	$7.82	$8.62	$15.00	$29.10
Maximum weekly benefits	$26.66	$27.64	$37.50	$40.00
Maximum total benefits payable in a year	$612.77	$675.44	$975.00	$1,040.00
Maximum weeks of total unemployment payable	23	24	26	26

[1] Computed by weighting figure for each State by number of beneficiaries in calendar year 1952.

Other respects in which the present railroad unemployment system already pays more than those of the States.—(1) All State laws prohibit the payment of unemployment benefits to strikers. Radically contrary is the railroad unemployment system under which strikers are paid unemployment benefits unless the strike is in violation of the Railway Labor Act or the rules and practices of the labor organization. If the act is to be amended, certainly the payment of benefits to strikers should be prohibited the same as in the State laws.

2. Of the 4 States that have sickness (temporary disability) laws, 3 of them specifically prohibit payment of benefits for maternity, and while the other provides for sickness benefits in maternity cases, it is for a shorter length of time than the railroad unemployment insurance law, and is at the expense of the employees. In contrast, the Railroad Unemployment Insurance Act provides for nationwide

payment of maternity benefits. These average about $755 per case, and aggregate about $3 million per year. About two-thirds of the women do not return to work. The entire cost is on the railroads. If the act is to be amended, the maternity provision should be eliminated. It should be remembered that under no State law are even sickness benefits payable at the sole expense of the employer.

3. Under most State laws the taxpaying employer can under certain conditions object in the administrative proceedings and also obtain court review if he thinks that payments of certain unemployment benefits to his employees, or former employees, by the State agency are contrary to the State law. Under the Railroad Unemployment Insurance Act, the taxpaying railroad employer does not have that right, according to the decision of the Court of Appeals for the Seventh Circuit in *Railway Express Agency, Inc.*, v. *Kennedy et al.* (189 F. (2d) 801; certiorari denied in 342 U. S. 830).

4. Under the railroad law a man who quits a job without good cause, or who refuses to accept suitable work, is disqualified from receiving unemployment benefits for 30 calendar days. All States have related provisions. In some of them disqualification is complete. In a great majority of the others the disqualifying period is much longer than 30 days.

5. All States disqualify for varying lengths of time a man who has been suspended or discharged for misconduct. The railroad law does not disqualify, but, on the other hand, pays unemployment benefits in such a case just the same as if the man had been laid off due to lack of work.

6. In most States, the maximum total amount of benefits, in addition to being restricted to a certain number of weeks, is further limited to a specified proportion of base-year earnings. The most common limitation is that total benefits shall not exceed one-third of the total base-year earnings. There is no such restriction in the Railroad Unemployment Insurance Act.

Some or all of the above should be corrected before further increases of benefits in other respects are made in the railroad law.

50 percent proviso

This is the proposed provision that all the lower benefit rates in the present law be increased to half the claimant's daily rate of compensation. This sounds simple, but would result in the grossest inequities and also in difficulties of administration. It would, in effect, substitute daily benefit rates of $6 or more for the first 6 brackets of the present schedule.

Of the "hard core" of regular railroad employees, most earn over $3,000 per year and under the present law are entitled to $7 or $7.50 per day for unemployment. However, there are a few hundred thousand casual or temporary railroad workers every year. Under the present law 4 or 5 weeks' work in the base year with $300 earnings entitles one to $3 per day unemployment for a maximum of 130 days. The 50-percent proviso proposed in S. 2930 would entitle him to $6 per day, nearly as much as a regular railroad employee who had spent years in the railroad industry. While many regular railroad employees would benefit from this 50-percent proviso, the greatest benefit from it would go to casual and temporary workers.

A few of the other bad features of this proposed 50-percent proviso I will mention only briefly:

1. Thousands of beneficiaries will receive more in benefits than they earned in railroad employment.

2. Benefit payments will be so high if this proviso is enacted that the incentive to seek work will be reduced.

3. The 50-percent proviso could have the effect of penalizing an unemployment claimant who accepts a temporary railroad job carrying a lower-rate pay.

4. Basically the proposed 50-percent proviso is an attempt to graft onto the present law, which bases the benefit rate on total earnings in the base year, a feature which might appear to be somewhat similar to the provisions of some State laws which base the benefit rate on earnings in a single quarter or in the period immediately preceding the beginning of unemployment. However, the proposal omits entirely the safeguards that are in these State laws. These safeguards are in the form of provisions requiring total base-period wages of some such figure as 30 times the weekly benefit amount to be eligible for benefits or of provisions which restrict the total benefits payable in the year to a fraction (commonly one-third) of the total base-year earnings.

5. The administration of the Railroad Unemployment Insurance Act, instead of being simple and economical, will be made costly and complex by this 50-percent proviso.

JULY 7, 1954.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., July 1, 1954.

Hon. H. ALEXANDER SMITH,
Chairman, Committee on Labor and Public Welfare,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of June 22, 1954, wherein you request a report on S. 2930, to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

The bill would revise the railroad-retirement program in several important respects. It would increase the maximum wages subject to payroll taxes and creditable toward benefits from $300 to $350 a month. It would reduce the eligibility age for widows and dependent parents from 65 to 60 years of age. Eligibility for disability benefits would be put on a month-by-month basis and the allowable earnings raised to $100. Compensation after age 65 would not be counted toward benefits if it had the effect of reducing such benefits. Surviving spouses entitled to benefits in their own right would be permitted to receive such benefits, and their survivorship benefits as well, without any offset requirements. In cases where a dependent child is disabled, his benefit rights would continue after his 16th birthday, both in respect to the offspring and the widow. Several other relatively minor revisions, which would be brought about by the proposed bill, include elimination of the school-attendance provision for children's benefits and exemption of service as a union delegate from covered employment.

The Railroad Retirement Board has made a cost analysis of the proposal and indicates that it would not add to the present deficiency of the program. Raising the tax base would increase revenues by an estimated $56 million a year and the automatic increase in benefits resulting from a parallel increase in creditable wages would be $31 million a year. Other changes would add another $23 million a year to annual costs. The net effect would be a slight reduction in the financial deficiency under which the program is now operating.

In respect to the railroad unemployment insurance program, the bill would raise the tax base to $350 a month with a parallel increase in maximum benefits from $7.50 to $8. This provision is recommended. The unemployment benefits would be further liberalized by a provision that in no instance could they be less than 50 percent of the claimant's last daily rate of pay. We believe this provision requires careful examination.

The change in the method of computing unemployment benefits from an annual-wage base to a "last daily rate of pay" would favor particularly the casual employees of the railroad industry. The casual worker is already favored in that the present railroad unemployment insurance program does not contain any limitation on the duration of benefits to keep it in accordance with the claimant's prior service in the industry. In consequence, it is possible now for a person who works 5 or 6 weeks, or earns a minimum of $300 in the railroad industry, to get benefits for as much as 26 weeks of unemployment and 26 weeks of sickness—far more in the aggregate than the total wages earned in the railroad industry. The proposed bill would have the effect of increasing substantially the benefits going to such claimants. Inasmuch as the cost of unemployment insurance is borne by the carriers, we believe the Congress will wish to consider whether those provisions of the bill create an inequity by increasing the burden of the carriers with respect to individuals whose connection with the industry is of short duration. If it is intended to depart from the annual basis of determining benefits, such a step might be accompanied by "a standard requiring more substantial connection with the railroad industry" as a precondition of receiving benefits. Such standards exist in the great majority of State unemployment-insurance programs.

The proposed increase in the covered wage base to $350 a month would correspond to the President's proposal for revision of old-age and survivors insurance. In view of these Presidential recommendations, the proposal for a higher wage base and resulting automatic increases in benefits under the railroad system would appear appropriate. Its enactment is recommended. Because of the complex interrelationship between social security and railroad retirement, however, it is important that enactment of a wage-base increase in the railroad-retirement program not become effective in advance of the increase in old-age and survivors insurance.

The case regarding the other increases in benefits, amounting to $23 million a year, is one which the Congress will wish to consider in connection with (1) the existing financial situation of the railroad retirement system, and (2) the potential effect of railroad-retirement increases on the general old-age and survivors insurance program, and on relationships between the two systems.

In respect to the first point, the fact that the system is presently underfinanced by approximately 0.9 percent of payroll raises a question as to whether a substantial part of the increased revenues should be allocated to decreasing the deficiency. As indicated above, about 60 percent of the increased revenues resulting from the higher wage base in the retirement program would be required to finance the automatic increase in benefits. Most of the remaining 40 percent, under the bill, would be devoted to the other liberalizations.

In regard to the second point, the reduction of the eligibility age for widows may well lead to pressures for a similar measure in the old-age and survivors insurance program. Inasmuch as the railroad retirement program is a social-insurance system, as well as a staff-pension plan, it may serve to some extent as a precedent for OASI. As a matter of principle, the social-insurance features of the railroad retirement program should be kept in consonance with the general social-security program insofar as it is practicable and equitable to do so. Although we recognize that there may be special problems of survivorship in the railroad industry, we cannot endorse this provision.

In according eligibility to disabled dependents beyond 18 years of age, the bill creates a new class of beneficiaries which is not provided for in the old-age and survivors insurance system. The principle, however, is equitable and provided for in tax law. It would seem desirable to provide specifically that the offspring be, in fact, economically dependent.

The provision making it possible for surviving spouses to receive two benefits may be questioned on the grounds that (*a*) the spouse's benefit is a social benefit based on the added financial need of annuitants with dependent wives, and (*b*) that it has no relation to individual contributions. We believe this argument has validity and would suggest that it be considered by the committee. Favorable action on this provision should not be considered a precedent for similar liberalization of social-security laws.

The other provisions of the bill are without objection.

In summary, the increase in the taxable wage base and the concomitant automatic increase in benefits would be consistent with the President's recommendations respecting the old-age and survivors insurance program. Their enactment is recommended to become effective at such time as the amendments to the Social Security Act become effective. The increase in maximum unemployment benefits is also recommended at such time as the wage base is raised. With respect to the other changes in the railroad retirement program, the Bureau, although agreeing that most of these are socially desirable, believes that the Congress will wish to consider carefully whether they should be enacted at this time.

Sincerely yours,

DONALD R. BELCHER, *Assistant Director.*

UNITED STATES DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, July 14, 1954.

Hon. H. ALEXANDER SMITH,
Chairman, Committee on Labor, and Public Welfare,
United States Senate, Washington, D. C.

DEAR SENATOR SMITH: This is in reference to S. 2930, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, which is now pending before your committee.

I am in favor of an increase in the tax and benefit base, proposed in this bill, which would raise both retirement and unemployment benefit levels for railroad employees. Such an increase is in line with the President's recommendations regarding an increase in the benefit base of the companion Federal social-security system, the old-age and survivors insurance program.

The President has also suggested that State unemployment-compensation laws adopt a benefit standard so that payments to the great majority of beneficiaries may equal at least half of their regular earnings for a period of 26 weeks. S. 2930 reflects such a standard and thus follows on a Federal level the President's advice

to the States. The bill provides that 50 percent of the last daily wage will be paid as the daily unemployment-compensation benefit, limited by a daily maximum of $8, for a period of 130 days in the benefit year. The principle of providing during periods of involuntary unemployment and sickness a minimum benefit which bears a relationship to actual wage loss is in my opinion warranted by equitable considerations.

Notwithstanding my support of this principle, I do not oppose conditions of a reasonable character in connection with the minimum daily benefit provisions which would differentiate its application to employees who are part of the industry and those who drift in for short periods. I am in favor of a qualifying amount which would eliminate from these benefits many transient employees. Any provisions of law to prevent disproportionate payments to transient employees should, however, be carefully drawn so that career employees, such as those who constitute most of the operating groups, will not be excluded when they suffer long terms of unemployment or sickness in a benefit year.

I am also in favor of the other liberalizations which S. 2930 proposes, provided that fiscal considerations permit their enactment.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Yours very truly,

JAMES MITCHELL, *Secretary of Labor.*

MINORITY VIEWS OF MR. GOLDWATER

In filing minority views on this bill, I wish to invite attention to the more apparent shortcomings of this proposed legislation, in addition to the gross inadequacy of the consideration given to this bill in committee.

This bill, H. R. 7840, proposes a number of fundamental changes in three complicated and highly technical laws—the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. It involves many millions of dollars and it affects the lives of hundreds of thousands of men and women who work on America's railroads, together with their dependents. It imposes extensive additional burdens on the railroad industry.

H. R. 7840 was passed by the House of Representatives on July 30, 1954. It was referred to the Senate Labor Committee on July 31, 1954. The Senate Labor Committee reported the bill, by a vote of 11 to 1, on August 2, 1954, just 1 day after it had been received. The bill was never considered by the Subcommittee on Railroad Retirement, of which I am chairman, nor was it subjected to any consideration whatsoever by the full committee. It was simply ordered reported in the closing minutes of the Labor Committee's executive session on Monday, August 2, 1954.

The seriousness of this deficiency is illustrated, in part at least, by the fact that amendments will be required to bring certain sections of the bill into line with the provisions of the recently enacted Internal Revenue Code.

My efforts to invite attention to the need for amendment of the bill in committee were talked down and the bill was hastily voted out over my objection. Because I believe it to be in the public interest, I have had drafted and I will offer at the proper time the one amendment to H. R. 7840 which absolutely should have been made in committee had this bill received committee consideration.

This bill, H. R. 7840, in the form in which it was introduced in the House, was a companion bill to S. 2930, which was introduced in the Senate by request on February 11, 1954. Following the introduction of S. 2930, it was promptly referred to the Senate Committee on Labor and Public Welfare and thereupon was placed on the calendar of the Special Subcommittee on Railroad Retirement Legislation, which was then under the chairmanship of the late Senator Dwight Griswold. On February 16, a formal request was made of the Railroad Retirement Board to report its views and recommendations on the bill.

In February, when S. 2930 came before the Railroad Retirement Subcommittee, it was publicly announced and otherwise made known to all interested parties that subcommittee consideration of the bill would not be undertaken until after the committee had acted upon and disposed of S. 2178, a bill to repeal the dual-benefit ban. Com-

mittee action on S. 2178 was not completed until May 14, 1954, when that bill was favorably reported to the Senate.

It may be observed that the persons who were most vocal in charging "unfortunate delay" in considering S. 2930 are the very ones who used every conceivable means to delay committee consideration of and action on the bill to repeal the dual-benefit provision. They did everything in their power to thwart action on that bill both in subcommittee and in the full committee. After the bill had been passed, representations were made to the White House urging that the bill be vetoed. That bill (S. 2178, H. R. 356) nevertheless became law on June 16, 1954 (Public Law 398).

Prior to the scheduling of formal hearings on S. 2930, the Senate version of H. R. 7840, the views of the Bureau of the Budget were solicited. A formal request was made for such a report on June 22, 1954. The reply of the Bureau of the Budget was dated July 1, 1954, and was not received by the committee until July 6, 1954. The Railroad Retirement Board's views and recommendations on S. 2930 were not received until July 7, 1954, the opening day of the hearings on the bill. Their letter was dated July 1, 1954, and it was presented to the committee during the course of the testimony of the members of the Board on July 7, 1954.

Every effort was made to acquire and place before the subcommittee members reliable information in regard to the provisions of this bill. Replies to the latest inquiries which were dispatched to the Secretary of Labor and the Bureau of the Budget for additional information which I considered essential to intelligent action on this bill had not been received when the full committee ordered H. R. 7840 reported.

The Railroad Retirement Subcommittee held public hearings on S. 2930 on July 7, 14, and 19, 1954. The transcript of the testimony taken has been reviewed and the corrected copy is now in the hands of the Public Printer. It is estimated that the printed testimony cannot possibly be available for consideration and for circulation until August 9, 1954.

I cite these facts merely to show that S. 2930, the companion bill to H. R. 7840, was handled as promptly as possible at the subcommittee level. It was being given what I believe to be the kind of responsible and careful consideration which it required. This was in accordance with my conception of the duties and responsibilities of the office which I hold.

In addition to my objections to the cursory consideration given this bill in committee, I wish to point out also that I am not satisfied as to the merit of this bill. In fact, I am more impressed by what this bill will not do than by what it will do. In my view, its shortcomings overshadow its benefits.

H. R. 7840 does not, for example, provide any benefits for some 290,000 retired employees and an additional 260,000 other beneficiaries now on the retirement rolls. This is in contrast to the Social Security Act amendments now being considered which would increase the benefits of all retired employees covered by our social-security laws by about $6 per month.

H. R. 7840 does not increase the benefits of some 36 to 40 percent of rail employees who earn less than $300 per month. This is a most serious shortcoming since it withholds increased benefits from the group most in need of additional benefits.

H. R. 7840 does not provide additional retirement benefits for employees who retire with less than 10 years of service or for their dependents.

H. R. 7840 does not provide for a realistic increase in benefits for employees who retire in the near future, even though they earned over $350 per month. Testimony taken by the committee indicates that an employee receiving $350 per month who worked for 1 year after the enactment of this bill would receive an increase of only 69 cents in his monthly annuity, although he would be required to pay additional taxes of $37.56 during the year. If he worked 7 years at $350 a month, his annuity would be increased by only $5. Proponents of the bill say that by reason of this increase in compensation, the average annuitant would receive $3 for each $1 in taxes. This is obviously incorrect, since the cost estimates show that employees will pay in $28 million in additional taxes and will receive additional annuity benefits of only $31 million.

I think it is important likewise to examine closely the unemployment insurance provisions of H. R. 7840. According to undisputed testimony, railroad unemployment insurance benefits are already far more liberal than those available to about 50 million employees covered by State unemployment compensation acts, not only with respect to rates, but in other respects as well. This fact is strikingly illustrated in the appended table which shows the comparative benefits payable under the present Railroad Unemployment Insurance Act, companion bill S. 2930, and individual State laws. The table was submitted to the committee during the hearings on S. 2930.

Both the Secretary of Labor and the Bureau of the Budget have raised questions regarding the unemployment insurance provisions of H. R. 7840. The Secretary of Labor, in a letter dated July 14, 1954, states with respect to the minimum daily benefit provisions that he is "in favor of a qualifying amount which would eliminate from those benefits many transient employees." The Bureau of the Budget, in its report, comments:

> we believe that this provision requires careful consideration. * * * The proposed bill would have the effect of increasing substantially the benefits going to such claimants (casual workers). Inasmuch as the cost of unemployment insurance is borne by the carriers, we believe the Congress will wish to consider whether these provisions of the bill create an inequity by increasing the burden of the carriers with respect to individuals whose connection with the industry is of short duration.

