

Old-Age and Survivors Insurance: Coverage Under the 1954 Amendments

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The extension of old-age and survivors insurance coverage made by the Social Security Amendments of 1954 came only 4 years after the last previous large-scale extension. The new coverage provisions are, however, of considerable significance not only to the newly covered groups but also to the development of an effective old-age and survivors insurance program. In the following pages, the nature and effect of these provisions are examined.

AS a result of the 1954 amendments to the Social Security Act, 9 out of every 10 gainfully employed persons in the American economy have the opportunity to build retirement and survivor protection under the Federal old-age and survivors insurance system. With almost 8 million additional jobs under the system beginning in 1955, its coverage is for the first time almost universal.

During the course of a year an estimated total of nearly 10 million people will work in these 8 million newly covered jobs. The newly covered groups and the number of persons in each of them are shown in table 1. Most of these groups, like those previously covered, are brought under old-age and survivors insurance on a compulsory basis. Coverage on a group voluntary basis is provided for additional State and local government employees and for the American employees of foreign subsidiaries of American employers. Ministers and certain members of religious orders are permitted to participate in the program on the basis of individual election.

Approximately 8.3 million jobs continue to be excluded from old-age and survivors insurance. About 4.9 million of these jobs, however, are accounted for by the continued exclusion of service in the Armed Forces and of most Federal civilian services—areas of employment cov-

ered by Government staff retirement systems. Such retirement systems, and their relationships to old-age and survivors insurance, were under study by the Committee on Retirement Policy for Federal Personnel at the time the 1954 amendments to the Social Security Act were being considered. Accordingly, Congress did not consider extending the regular coverage of the program to service in the Armed Forces or to Federal civilian jobs covered by staff systems. Of the other 3.4 million jobs still excluded from coverage, the majority are accounted for by self-employed persons whose net earnings are less than \$400 a year and by domestic and farm workers who do not earn sufficient wages from any one employer to meet the coverage requirements of the law. Many persons in these excluded groups are persons who spend comparatively little time in gainful employment and who normally are not in the labor market—semiretired or partially disabled persons and housewives and children.

The significance of the coverage provisions of the 1954 amendments can not be measured solely in terms of the number of additional jobs or persons covered. Their importance from the standpoint of the development of an effective old-age and survivors insurance program shows up more clearly when one looks beyond the statistics to some of the broad program implications.

The new provisions mean that, for the first time, the coverage of old-age and survivors insurance can be

said to be almost universal. Practically universal coverage ensures that in the future the program will be considerably more effective as a factor promoting the economic welfare of the Nation. Almost all employed persons throughout the economy will have basic protection against loss of income in old age and against dependency of their survivors in the event of the worker's death. The broadened coverage will also enable the program to operate at a lower cost in terms of percentage of payroll, thus making possible improved protection.¹ It means, as well, that workers who shift from one type of employment to another—for example, from work in a factory to farm employment or self-employment—will be in little danger of losing old-age and survivors insurance protection or of suffering decreased protection. There is now a greater likelihood that all the jobs they have throughout their working lifetime will be jobs covered by old-age and survivors insurance and, therefore, that the benefits will actually be related to the true level of their past earnings.

The coverage of farm operators and of many additional farm workers is in itself a great forward stride. This coverage is particularly significant not only because of the large proportion of the population affected but also because up to now the farm

¹Lower costs will result because there will be fewer persons spending part of their working lives in noncovered employment and thus receiving the advantage of the weighted benefit formula, which is intended to favor persons with low earnings. With broadened coverage, more of the earnings of persons who otherwise would move in and out of covered employment will be taxable. The increase in contributions will be proportionate to the increase in covered earnings. While these persons will also receive higher benefits as a result of broadened coverage, the increase in their benefits will be less than proportionate because of the weighted benefit formula.

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people of the Nation have, by and large, not had an opportunity to participate in any social insurance program. The exclusion of most farm people from old-age and survivors insurance coverage in the past has resulted in relatively high costs for old-age assistance in rural areas. Taxpayers in agricultural States can expect these costs to be cushioned as increasing numbers of farm people acquire protection under the insurance program.

Of broad significance, too, is the fact that the 1954 amendments reaffirmed the basic principle that the coverage of the old-age and survivors insurance program should be compulsory rather than subject to the election of individual workers. (Congress made an exception only for ministers and members of religious orders.) Faced with the desire for coverage on an individual elective basis by certain self-employed professional groups, the congressional committees carefully considered this possible approach and decided against it because (in the words of the Senate Committee on Finance) "extension of coverage on an individual voluntary basis involved grave dangers with respect to the financing of the system, as well as discrimination against the great majority of workers covered under the program on a compulsory basis." Just as coverage must be practically universal if old-age and survivors insurance is to function effectively in providing protection against income loss resulting from old age or death, so must coverage be compulsory to the greatest practicable extent.

