computation to show the effect on costs in the year 2000 of a 1-percent annual increase in average wages compounded. Under this assumption the lowest cost in that year is 3.4 percent and the highest is 7.7 percent of taxable pay rolls. Thus the cost of benefits relative to contributions per year would be decreased by about 20 to 25 percent under the assumed percentage rise in average wages with the present benefit provisions. Continuation of past long-run wage trends would tend to lower the costs of the present benefit formula, but benefits paid to beneficiaries would steadily diminish in relation to current wage levels.

Conclusions

In their conclusion the Trustees point out that benefit disbursements for old-age and survivors insurance will continue to rise throughout the present century and that by 1970 they will probably be four to six times their current level. Contributions paid by employers and employees are expected to be wholly sufficient to meet the disbursements of the old-age and survivors insurance program in each of the 5 fiscal years immediately ahead. The present tax rate of 1 percent each on employers and employees is scheduled to apply through 1949. Under the Social Security Act Amendments of 1947, the rate will rise to 1½ percent on January 1, 1950, and to 2 percent for the calendar year 1952 and thereafter. As in their previous reports the Trustees express the view that prudent management of the finances of the trust fund requires emphasis on the long-range relationships between the disbursements and the income of the fund. They repeat that the 3–7-percent level premium cost of benefits now provided, assuming level wages, is lower than earlier level premium cost figures.

The Trustees point out that the war and the postwar adjustments, as well as the recovery from the depression of the early thirties, have been accompanied by important changes in many of the factors which determine the relationship between benefits and contributions under the program. The increased level of earnings and the expanded employment in covered occupations are among the more important factors which have led to a reduction in illustrative costs measured as a percent of pay roll. The present cost figures are predicated on the maintenance of level wage rates. Past experience, however, indicates that the level of income and earnings in the Nation is likely to rise in the future. Increases in the past, though somewhat uneven, have on the whole been persistent over the decades. Taking into account a long-term tendency for wages to rise, the range of the level premium cost might be reduced from 3–7 percent to 2½–6 percent. The Trustees, however, state that:

The factors which, in large part, account for the anticipated favorable financial position of the program in the period immediately ahead, and for the reduction shown in the figures on the long-range cost as a percent of pay roll, at the same time have seriously impaired the adequacy of benefits based on present benefit provisions. From the first quarter of 1940, when monthly benefits began to be paid, to the middle of 1948, the cost of living rose 72 percent, while the average primary benefit paid rose 15 percent. From a study made in 1946, it has been estimated that in one large eastern city a little more than a third of all aged beneficiaries who were retired either were receiving public assistance or, on the basis of their meager resources, probably could have qualified for it. The inadequacies of the benefits paid will become increasingly pronounced unless the benefit formula is adjusted upward to reflect the rise in wages, national income, and living standards.

In closing, the Trustees call attention to the Annual Reports of the Federal Security Agency and the Social Security Board, which point out that there are many inadequacies and gaps in present coverage and benefit provisions of the old-age and survivors insurance program—gaps which in large measure have developed or been intensified by war and postwar conditions. The Trustees note that similar views were expressed by the Advisory Council on Social Security in its report to the Senate Committee on Finance on April 8, 1948. It is their opinion that there is urgent need for a review of the financial provisions and policy of the old-age and survivors insurance program as well as the benefit formula, the coverage of the system, and the scope of protection afforded, in order to develop a total program more nearly in accord with current and prospective conditions.

Coverage of Agricultural Workers Under Unemployment Insurance

Some types of agricultural employment have been covered by the California unemployment insurance law since January 1, 1938, although the rules and regulations distinguishing between covered and exempt types of agricultural employment have since been modified several times. The present regulation, which has been upheld by the California Supreme Court, became effective on June 1, 1945. In view of the current interest in extending coverage under the Social Security Act to agricultural labor, the following summary of California’s experience is of interest.

During 1947, some 42,000 agricultural workers—about 1 out of every 7—were protected against the risk of unemployment by the State law. These workers were employed by 1,700 employers who would not have been subject to taxes on the wages paid to these workers if coverage under the State law were no broader than that under the Federal act. No such large group of agricultural workers is similarly insured against loss of work in any other State. These workers were employed in larger employing units than are customarily found in agriculture in most States; on the average, each agricultural employer subject to the law employed about 24 workers. During the year, these workers received about $5 million in benefits during periods when they were out of work through no fault of their own.

While extension of coverage to agricultural workers has been regarded as entailing significant administrative difficulties, the California agency states that obtaining reports and collecting taxes have been no more difficult in agriculture than in other types of employment. The problems have been the same as those in similar seasonal work. There has been some

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difficulty in distinguishing between covered and exempt agricultural employment; but such difficulties are to be expected as long as certain groups of workers remain exempt from coverage under the law.

The agency finds that broader coverage has had no adverse economic effects but that, on the contrary, it has been a stabilizing influence in employment in the food-packing industry. It finds no cases in which coverage has contributed toward business mortality.

Moreover, it is apparent that the early resistance to coverage on the part of employers has diminished recently, for coverage has been extended to closely related activities by employers' voluntary election. Other groups have generally favored such extension.

The agency regards the advantages of such coverage as very great, since it increases the effectiveness of the unemployment insurance program. It sees some disadvantage arising, however, from the lack of coverage for such groups under the Federal law and the consequent lack of uniformity from State to State.