I wish to point out specifically that in at least one major provision, mainly in that provision relating to lowering the retirement eligibility age of widows from 65 to 60, this legislation is not in accordance with the President's program. The Bureau of the Budget has singled out this provision of H. R. 7840 for its particular disapproval. There is concern that enactment of this provision will serve to some extent as a precedent for similar changes in our old-age and survivors insurance (social-security) laws.

The provisions of H. R. 7840 to reduce widows' retirement eligibility age will cost approximately $23,500,000. The Department of Health, Education, and Welfare advises me that if it were to aid in bringing about a similar change in our social-security laws, the cost to the Treasury of the United States would be $125 to $150 million in the first full year of operation if widows alone were considered and $700 to $800 million for the first full year if all women were included. If,

eventually, the age is reduced for all beneficiaries, the cost would be $1½ to $2 billion.

During the hearings, the suggestion was made that the subcommittee might want to consider a proposal to eliminate the widows provision and apply the $23,500,000 which this provision would cost to an across-the-board increase for all employees. The Railroad Retirement Board was requested for its views on such a proposal and in reply stated that if this proposal were adopted, employee benefits would be increased by about $5 a month. It seems to me that the matter of possible adoption of such a proposal was worthy of consideration by the committee.

In view of the importance of this legislation and the fact that it received no consideration in committee; in view of its cost to the railroads and railroad employees; in view of its inadequacies especially in regard to those employees who most need increased benefits, I recommend against enactment of this bill.

BARRY M. GOLDWATER,
Chairman, Subcommittee on Railroad Retirement Legislation.

Table showing comparative benefits payable under present Railroad Unemployment Insurance Act, S. 2930, and individual State laws (as of June 30, 1954)

State	Qualification for benefits and minimum benefits					Benefits for an employee at maximum rate			Sickness benefits
	Qualification		Benefits for an employee at minimum rate						
	Employment	Wages	Minimum weekly rate	Duration (weeks)	Total benefits	Weekly benefit	Duration (weeks)	Total benefits	
Railroad Unemployment Insurance Act:									
Present	No requirement	$300.00	$15.00	26	$390.00	$37.50	26.0	$975.00	Sickness and maternity benefits payable in same or equivalent amount and duration as for unemployment. Entire cost paid by employer.
S. 2930	do	300.00	29.10	26	756.60	40.00	26.0	1,040.00	
Alabama	$112.01 in 1 quarter	210.00	6.00	11⅔	70.00	22.00	20.0	440.00	No sickness benefits.
Alaska	No requirement	300.00	8.00	12	96.00	35.00	26.0	910.00	Do.
Arizona	Wages in at least 2 quarters	150.00	5.00	10	50.00	20.00	20.0	400.00	Do.
Arkansas	No requirement	210.00	7.00	10	70.00	22.00	16.0	352.00	Do.
California	1½ times high quarter wages; not less than $300	300.00	10.00	15	150.00	30.00	26.0	780.00	(1).
Colorado	No requirement	210.00	7.00	10	70.00	28.00	20.0	560.00	No sickness benefits.
Connecticut	Wages in at least 2 quarters	300.00	8.00	15	120.00	30.00	26.0	780.00	Do.
Delaware	No requirement	210.00	7.00	11	77.00	25.00	26.0	650.00	Do.
District of Columbia	do	150.00	6.00	12½	75.00	20.00	20.0	400.00	Do.
Florida	Wages in at least 2 quarters	150.00	5.00	7⅔	38.00	20.00	16.0	320.00	Do.
Georgia	$100 in 1 quarter	175.00	5.00	20	100.00	26.00	20.0	520.00	Do.
Hawaii	No requirement	150.00	5.00	20	100.00	25.00	20.0	500.00	Do.
Idaho	Wages in at least 2 quarters and $150 in 1 quarter	250.00	10.00	10	100.00	25.00	26.0	650.00	Do.
Illinois	No requirement	400.00	10.00	18½	185.00	27.00	26.0	702.00	Do.
Indiana	$150 in last 2 quarters	250.00	5.00	12⅜	62.00	27.00	20.0	540.00	Do.
Iowa	No requirement	100.00	5.00	6⅔	33.33	26.00	20.0	520.00	Do.
Kansas	$100 in 2 quarters or $200 in 1 quarter	100.00	5.00	6⅘	34.00	28.00	20.0	560.00	Do.
Kentucky	No requirement	300.00	8.00	26	208.00	28.00	26.0	728.00	Do.
Louisiana	do	150.00	5.00	10	50.00	25.00	20.0	500.00	Do.
Maine	do	400.00	9.00	20	180.00	27.00	20.0	540.00	Do.
Maryland	At least $156 in 1 quarter	180.00	6.00	7½	45.00	30.00	26.0	780.00	Do.
Massachusetts	No requirement	500.00	7.00	21¾	150.00	25.00	26.0	650.00	Do.
Michigan	14 weeks at $8.01 or more	112.14	10.00	9½	95.00	30.00	26.0	780.00	Do.

See footnote at end of table.

Table showing comparative benefits payable under present Railroad Unemployment Insurance Act, S. 2930, and individual State laws—(as of June 30, 1954)—Continued

State	Qualification for benefits and minimum benefits					Benefits for an employee at maximum rate			Sickness benefits
	Qualification		Benefits for an employee at minimum rate						
	Employment	Wages	Minimum weekly rate	Duration (weeks)	Total benefits	Weekly benefit	Duration (weeks)	Total benefits	
Minnesota	$300 in 1 quarter and $100 in another, or $500	$400.00	$11.00	15	$165.00	$30.00	26.0	$780.00	No sickness benefits.
Mississippi	No requirement	90.00	3.00	16	48.00	30.00	16.0	480.00	Do.
Missouri	Wages in at least 2 quarters		.50	24—	12.00—	25.00	24.0	600.00	Do.
Montana	No requirement	255.00	7.00	20	140.00	23.00	20.0	460.00	Do.
Nebraska	do	300.00	10.00	10	100.00	26.00	20.0	520.00	Do.
Nevada	do	240.00	8.00	10	80.00	30.00	26.0	780.00	Do.
New Hampshire	do	300.00	7.00	26	182.00	30.00	26.0	780.00	Do.
New Jersey	17 weeks at $15 or more	255.00	10.00	13	130.00	30.00	26.0	780.00	[2].
New Mexico	$156 in 1 quarter	300.00	10.00	12	120.00	30.00	24.0	720.00	No sickness benefits.
New York	20 weeks averaging $15 per week	300.00	10.00	26	260.00	30.00	26.0	780.00	[3].
North Carolina	No requirement	250.00	7.00	26	182.00	30.00	26.0	780.00	No sickness benefits.
North Dakota	Wages in at least 2 quarters	210.00	7.00	20	140.00	26.00	20.0	520.00	Do.
Ohio	20 weeks employment and $240	240.00	10.00	12	120.00	30.00	26.0	780.00	Do.
Oklahoma	Wages in 2 quarters	200.00	10.00	6⅔	67.00	28.00	22.0	616.00	Do.
Oregon	No requirement	400.00	15.00	8.87	133.00	25.00	26.0	650.00	Do.
Pennsylvania	$120 in 1 quarter	300.00	10.00	13	130.00	30.00	26.0	780.00	Do.
Rhode Island	No requirement	300.00	10.00	10⅜	104.00	25.00	26.0	650.00	[4].
South Carolina	At least $100 in 1 quarter	150.00	5.00	18	90.00	20.00	18.0	360.00	No sickness benefits.
South Dakota	At least $150 in 1 quarter	225.00	8.00	10	80.00	25.00	20.0	500.00	Do.
Tennessee	At least $75 in 1 quarter ($40 if w. b. a. under $16)	250.00	5.00	22	110.00	26.00	22.0	572.00	Do.
Texas	Wages in at least 2 quarters	200.00	7.00	5⅞	40.00	20.00	24.0	480.00	Do.
Utah	19 weeks	368.00	10.00	16	160.00	27.50	26.0	715.00	Do.
Vermont	At least $50 in 1 quarter	180.00	6.00	20	120.00	25.00	20.0	500.00	Do.
Virginia	No requirement	100.00	6.00	6	36.00	24.00	16.0	384.00	Do.
Washington	do	600.00	10.00	15	150.00	30.00	26.0	780.00	Do.
West Virginia	do	500.00	10.00	24	240.00	30.00	24.0	720.00	Do.
Wisconsin	14 weeks' employment at $13 or more	182.00	10.00	10	100.00	33.00	26.5	874.50	Do.
Wyoming	At least $200 in 1 quarter	260.00	10.00	8	80.00	30.00	26.0	780.00	Do.

[1] Weekly benefits, $10 to $30, based on schedule of high quarter earnings. Entire cost (1 percent payroll tax) payable by employees.

[2] Weekly benefits, $10 to $30, based on high quarter wages. Payroll tax, employees ¾ percent, employer ¼ percent.

[3] Weekly benefits, $10 to $26, on basis of ½ average weekly wage in 8 weeks preceding illness. Payroll tax (½ percent) payable by employees. Cost, if any above ½ percent of payroll payable by employers.

[4] Weekly benefits, $10 to $25, based on schedule of high quarter earnings. Entire cost (1 percent payroll tax) payable by employees.

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AMENDMENT OF RAILROAD RETIREMENT ACT, RAILROAD RETIREMENT TAX ACT, AND RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside, and that the Senate proceed to the consideration of Calendar No. 2249, House bill 7840, relating to the Railroad Retirement Act and companion measures.

The VICE PRESIDENT. The bill will be stated by title, for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

The VICE PRESIDENT. Is there objection to the request of the Senator from California?

There being no objection, the Senate proceeded to consider the bill (H. R. 7840), which had been reported from the Committee on Labor and Public Welfare.

The VICE PRESIDENT. The bill is open to amendment.

Mr. COOPER. Mr. President, the bill which I present, H. R. 7840, amends the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, comprising the railroad retirement system.

I desire to point out that the bill would affect two funds, namely, the railroad retirement fund and the railroad unemployment insurance fund. Both of these funds are administered by the Railroad Retirement Board, composed of 3 members, 1 representing the public, 1 representing the railroad employees, and 1 representing railroad management. All three of the members are appointed by the President.

In some instances, the bill would increase retirement annuities and benefits to their survivors. In other instances the bill would increase the unemployment and sickness insurance benefits of these acts.

By way of background, let me point out that there are approximately 1,300,000 railroad employees in our great railroad systems. Approximately 290,000 former retired employees are on the railroad retirement rolls. Those who enjoy survivor benefits from these funds number approximately 260,000. The railroad retirement fund presently amounts to approximately $3,200,000,000. The railroad unemployment insurance fund presently amounts to approximately $627 million.

The bill now before us was passed by the House of Representatives by a vote of 360 to 0. A companion bill was introduced in the Senate by the chairman of the Senate Committee on Labor and Public Welfare, the distinguished senior Senator from New Jersey [Mr. SMITH]. Hearings were held and the bill was reported to the Senate by me, after the committee had voted 11 to 1 to have the bill reported.

Mr. President, I do not intend to explain in great detail the proposed changes, but it is my duty to inform the Senate about the changes proposed in the bill.

I wish to say that I am discussing this bill today because the distinguished chairman of the committee, the senior Senator from New Jersey [Mr. SMITH], is not present and because the chairman of the subcommittee, the distinguished Senator from Arizona [Mr. GOLDWATER] has filed a minority report.

I address my remarks, first, to the amendments relating to the Railroad Retirement Act, and which affect the railroad retirement fund. The amendment I shall first discuss would change the age at which a widow, dependent widower, or dependent parent can become eligible for a survivor's annuity from 65 years, as at present, to 60.

The second change relates to the survivor's benefits, which a widowed mother and her children would receive as a result of the payments made by the husband, a railroad worker. Under the present law a surviving child receives benefits, until the child reaches the age of 18 years. The mother also receives certain benefits, on account of the child, even though she may not yet have reached that age when she is eligible in her own right for a survivor's annuity.

The amendment would provide that if a child is permanently and totally disabled, when it reaches the age of 18 years, the child can continue to receive its survivor's benefits as long as the condition of disability continues. At the same time and for the same length of time, the child's mother would continue to receive the benefit she receives because the child is physically disabled.

Another amendment proposed is that a widow who has been a railroad employee and has made her payments into the retirement fund may receive her benefit retirement and also a survivor's annuity if her husband was an eligible railway worker. Heretofore, if her husband had been a railroad employee, and he died, she could not receive both payments. This amendment would permit her to receive both payments, upon the theory that both she and her husband had paid their taxes into the railroad-retirement fund, and that she is entitled to receive the benefits for which they paid.

I failed to say at the beginning of my remarks that the railroad-retirement fund is sustained at present by a tax of 6¼ percent upon the earnings of railroad employees, to a maximum base of $300 a month. In addition, the railroad companies must pay an equal amount into the railroad-retirement fund. They must pay a sum equal to 6¼ percent of the amount of earnings upon which the railroad employees are required to pay.

Mr. BUSH. Mr. President, will the Senator yield for a question?

Mr. COOPER. I yield.

Mr. BUSH. Is this fund on an actuarially sound basis?

Mr. COOPER. That is a very complicated subject, and one which I am not prepared to discuss in detail.

Let me say to the distinguished Senator that at the beginning of my remarks I said there was presently a total sum of $3.2 billion in the railroad-retirement fund. There are liabilities against it, in the amount of about $7.5 million, because there are paid-up employees who have not received their annuities. This total liability is not due. It means that there are employees who have paid their taxes, are not presently eligible to receive retirement, but nevertheless, there is a contractual obligation to make these payments at the time they become eligible. This obligation would amount to about $7.5 million if it were necessary to pay it at this time.

It is my understanding that in determining whether this fund is actuarially sound, its solvency is determined by a formula which takes into account a term of years and the amount of money which would in experience be paid out to the beneficiaries over that term of years. At present, under the formula which is used, which is called a level base—taking into consideration the amount of payments that would be made over a period of years—a tax rate upon the compensation base of 13.56 percent would ideally be required rather than the 12.5 percent presently paid into the fund if the fund is to be brought actuarially in balance.

As it is my recollection that one of the witnesses who came from the staff of the Railroad Retirement Board said there could never be an exact balance. Today there is no insolvency of the fund. It is solvent, with a $3.2 billion balance, with payments regularly coming in. Technically, at present, there would be required a tax of 13.56 percent rather than the 12.5 percent now levied to bring the fund ideally in actuarial balance, but there is no question about its solvency.

Mr. BUSH. Mr. President, will the Senator yield for one more question?

Mr. COOPER. I yield.

Mr. BUSH. Has this act, so far, cost the taxpayers of the United States any money?

Mr. COOPER. No tax is levied upon the taxpayers of the United States to sustain the retirement fund; no contribution is made from appropriations to this retirement fund.

Mr. BUSH. There is no contribution?

Mr. COOPER. No. The entire retirement fund is made up, as I have said, of the 6¼-percent tax levied upon a level of earnings of the employees, and a similar amount which is contributed by the railroads.

The railroad unemployment insurance fund is furnished entirely by the railroads.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. SMATHERS. As I understand, all the Government does is just administer the fund.

Mr. COOPER. That is correct.

Mr. SMATHERS. The contributions, as the Senator said, are made to the fund by the employees and the employer.

Mr. COOPER. The Senator is correct. There is no payment, no tax, and no appropriation provided by the taxpayers of the United States, other than the railway workers themselves.

Mr. SMATHERS. Does the Senator know of any opposition to this particular bill? If so, from whom is there opposition?

Mr. COOPER. Yes. In the hearings, representatives of the Association of American Railroads, appeared and very vigorously opposed the enactment of the bill.

Mr. SMATHERS. Does the Senator recall the basis for the opposition?

Mr. COOPER. Their opposition was directed toward several features of the bill.

Some of their objections were directed against provisions already in the Railroad Retirement Act which they think are inequitable. They did not want to see those features continued.

A second objection was based upon the proposition that a relatively small benefit would accrue to many of the railroad employees, the workers themselves.

A third objection was that the full cost of the increased payments for unemployment and sickness would have to be borne by the railroads, and that the increased payment was out of line with the payment of other systems. Another point made was that under the law, since they must pay into the railroad retirement fund an amount equal to the amount which the employees pay—and they must pay into the railroad unemployment insurance fund the total amount necessary to meet demands—they stated their belief that it would place too heavy a burden upon them at the present time. It was said that many railroads had been operating at a loss, that this bill, in increasing their payments, would increase the deficit, and result in the burden being passed on to the people of the United States in the form of increased freight rates. There were other and more detailed objections, but I have tried to give the Senator as honestly and accurately as I can the general objections, without going into great detail. It will result in a larger burden upon the railroads.

Mr. SMATHERS. I thank the Senator. I wonder whether it was the committee's conclusion that those objections were not well founded or that the dire results predicted would not be realized.

Mr. COOPER. I can answer that question only by saying that the committee voted by 11 to 1 to report the bill to the Senate. I cannot inquire into the mind of any member of the committee. Hearings were held in the subcommittee. The subcommittee never reported the bill to the full committee. The bill came before the full committee on motion, and a vote was taken to report it to the Senate.

Mr. SMATHERS. When the Senator says the bill was reported to the Senate, he means it was reported favorably?

Mr. COOPER. Yes. Reported favorably to the Senate.

Mr. SMATHERS. I thank the Senator.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. LEHMAN. Is it not a fact that while the proposed change would entail some increased expenditures, the change in the base would bring in as contributions to the retirement fund, from the workers and from the railroads, an amount at least equal to, and possibly slightly more than, the increased expenditures?

Mr. COOPER. The Senator from New York is correct. When I have finished noting the chief amendments that are proposed, I shall devote some time to an explanation of the financial implications of the bill.

Another amendment relates to those who have retired and who are receiving annuities. Under the present law, a disabled annuitant who earns as much as $75 in employment in each of any 6 calendar months is deemed able to be employable at the end of the 6 months period. The amendment would eliminate this provision and would provide instead, for nonpayment of the annuity to the disabled annuitant with respect to any months in which he receives more than $100 a month from employment. It is less harsh than the present rule, and fairer. From the financial side, it was stated that this change would result in a saving of about $1.5 million to the fund.

There are several other amendments which we can discuss, but I have pointed out the principal amendments, with the exception of one. Under the present law, the maximum compensation that is taxable and creditable for both railroad retirement and unemployment insurance purposes is $300 a month.

The bill increases this maximum to $350, both for tax purposes and for credit benefits. Individuals with an average monthly compensation in excess of $300 will obtain higher benefits than are obtainable under present law. For example, a person with 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law.

Survivor benefits would also be increased in those cases in which the deceased employee had an average monthly compensation in excess of $300.

