

# *Social Security Recommendations:*

## *Excerpts From the President's Messages*

*A strengthened and extended social security program that will provide adequate protection against major economic hazards for all people in all parts of the country has been recommended consistently by President Truman. In his messages early in January to the Eighty-first Congress, he again urged enactment of such legislation, stressing the importance of the social security programs in helping to raise the Nation's standard of living.*

**I**N the opening days of the Eighty-first Congress, President Truman outlined in three messages to the Congress his proposals to ensure the "fair deal" that "every segment of our population and every individual have a right to expect from our Government."

In each of the messages—on the state of the Union, the economic report, and the budget—the President pointed out the Government's opportunity to raise the national living standards by action in the fields of social security, health, education, housing, and civil rights. He also urged again that the agency "now administering the programs of health education, and social security . . . be given full departmental status."

### *State of the Union*

On January 5 the President reported to Congress and the Nation that the state of the Union was "good," and that the country was "better able than ever before to meet the needs of the American people, and to give them their fair chance in the pursuit of happiness . . . But, great as our progress has been, we still have a long way to go," he continued, and "many of our shortcomings stand out in bold relief."

Concerning the shortcomings in the field of social security, the President declared:

"The present coverage of the social security laws is altogether inadequate, and benefit payments are too low. One-third of our workers are not covered. Those who receive old-age and survivors insurance benefits receive an average payment of only \$25 a month. Many others who cannot work because they are physically dis-

abled are left to the mercy of charity. We should expand our social security program, both as to the size of the benefits and extent of coverage, against the economic hazards due to unemployment, old age, sickness, and disability.

"We must spare no effort to raise the general level of health in this country. In a nation as rich as ours it is a shocking fact that tens of millions lack adequate medical care. We are short of doctors, hospitals and nurses. We must remedy these shortages. Moreover, we need—and we must have without further delay—a system of prepaid medical insurance which will enable every American to afford good medical care."

### *Economic Report*

The President sent his economic message—the third annual Economic Report since the Employment Act of 1946 made such reports mandatory—to the Congress on January 7. In it, he stressed the immediate need to combat the remaining dangers of post-war inflation and, at the same time, to continue "to build strong bulwarks against deflation and depression and thus to consolidate our past gains and move forward to new levels of sustained prosperity for all."

In outlining the policies that should be followed to combat inflation, the President declared that a budget surplus now was "the most effective weapon," and among the sources of additional revenue he recommended an increase in contributions under existing and extended social insurance programs.

"While we are fighting further inflation," the report continued, "we should recognize that severe hardship

has already been imposed on those whose incomes have lagged far behind the increase in the cost of living. Whatever is feasible to alleviate this hardship should be accomplished without delay." Specifically, it was recommended that the benefits under old-age and survivors insurance "be substantially increased in order to bring them in line with the increase in the cost of living"; also that the public assistance program "be improved to meet the basic needs of the less fortunate."

In addition to combating inflation and taking immediate steps to relieve the victims of inflation, long-range policies to promote economic growth must also be developed. "We cannot accept the dangerous idea," the President said, "that inflation's end will automatically bring about a period of stable prosperity. The continuing need for prudence in Government expenditures must not be translated into false economy." Development of our resources for healthy growth must include the improvement of our human resources, the President again pointed out, as he had in his preceding Economic Report, since the conservation and improvement of those resources are intimately connected with the prosperity and productivity of our economy. In the field of social security he made the following recommendations.

"Millions of workers are excluded from the benefits of our old age and unemployment insurance systems. Such exclusion denies to individuals protection to which they are entitled by every consideration of equity. I urge that the coverage of these systems be widened this year and the benefits made more adequate.

"Few of our workers enjoy systematic protection against loss of income through temporary or permanent disability. We should inaugurate a system of insurance against such loss."

As "striking evidence of the unsatisfactory state of the Nation's health"

he cited the high percentage of rejections under the military recruitment programs. "National health insurance," he continued, "is the only workable way to assure that all individuals have access to the medical care they need. I recommend the enactment of such a program this year. Federal grants in support of hospital construction are an indispensable support to such a program. We also need to augment the number of doctors, dentists, and nurses in order to overcome the present serious national shortage of medical personnel."