I do not desire to go into great detail, particularly after listening to the speech of the distinguished Senator from West Virginia [Mr. NEELY]. What I have said points out the fact that the bill would impose the tax upon an additional $50 monthly wage of a worker who made as much as $350 a month. It would give to the person who made in excess of $300 a month some increase in benefit. I wish to be frank about it, because I know the argument will be made that the benefits to retired railroad workers will go only to those who make over $300 a month, because the additional tax will affect only them. It will affect only the additional $50, which raises the level from $300 to $350 a month. It is in line with the social security change, raising the taxable base from $3,600 to $4,200.

I believe I am correct in saying that the number of workers who would be benefited by the increased monthly payment, small though it may be, is about 60 percent of those who are employed. About 40 percent, who make less than $3,600 a year, would receive no additional benefits.

The maximum sum of $20.70 to which I have referred would be paid only to those who have actually worked for 30 years and who have paid the tax. The increased payment to others would be reduced in proportion to the number of years they had worked, and would go down to a rather small sum. In the case of a worker who had worked, for example, only 5 years, his monthly annuity would be increased by only $3.45 a month.

The criticism has been made that a great many of these men will pay in each year much more than they will take out. For example, one who has been in the railroad service for 28 or 29 years, with only 1 or 2 years left to work, would be required to pay the additional rate on $600 a year, amounting to a considerable sum, and their annuity would be increased by only 70 or 80 cents a month.

The point is, however, that the older railroad workers are willing to make these payments in order to help provide for the younger men coming on. Their increased payments also provide additional funds for their widows, by reducing the age of eligibility from 65 to 60 years. They are willing to make this payment to make more favorable provision for their widows and their children who are survivors. They are to be congratulated for this attitude.

I turn, now, to the amendment to the Railroad Unemployment Insurance Act. At present it is required that a railroad worker must earn a minimum of $300 a month to be eligible for unemployment or sickness benefits. Unemployment and sickness benefits can be paid for a period of 26 weeks.

This bill would change the minimum and require that a worker must earn $400 a month before he can be eligible for unemployment or sickness benefits. The bill provides, also, that in any event, the worker who becomes unemployed or becomes sick cannot take out of the fund for sick benefits or unemployment benefits more than he or she has earned in the base year.

A third change in the Railroad Unemployment Insurance Act would add an additional 50 cents to the daily benefit rate. The maximum which could be drawn under this amendment would be $8.50 a day. It is also provided that in every instance an unemployed worker or one who has become ill and draws sickness benefits must receive at least 50 percent of his daily wage in the preceding year.

The benefit year runs from July 1 until the following June 30. The base period upon which determinations are made is the calendar year prior to the beginning of the benefit year. For example, we are now in the benefit year beginning July 1, 1954, and ending June 30, 1955. The base year for this benefit year would be the calendar year 1953.

One feature of the provision which was objected to was that the daily benefit rate would be determined by the last wage earned in the base year. I believe the present act provides that it should be the average wage earned in the base year. I may not be correct in that statement, but it was argued that because the bill would change it to the last daily wage, it might be unfair. I think the answer to that is that if the employee was employed at a certain pay scale at the time he became sick or unemployed, it could be reasonably anticipated that his employment would be continued at that last rate during the time he was sick or unemployed.

The matter of supplying the unemployment insurance funds is a fairly technical procedure. The balance in the account as of March 1954, was approximately $627 million. It is required by the act that the employer pay into the fund a certain percentage of all sums paid by him to railroad workers, based upon the balance in the fund at the close of business on September 30 of any year. For example, if the balance in the fund is $450 million or more, the rate is one-half of 1 percent; if the balance is $400 million to $450 million, the rate is 1 percent; if the balance is $350 million to $400 million the rate is 1½ percent; if the balance is $300 million to $350 million, the rate is 2 percent; if the balance is $250 million to $300 million the rate is 2½ percent; if the balance is less than $250 million, the rate is 3 percent. That is based upon the rate of $300 maximum amount to each employee.

This bill would require that the employer pay on a base of $350 a month for each employee, which would, of course, raise the total contribution of the employing railroad. I wish to point this out because I think it is fair to make that statement.

Mr. President, I ask unanimous consent to insert in the RECORD at this point the language in the report concerning the schedule of contribution rates to the fund as provided by law. There being no objection, the language was ordered to be printed in the RECORD, as follows:

The schedule of contribution rates provided for in section 8 of the Railroad Retirement Act, as amended on June 23, 1948, is as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on Sept. 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
$450,000,000 or more	½ percent.
$400,000,000 or more but less than $450,000,000.	1 percent.
$350,000,000 or more but less than $400,000,000.	1½ percent.
$300,000,000 or more but less than $350,000,000.	2 percent.
$250,000,000 or more but less than $300,000,000.	2½ percent.
Less than $250,000,000	3 percent.

Since the balance to the credit of the unemployment insurance account has been in excess of $450 million from the time this amendment became effective on January 1, 1948, the rate of contribution has been one-half of 1 percent since that time. The balance in the account as of March 1954 was approximately $627 million.

In accordance with the amendments proposed to be made in the Railroad Retirement Act and the Railroad Retirement Tax Act with respect to delegates attending a national or international convention of a railway labor organization, the reported bill likewise exempts from the provisions of the Railroad Unemployment Insurance Act such delegates if they have not previously rendered service to an employer as defined in that act.

Mr. LEHMAN. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. LEHMAN. Is it not a fact that when the Unemployment Insurance Act was passed it was contemplated that the railroads would pay into the fund 3 percent of the wages of the workers? Of course, the bill provided, as the distinguished Senator from Kentucky has pointed out, a sliding scale, depending upon the amount of money in the insurance account at the close of business on September 30 of any year. It was contemplated—and I am quite sure it was the fact—that the contributions of the railroad companies were at the rate of 3 percent a year. Today, as the distinguished Senator has pointed out, the railroads do not pay, and for many years past have not paid, 3 percent; they have not paid 2½ or 2 percent or 1 percent; they have paid only one-half of 1 percent—certainly a very moderate payment.

Is it not also a fact, as is pointed out in the report, that during the 5-year period from July 1, 1948, to June 30, 1953, the total contributions made by the carriers amounted to less than the amount paid in a single fiscal year during the period July 1, 1947, to June 30, 1948? So we are certainly not asking the carriers to pay any unusual amount.

Mr. COOPER. The distinguished Senator from New York has stated the facts as set out in the report of the Senate committee. During the 5-year period July 1, 1948, to June 30, 1953, the total contributions made by the carriers amounted to $91,425,823, or only 63 percent of the contributions made for the fiscal year July 1, 1947, to June 30, 1948.

I shall discuss briefly the cost of the bill. The amendment reducing the age of eligibility of widows, parents, and dependent widowers from 65 to 60 would require additional payments from the fund amounting to $23.5 million. Payments to retired workers in the form of increased annuities would amount to $31 million.

Other incidental payments, including benefits to widowed mothers and disabled children, arising from the continuance of payments to mothers of children who are disabled at the age of 18, would amount to $750,000. Other charges are estimated at $80,000. The total amount of additional charges against the fund is estimated to be $53,800,000.

To offset those charges, the following credits would become available to the fund, under the provisions of the bill: The increase in the taxable base from $300 to $350 a month—without increasing the tax rate—would bring into the fund from the workers $28 million. By reason of the fact that the railroads must contribute a similar amount, a total of $56 million would thereby be added to the fund.

There is also estimated a saving of $1,500,000 because of a change in the provision relating to the loss of payments if retired workers are employed. That is under the disability work clause.

According to the estimates, the approximate cost of the bill would thus be $53,800,000. The approximate increase in income would be $56 million Roughly, there would accrue to the fund about $1.5 to $2 million more than would be lost to the fund annually. I have pointed out that $28 million of that amount would be furnished by the railroads.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. BUSH. On page 6 of the report the following statement appears:

This bill is opposed by pension groups and by the Association of American Railroads.

Will the Senator tell us briefly what pension groups oppose the bill, and why they oppose it?

Mr. COOPER. To be frank with the distinguished Senator—and I do not wish to misinform him——

Mr. BUSH. I do not wish to press the Senator for a reply if he is not prepared to answer.

Mr. COOPER. Although I was on the committee, I was not present at the time when Mr. Thomas Stack, president of the National Railroad Pension Forum, Inc., testified. It is my understanding that he and his organization represent employees who have retired from the railroad, they are not now required to pay any contributions into the fund. They are receiving benefits, and under the terms of the bill, would receive no additional benefits. At the proper time, I hope the distinguished chairman of the subcommittee, the Senator from Arizona [Mr. GOLDWATER], who is familiar with

their claims, I believe, will be able to answer the question asked by the Senator from Connecticut.

Mr. BUSH. The term "pension groups" is a very broad term. I wondered whether it had to do with pension funds in other industries. As I understand, it has nothing whatever to do with pension funds in other industries, but refers only to pension groups in the railroad organizations.

Mr. COOPER. That is correct. It did not refer to other pension groups. Many railroad groups support the bill. I shall not read the list of them, but beginning on page 5 of the report is a statement as follows:

This bill is supported by the standard railway labor unions, including the 4 train and engine service brotherhoods, and 19 organizations affiliated with the Railway Labor Executive Association.

The four train and engine services brotherhoods are Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, and Brotherhood of Railroad Trainmen.

There follows a list of organizations affiliated with the Railway Labor Executives Association. I ask unanimous consent to have the list of such organizations printed at this point in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

The organizations affiliated with the Railway Labor Executives' Association are: Switchmen's Union of North America; the Order of Railroad Telegraphers; American Train Dispatchers Association; Railway Employees' Department, A. F. of L.; International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers; Brotherhood of Railway Carmen of America; Sheet Metal Workers International Association; International Brotherhood of Electrical Workers; International Brotherhood of Firemen and Oilers; Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express, and Station Employees; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen of America; National Organization of Masters, Mates and Pilots of America; National Marine Engineers' Beneficial Association; International Longshoremen's Association; Hotel and Restaurant Employees' and Bartenders International Union; Railroad Yardmasters of America; and Brotherhood of Sleeping Car Porters.

I do not say that the fact these organizations favor the bill is binding on the Senate, but as they pay the tax, their views deserve consideration.

Mr. COOPER. The report continues:

This bill is opposed by pension groups and by the Association of American Railroads.

At the proper time I hope the distinguished Senator from Arizona, chairman of the subcommittee, will be able to provide the Senator from Connecticut with more information about the position of the pension groups.

I come now to the cost to the fund for unemployment benefits. It is estimated that the increase in benefits for unemployment and sickness would cost about $25 million anually. The railroads would pay the additional sum into the fund. They would be required to pay, on a percentage basis, upon the additional $50 of those who earned up to $350 a month.

I said at the beginning that the bill also would amend the Railroad Retirement Tax Act. The present tax act permits the imposition of the 6¼ percent which the railroad employees must pay upon a maximum of $300 a month. Likewise, it obligates the railroads to pay into the railroad unemployment insurance fund only to a maximum of $300 a month.

The bill would change those provisions and require payment by railroad employees on the basis of a maximum of $350 a month, and would require payment by the railroads into the railroad employment insurance fund upon an additional $50 for railroad workers who make up to $350 a month. This change would take effect as of July 1, 1954.

The criticism has been raised that the revision of the internal revenue law, which was recently passed by Congress and is now the law, contains a provision that payments shall still be made upon the basis of $300 a month. There seems to be a contradiction between this bill and the Internal Revenue Act. The argument has been made that the bill should be amended to correct that contradiction. I do not think it is necessary. The bill will take care of the situation until January 1, 1955. When that time arrives the proper technical amendment can be made.

I shall not speak any longer on the bill. I felt that I should make a statement as to its principal provisions, and at least to outline the chief facts connected with its financial implications.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD tables to illustrate the effect of the bill, and a longer statement which I had prepared.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

The bill H. R. 7840, which is now under consideration, is an important piece of legislation. Its companion bill S. 2930 was introduced by the senior Senator from New Jersey, the Honorable H. ALEXANDER SMITH, the chairman of the Senate Committee on Labor and Public Welfare, for himself and others. The bill is supported by all of the standard railway labor unions, by the public member and the labor member of the Railroad Retirement Board. Hearings were held on this bill by the appropriate committees of both Houses of Congress, and after it was reported favorably by the House Committee on Interstate and Foreign Commerce, the House of Representatives approved it unanimously; the vote was 360 to 0. This bill has since been reported favorably to us by our own Senate Committee on Labor and Public Welfare, by a vote of 11 to 1.

A few months ago the Senate Committee on Labor and Public Welfare reported favorably on a bill to amend the Railroad Retirement Act so as to eliminate certain inequities. We passed that bill last June and it is now Public Law 398, 83d Congress. We knew then that there were other inequities to be eliminated from the railroad retirement system. Individual members of the Senate and the chiefs of the standard railway labor unions have been flooded with requests from railroad workers all over the country proposing various improvements in the railroad retirement system. Some asked increases in annuities for the retired men, others for disabled employees, for spouses, for widows, parents, or children. Still others have requested liberalization of the eligibility conditions for the various types of annuities payable under the Railroad Retirement Act, and some have pointed to the inadequacy of the daily benefits for unemployment and sickness.

H. R. 7840 now before the Senate makes the following changes in the basic railroad retirement statute:

1. The age of eligibility for widows, widowers, and dependent parents is reduced from 65 to 60 years of age. One of the greatest needs of all is relief for unemployed widows of railroad men who have reached a twilight zone in which they are too old to work and too young to draw a pension. This bill meets that need and the proponents consider it a vastly important change specifically designed to help widows of railroad personnel.

2. Under the present law, a widowed mother and her child cease getting survivor's benefits when the child reaches age 18 even though the child may be completely disabled for any employment. The bill provides that if the child is permanently and totally disabled, the survivor's benefits to the widowed mother and child will continue beyond age 18.

3. Under the present law, a widow who has had railroad employment and is eligible for a retirement annuity in her own right and who would also be eligible for a survivor annuity by reason of her husband's employment has the latter offset against the former and cannot receive both. The bill provides for both to be paid.

4. Under the present law, the maximum compensation that is taxable and creditable for both railroad retirement and unemployment insurance purposes is $300 per month. The bill increases this maximum to $350 both for tax purposes and for credit toward benefits. Individuals with an average monthly compensation in excess of $300 would obtain higher benefits than are obtainable under present law. A person with 30 years of service and an average monthly compensation of $350 would obtain an increase in his monthly annuity of $20.70 over the maximum amount that is payable under present law. Survivor benefits would also be increased in those cases where the deceased employee has had an average monthly compensation in excess of $300.

5. Under the present law, compensation earned after retirement age is used in computing the annuity even though lower earnings in later years operate to reduce the annuity. The bill provides for disregarding such compensation (though crediting the service) if using such compensation would reduce the annuity.

6. Under the present law, a disability annuitant who earns more than $75 in each of 6 consecutive months is deemed no longer disabled at the end of the 6-month period. The bill eliminates this test and provides instead for the nonpayment of the annuity to a disability anuitant with respect to any month in which he is paid more than $100 in earnings from employment or self-employment. This will remove hardships on the one hand, and eliminate abuses on the other.

7. Under the present law, the service of delegates to national or international conventions of railway labor organizations is covered employment under the act. These conventions frequently include delegates from units outside the railroad industry or outside the country who have no other covered employment. The accumulation of these trifling credits is of little if any value, particularly when compared with the nuisance of recording them and collecting the taxes on them. The bill excludes such service from coverage where the individual has no other previous covered employment.

8. The bill would strike out the present requirement that the child of a deceased employee under 18 and over 16 must attend school regularly if feasible in order to be eligible for a survivor's benefit. This provision was placed in the law originally because a similar provision was contained in the Social Security Act. This provision has long since been stricken from the Social Security Act and it should be removed from the Railroad Retirement Act.

9. The Railroad Unemployment Insurance Act is amended so as to provide that a great majority of the beneficiaries may receive at least one-half of their regular earnings for a period of 26 weeks. This is consistent with the President's recommendations regarding increases in the benefit base of the Federal social-security system. The changes contemplated in H. R. 7840 were in fact adopted following issuance of the President's economic report, and the proponents intended to adopt the suggestions of the President. In order to eliminate a serious problem of administration, the original provision providing for benefits based on the rate of pay on the last day worked has been changed by the committee to provide benefits based on the last day worked in the base year. In addition, in order to meet the objections of the Bureau of the Budget in the problem of weighted equities in favor of transient employees in the industry, the qualifying annual earnings was increased from $300 to $400 a year. In addition, in response to suggestions made by the Bureau of the Budget, a guaranty has been inserted in the bill which provides that under no circumstances shall a beneficiary receive benefits totaling more than the amount of actual wages earned in the base year.

10. Provision is made to permit the waiving of such portion of his railroad retirement annuity as an annuitant may desire in order that this annuity not interfere with the annuitant's ability to qualify for a veteran's pension.

It is not possible, of course, to amend the railroad retirement system so as to adopt all proposals made. We know that the system originated with the standard railway labor unions who are conservative in all matters concerning the financial soundness of the system. It is a matter of record that the railroad retirement system came into being because the old railroad private pension systems were inadequate to meet the needs of retired railroad workers and their families. In this instance, these standard railway labor unions have found that some improvements could be made in the railroad retirement system without adding to its financial burden. I wish to emphasize that this bill represents the view of the four operating unions as well as the 19 nonoperating unions, comprising a membership substantially 100 percent of all railroad workers in the country. As railroad men they know the plight of a railroad man's widow. Normally a woman is in her thirties when she gives birth to her youngest child so that by the time that child is 18, the woman, if she should become a widow then, is in her fifties. The loss of the breadwinner at that time is a catastrophe; yet, under the law now in effect, such a woman could not be paid a widow's insurance benefit before she attains the age of 65. The committee has come to the conclusion that this inequity ought to be eliminated by reducing the widow's eligibility age but finances prevented them from reducing the age to lower than 60. The bill therefore proposes to pay a widow's insurance annuity beginning at age 60. Another liberalization relates to a child's annuity after age 18. The bill would not change this provision except with respect to a child that is totally and permanently disabled. In such case the annuity would be paid after age 18 under the same conditions as it would have been paid before that age.

For all annuities, the bill would provide a higher average monthly base by changing the creditable monthly earnings from $300 to $350 a month. In addition, the bill would permit a widow to receive her survivor annuity without reduction by the amount of her own railroad retirement annuity; would credit compensation earned after age 65 in the computation of annuities only if such credit would operate to increase the amount of the annuity, would simplify the conditions for the receipt of a disability annuity for months during which the individual was able to work, and would make several other amendments of relatively minor importance.

To meet the cost of the liberalizations of the Railroad Retirement Act the bill would amend the Railroad Retirement Tax Act so as to increase the taxable base from $300 to $350 a month. The report of the Railroad Retirement Board on the bill shows that this increase in the taxable base would add $56 million a year to the railroad-retirement system. This same report shows also that the cost of the higher benefits resulting from the crediting of $350 instead of $300 a month for retirement and survivor benefits would be $31 million a year, leaving a balance of some $25 million a year to cover the cost for reducing the eligibility age for widows without minor children from 65 to 60, and the remaining amendments, the cost of which is estimated at about $23 million a year. Thus the $56 million additional revenue would more than pay for all the liberalizations provided in the bill for the Railroad Retirement Act.

The argument that the benefits under the Railroad Retirement Act are already higher than under the Social Security Act shows no more than that some benefits are higher than others. Although the Congress is now in the process of increasing retirement benefits under the Social Security Act, it recognizes the inadequacy of the total monthly benefit by increasing the amount which the retired worker can earn to supplement his monthly benefits. This amount which originally was $15 a month, was increased to $25, to $50, to $75, and now it is proposed to increase the amount to $1,200 a year. In any event, the congressional policy has always been to consider the proposals to improve the railroad-retirement system on their own merits without regard to inadequate benefits elsewhere, as long as the finances in this system permit improvement. That this is so under this bill has already been well established. It is certain, in any event, that the liberalizations proposed in the bill for the railroad-retirement system would not adversely affect the financial soundness of the system.

The argument that the railroad-retirement account has now a deficit of about 1 percent of payroll does not alter the fact that the enactment of this bill would not increase that deficit. In other words, the deficit would be about 1 percent of payroll whether or not we enact this bill. It has been testified in the past that in a system such as the railroad-retirement system, when the cost of the benefits and the income from taxes differ 1 percent either way, the financial status of the system need not be considered with alarm. The Congress has proceeded on that basis ever since 1948. In fact, at the end of the 1951 amendments, the difference was close to 1½ percent. In any event, without attempting to justify the argument that 1 percent one way or the other is not alarming, we must remember that the enactment of this bill would not affect adversely the present financial status of the railroad-retirement account.

It should be remembered also that while the additional revenue to the railroad-retirement account would be $56 million a year, the cost would not be borne by employers alone. In fact, the employers would bear the smaller proportion of the cost. Under the provisions of the Railroad Retirement Tax Act, $28 million of this $56 million would be paid by employers and $28 million by employees.

The objection to increasing the creditable and taxable maximum monthly base from $300 to $350 a month is made on two grounds. First, the social security base is still only $3,600 a year, that is, the President's proposal to increase that base to $4,200 a year has not yet been enacted; and, second, even if the social security base were increased to $4,200 a year, the railroad base of $300 a month should nevertheless remain unchanged because of the higher taxes required to maintain the railroad retirement system. Both objections are without merit. The railroad retirement system and the social security system were established in 1937. At that time the wage base in the Social Security Act was $3,000 a year, averaging $250 a month, while the wage base under the railroad retirement system was $300. Thus, from the very beginning, the railroad retirement system had a wage base which was $600 a year in excess of the social security wage base.

The tax rates for the maintenance of the railroad retirement system are, and from the beginning have been, higher than those for the social security system, but the reason for this may readily be seen. Both systems were established as of January 1, 1937, when taxes began to be paid under each. But whereas the social security system had no immediate obligations (monthly benefits under that system did not become payable until January 1, 1940, and these were at an extremely low rate up to recently), the railroad retirement system had to pay substantial annuities immediately upon its establishment to many tens of thousands of railroad workers who had already retired, and whose annuities in many cases were retroactive to June 1, 1936. Moreover, the railroad retirement system took over prior service obligations of two kinds. The first, and very serious one, was the obligation to credit as much as 30 years of service before 1937 for which no taxes were paid. The second required the system to take over the railroads' obligations to some 50,000 pensioners then on the railroads' own private pension rolls. Besides all this the railroad system provides disability annuities at ages long before the youngest age, 65, at which the social security retirement benefits can begin; and it is important to consider that almost one-third of all retirement annuities now being paid under the railroad retirement system are for disability.

It is thus obvious that the tax rate for the railroad retirement system could not be kept as low as for the social security system because (1) benefits were paid immediately and on a substantial basis rather than 3½ years later and on an extremely low scale as under the social security system, (2) the benefits were all considerably higher than

those provided by the social security system and in many instances, as in the disability cases, at much earlier ages than the earliest age, 65, at which old-age social security benefits can be paid and (3) the railroad retirement system assumed relatively heavy prior service obligations recently estimated at about $3.5 billion. The tax rates for the railroad retirement system, therefore, had to be fixed so as to cover not only the cost of benefits for service after 1936, but also to cover the cost of the prior service obligations.

Moreover, when the $300 limit was first established in the Railroad Retirement Act, 98 percent of the number of railroad employees were earning no more than $300 a month, and 98 percent of the total railroad payroll was creditable and taxable for benefit purposes under the act. The average monthly earnings per railroad employee in 1937 was $1,780, but in 1953 the average was $4,400. Although the social security base was changed from $3,000 to $3,600 a year, the railroad base remained unchanged at $300 a month to date. The result is that at the present time only 36 percent of the employees are earning $300 a month or less and only 80 percent of the payroll is creditable and taxable for benefit purposes under the act. As a matter of fact, even after this bill is enacted and the base is increased from $300 to $350 a month, only 88 percent of the total railroad payroll would be creditable and taxable for benefit purposes of the act as compared with 98 percent in 1937. And we all know, of course, that the President has proposed an increase in the social security wage base from $3,600 to $4,200 a year.

It has been suggested that it would be better to use the available $23 million to increase benefits instead of liberalizing the eligibility conditions for widows' annuities. If the additional revenue to be derived from H. R. 7840 were devoted to increasing only retirement annuities and pensions, in addition to the increases in the annuities of workers now employed who will derive increased benefits by reason of the increase in average monthly pay allowed, the increase would not be more than 4.25 percent; if such revenue were devoted to increasing spouses' annuities as well as retirement annuities and pensions the increase for all 3 would not be more than 4 percent; and if such revenue were used to increase also the survivor annuities payable under the act the increase for all would not be more than 3.25 percent. When money is available for improvement of a retirement system, such as the railroad-retirement system or the social-security system, it is necessary to consider how best to distribute that money. In this instance, of course, the increase in revenues from taxing earnings in excess of $300 a month (up to $350 a month), would be used primarily to provide for larger benefits to employees (and their survivors) now in active service who would pay these increased taxes, and any revenue over and above that would be used primarily for the situations of greatest need, that is, for the dependent widows and dependent parents without any income at all in that very critical period from ago 60 to 65, when age and disability prevent the securing of employment, particularly by women.

I hope that what I said thus far demonstrates the propriety of, need for, and the financial feasibility of the amendments proposed for the Railroad Retirement Act and the Railroad Retirement Tax Act.

For the Railroad Unemployment Insurance Act, the bill would increase the maximum taxable monthly compensation from $300 to $350, the same as for the railroad retirement system. The taxable base under the Railroad Unemployment Insurance Act has always been the same as for the railroad retirement system, and the bill would continue this uniformity. In addition, the bill would increase the daily rate for unemployment and sickness benefits generally by 50 cents up to a maximum of $8.50 a day, with the assurance that in no case would the daily rate be less than 50 percent of the employee's last daily wage rate in the preceding base year. This guaranty is subject to two limitations. The first is that in no case would the amount exceed $8.50 a day, and the next is an overall limitation that in no case would the total amount of benefits for unemployment or sickness in a benefit year exceed the employee's total earnings in a base year. The guaranty of benefits up to 50 percent of an employee's daily wage rate is in conformity with the President's proposal for the State unemployment insurance systems; and the limitation against total benefits exceeding the employee's earnings in the preceding base year is one of two conditions directed against casual workers. It has been complained by some that the railroad unemployment insurance benefits constitute a windfall to many casual workers in the railroad industry; that their benefits in a year exceed by far their earnings in the preceding base year. To meet this objection, the bill amends the Railroad Unemployment Insurance Act so as to require no less than $400 a year as a condition to qualify for benefits under the Railroad Unemployment Insurance Act instead of the present $300 a year. This provision alone would eliminate many casual workers from the coverage of the act; and this provision, together with the overall limitation against total benefits exceeding the total earnings in the preceding base year, go a long way to meet the objection as to casual workers.

With regard to the amendments proposed for the Railroad Unemployment Insurance Act, we must remember that the President of the United States has recognized the inadequacy of the State benefits and has recommended State action to increase benefits up to 50 percent of regular earnings. The proposal in the bill to increase benefits up to 50 percent of the employee's last daily wage rate in the base year is substantially the same as the proposal of the President for the State systems.

In considering the cost of the proposed increase in benefits under the Railroad Unemployment Insurance Act, we must remember that such cost will come within the 3 percent tax rate fixed in the Railroad Unemployment Insurance Act. The opposition has not maintained, and cannot maintain, that the cost of the railroad unemployment insurance system, even after the enactment of the bill, would exceed, or even approach this 3-percent rate. This rate was reduced in 1948 to one-half of one percent of payroll by the use of a sliding-scale schedule of rates fixed by Congress at that time in order to avoid the accumulation of a large reserve for which there was no immediate need. This was a proper measure and saved the railroads hundreds of millions of dollars from 1948 to date. If there were no need for improving benefits we would welcome the railroads to the additional savings resulting from the reduced rate, but this reduction in rate was only a temporary measure subject to increases up to the original 3 percent should there be a need for improving the benefits. Now that the need has arisen no one should complain if the result would be an increase from the present one-half of 1 percent to perhaps 1 percent in 1957, since there is the assurance that in no event would the total cost of the benefits as so improved reach as much as the 3 percent of payroll originally adopted for the system.

In summation, may I say to the Senate that it is necessary in considering the bill before us that we pass it without amendment. This bill passed the House of Representatives by an overwhelming unanimous vote and it will become law if the Senate passes it in its present form. Any action on our part which might require a conference or other undue delay might conceivably result in this meritorious legislation not becoming law. I suggest, therefore, on behalf of the committee that all amendments to this bill be rejected.

I submit that the bill before us is an excellent one; it provides much needed improvements in the railroad retirement and unemployment insurance systems. These improvements are in conformity with the President's program and have the support of the administration. The Secretary of Labor, a member of the President's Cabinet, has endorsed the bill completely. All the standard railway labor unions, representing some 1,500,000 railroad workers in the country, are enthusiastically for this bill. The House of Representatives passed this bill unanimously. Let us do likewise. Let us assure the 1,500,000 railroad workers who are represented by all these standard railway labor unions that we are with them in this cause.

TABLE 1.—*Effect of increasing creditable and taxable base to $350 per month on employees retiring on full annuities after 30 years of service, assuming all service after increase in base to be at $350*

Average monthly compensation before increase in base	Years of service		Increase in monthly annuity		Increase in aggregate taxes to date of retirement	Increase in aggregate benefits for life expectancy of 12½ years after retirement
	Before base increase	After base increase	Per month	Per year		
0		30	$20.70	$248.40	$1,126.80	$3,105.00
$200						
$250		25	17.25	207.00	939.00	2,587.50
$300						
$200						
$250		20	13.80	165.60	751.20	2,070.00
$300						
$200						
$250		15	10.35	124.20	563.40	1,552.50
$300						
$200						
$250		10	6.90	82.80	375.60	1,035.00
$300						
$200						
$250		5	3.45	41.40	187.80	517.50
$300						

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, p. 58.

TABLE 2.—*Annual cost and level rate required to support the Railroad Retirement Act as revised by proposed amendment (assumes level annual payroll of $5,450,000,000 on basis of $350 monthly compensation ceiling)*

Benefit provision	Annual dollar cost (in thousands)	Level cost
1. Railroad retirement benefit under present act	$670,500	12.303
2. Change limit on creditable earnings from $300 to $350 a month	31,000	.569
A. Retirement benefits	25,000	.459
B. Survivor benefits (including residual lump sum)	6,000	.110
3. Reduce eligibility age for widows and parents from 65 to 60	23,500	.432
4. Change in disability work clause provision to $100 per month (as accrued)	−(1,500)	−(.028)
5. Survivor benefits continued to young widow and dependent disabled child past age 18	750	.014
6. Disregarding compensation after age 65 if use of such compensation would reduce annuity	50	.001
7. Elimination of reduction in survivor benefits on account of railroad retirement benefit in own right	20	
8. Elimination of national delegate service where other railroad service is not creditable	10	
Net level rate	724,330	13.290

Source: Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d sess., on H. R. 7840, p. 29.

Under present law, an employee is qualified for unemployment or sickness benefits in a benefit year if he is paid compensation totaling not less than $300 in a base year.[1] The daily benefit rate is determined by the employee's base-year compensation, in accordance with the following schedule:

Base year compensation:	*Daily benefit rate*
$300 to $474.99	$3.00
$475 to $749.99	3.50
$750 to $999.99	4.00
$1,000 to $1,299.99	4.50
$1,300 to $1,599.99	5.00
$1,600 to $1,999.99	5.50
$2,000 to $2,499.99	6.00
$2,500 to $2,999.99	6.50
$3,000 to $3,499.99	7.00
$3,500 and over	7.50

Under the reported bill the daily benefit rate would be determined by the employee's base year compensation in accordance with the following schedule:

Base year compensation:	*Daily benefit rate*
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

Mr. IVES. Mr. President, in supporting H. R. 7840, as passed unanimously by the House of Representatives, I would point out that, although the bill goes a long way toward alleviating certain hardships which have developed under the provisions of the present law, the Congress should consider, as soon as possible, increased benefits for individuals already retired as well as for the large number of railroad employees receiving less than $300 a month.

By the enactment of H. R. 356, which repealed the dual benefit restrictive provision enacted by the 1951 amendments to the Railroad Retirement Act, the Congress and the administration have corrected a serious inequity with respect to pensioners eligible to receive both railroad retirement benefits and old-age insurance benefits under the Social Security Act. This bill (H. R. 7840) would correct many other inequities, such as reducing the eligibility age for widows without an eligible child from age 65 to 60, and eliminating the provisions in the present law, which provide that a disability annuity ceases after the annuitant earns more than $75 in each of 6 consecutive calendar months.

Although the Senate Committee on Labor and Public Welfare did not have a sufficient opportunity to consider the proposed legislation as thoroughly as was desirable, the Committee on Interstate and Foreign Commerce of the House of Representatives did give to H. R. 7840 very thorough consideration. Moreover, I understand that the Secretary of Labor, the Chairman, and the labor member of the Railroad Retirement Board favor the enactment of this legislation.

Although the bill does not go as far as some of us would like it to go, it is a definite step in the right direction. Therefore, I urge that the Senate pass H. R. 7840. I urge, moreover, that the bill be passed without amendment, because, if it were to be amended at this late hour in the session, such action would almost surely doom it to ultimate defeat.

Mr. GOLDWATER. Mr. President, I am the chairman of the Subcommittee on Railroad Retirement. I feel it is necessary for me to make a brief statement of my objections to the bill, and why I have found it necessary to object to it. At the end of my remarks I shall offer three short amendments, as to which I shall ask the earnest consideration of the Senate.

I am very sorry that this very important proposed legislation comes up at the end of a very busy session. It should be given thorough, sober study, much more thorough study that it has been given by the Senate Committee on Labor and Public Welfare. I am afraid, if the Senate passes the bill, that while there are many, many parts of it which are good—in fact, the great majority of the provisions of the bill are very good—there might be enacted into law changes in the Railroad Retirement Act which we shall be asked to change in a few years. We were asked this year to change law which was hurriedly enacted in 1951, and to restore the dual benefits which were denied in that year.

In making these statements I wish to say that I believe the brotherhoods have been extremely fair in their treatment of my views. They know exactly where I stand. I also wish to say that the railroads have been extremely fair in their attitude toward the bill. Their attitude has not been based primarily on the increased cost to them, but upon the rather obvious defects in the bill as it came from the House. I may say to my colleagues, particularly to the Senator from Connecticut [Mr. BUSH], who posed this question, that in my office and in the office of the committee there have been received more than 3,000 letters and cards objecting to the passage of the pending bill. I believe most of those cards came from the members of the various brotherhoods, and I think most of them are members of the railroad pension fund, whose representatives testified against the bill during the Senate hearings, and during the House hearings, as reflected on page 66 of the House print.

To point out some of the seriousness involved in the proposed legislation, and the fact that any change in the Railroad Retirement Act should receive thorough and full consideration, I should like to answer another question posed by the Senator from Connecticut.

Mr. BUSH. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. THYE in the chair). Does the Senator from Arizona yield to the Senator from Connecticut?

Mr. GOLDWATER. I yield.

Mr. BUSH. What was the basis of the opposition of the persons who were writing? Three thousand communications is quite a number. What was the basis of their objection?

Mr. GOLDWATER. There was in the Congress another bill which proposed to give benefits to persons now retired. Most of the objections were probably from retired persons, who wanted improvement in their lot so as to place them on a comparable basis to that of persons receiving social security. That is about as much as I can tell the Senator about the objections.

I wish now to come to the objections with are specific, and which are my own; but, first, I should like to answer the question of the Senator about the actuarial solvency of the railroad-retirement fund, because it points up the seriousness of the whole question. I am quoting the testimony of Mr. Ettenger, of the Association of American Railroads, before the committee:

> The retirement system is now, according to the actuaries, operating at an annual deficit of $52,500,000 per year, and, in the absence of more revenue, the costs, which would be added by S. 2930—

Which, I might say parenthetically, was the Senate version of H. R. 7840—

> would increase this deficit to $106,331,000 a year.

During the testimony on Senate bill 356, regarding the question of dual benefits, it was brought out many times that the fund is not actuarily sound. It is in no danger, but I feel that in the coming years the Senate and the House should

[1] A benefit year extends from July 1 to the following June 30; the base year is the calendar year preceding the beginning of the benefit year.

have their representatives sit down with representatives of the Railroad Retirement Board and try to ascertain a method of making the fund actuarily sound.

I mention that aspect to point out that this is not merely another bill that is being considered by the Senate tonight. There are in this country about 1,300,000 railroad workers. There are 290,000 persons on the railroad-retirement rolls, and there are 260,000 persons on the survivors rolls. So, again, we are not talking about something that affects only a few persons, or about a minor piece of proposed legislation.