The recommendations in his Economic Report, the President told the Congress, drew on the more detailed information and analysis furnished him by the Council of Economic Advisers in its Annual Economic Review, which the President transmitted to Congress along with his report. In discussing the factors that will influence the transition from inflation to stability, the Council's report declared that the expansion of social security programs "is particularly appropriate now because it would strengthen mass purchasing power and markets in the long run, while contributing immediately to the restraint of inflationary pressures. By increasing the coverage and benefits of unemployment and old age insurance, by introducing disability and health insurance, and by providing more adequate public assistance, we would thus contribute towards that reconciliation of immediate and longer-run needs which is so difficult to achieve through the market mechanism.

"To have the optimum immediate anti-inflationary effect, payroll taxes should be increased by more than the increase in benefit payments. To have the optimum long-range stabilizing effect, the expansion of these programs should not be financed exclusively by payroll taxes. It should draw some support in future years from general budget sources."

### **Budget Message**

President Truman's budget message, sent to Congress on January 10, reflected the "compelling need for financial prudence by the Government at this time" that the Economic Report had emphasized. He also stressed the need for a comprehensive system

of social security, which would include a program of national health insurance.

The President pointed out that the recommendations had had extended public discussion and that action is "long overdue. I am confident that the Congress will enact promptly the legislation needed to achieve an integrated, comprehensive system of social insurance. In addition, I repeat my recommendation that the Congress give departmental status to the Federal Security Agency."

In discussing the items in the budget in the broad field of social welfare, health, and security, the President spoke of the "basic pattern of activities" established in that field by the Federal Government in the last 15 years, and went on to say:

"Under the Social Security Act, the national policy contemplated that old-age and survivors insurance would be the primary Government measure affording economic protection to the needy aged and dependent children, and that unemployment compensation would provide temporary assistance to the unemployed. Other types of social insurance were to be added later to provide more adequate protection against major economic hazards of our society. Public assistance was designed as a backstop, a second line of defense, eventually to be replaced in large measure by social insurance benefits. We have not made progress toward this objective in the last decade. Individual benefit payments under public assistance now are substantially higher than under old-age and survivors insurance. They are more adequate, in many cases, than under unemployment insurance.

"Three principal steps should be taken now to strengthen and complete the system of social insurance, and thereby to make our governmental programs consistent with the basic national policy in this field.

"First, old-age and survivors insurance should be extended to nearly all the 25 million gainfully employed persons not now covered; the scale of benefits should be sharply raised; benefits should be provided for women at an earlier age; and higher part-time earnings should be permitted . . .

"Second, disability insurance should

be provided to protect against loss of earnings during illness or other temporary disability, and to assure continuing annuities to workers who become permanently disabled and therefore unable to earn a livelihood.

"Third, a comprehensive national health program should be established, centering in a national system of medical care insurance, accompanied by improved services and facilities for public health and medical care . . .

"The needed legislation includes not only measures to establish administrative procedures and authorize benefit payments, but also provisions for financing them. At present, workers and employers each contribute to the old-age and survivors insurance fund at a rate of 1 percent of the covered pay roll. Under present law, this rate will advance on January 1, 1950, to 1½ percent each for employers and workers. The tax applies only to the first 3,000 dollars of earnings of each employee in any year, and earnings in excess of that amount are not counted in calculating the retirement benefits. My recommendations contemplate raising the tax rate on presently covered employment on July 1, 1949, the date when increased benefits should be made available. In addition, I propose that we raise the ceiling on taxable earnings, as well as extend the pay-roll tax to workers and employers not now covered. The addition of insurance coverage for medical care and disability benefits will also require some additions to the pay-roll tax rates in order that the whole social insurance system will continue to be substantially self-supporting.

"The financial impact of these recommendations is mainly in the trust accounts. For the fiscal year 1950, benefit payments and administrative expenses from the major trust accounts in the field of social welfare (other than unemployment insurance) are estimated at \$1.3 billion under existing laws. Under the legislation which I recommend, these payments would be doubled. Apart from this new legislation, they would rise by more than \$100 million above the total for the current fiscal year.