The bill, H. R. 7840, proposes a number of fundamental changes in three complicated and highly technical laws, the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. It involves many millions of dollars, and affects the lives of hundreds of thousands of American men and women who work on America's railroads, together with their dependents. It imposes extensive additonal burdens on the railroad industry.

H. R. 7840 was passed by the House of Representatives on July 30, 1954. It was referred to the Senate Committee on Labor and Public Welfare on July 31, 1954. The Senate Committee on Labor and Public Welfare reported the bill by a vote of 11 to 1 on August 2, 1954, 1 day after it had been received. The bill was never considered by the Subcommittee on Railroad Retirement, of which I am chairman, nor was it subjected to any consideration whatsoever by the full committee. It was simply ordered reported in the closing minutes of an executive session of the Committee on Labor and Public Welfare on Monday, August 2, of this year.

A little later on I shall point out that the Senate subcommittee held hearings on it, but the members of the Senate Committee on Labor and Public Welfare knew nothing of the contents of the pending bill, with all due respect to them, because they are very busy men, and I doubt whether they read the bill. But the bill was reported by a vote of 11 to 1.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. GOLDWATER. I yield to the Senator from Kentucky.

Mr. COOPER. I am a member of the subcommittee. I wish to make it clear that I did not attend all the meetings, but I did attend a number of the meetings.

Mr. GOLDWATER. That is correct.

Mr. COOPER. I heard most of the testimony that was given in the hearings. I read many of the written statements that were made, and I certainly studied the bill, and I knew what I was voting for when I voted for it in the committee.

I read many of the prepared statements which were presented, and I certainly studied the bill and knew what I was voting on when I voted for it in the committee. I wish to make that clear. I am in the position of handling the bill on the floor because the chairman of the full committee is not present and because my distinguished friend is opposing the bill. I wish to make it clear that I was present a great part of the time, and I read the testimony. I knew what I was voting on.

Mr. GOLDWATER. The Senator from Kentucky was faithful in his attendance at the meetings. I was not referring to the Senator from Kentucky. The Senators to whom I was referring know full well who they are. I shall not mention their names.

The seriousness of this deficiency is illustrated, in part at least, by the fact that amendments will be required to bring certain sections of the bill into line with the provisions of the recently enacted Internal Revenue Code.

This bill, H. R. 7840, in the form in which it was introduced in the House, was a companion bill to S. 2930, which was introduced in the Senate by request on February 11, 1954. Following the introduction of S. 2930, it was promptly referred to the Senate Committee on Labor and Public Welfare and thereupon was placed on the calendar of the Special Subcommittee on Railroad Retirement Legislation, which was then under the chairmanship of the late Senator Dwight Griswold. On February 16, a formal request was made of the Railroad Retirement Board to report its views and recommendations on the bill.

In February, when S. 2930 came before the Railroad Retirement Subcommittee, it was publicly announced and otherwise made known to all interested parties that subcommittee consideration of the bill would not be undertaken until after the committee had acted upon and disposed of S. 2178, a bill to repeal the dual-benefit ban.

Mr. President, I wish to compliment the Senator from Kentucky on the excellent part he played in removing that objectionable piece of legislation from our books. He worked religiously on it. I think it is a credit, not only to the Senator from Kentucky, but to this administration, that this obnoxious portion of the Railroad Retirement Act was removed during this year.

Committee action on S. 2178 was not completed until May 14, when that bill was favorably reported to the Senate.

I may say, as an aside, that that bill was held up in committee repeatedly, month after month, by the determined action of one of the members of the committee. He was acting perfectly within his rights. He doubted the wisdom of passing it. I do not criticize him for his actions. I merely wish to point out that that delay was occasioned by repeated objection.

Prior to the scheduling of formal hearings on S. 2930, the Senate version of H. R. 7840, the views of the Bureau of the Budget were solicited. A formal request was made for such a report on June 22, 1954. The reply of the Bureau of the Budget was dated July 1, 1954, and was not received by the committee until July 6, 1954. The Railroad Retirement Board's views and recommendations on S. 2930 were not received until July 7, 1954, the opening day of the hearings on the bill. Their letter was dated July 1, 1954, and it was presented to the committee during the course of the testimony of the members of the Board on July 7, 1954.

I cite these facts merely to show that S. 2930, the companion bill to H. R. 7840, was handled as promptly as possible at the subcommittee level. It was being given what I believe to be the kind of responsible and careful consideration which is required. This was in accordance with my conception of the duties and responsibilities of the office which I hold.

I point out that during the period we were holding subcommittee hearings on this bill, and immediately afterward when several times we attempted to have subcommittee meetings, there was what has been referred to as a filibuster going on on the floor, and two members of the subcommittee were very interested in that rather lengthy exchange of words. It was impossible to hold a subcommittee meeting at that time.

Mr. President, politically I probably should sit down and close my mouth. The smart thing, politically, would be to vote for the bill without any opposition. But as the chairman of a subcommittee, I do not think it is my duty to be prompted by politics. I have seen what I feel are deficiencies in this bill, and I am going to report them to the Senate.

In addition to my objections to the cursory consideration given this bill in committee, I wish to point out also that I am not satisfied as to the merits of this bill. In fact, I am more impressed by what this bill will not do than by what it will do. In my view, its shortcomings overshadow its benefits.

For example, H. R. 7840 does not provide any benefits for some 290,000 retired employees and an additional 260,000 other beneficiaries now on the retirement rolls. This is in contrast to the Social Security Act amendments now being considered which would increase the benefits of all retired employees covered by our social-security laws by about $6 per month.

This bill does not increase the benefits of some 36 to 40 percent of rail employees who earn less than $300 per month. This is a most serious shortcoming since it withholds increased benefits from the group most in need of additional benefits.

This bill does not provide additional retirement benefits for employees who retire with less than 10 years of service or for their dependents.

This bill does not provide for a realistic increase in benefits for employees who retire in the near future, even though they earned over $350 per month. Testimony taken by the committee indicates that an employee receiving $350 per month who worked for 1 year after the enactment of this bill would receive an increase of only 69 cents in his monthly annuity, although he would be required to pay additional taxes of $37.56 during the year. If he worked 7 years at $350 a month, his annuity would be increased by only $5. Proponents of the bill say that by reason of this increase in compensation, the average annuitant would receive $3 for each $1 in taxes. This is obviously incorrect, since the cost estimates show

that employees will pay in $28 million in additional taxes and will receive additional annuity benefits of only $31 million.

Mr. President, the evening is going along. I shall not enumerate all the minor objections which I found in this particular piece of legislation, because my amendments are directed at correcting those. I do wish to mention one more thing.

The provisions of H. R. 7840 to reduce widows' retirement eligibility age will cost approximately $23,500,000. The Department of Health, Education, and Welfare advises me that if it were to aid in bringing about a similar change in our social-security laws, the cost to the Treasury of the United States would be $125 to $150 million in the first full year of operation if widows alone were considered and $700 to $800 million for the first full year if all women were included. If, eventually, the age is reduced for all beneficiaries, the cost would be $1½ to $2 billion.

During the hearings, the suggestion was made that the subcommittee might want to consider a proposal to eliminate the widows provision and apply the $23,500,000 which this provision would cost to an across-the-board increase for all employees.

Mr. President, that is exactly what I favor. I shall bring that up in my amendment. I think it is not fair to the retired railroad workers of this country to deny them an increase in their benefits.

The Railroad Retirement Board was requested to submit its views on this proposal, and in reply stated that if this proposal were adopted, employee benefits would be increased by about $5 a month, or very close to the social-security standards we have recently enacted.

It seems to me that the matter of possible adoption of such a resolution is worthy of consideration by the Senate.

Mr. President, as I said, I have 3 amendments to offer. I send the first one to the desk and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 9 after line 3 it is proposed to insert the following:

SEC. 206. (a) Section 3201, section 3202 (a), section 3211, and section 3221 of the Internal Revenue Code of 1954 are hereby amended by striking out "$300" each place it appears in each such section and inserting in lieu thereof "$350."

(b) Section 3231 (e) (1) of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof the following sentence:

"Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act."

On page 13, after line 19, insert the following:

SEC. 407. The amendments to the Internal Revenue Code of 1954 made by section 206 shall become effective as if enacted as a part of the Internal Revenue Code of 1954.

Mr. GOLDWATER. Mr. President, let me present a very brief explanation. I think it is quite obvious from the words of the amendment that this is a technical amendment, which will be needed to make the act operative within the safe actuarial limits of the fund.

When this legislation was being considered by both committees we had not as yet passed H. R. 8300, which is the recodification of the Internal Revenue Code. Because of this change it is necessary to make some amendments in the Internal Revenue Code so that the proposed act, if it is passed, can start operating immediately, and we shall not find ourselves borrowing from existing funds in order to make the payments between now and the first of the year.

The amendment I am offering is a technical one and is needed to conform the provisions of the Internal Revenue Code of 1954 to the amendments to be made to the Railroad Retirement Tax Act by this bill.

Benefit rates under the Railroad Retirement Tax Act are at present financed by a payroll tax of 6¼ percent on railroad employees and an equal tax on the employers, payable on each employee's earnings up to $300 per month. That is important.

H. R. 7840, in amending the Railroad Retirement Tax Act, increases the tax base from $300 to $350 per month, effective July 1, 1954, and excludes from taxation, as of April 1, 1954, the compensation of certain delegates to national or international conventions of the railway labor organizations.

Under section 7851 of the Internal Revenue Act of 1954, the present Railroad Retirement Tax Act will be superseded, effective January 1, 1955, by a new Railroad Retirement Tax Act, which is chapter 22, I. R. C., 1954. That is the Internal Revenue Code.

The new tax act, however, contains the $300 tax base and fails to provide for the increased $350 base. Likewise, it fails to provide for excluding the compensation of certain delegates to conventions. This amendment would remedy this deficiency by adding these provisions to the new Railroad Retirement Tax Act.

In brief, that is what the amendments do. I heard the plea of the Senator from New York not to amend the bill. I have heard the suggestion made, "We can put it through, and we can amend the act next year when we take it up again."

Mr. President, I think that is very bad legislative procedure. If this bill is to be enacted into law certainly it should be enacted into law with all the mechanism necessary to make it work.

I have nothing more to say on this amendment. I feel it is one which must be accepted unless we want to see this fund further jeopardized in the process.

The PRESIDING OFFICER (Mr. BRICKER in the chair). The question is on agreeing to the amendment of the Senator from Arizona.

Mr. REYNOLDS. Mr. President, the junior Senator from Nebraska supports the views of the able Senator from Arizona.

In my opinion this is no social-security act. This is no WPA project. This is no foreign-aid proposal. Nor is it a drought-relief measure. When the Congress first inaugurated the Railroad Retirement Act it was assumed—and in my opinion it was the intention of Congress—that this would be one fund which would be put on an actuarially sound basis.

While the Senator from Arizona points out the fact that the fund is in no jeopardy at this time and is solvent, if we are to pass bills such as those before us today without adequate hearings, the fund will not remain solvent.

I trust that Senators will keep in mind, in considering this bill, that this is one fund which must remain actuarially sound.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona [Mr. GOLDWATER].

Mr. COOPER. Mr. President, I urge that the amendment be defeated, and submit these reasons:

First, there is no question of whether or not this fund is solvent and will remain solvent. As of today—and my distinguished friend will agree with me—the fund is absolutely solvent. There is no problem about having plenty of money in the fund to pay the charges.

Today in the railroad retirement fund there is a total of $3.2 billion. The total benefits which would be paid from this fund if the bill were passed would be $724 million a year. Of course, there are funds coming in all the time.

There is some question of whether or not this is an actuarially solvent fund. As I said, I cannot go into all the details, but I hope my distinguished colleague will check me, and if I make a misstatement, I hope he will correct me, because I do not want to make a misstatement to the Senate.

As of today, to make the fund absolutely actuarially sound there should be levied, instead of a tax of 6¼ percent against the employees, a tax of perhaps 7 percent. It is said it would require about 1.6 percent more, divided as between the employees and the employers, to make the fund actuarially in balance.

What do the words "actuarially sound" mean? They mean, according to actuarial principles, taking into consideration over a long term the average receipts and payments from the fund in that long term, that there should be sufficient amounts of money in the fund to maintain solvency at all times.

As I remember, the representatives of the railroad retirement fund testified that it would be the year 2010, if conditions remain as they are today, there might be some question as to whether or not the tax ought to be raised in the year 2010. I ask the distinguished Senator from Arizona if that statement is correct?

Mr. GOLDWATER. I think the Senator from Kentucky is approximately correct. However, it was brought out in the hearings on the dual benefits question, as the Senator will recall, that there was a doubt about the actuarial soundness of the fund; and the statement was made by the Senator from

Illinois that changing the act of 1951 would reduce that estimate of exhaustion by 10 years.

Mr. COOPER. That is correct. From the year 2010 to the year 2000.

Mr. GOLDWATER. I believe that was the amount.

Mr. COOPER. Let us fully understand this question. So far as the fund being solvent at present is concerned, there is, of course, no question about the fact that it is actuarially solvent. The testimony is that the fund will last until the year 2010. It might be necessary at that time to raise the tax rate, to keep the fund on an actuarially sound basis. There is no problem now about whether or not the fund is actuarially sound and solvent.

I know my distinguished friend will agree with me that there is no question on that point, except a question based upon the abstraction of whether at the moment it is actuarially ideally in balance.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. GOLDWATER. That is the point, in economic theory, where I depart from many of my brethren. I think all funds should be solvent at all times. These workers have paid money into this fund. The railroads have paid money into the fund. I do not think it is fair to say "We have $3.2 billion in the fund, and that is a great deal of money, and since we have to operate off the 'kitty' for only 3 or 4 months we should go ahead and do it."

That is not good business. I do not think it is fair to the railroad people, the working people, and the public to misuse funds held in trust for them. I have said that if the fund is actuarially unsound we should determine it, and not wait until 2010. If adjustments must be made, let us make them now.

Mr. COOPER. I know the Senator did not mean to suggest that I said we should use the fund recklessly without regard to the future. I said that as of the moment it is absolutely solvent, and even on the ideal actuarial basis it is solvent under the present rate. It will be solvent and in balance until the year 2010, according to the experts. That is a fair statement. Any fund might be out of balance, from the standpoint of an ideal actuarial basis, by 1 percent one way or another. I have the highest regard for my friend, but I really do not believe there is much basis for the argument based on the question of actuarial solvency.

Mr. GOLDWATER. I now wish to appeal to the Senator as a lawyer. I am not a lawyer, and I want to appeal to his legal background and to the inherent desire of all lawyers to enact clean legislation. I call the Senator's attention to the fact that in the bill before us section 205 amends a subsection of a law which no longer exists. I am not a lawyer. Perhaps it is permissible to do that. That is not what I pay my lawyer for, however.

Mr. COOPER. I will address myself to the amendment of the Senator. The bill which is before us would raise the tax base from $300 to $350. It would become immediately effective. When the Internal Revenue Act was passed a few days ago—of course, not taking into account that this bill might be passed—it retained the tax base at $300 a month. That bill does not become effective until January 1. I believe I am correct in saying that, with respect to absolutely maintaining a balance of benefit payments and receipts against this fund, there is no question at all until January 1. If the Internal Revenue Act should be effective and should change this provision, by keeping the base to $300, there might then be a technical defect which would have to be remedied. It would require an amendment of the Internal Revenue Act to raise the base to $350. I believe my friend will agree that there is no problem from now until January 1.

Mr. GOLDWATER. If the Senator wishes to admit that poorly written legislation, which does not cover laws which Congress has enacted, presents no problem, it is an entirely new approach for a lawyer, so far as I am concerned. I still have not had an answer to my question regarding a lawyer's interpretation as to how it is possible to amend an act which no longer exists.

Mr. COOPER. Is the Senator addressing his suggestions to the amendment before us?

Mr. GOLDWATER. Yes. The second part of the amendment takes care of the compensation for services as a delegate to a national or international convention.

Mr. COOPER. I make the point that so far as the amendment is concerned, it can have no effect until January 1. The practical effect of the amendment, if it is adopted, would probably be that the bill would not be passed. The Senate must weigh that question. It is a matter of policy. Because I think that the amendment is so inconsequential, I prefer that the bill be passed, and I urge that the amendment be defeated.

Mr. GOLDWATER. I may say in closing that I have never heard in any legislative body the suggestion that we pass poorly written legislation. I am perfectly willing to go to conference on this question. I think it is an amendment that has to be made now or in January. So far as money is concerned the money is there. However, it does not take care of all the provisions of the bill we have before us tonight. An amendment is needed. I am sure the House would have added it, had the House known of the passage of H. R. 8300.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arizona [Mr. GOLDWATER].

AMENDMENTS TO RAILROAD RETIREMENT ACT, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

The Senate resumed the consideration of the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

Mr. LEHMAN. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. LEHMAN. I have understood that there is a provision in virtually every major revision of laws which includes a saving clause which takes care of changes in revision. I do not believe we could properly legislate otherwise, because in hundreds of bills changes are made in dates or in other things which cannot be immediately included and are not immediately included in all the legislation to which reference has been made. But the saving clause is there, which takes care of the situation. It seems to me the objection is a purely technical objection.

Mr. GOLDWATER. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. GOLDWATER. Will the Senator from New York cite me such a saving clause?

Mr. LEHMAN. It is in many laws. I do not have the code of laws before me, of course, but I am quite sure my statement is correct. I have checked with persons who have had experience. I do not believe we could properly legislate otherwise. Every time we amended a bill, unless we went through all the laws on our statute books and simultaneously made changes to conform, we would run into the very difficulty which the Senator from Arizona has pointed out, if, indeed, he is justified in pointing it out.

Mr. GOLDWATER. If the Senator can cite me such a saving clause I shall be happy to see it.

Mr. LEHMAN. I cannot cite it, because I cannot go through the entire revenue act at this time.

Mr. GOLDWATER. The Senator is a member of the committee and has had ample time to study the bill, and I am sure he gave it long and careful study. I should like to know if I am in error.

Mr. LEHMAN. Let me say to the Senator from Arizona that I am a member of the committee, and I have taken great interest in the bill. It is supported by all the railroad brotherhoods, the men and women who pay into the contributory fund 6¼ percent of their wages every month. I believe it is a good bill. I believe it is actuarially sound. I assume the increased benefits will be more than counterbalanced by increased receipts because of the larger payments due to the increased wages and salaries which are paid. So the only objections which can be raised, so far as I can see, are technical objections. I very much

hope they will not be made, because I think they are contrary to the interests of the country and the interests of the beneficiaries of this fund. Of course, Senators can block the bill, but I strongly urge that Senators not offer technical objections at this late date to make an impact to the extent that any Senator would think of voting against the bill, which is a sound one and one to which I have heard no objections save from the railroad companies, which may have to pay a little bit more into the fund; but it is a very little bit more.

Mr. COOPER. I thank the Senator from New York.

I think the Senator from Arizona is proceeding with a proposal which is not only technical, but which is really not of any large substance. He has given to the Senate two instances in which he says technical corrections should be made. One of them is in section 205, which reads as follows:

SEC. 205. Subsection (e) of section 1532 of the Railroad Retirement Tax Act is hereby amended by inserting at the end thereof the following sentence: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this subchapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act."

Prospectively, it would mean that the compensation of delegates could not be included in the base upon which taxes are levied.

The Senator's argument is that because this tax would still be levied under the Internal Revenue Act, there should be a technical amendment correcting the language, without regard to the saving clause which I think will be found in the Internal Revenue Act. This would involve a later amendment, and, in my opinion, would repeal the earlier enactment in the Internal Revenue Act so far as the delegates are concerned.

As to the other question raised by the Senator, I think there is a saving clause which would take care of it, anyway. I hope the amendment will be defeated, because I think its passage would mean the defeat of the bill.

Mr. HILL. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. HILL. I strongly support the pending bill, and I certainly hope that Senators will realize that if any amendment is added to the bill it might well defeat it in this session of the Congress. If an amendment is placed on the bill it means that the bill must go back to the House of Representatives, and there will be no time for action, which will mean the defeat of the bill.

Mr. MORSE. Mr. President, in my judgment the railroad retirement bill, in the form in which it is offered tonight, is long overdue. Its passage should be immediate, without amendments.

I am a little amused, I may say, speaking good naturedly, about the last-minute concern over the possibility—and it is only a possibility, not a probability—that in the year 2010 it may be necessary to take further action on the railroad retirement law, from the standpoint of its actuarial features. But the record is not clear that such action may be necessary, even in the year 2010. I think we had better pay some attention to the needs of the recipients of the benefits under this very sound social law in the present and in the immediate future.

Likewise, I am not greatly moved by the argument that this is an amendment to a nonexisting law. Of course, for the RECORD, it should be made clear what is meant by that argument. It means that, because a new internal revenue law has recently been passed, which in turn will be codified by way of making a great many technical changes in titles and section numbers, in passing a law which in its printed form does not refer to the sections and the titles of the new internal revenue law, we should postpone final action on the bill until the printers have finished their work some time between now and January.

If I ever heard an argument of form without substance, this is it. When we pass the bill tonight, as I hope we shall, and without amendments, there will be two parliamentary procedures to follow in order to meet the very superficial argument of form which has been presented against the bill. I have consulted with the legislative counsel in regard to this question.

First, the usual language should be adopted to authorize the clerks and the staffs to make such changes in numbering and titling as may be necessary. Second, I propose to offer—and it is now being drafted—a concurrent resolution, not an amendment to the bill, because no chances should be taken with amendments to the bill, as has been brought out by the distinguished Senator from Kentucky [Mr. COOPER], the distinguished Senator from New York [Mr. LEHMAN], the Senator from Alabama [Mr. HILL], and other Senators. If it is desired to make certain that justice will be done to the railroad workers, whose representatives are unanimously behind the bill, then let us not, in the closing hours of the session, attach any amendment, technical or otherwise, to the bill, which will cause the bill to die in the House.

But a concurrent resolution can be submitted—and I propose to submit one—which will make it perfectly clear that when the two laws come to be enrolled, they shall be dovetailed as to the technical matters of titling and sectioning, making certain that they are interrelated and coordinated, so far as enrollment is concerned.

Let me make it very clear that if the concurrent resolution should not be adopted between now and the adjournment of the House, no damage would be done. Congress will again convene in January, and at that time such a resolution can be adopted.

Lastly, in answer to the argument which has been made, this matter would be taken care of automatically when the codification is made. We do not need to worry about it. If the bill shall be passed tonight, there will be no question about the railroad retirement law referring to the previously existing internal revenue law, which now has been changed by action of Congress. When the codifiers begin to codify the law, they will codify the railroad retirement law in terms of the new internal revenue law. That is why I say the argument is an argument without substance.

In order to meet the artistic niceties of the legislative process, I shall offer a concurrent resolution, believing that there will be time for the House even to act on it. But in case the House does not act, I shall reintroduce the concurrent resolution in January, and the artistic job can be done then.

In the meantime, there should be on the statute books this proposed law, which would do justice to the railroad workers of the country. It is a bit of justice which is long overdue. We should proceed to pass the bill now, first by rejecting the amendment which has been offered, and then by voting in support of the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arizona [Mr. GOLDWATER].

Mr. MURRAY. Mr. President, I join with my colleagues in supporting the bill. I think it should be passed. It has been before the Committee on Labor and Public Welfare for a long time. In fact, we have been studying such legislation not for 2 years but for 2 decades. I am proud of the fact that I have supported all advances in this type of legislation for the railroad workers.

I think there should be no delay in passing the bill. I believe it would be unwise to undertake to amend the bill now, because to do so would merely mean the end of the measure. It would not be possible to have the bill passed if it had to go back to the House.

I do not think it is necessary to have amendments to the bill. I agree with the Senator from Oregon that the problem can be handled by concurrent resolution, which would make the necessary proper adjustments, due to the fact that other legislation has been enacted in the meantime.

I think the bill should be passed without any delay.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona.

Mr. BUSH. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. BUSH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Arizona.

Mr. IVES. Mr. President, I have been trying quietly to persuade our good friend, the Senator from Arizona, to withdraw his amendment. I think he has made his point. I do not think the amendment is necessary. I do not think any of the other amendments he may

have to offer are necessary at this particular time.

The reasons for my conclusion in that connection have been well covered by Senators who have spoken. I think if the Senator from Arizona places his position in the RECORD—and there is considerable provocation for the proposals he is making—his position will be there for all to see when we convene next January. At that time we can make the changes found to be necessary. I see no point in jeopardizing the passage of the bill. If a single amendment to the bill is agreed to at this time, it is very likely that the bill itself will be doomed. So I plead with my good friend from Arizona not to press his amendment.

Mr. GOLDWATER. Mr. President, I may say to the Senator from New York that if I had desired to withdraw my amendment I would never have bothered offering it, and I would be on an airliner right now on my way home.

Mr. MORSE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BUSH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. BUSH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. LANGER. Mr. President, I object.

The PRESIDING OFFICER. Objection has been heard. The clerk will resume calling of the roll.

The Chief Clerk resumed the calling of the roll.

Mr. KNOWLAND. Mr. President, ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Arizona. The yeas and nays have been ordered——

Mr. COOPER. Mr. President——

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. COOPER. I do not wish to take the time of the Senate, but because several Senators have entered the Chamber since the Senator from Arizona offered his amendment, I should like to say that the amendment is purely technical. The bill which we are considering raises the tax base from $300 to $350. The Senator from Arizona has said that since the old tax base will become effective January 1, 1955, according to the Internal Revenue Act, he is proposing to bring the two laws into conformity.

In the first place, there will be no possible conflict until January 1, 1955. In the second place, all that is involved is a technicality. It is my opinion that the act would be repealed by implication. Furthermore, we have been told that there is a saving clause in the Internal Revenue Act which would take care of that. It is purely a technical amendment, and is of no importance. All the adoption of the amendment would mean is that the bill would be defeated. Therefore, I urge the Senate to reject the amendment.

Mr. JOHNSTON of South Carolina. Mr. President, will the Senator yield for a question?

Mr. COOPER. I yield to the Senator from South Carolina.

Mr. JOHNSTON of South Carolina. Is it not true that if any amendment to the bill is agreed to, it will mean the death of the bill itself this year?

Mr. COOPER. That probably is true, but if I thought the amendment was a worthy one, or that it should be adopted, I would not make that argument. I say to the Senate that I do not believe the amendment is of any importance whatsoever, and that, on its merits, it should be voted down.

Mr. REYNOLDS. Mr. President, will the Senator yield?

Mr. COOPER. I yield to the Senator from Nebraska.

Mr. REYNOLDS. In the opinion of the Senator from Kentucky, is there a conflict as between the present time and January 1?

Mr. COOPER. No; there is no conflict as between now and January 1.

Mr. REYNOLDS. I understood the Senator to say that if there were a conflict, it would be only in that respect.

Mr. COOPER. There might be a conflict with January 1, except for a saving clause in the tax bill, to take care of the situation.

Mr. REYNOLDS. And no one has been able to present such a saving clause.

Mr. COOPER. There is a saving clause in the Internal Revenue Code of 1954, on page 815, section 7852 (b), under the caption "Reference in Other Laws to Internal Revenue Code of 1939"; and in this respect I refer to the bill which was enacted the other evening:

> (b) Reference in other laws to Internal Revenue Code of 1939: Any reference in any other law of the United States to any provision of the Internal Revenue Code of 1939 shall, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, be deemed also to refer to the corresponding provision of this title.

That provision is stated somewhat in the reverse. It seems to say that this act will be superior unless a provision of another act is manifestly incompatible with it. It is simply unreasonable to believe we would pass a measure without regard to any other act which had been passed. Such an act always would be applicable.

I am confident, in my own mind—and I would not say so to the Senate if I were not—that the amendment of the Senator from Arizona is unnecessary, and should be rejected.

Mr. GOLDWATER. Mr. President, this amendment was deemed necessary by the legislative counsel, who felt that the bill should be brought into conformity with the new laws. The legislative counsel drafted the amendment, and I have submitted it.

I have only one question to ask: Is it wise to enact into legislation a bill which would raise the tax base from $300 to $350, so that the funds will be paid on that basis, and without actually raising the tax base at all?

I ask the Senator from Kentucky where we would get the funds, as between the $300 and the $350, between now and the first of the coming year.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona [Mr. GOLDWATER].

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. SALTONSTALL. I announce that the Senator from Nebraska [Mrs. BOWRING], the Senator from Maryland [Mr. BUTLER], the Senator from Vermont [Mr. FLANDERS], the Senator from Indiana [Mr. JENNER], the Senator from Wisconsin [Mr. MCCARTHY], the Senator from Connecticut [Mr. PURTELL], and the Senator from New Hampshire [Mr. UPTON] are necessarily absent.

The Senator from Indiana [Mr. CAPEHART] and the Senator from Idaho [Mr. WELKER] are absent on official business.

The Senator from New Jersey [Mr. SMITH] and the Senator from Wisconsin [Mr. WILEY] are absent by leave of the Senate.

If present and voting, the Senator from New Jersey [Mr. SMITH] would vote "nay."

Mr. CLEMENTS. I announce that the Senator from Virginia [Mr. BYRD], the Senator from Arkansas [Mr. FULBRIGHT], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Texas [Mr. DANIEL], the Senator from Illinois [Mr. DOUGLAS], the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], and the Senator from North Carolina [Mr. LENNON] are absent on official business.

The Senator from Iowa [Mr. GILLETTE] is absent by leave of the Senate.

I announce further that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Texas [Mr. DANIEL], the Senator from Illinois [Mr. DOUGLAS], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], and the Senator from Alabama [Mr. SPARKMAN] would each vote "nay."

The result was announced—yeas 7, nays 68, as follows:

YEAS—7

Bennett	Hickenlooper	Reynolds
Bricker	Knowland	
Goldwater	Martin	

NAYS—68

Aiken	Hendrickson	McClellan
Anderson	Hennings	Millikin
Barrett	Hill	Monroney
Beall	Holland	Morse
Bridges	Humphrey	Mundt
Burke	Ives	Murray
Bush	Jackson	Neely
Carlson	Johnson, Colo.	Pastore
Case	Johnson, Tex.	Payne
Clements	Johnston, S. C.	Potter
Cooper	Kefauver	Robertson
Cordon	Kennedy	Russell
Crippa	Kerr	Saltonstall
Dirksen	Kilgore	Schoeppel
Duff	Kuchel	Smathers
Dworshak	Langer	Smith, Maine
Ervin	Lehman	Stennis
Ferguson	Long	Symington
Frear	Magnuson	Thye
George	Malone	Watkins
Gore	Mansfield	Williams
Green	Maybank	Young
Hayden	McCarran	

NOT VOTING—21

Bowring	Eastland	McCarthy
Butler	Ellender	Purtell
Byrd	Flanders	Smith, N. J.
Capehart	Fulbright	Sparkman
Chavez	Gillette	Upton
Daniel	Jenner	Welker
Douglas	Lennon	Wiley

So the amendment was rejected.

Mr. GOLDWATER. Mr. President, I offer a series of amendments which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The Secretary will state the amendments.

The CHIEF CLERK. On page 3, before the period in line 10, it is proposed to insert a semicolon and the following: "and by adding at the end of subsection (a) of section 3 the following: 'and by adding to such sum thus obtained a further sum equal to 5 percent thereof'."

On page 4, it is proposed to strike out lines 16 and 19, inclusive.

On page 4, beginning with line 22, it is proposed to strike out over through the word "by" on page 5, line 1.

On page 5, line 4, beginning with the semicolon, it is proposed to strike out down through the quotation marks in line 7.

It is proposed to renumber sections 9 to 15, inclusive, as sections 8 to 14 respectively.

The PRESIDING OFFICER. Without objection, the amendments will be considered en bloc.

Mr. CORDON. Mr. President, will the Senator yield for a question?

Mr. GOLDWATER. I yield.

Mr. CORDON. I should like to ask the Senator from Arizona whether the amendments offered by him were offered to and considered by the Committee on Labor and Public Welfare?

Mr. GOLDWATER. No, they were not, because the committee never had a hearing on the House bill.

Mr. CORDON. Were the amendments considered by the committee in connection with the Senate bill, if there was one?

Mr. GOLDWATER. The amendments I am now offering were considered. In fact, in the hearings there is quite a bit of correspondence with the Railroad Retirement Board regarding this subject.

Mr. President, these are the last amendments I shall offer. The advisability of these amendments was discussed in the hearings. The amendments were never discussed in relation to the bill we are working on, because the pending bill was never considered by the committee, other than by taking a vote on it.

Mr. President, I shall complete my statement as quickly as possible.

This particular section is also objected to by the Department of Health, Education, and Welfare.

Mr. President, this bill does nothing for the retired railroad worker. We have, by the enactment of the Social Security Act, raised the benefits to all the recipients of social security all over the country about $6 but for some 290,000 retired employees of the railroad industry we have done nothing. There are about 5 percent of those people whose benefits fall below the social security benefit level, who will have their benefits raised to the Social Security Act level.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. GOLDWATER. I yield.

Mr. CORDON. Am I correct in my belief that the Congress passed an act which was of aid to presently retired railroad workers?

Mr. GOLDWATER. The Senator is correct. That act was passed on May 21, I think. It did away with the dual benefits restriction passed in 1951. It affected only a small fraction of the retired workers. This is a different matter.

Mr. CORDON. Mr. President, will the Senator yield for another question?

Mr. GOLDWATER. I yield.

Mr. CORDON. Is it correct to say that the pending bill is prospective, not only with respect to the effective provisions, but with respect to the class of persons it affects?

Mr. GOLDWATER. That is correct.

Mr. CORDON. It affects only those workers now in service, and then only from the date of enactment forward.

Mr. GOLDWATER. And if this bill is enacted it will affect only those workers making $350 a month and more.

I might quickly explain to the Senator what this amendment would do. In the proposed act there is a provision which would reduce the age of widows' eligibility from 65 to 60.

Mr. CORDON. Mr. President, may I suggest to the Senator that he speak so that the Senate may hear? I believe this is an important matter, and we should make a record.

Mr. KNOWLAND. Mr. President, may we have order, so that the Senator can be heard?

The PRESIDING OFFICER. Will the Senator suspend until we have order in the Chamber?

Will those standing in the rear of the Chamber stop their conversations or kindly retire to some of the rooms outside, so that the debate can be clearly understood.

Mr. GOLDWATER. Mr. President, what this particular portion of the bill does is reduce from age 65 to age 60 the eligibility standard for widows.

I am not arguing against that idea. I might say in connection with this matter that I have a retirement fund in my own business, and at one time I thought it would be wise to reduce the age from 65 to 60. I found, when making an actuarial study of it, I could not afford to do so, and retained the requirement of age 65.

I do not think we should go into a matter of reducing the age from 65 to 60 without thorough study, because that would lead to a perfectly natural result, namely, of reducing the age with regard to social security from 65 to 60 years.

Again, that may be perfectly all right. I am not against the idea. However, I am against the idea of starting this snowball rolling before we have made full and competent studies of what the effect would be.

For instance, the Department of Health, Education, and Welfare tells me that if this idea were extended to those persons receiving benefits from social security, it would cost in the first year from $125 million to $150 million, and in the next year the cost would be easily as high as $800 million. Then, as an estimate of the ultimate cost, which would only be a guess, for there has been made no actuarial studies, would be between $1½ billion and $2 billion.

All my amendment would do would be this: Because the 290,000 people who are now retired will not receive one bit of benefit from the passage of this bill, I would propose to take the $23½ million which would go to some 30,000 widows falling in this bracket and give that money to the entire 290,000 retired people. That would give them an increase of about $5 each, compared to the social-security increase of $6 a person. I think that would be very fair. I do not like to see us take this step without giving full consideration to the dangers involved, if there are actuarial dangers in reducing social-security standards from 65 to 60 years of age. I think we owe it to the retired employees of the railroads to do at least something for them, inasmuch as we are going to do something for a man who is making more than $350 a month.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. GOLDWATER. I am happy to yield.

Mr. CORDON. Is the Senator from Oregon correct in his understanding, then, that the purpose of the amendments offered by the Senator from Arizona [Mr. GOLDWATER] is to provide some relief for that group which has already passed the dividing line, now in retirement, and can no longer influence the results or effect of the law upon them except as we do it here? Is that correct?

Mr. GOLDWATER. The Senator is absolutely correct.

Mr. CORDON. I should like to ask another question. Assuming the adoption of the Senator's amendment, would we then be in a position, after such study as the importance of the subject matter would require, to make such corrections in the present law as would prospectively, operating upon the younger people who are still on the sunny side of the retirement line, put them in a position at least to equal and, if necessity required, exceed the benefits which the Senator's amendment would confer upon those who have already had their active service and are now in retirement. Is that a correct statement?