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The Council has not been able to make a thorough study of the alternative lines of action open to the Federal Government for providing income maintenance for the unemployed in such a situation and has therefore made no specific recommendations on this point. We recommend, however, that the Congress should direct the Federal Security Agency to study in consultation with other interested agencies various methods for providing income security for workers who do not have private or public employment and to make specific proposals for putting the best methods into effect.

### **Temporary Disability Insurance**

The Council has also been unable to devote the time necessary for making policy decisions in the field of temporary disability. We have included in this report, however, a section which discusses the need for protection against wage loss due to illness and the methods that have been suggested by various groups to provide this protection.

### **Importance of a Broad Informational Program**

No social security program can be effective unless those who are entitled

to participate know their rights and obligations. A program of public information is particularly important in unemployment insurance. In this program, with its necessarily somewhat complicated provisions, it is of great importance that all claimants and workers understand the principles of the program and the specific provisions of law. We believe that much remains to be done to develop an informed public through informational programs. The addition of an employee contribution and the greater use of advisory councils will also contribute to this end.

## **PRESIDENT'S MESSAGES**

*(Continued from page 11)*

"The total of budget expenditures for social welfare, health, and security also is expected to rise in the fiscal year 1950, to nearly \$2,358 million, exclusive of expenditures from trust accounts. The increase over the fiscal year 1949 is \$394 million, of which \$147 million is in transfers to the railroad retirement trust account and \$86 million is for increased grants to the States for public assistance under present Federal law. Most of the remainder of the increase is divided between present programs for the promotion of public health and proposed new legislation for medical care insurance and public assistance.

"Excluding trust account transactions, new appropriations requested for social welfare, health, and security for the fiscal year 1950 are estimated at \$2,271 million. In addition, \$92 million of new contract authority will be needed, making a total of \$2,363 million of new obligational authority for these programs. This does not include \$40 million of appropriations necessary to liquidate contract authority made available in prior years, mainly for hospital construction grants. Of the new appropriations in budget accounts, \$84 million is for proposed legislation. All the rest is for programs under present laws.

"*Public assistance to the aged and other special groups.*—The public assistance programs of the Federal Government are all carried on in cooperation with the States, and the expend-

itures are almost entirely in the form of grants to State governments.

"By far the largest amounts are for assistance to the aged, the blind, and dependent children, for which Federal Government expenditures under present laws are estimated at \$1,064 million in the fiscal year 1950. Each State determines its own scale of benefits to individuals in these public assistance categories, and the Federal Government reimburses the States for from 50 to 75 percent of the payments in each case, up to maximum individual benefit rates specified in the Federal law. The level of these matching payments was raised by action of the last Congress.

"Because of this grant arrangement, the amount of Federal expenditure for public assistance in any one year is not directly subject to Federal budgetary control, but is determined by the action of the several States in fixing benefit rates and approving individual claims for assistance. The total amount of Federal expenditures has steadily increased as the rising cost of living has compelled the States to give more assistance and the number of needy aged persons in our population has continued to rise. This increase in public assistance expenditures would be slower, and should ultimately be reversed, if other contributory insurance are made adequate to carry most of the load.

"The Budget includes \$65 million as the tentative estimate of first-year expenditure under proposed legislation to improve the present public assistance system and to help cover State relief payments to persons not now eli-

gible for assistance from Federal grants . . .

"*Placement services and unemployment compensation administration.*—Public employment services and administration of unemployment insurance will require approximately \$150 million or about 80 percent of all expenditures for labor programs. Except for \$11 million for the railroad unemployment insurance program, these funds are expended principally through grants to States.

"Provision has been made, in the reserve for contingencies, for any added cost which may arise because of future statutory increases in State salary rates or because of unexpected increases in State workload.

"*Trust accounts.*—Total unemployment benefit payments are rising above the 1948 level, in large part because of increased labor turn-over, the return of prewar seasonal patterns and because many insured workers have exhausted their claims to veterans' unemployment allowances from the Federal Government and collect State benefits when unemployed. Growth of the labor force and liberalization of State laws are also factors. Receipts are below the 1948 level because of changes in the law relating to railroad unemployment.

"My proposal to strengthen the unemployment compensation system contemplates that coverage will be extended to workers in small establishments, Federal employees, and other workers not now insured. It contemplates that in some States the level of benefits will be raised and their duration extended."