Mr. GOLDWATER. That is a correct statement. The young people who today are employed by the railroads will benefit by this bill. There are many benefits in it. I am not criticizing this entire bill. I would not argue with 85 percent of it. I do argue with it in connection with this particular point, because we are completely neglecting the nearly 300,000 people who have not benefited by our action with respect to the social security law and are not going to benefit by this bill. So long as we are going to spend about $23½ million, let us spend it for the benefit of as many people as we can; and then if it is desired to study the question of reducing the age from 65 to 60. As I say, I am not against that idea. I entertained it for years. But when we begin to talk about millions of dollars, we should not do it

on the last night or two of the session of the Senate.

Mr. CORDON. Mr. President, will the Senator yield for a further question?

Mr. GOLDWATER. I am happy to yield.

Mr. CORDON. The Senator from Oregon is constrained to make these inquiries for the reason that the amendments offered by the Senator from Arizona are not printed and have not been available to the Members of the Senate, and for a perfectly valid and proper reason. In the hurried and hectic days immediately preceding the conclusion of the session, it is impossible to know what bills can be brought up and when they can be brought up. In this instance, we have the bill before us and it is impossible for any Member of the Senate who is not a member of the committee and who has not had an opportunity to study the basic legislation or to study the impact upon it by the amendments which are offered, to understand and to comprehend in the slightest degree the meaning of the amendments offered by the Senator from Arizona. Yet there cannot be any more important legislation before the Senate than legislation which may be the basis for fundamental changes in the social-security law of the United States. I am sure the Senator from Arizona will pardon me if I try to probe a bit to understand precisely what would be the legal effect of the amendments which he is proposing, and I humbly urge that he make as comprehensive an explanation as it is possible to make before we are called upon to vote.

Mr. GOLDWATER. As to what it would do legally, not being a lawyer, I am unable to tell the Senator. I have no idea what happens when amendments are interpreted from a legal standpoint, but, plainly and simply, my amendment would put 290,000 retired railroad employees in the position of receiving at least a meager increase of $85, whereas they would not receive any increase without it. It will deprive about 30,000 widows, now from 60 to 65 years of age, of a benefit which would be given to all retired employees.

I should like to read to the Senator from the report of the Bureau of the Budget on this point:

> In regard to the second point, the reduction of the eligibility age for widows may well lead to pressures for a similar measure in the old-age and survivors insurance program. Inasmuch as the railroad retirement program is a social-insurance system, as well as a staff-pension plan, it may serve to some extent as a precedent for OASI. As a matter of principle, the social-insurance features of the railroad-retirement program should be kept in consonance with the general social-security program insofar as it is practicable and equitable to do so. Although we recognize that there may be special problems of survivorship in the railroad industry, we cannot endorse this provision.

I have nothing more to say on the matter, Mr. President.

Mr. CORDON. Mr. President, will the Senator yield for a further question?

Mr. GOLDWATER. I am happy to yield.

Mr. CORDON. The Senator was quoting from the report, and evidently the report, in turn, was quoting from some statement, made by whom?

Mr. GOLDWATER. It was made by the Bureau of the Budget. I have the letter here, which I intend to enter into the RECORD, signed by Donald R. Belcher.

Mr. CORDON. Will the Senator from Arizona advise the Senator from Oregon as to what would be the result, as the Senator from Arizona understands it, of the passage of this bill, were the Senator's amendments to be adopted? I think the Senator has explained what would happen to the railroad employees who have already retired. What would be the result, beneficial or otherwise, for those who fall within the group of widows from 60 to 65 years of age, or the group beyond 65, who are in the first group? What would happen to them, and what would be the result of the application of the whole bill to those who are not within either of those two preferred brackets?

Mr. GOLDWATER. I shall answer the second question first because it is quicker. It would benefit those who have not retired, the younger employees. Although, as I pointed out in an earlier colloquy, and as is contained in the report, it would take from 7 to 10 years, if I recall correctly, for the annuitant to receive a sum equal to what he has paid into the fund, it would be a definite benefit to the younger employees. The widows will continue to receive the benefits they receive today. All this amendment would do would be to delete from the bill the provision which lowers the age from 65 to 60, and then spreads the amount which would thereby be saved over the retired group.

Mr. CORDON. Mr. President, will the Senator yield, not for a question, but for an observation?

Mr. GOLDWATER. I yield.

Mr. CORDON. Mr. President, I regret that the Senate is faced with the necessity of making a decision this evening on a matter so important, and at the same time so highly technical as this is. It leaves the average individual—and the Senator from Oregon makes no contention that he comes up to that average—without the basic knowledge to act intelligently. I feel we should not be put in that position. Circumstances are responsible for that, and I certainly have no criticism with respect to that.

I wish we could have more specific information upon which to base our action. I have some slight understanding of the overall picture, and a little more than that as to the purpose of the bill, but I say, very frankly, that as to this specific question, the resultant legal effect of the adoption of the Senator's amendment, or of its failure of adoption, I am in a fog.

Mr. GOLDWATER. I do not quite follow the Senator. If the amendment fails, it would not do anything. The adoption of my amendment would eliminate the situation which I described, and the money would be paid to the already retired elderly workers.

Mr. GOLDWATER subsequently said: Mr. President, I ask unanimous consent that certain documents be printed in the RECORD at the end of my remarks in connection with H. R. 7840.

The PRESIDING OFFICER. Is there objection?

There being no objection, the documents were ordered to be printed in the RECORD, as follows:

AUGUST 2, 1954.

Memorandum

Subject: Old-age and survivors insurance—Cost effects of lowering the retirement age to 60.

This memorandum will present cost estimates as to the effect of lowering the retirement age under the old-age and survivors insurance system from 65 to 60 for all types of benefits. My previous memorandum of July 29 dealt with such a change only for women.

The increased cost on a level-premium basis—according to the intermediate-cost estimate—for lowering the retirement age to 60 is about 2¼ percent of payroll on the basis of the benefits provided by H. R. 9366. The increase in cost for the first full year of operation would be at least $1½ billion and possibly as much as $2 billion. An estimate for the initial year of operation is rather difficult to make because fluctuations in economic conditions and employment opportunities could have a very considerable effect in connection with the operation of this proposed change. It should be noted that the figures given here include the effect of lowering the retirement age to 60 for women and are not merely the additional costs for lowering the retirement age to 60 for men.

ROBERT J. MYERS,
Chief Actuary.

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., July 27, 1954.

The Honorable BARRY M. GOLDWATER,
Chairman, Subcommittee on Railroad Retirement, Committee on Labor and Public Welfare, United States Senate, Washington, D. C.

DEAR SENATOR GOLDWATER: This will acknowledge receipt of your letter of July 21, 1954, in which you request the views of the Railroad Retirement Board on certain proposals to amend the Railroad Retirement Act.

In the first paragraph of your letter you state that it was brought out at the recent hearings on S. 2930, a bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, that the proposed amendments to the Railroad Retirement Act contained in S. 2930 would provide no benefits for some 290,000 retired employees now on the retirement rolls and that there is nothing in the proposed amendments which would provide increased annuities for the approximately 40 percent of all railroad employees who earn less than $300 per month. While it is true that the enactment of S. 2930 would provide no additional benefits for some 290,000 retired employees now on the retirement rolls, it must be borne in mind that these annuitants will pay no part of the cost of the liberalizations of the Railroad Retirement Act proposed in S. 2930. Such costs will be borne by the workers in the railroad industry who will, under S. 2930, be required to pay retirement taxes on up to $350 (instead of the present $300) of their compensation.

Commenting on the expression in the first paragraph of your letter that the 40 percent of all railroad employees who earn less than $300 a month will not benefit by the passage of S. 2930: as time goes on, a good number of these 40 percent begin earning over $300 a month and, therefore, profit by the crediting of compensation which would have been excluded under the present law.

In any event, they will not have suffered any increase in their retirement taxes during the time they will be earning not more than $300 a month and, after their death, their widows and parents may benefit by the lowering of the eligibility age from 65 to 60.

In the third and fourth paragraphs of your letter, you state that it has been suggested to the committee that if the provision lowering the eligibility age for widows and parents (to a point below the social security requirements) were eliminated from S. 2930, some $23,500,000 could be applied to increases in benefits for all employees. The desirability of reducing the widows' and parents' eligibility age must be weighed against the desirability of increasing present annuities since both cannot be allowed from the additional funds provided for in the bill. The Board feels that in answering this part of your letter, it should do so on two bases. On both bases, S. 2930 would be changed to eliminate the reduction in age requirement for widows from 65 to 60, and to substitute "across the board" increases in benefits for all employees. All other provisions of S. 2930 would remain unchanged:

Basis 1: Estimates on this basis assume that the increases will be made without regard to the present social security minimum and without considering the effect of H. R. 9366, a bill to amend the Social Security Act, if adopted as approved in the House, on benefits under the railroad retirement system. On this basis, the $23,500,000, if applied to employee benefits only, would increase them roughly 4.25 percent or $5 a month. If the increase were applied also to spouses' annuities, but the $40 maximum were retained, the increase would be about 4 percent. If the money were applied to all annuities under the Railroad Retirement Act, that is, annuities of employees, spouses, and survivors, the percentage increase would be between 3 and 3.25 percent.

Basis 2: Estimates on this basis are made on two assumptions: (1) that H. R. 9366 will be adopted with the benefit provisions of the bill as passed by the House, and (2) that any beneficiary under the Railroad Retirement Act who receives the social security minimum may receive only the increase resulting from H. R. 9366 and no increase from the railroad retirement system under the suggestion for "across the board" increases. What this means, is that whenever the benefit under H. R. 9366 would produce a higher amount than the benefit under the modified regular railroad retirement formula, such a social security minimum benefit will not be increased further. On this basis the $23,500,000, if applied to employee benefits only, would increase them roughly 4.4 percent. If the increase were applied also to spouses' annuities, but the $40 maximum were retained, the increase would be about 4.25 percent. If the money were applied to all annuities under the Railroad Retirement Act, that is, annuities of employees, spouses, and survivors, the percentage increase would be about 3.75 percent. The percentages on the basis 2 were calculated without taking into consideration the effect of the pending social security amendments on other cost factors of the railroad retirement system.

The Board wishes to point out that employee annuities were increase 20 percent in 1948 and 15 percent in 1951, with the result that the maximum employee annuity now payable under the railroad retirement system is $165.60 per month as compared to the $85 maximum employee annuity under the Social Security Act. Further, survivor annuities under the retirement system were also increased by about 33 percent and spouses' annuities were added in 1951.

It seems to a majority of the Board, therefore, that it is more desirable to use available money to reduce the eligibility age of widows and parents than to increase all benefits by such a small percentage.

The dissenting views of Board Member Frank C. Squire follow.

Sincerely yours,

RAYMOND J. KELLY, *Chairman.*

DISSENTING VIEWS OF F. C. SQUIRE, MEMBER, RAILROAD RETIREMENT BOARD

In my opinion the suggestion quoted in your letter, that the $23,500,000 be applied to increasing present and future employee annuities, is much preferable to the provision now in the bill for applying the $23,500,0000 to benefits for widows aged 60 to 64 inclusive.

Such a change in S. 2930 would appear in accord with the report of the Bureau of the Budget to your committee which said, "We cannot endorse this provision," namely, benefits for widows from 60 to 64 inclusive.

A further fact that may well be considered is that the social-security bill, H. R. 9366, recently passed by the House and reported by the Senate Finance Committee, provides immediate increases in benefits for present and future retired employees who come under social security, as well as for their wives and survivors. Under S. 2930 as now drafted, retired railroad employees will receive no immediate increases, whereas their neighbors under social security will, under H. R. 9366.

My statement above is subject to the views I expressed in opposition to the bill as a whole, attached to this Board's report to the committee.

Sincerely yours,

F. C. SQUIRE.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., July 1, 1954.

Hon. H. ALEXANDER SMITH,
Chairman, Committee on Labor and Public Welfare, United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of June 22, 1954, wherein you request a report on S. 2930, "To amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act."

The bill would revise the railroad retirement program in several important respects. It would increase the maximum wages subject to payroll taxes and creditable toward benefits from $300 to $350 a month. It would reduce the eligibility age for widows and dependent parents from 65 to 60 years of age. Eligibility for disability benefits would be put on a month-by-month basis and the allowable earnings raised to $100. Compensation after age 65 would not be counted toward benefits if it had the effect of reducing such benefits. Surviving spouses entitled to benefits in their own right would be permitted to receive such benefits, and their survivorship benefits as well, without any offset requirements. In cases where a dependent child is disabled, his benefit rights would continue after his 16th birthday both in respect to the offspring and the widow. Several other relatively minor revisions, which would be brought about by the proposed bill, include elimination of the school attendance provision for children's benefits and exemption of service as a union delegate from covered employment.

The Railroad Retirement Board has made a cost analysis of the proposal and indicates that it would not add to the present deficiency of the program. Raising the tax base would increase revenues by an estimated $56 million a year and the automatic increase in benefits resulting from a parallel increase in creditable wages would be $31 million a year. Other changes would add another $23 million a year to annual costs. The net effect would be a slight reduction in the financial deficiency under which the program is now operating.

In respect to the railroad unemployment insurance program, the bill would raise the tax base to $350 a month with a parallel increase in maximum benefits from $7.50 to $8.00. This provision is recommended. The unemployment benefits would be further liberalized by a provision that in no instance could they be less than 50 percent of the claimant's last daily rate of pay. We believe this provision requires careful examination.

The change in the method of computing unemployment benefits from an annual wage base to a "last daily rate of pay" would favor particularly the casual employees of the railroad industry. The casual worker is already favored in that the present railroad unemployment insurance program does not contain any limitation on the duration of benefits to keep it in accordance with the claimant's prior service in the industry. In consequence, it is possible now for a person who works 5 or 6 weeks or earns a minimum of $300 in the railroad industry to get benefits for as much as 26 weeks of unemployment and 26 weeks of sickness—far more in the aggregate than the total wages earned in the railroad industry. The proposed bill would have the effect of increasing substantially the benefits going to such claimants. Inasmuch as the cost of unemployment insurance is borne by the carriers, we believe the Congress will wish to consider whether those provisions of the bill create an inequity by increasing the burden of the carriers with respect to individuals whose connection with the industry is of short duration. If it is intended to depart from the annual basis of determining benefits, such a step might be accompanied by "a standard requiring more substantial connection with the railroad industry as a precondition of receiving benefits. Such standards exist in the great majority of State unemployment insurance programs.

The proposed increase in the covered wage base to $350 a month would correspond to the President's proposal for revision of old-age and survivors insurance. In view of these Presidential recommendations, the proposal for a higher wage base and resulting automatic increases in benefits under the railroad system would appear appropriate. Its enactment is recommended. Because of the complex interrelationship between social security and railroad retirement, however, it is important that enactment of a wage base increase in the railroad retirement program not become effective in advance of the increase in old-age and survivors insurance.

The case regarding the other increases in benefits, amounting to $23 million a year, is one which the Congress will wish to consider in connection with (1) the existing financial situation of the railroad retirement system, and (2) the potential effect of railroad retirement increases on the general old-age and survivors insurance program, and on relationships between the two systems.

In respect to the first point, the fact that the system is presently underfinanced by approximately 0.9 percent of payroll raises a question as to whether a substantial part of the increased revenues should be allocated to decreasing the deficiency. As indicated above about 60 percent of the increased revenues resulting from the higher wage base in the retirement program would be required to finance the automatic increase in benefits. Most of the remaining 40 percent, under the bill, would be devoted to the other liberalizations.

In regard to the second point, the reduction of the eligibility age for widows may well lead to pressures for a similar measure in the old-age and survivors insurance program. Inasmuch as the railroad retirement program is a social-insurance system, as well as a staff pension plan, it may serve to some extent as a precedent for OASI. As a matter of principle, the social insurance features of the railroad retirement program should be kept in consonance with the general social security program insofar as it is practicable and equitable to do so. Although we

recognize that there may be special problems of survivorship in the railroad industry, we cannot endorse this provision.

In according eligibility to disabled dependents beyond 18 years of age, the bill creates a new class of beneficiaries which is not provided for in the old-age and survivors insurance system. The principle, however, is equitable and provided for in tax law. It would seem desirable to provide specifically that the offspring be, in fact, economically dependent.

The provision making it possible for surviving spouses to receive two benefits may be questioned on the grounds that (a) the spouse's benefit is a social benefit based on the added financial need of annuitants with dependent wives and (b) that it has no relation to individual contributions. We believe this argument has validity and would suggest that it be considered by the committee. Favorable action on this provision should not be considered a precedent for similar liberalization of social-security laws.

The other provisions of the bill are without objection.

In summary, the increase in the taxable wage base and the concomitant automatic increase in benefits would be consistent with the President's recommendations respecting the old-age and survivors insurance program. Their enactment is recommended to become effective at such time as the amendments to the Social Security Act become effective. The increase in maximum unemployment benefits is also recommended at such time as the wage base is raised. With respect to the other changes in the railroad retirement program, the Bureau, although agreeing that most of these are socially desirable, believes that the Congress will wish to consider carefully whether they should be enacted at this time.

Sincerely yours,

DONALD R. BELCHER,
Assistant Director.

AMENDMENT OF RAILROAD RETIREMENT ACT, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

The Senate resumed the consideration of the bill (H. R. 7840) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

Mr. COOPER. Mr. President, as manager of the bill, I oppose the amendment offered by the distinguished Senator from Arizona [Mr. GOLDWATER]. I shall briefly direct my argument to the amendment, and to ask the Senate to note exactly what the Senator is proposing.

One amendment to the Railroad Retirement Act proposed by this bill would change the eligibility age of widows from 65 to 60. This amendment would cost the Railroad Retirement fund about $23,500,000. I may say, parenthetically, that that charge would be made up by a tax against the workers, plus contributions by the employer. The point to remember is that the reduction in the age from 65 to 60 would cost the fund $23,500,000. It would bring benefits more quickly to about 30,000 widows.

But what the Senator from Arizona proposes to do—against the unanimous action of the House and against the 11 to 1 vote in the Senate committee—is to write his own bill on the floor of the Senate tonight, and to provide that the $23,500,000 shall not be used for the widows, but that it shall be distributed equally or be distributed pro rata among the retired workers.

To correct any belief that there are no benefits in this bill for workers, I make this point: The bill will provide additional benefits to about 700,000 workers. Congress has already passed a bill which makes possible additional payments to about 30,000 retired railroad workers. The bill would give benefits to widows, to surviving children, and to disabled children.

With all due regard to my good friend from Arizona, I do not think the bill should be written on the floor, as he now suggests. The railroad unions and brotherhoods, those who keep in mind the needs of their own people, recognizing that many things could be done for those who are retired, have selected this method of helping those who need help most. They are paying the bill, with the help of contributions from the railroads.

Mr. CORDON. Mr. President, will the Senator yield for a question?

Mr. COOPER. I yield.

Mr. CORDON. I have two questions. Before the House voted 360 to 0, had it considered an amendment similar to the amendment offered by the Senator from Arizona?

Second, before the Senate committee voted, 11 to 1, to report the bill, had it considered the amendment offered by the Senator from Arizona?

Mr. COOPER. My recollection is that in the full committee the Senator from Arizona discussed the proposal. I do not think the committee voted upon it.

Mr. GOLDWATER. I can answer the question asked by the Senator from Oregon.

I asked permission to discuss the amendment with the members of the committee, because we had been studying the question. I outlined at great length what I thought should be done to the bill to make it a perfect bill, but the members of the committee rejected my proposal. I never had an opportunity to amend the mill, or even to offer an amendment to it in committee, because, if I am correct, it required half an hour to discuss it, and I spoke for about 28 minutes of the time.

It was for that reason that I had to attempt to legislate on the floor. I dislike doing that. I think it is poor practice. But when I have been denied the right in committee to submit an amendment and to argue it, I have only one other forum, and that is in the Senate.

Mr. COOPER. I say to my good friend that the chairman of the subcommittee had control of it.

Mr. CORDON. Mr. President, will the Senator yield further for another question?

Mr. COOPER. I yield.

Mr. CORDON. The railroad brotherhoods have perhaps the most outstanding record in the field of labor organization in the United States, extending over a long period of time, and showing perhaps the finest standards in the American tradition, both in negotiation and in maintenance of contracts entered into. Can the Senator tell me whether all the railroad groups or brotherhoods affected by the bill are in favor of its provisions as recommended by the committee?

Mr. COOPER. The four brotherhoods, the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railway Conductors, and the Brotherhood of Railroad Trainmen, all testified in favor of the bill. A number of organizations such as the Labor Railway Executives' Association, and the railroad nonoperating unions, 15 or 20 of them, all supported the bill. I do not know of a single railway labor organization that did not support the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona [Mr. GOLDWATER].

The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment, the question is on the third reading of the bill.

The bill (H. R. 7840) was ordered to a third reading, read the third time, and passed.

Mr. NEELY subsequently said: Mr. President, I move to reconsider the vote by which the bill (H. R. 7840) was passed.

Mr. SMATHERS. Mr. President, I move to lay on the table the motion of the Senator from West Virginia.

The PRESIDING OFFICER. The Chair advises the Senator that the pending business has been laid down. It will be necessary to obtain unanimous consent to return to H. R. 7840.

Mr. IVES. Mr. President, I ask unanimous consent that the Senate return to the bill which was just passed, House bill 7840.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. IVES. Mr. President, I now move to reconsider the vote by which House bill 7840 was passed.

Mr. KNOWLAND. Mr. President, I move to lay on the table the motion of the Senator from New York.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California.

The motion to lay on the table was agreed to.

Mr. COOPER subsequently said: Mr. President, I wish to make a statement regarding House bill 7840. I wish to say that the distinguished Senator from Arizona [Mr. GOLDWATER], who presided as chairman of the subcommittee in the consideration of the bill should receive commendation. He was the one member of the committee who was present at all times. He studied the bill thoroughly. He presented his views to the individual members of the subcommittee. While I did not agree with his views, I must say he certainly acted in the most sincere and conscientious way, and his work on the bill has been of benefit to all of us. I think the Senator from Arizona deserves the commendation of the Senate for the work he did.

by the clerk, with the understanding that, of course, if it is not adopted at this session of Congress, it in no way affects the bill the Senate has passed. If the concurrent resolution is adopted by the Senate and by the House, then the problems referred to in the debate with regard to the technical deficiencies of the bill will be automatically corrected.

The PRESIDING OFFICER. Is there objection to the unanimous consent request?

There being no objection, the Senate proceeded to consider the Senate Concurrent Resolution (S. Con. Res. 108), which was read, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Clerk of the House of Representatives, in the enrollment of the bill (H. R. 7840) entitled "An act to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act," is authorized and directed to make the following corrections:

On page 9 of the House engrossed bill, after line 3, insert the following:

"SEC. 206. (a) Section 3201, section 3202 (a), section 3211, and section 3221 of the Internal Revenue Code of 1954 are hereby amended by striking out '$300' each place it appears in each such section and inserting in lieu thereof '$350.'

"(b) Section 3231 (e) (1) of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof the following sentence: 'Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act'."

On page 13 of the House engrossed bill, after line 19, insert the following:

"SEC. 407. The amendments to the Internal Revenue Code of 1954 made by section 206 shall become effective as if enacted as a part of the Internal Revenue Code of 1954."

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution.

The concurrent resolution (S. Con. Res. 108) was agreed to.

AMENDMENT OF RAILROAD RETIREMENT ACT, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. MORSE. Mr. President, referring to Senate Concurrent Resolution 108, I have taken it up with the majority leader and the minority leader. I referred to it earlier in the discussion on the railroad retirement bill. It was prepared by legislative counsel after consultation with the parliamentarian. The concurrent resolution deals with correcting the retirement bill in respect to sections and titles.

I send the concurrent resolution to the desk and ask unanimous consent to have it considered and have it stated

RAILROADS—RETIREMENT ACT, RETIREMENT TAX ACT AND UNEMPLOYMENT INSURANCE ACT—AMENDMENTS

PUBLIC LAW 746

[H. R. 7840]

An Act to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

PART I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

Section 1. Subsection (h) of section 1 of the Railroad Retirement Act of 1937, as amended,[1] is hereby amended by inserting after the end of the last sentence thereof the following: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service'."

Sec. 2. The last paragraph of subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended,[2] is hereby amended by striking the fourth sentence thereof.

Sec. 3. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is hereby amended by adding after the end thereof the following paragraph:

"No annuity under paragraph 4 or 5 of subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age sixty-five and is paid more than $100 in earnings from employment or self-employment of any form: *Provided*, That for purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of sixty-five shall report to the Board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual who fails to make such report, in the annuity or annuities otherwise due the individual, in an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed."

Sec. 4. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended,[3] is hereby amended by substituting "$200" for "$150".

Sec. 5. Subsection (b) (1) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting for the parenthetical phrase "(including compensation in any month in excess of $300)" wherever it appears the phrase "(without regard to any limitation on the amount of compensation otherwise provided in this Act)".

Sec. 6. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the figure "300" the following: "for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954,"; and by adding at the end thereof the following: "If the employee earned compensation in service after June 30, 1937, and after the last day of the calendar year in which he attained age sixty-five, such compensation and service shall be disregarded in computing the monthly compensation if the result of taking such compensation into account in such computation would be to diminish his annuity."

Sec. 7. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the comma following the word "respectively" the following: "individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age sixty-five, and individuals entitled to insurance annuities under subsection (c) of section 5 on the basis of disability to be less than eighteen years of age,"; and by substituting the words "of the Social Security Act" for the word "thereof" in the last parenthetical phrase of the subsection.

Sec. 8. Subsections (a) and (d) of section 5 of the Railroad Retirement Act of 1937, as amended,[4] are hereby amended by substituting the word "sixty" for the word "sixty-five".

Sec. 9. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting the word "sixty" for the word "sixty-five" wherever it appears; by inserting after the phrase "pursuant to subsection (k) of this section," where it first appears, the following: "upon attaining age sixty-five at a future date, will be payable"; by inserting after the word "month" in the parenthetical phrase the following: "before July 1, 1954, and in the latter case in excess of $350 for any month after June 30, 1954"; and by inserting after the phrase "pursuant to subsection (k) of this section," where it first appears in the proviso the phrase: "upon attaining age sixty-five be entitled to further benefits".

Sec. 10. Subsection (g) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by striking the last sentence of paragraph (2).

Sec. 11. Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting the word "or" after the semicolon in clause (ii) of paragraph (1); by striking

clause (iii) of such paragraph; and by redesignating clause (iv) of such paragraph as clause (iii).

Sec. 12. Subsection (*l*) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by striking from paragraph (1) (ii) the phrase "and less than eighteen years of age" and substituting in lieu thereof the following: "and shall be less than eighteen years of age, or shall have a permanent physical or mental condition which is such that he is unable to engage in any regular employment: *Provided*, That such disability began before the child attains age eighteen". Such subsection is further amended by changing the semicolon at the end of paragraph (1) to a period, and adding the following: "Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided in clause (ii) of this paragraph and of the continuance, in accordance with regulations prescribed by the Board, of such disability. If the individual fails to comply with the requirements prescribed by the Board as to the proof of the continuance of the disability his right to an annuity shall, except for good cause shown to the Board, cease;".

Sec. 13. Subsection (*l*) (9) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by inserting after the term "calendar month" the phrase: "before July 1, 1954, and any excess over $350 for any calendar month after June 30, 1954"; and by substituting the figure "350" for the figure "300" where it appears the second time.

Sec. 14. Subsection (*l*) (10) (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is hereby amended by substituting the figure "350" for the figure "300".

Sec. 15. The Railroad Retirement Act of 1937, as amended,[5] is hereby amended by adding at the end thereof the following new section:

"Sec. 20. Any person awarded an annuity or pension under this Act may decline to accept all or any part of such annuity or pension by a waiver signed and filed with the Board. Such waiver may be revoked in writing at any time, but no payment of the annuity or pension waived shall be made covering the period during which such waiver was in effect. Such waiver shall have no effect on the amount of the spouse's annuity, or of a lump sum under section 5(f)(2), which would otherwise be due, and it shall have no effect for purposes of the last sentence of section 5(g)(1)."

PART II—AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

Sec. 201. Section 1500 of the Railroad Retirement Tax Act[6] is hereby amended by inserting after the word "month" the following: "before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954".

Sec. 202. Section 1501 of the Railroad Retirement Tax Act[7] is

hereby amended by inserting after the figure "300" where it first appears the following: "for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954"; and by inserting after the figure "300" where it appears the second time, the following: "if such month is before July 1, 1954, or is less than $350 if such month is after June 30, 1954".

Sec. 203. Section 1510 of the Railroad Retirement Tax Act [8] is hereby amended by inserting after the word "month" the following: "before July 1, 1954, and as is not in excess of $350 for any calendar month after June 30, 1954".

Sec. 204. Section 1520 of the Railroad Retirement Tax Act [9] is hereby amended by inserting after the word "month" where it first appears the phrase: "before July 1, 1954"; by inserting after the figure "$300" where it first appears the following: ", and for any calendar month after June 30, 1954, not in excess of $350"; by inserting after the phrase "shall apply" where it first appears the phrase: ", with respect to any calendar month before July 1, 1954,"; by inserting after the figure "300" where it appears the second time, the phrase: ", and with respect to any calendar month after June 30, 1954, to not more than $350,"; and by inserting after the figure "300" where it appears the third time the phrase: "if the month is before July 1, 1954, or is less than $350 if the month is after June 30, 1954".

Sec. 205. Subsection (e) of section 1532 of the Railroad Retirement Tax Act [10] is hereby amended by inserting at the end thereof the following sentence: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this subchapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act.".

Sec. 206. (a) Section 3201, section 3202(a), section 3211, and section 3221 of the Internal Revenue Code of 1954 are hereby amended by striking out "$300" each place it appears in each such section and inserting in lieu thereof "$350".

(b) Section 3231(e) (1) of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof the following sentence: "Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.

PART III—AMENDMENTS TO RAILROAD UNEMPLOYMENT INSURANCE ACT

Sec. 301. Subsection (g) of section 1 of the Railroad Unemployment Insurance Act [11] is hereby amended by adding at the end thereof the following sentence: "For purposes of determining eligibility for and the amount of benefits and the amount of contributions due pursuant to this Act, employment as a delegate to a national or international convention of a railway labor organization defined as an 'employer', in subsection (a) of this section, shall be disregarded if the individual having such employment has not previously rendered service, other than as such a delegate, which may be included in his 'years of service' for purposes of the Railroad Retirement Act.".

Sec. 302. Subsection (i) of section 1 of the Railroad Unemployment Insurance Act is hereby amended by inserting after the term "calendar month" where it first appears the phrase: "before July 1, 1954"; and by inserting before the period at the end of the first sentence the phrase: ", and with respect to any calendar month

after June 30, 1954, no part of any compensation in excess of $350 shall be recognized".

Sec. 303. Subsection (k) of section 1 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure "400" for the figure "150". Section 3 of the Railroad Unemployment Insurance Act is hereby amended by substituting the figure "400" for the figure "300".

Sec. 304. (a) Subsection (a) of section 2 of the Railroad Unemployment Insurance Act [12] is hereby amended by substituting for the table the following:

"Column I Total compensation	Column II Daily benefit rate
$400 to $499.99	$3.50
$500 to $749.99	4.00
$750 to $999.99	4.50
$1,000 to $1,299.99	5.00
$1,300 to $1,599.99	5.50
$1,600 to $1,999.99	6.00
$2,000 to $2,499.99	6.50
$2,500 to $2,999.99	7.00
$3,000 to $3,499.99	7.50
$3,500 to $3,999.99	8.00
$4,000 and over	8.50

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 50 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed $8.50. The daily rate of compensation referred to in the last sentence shall

be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both."

(b) Subsection (c) of section 2 of the Railroad Unemployment Insurance Act is hereby amended by changing the period at the end thereof to a colon and by inserting after the colon the following: "*Provided, however,* That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; the total amount of benefits which may be paid to an employee for days of sickness, other than days of sickness in a maternity period, within a benefit year shall in no case exceed the employee's compensation in the base year; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period."

Sec. 305. Subsection (a) of section 8 of the Railroad Unemployment Insurance Act [13] is hereby amended by inserting after the date "June 30, 1939" the following: ", and before July 1, 1954, and is not in excess of $350 for any calendar month paid by him to any employee for services rendered to him after June 30, 1954"; by inserting after the figure "300" where it first appears in the proviso of the subsection the following: "for any month before July 1, 1954, and to not more than $350 for any month after June 30, 1954,"; and by inserting after the figure "300" where it appears the second time in the proviso the following: "if such month is before July 1, 1954, or less than $350 if such month is after June 30, 1954".

Sec. 306. Subsection (b) of section 8 of the Railroad Unemployment Insurance Act is amended by inserting after the date "June 30, 1939", the following: ", and before July 1, 1954, and as is not in excess of $350 paid to him for services rendered as an employee representative in any calendar month after June 30, 1954".

PART IV—EFFECTIVE DATES

Sec. 401. The amendments made by this Act shall be effective July 1, 1954, except as otherwise provided.

Sec. 402. The provisions of sections 1, 205, and 301 of this Act shall be effective with respect to compensation paid on and after April 1, 1954.

Sec. 403. The provisions of sections 2, 3, 7, 8, 9, 11, 12, and 15 of this Act shall be effective as of the first day of the first calendar month following the month in which this Act is enacted.

Sec. 404. The annuity awarded under paragraph 4 or 5 of section 2(a) of the Railroad Retirement Act [14] to any person who has been deemed to have recovered from his disability, pursuant to the provisions of the last paragraph of section 2(a) as in effect prior to the enactment of this Act, shall be reinstated to begin the first day of the first calendar month following the month in which this Act is

enacted and deemed, for purposes of section 2(d) only, never to have ceased: *Provided*, That such proof is made of the continuance of such disability as is required in accordance with the provisions of such paragraph which are not amended by this Act.

Sec. 405. The provisions of section 6 of this Act amending subsection (c) of section 3 of the Railroad Retirement Act,[15] by adding a sentence at the end of the subsection, shall be effective as of November 1, 1951: *Provided, however*, That no increase in any annuity heretofore awarded shall be granted pursuant to the amendments made by such section except upon application therefor by the person to whom the annuity was awarded.

Sec. 406. The provisions of section 10 of this Act shall be effective with respect to annuities accruing and annuities awarded on and after the first day after the enactment of this Act.

Sec. 407. The amendments to the Internal Revenue Code of 1954 made by section 206 shall become effective as if enacted as a part of the Internal Revenue Code of 1954.

Approved August 31, 1954.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

14:A

TO : Administrative, Supervisory and Technical Employees

DATE: September 3, 1954

FROM : Victor Christgau, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 209
New Railroad Legislation

On August 31 the President signed H.R. 7840, a bill making important changes in the railroad retirement program. To date no public law number has been assigned.

H.R. 7840 leaves basically unchanged the present coordination of the railroad retirement and old-age and survivors insurance programs. Probably the most important provisions of this legislation are those which increase the maximum monthly wage and tax base from $300 to $350, and lower the retirement age requirement for widows, widowers, and parents from age 65 to age 60.

Following is a brief summary of the more important provisions of this new railroad legislation.

1. As noted, the maximum monthly wage and tax base of the railroad retirement program is increased from $300 to $350, with corresponding changes in the benefit formulas. This new maximum is comparable with the new $4,200 maximum of the old-age and survivors insurance program.

2. As noted, the retirement age requirement for widows, widowers, and parents is lowered from age 65 to age 60.

3. Benefits would be payable to a totally and permanently disabled survivor child age 18 or over if the disability began before age 18, and to the widow caring for such a child. (Also, a spouse's annuity would be payable in certain cases to the wife under age 65 caring for a disabled child over 18.)

4. The so-called "social security minimum" provisions of the Railroad Retirement Act are specifically applied to the new classes of beneficiaries described under "2" and "3" above.

5. A railroad survivor annuity is no longer reduced if the annuitant also qualifies for a retirement annuity under the railroad program (but is still reduced if he qualifies for an old-age and survivors insurance benefit).

6. Compensation earned after age 65 is disregarded if its use would lower the amount of the annuity.

Administrative, Supervisory
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7. The provision that a disability annuitant who earns more than $75 in each of any six consecutive calendar months is deemed no longer disabled is eliminated, and replaced with a provision for suspending payments for any month in which the disability annuitant receives more than $100 in employment or self-employment.

8. The school attendance requirement for children under 18 and over 16 years of age is eliminated. A similar provision in the Social Security Act was eliminated in 1946.

9. An individual entitled to an annuity or pension under the railroad retirement program is permitted to waive all or part of that benefit. The principal purpose is to permit the beneficiary to come within the income limitations specified in the veterans' laws. A waiver has no effect on the amount of any spouse's or survivor's annuity, or on the amount of any residual lump-sum payment. Jurisdiction of a case cannot be transferred to old-age and survivors insurance as a result of a waiver.

Victor Christgau

Victor Christgau

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Interstate and Foreign Commerce. Railroad Retirement Legislation. *Hearings on Bills to Amend the Railroad Retirement Act. 83d Congress, 2d session.*

U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Railroad Retirement. *Hearings on S. 2930, Amendments to the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. 83d Congress, 2d session.*