The amendments also gave further support to the concept that old-age and survivors insurance affords basic protection that lends itself readily to supplementation by staff retirement systems. The coverage provisions affecting State and local government employment are clear recognition of the fact that public retirement systems can be supplementary to basic old-age and survivors insurance protection in the same way that thousands of private pension plans supplement the old-age and survivors insurance coverage of workers in industry and other areas of employ-

ment. The feasibility of coordinating public staff retirement systems with old-age and survivors insurance was not clearly recognized in 1950, when coverage was first extended to employees of State and local governments. At that time there was considerable apprehension on the part of representatives of State and local retirement systems that if old-age and survivors insurance coverage were made available the members of these systems might have to choose between coverage under a staff retirement system and coverage under old-age and survivors insurance. Subsequently, however, several States went through the cumbersome, but necessary, procedure of abolishing existing staff retirement systems in order to get old-age and survivors insurance coverage plus protection under a supplementary staff system. The 1954 amendments make it much easier for State and local governments to extend this type of combined protection to their employees.

An incidental, but not unimportant, effect of the amendments was the simplification of some of the coverage provisions of the law. The complicated and restrictive coverage tests previously provided for farm workers and domestic workers were replaced by tests that are easier for the public to understand and simpler

to administer. A number of minor exceptions from coverage in the area of Federal employment were eliminated, and several minor technical changes did away with anomalies or inconsistencies that had crept into the 1950 amendments.

The coverage provisions of the Social Security Amendments of 1954 are discussed in detail, in relation to each of the newly covered groups, in the following sections.

Farm Operators

An estimated 3.6 million persons who operate farms begin earning social security credits in 1955. This is the largest group to which the 1954 amendments extended coverage.

Practically all commercial farmers are covered. Although about a third of the total of 5.4 million farmers reported by the United States Census of Agriculture continue to be excluded, this minority consists chiefly of persons whose farms are primarily residences and of those who do small-scale, part-time farming. Most persons who make a living as farmers now have protection under old-age and survivors insurance on much the same basis as persons in urban self-employment.

Generally speaking, every self-employed farm operator who has annual net earnings of \$400 or more is covered under old-age and survivors insurance. In addition, every farmer who files his income-tax return on a cash basis and has an annual gross income of at least \$800 from his farm self-employment may be covered, even though his actual net earnings are less than \$400 a year.

The inclusion of self-employed farmers under old-age and survivors insurance, together with the coverage of more farm workers, gives farm families much-needed protection. The need for this protection is indicated by the large proportion of aged people in rural areas who are on the old-age assistance rolls. In counties with 50 percent or more of their population on farms, almost one-third of all persons aged 65 and over are receiving old-age assistance. Beginning in 1955, farm families will have much greater opportunity to build up old-age and survivors insur-

Table 1.—Persons newly covered by old-age and survivors insurance under the 1954 amendments to the Social Security Act

Covered group	Estimated number of workers during a year
Total.....	19,950,000
Farm operators.....	3,600,000
Farm workers.....	2,100,000
State and local government employees under retirement systems.....	3,500,000
Self-employed professionals.....	150,000
Ministers.....	250,000
Domestic workers.....	200,000
Federal civilian employees.....	150,000
Fishermen.....	50,000
Homeworkers.....	100,000
U.S. citizens employed by foreign subsidiaries of American corporations.....	100,000
Employees whose service is not in the course of the employer's business (casual labor).....	50,000

¹ Total is less than the sum of the separate coverage groups because an estimated 300,000 persons who will be covered both as farm operators and as hired farm workers are included in both groups.

ance protection. In many cases this protection will eliminate or reduce dependency on public assistance programs.

The prospect that extending old-age and survivors insurance protection to more farm families would check the growth of assistance costs in rural areas was an important factor in the development of the provisions covering self-employed farm operators and additional farm workers. Another important factor was the increased understanding among farm people of the benefits afforded by the program. As proposals for social security legislation became an increasingly important topic in the press, the interest of farm people in the program became more evident. From February 1 through March 5, 1954, for example, the Bureau of Old-Age and Survivors Insurance received more than 8,500 inquiries regarding old-age and survivors insurance for farm operators. Of these inquiries, 79 percent were in favor of coverage.

While there had been earlier indications of a growing interest in old-age and survivors insurance, evidence of the desire for coverage had been less pronounced. Consider, for example, the special studies that were con-

ducted in 1951 and 1952 by land-grant colleges in Connecticut, Texas, and Wisconsin, in cooperation with the United States Department of Agriculture. These studies examined, among other things, the attitudes of farmers toward old-age and survivors insurance. Of those in the sample groups who expressed their opinion on extension of coverage to farm operators, the proportion favoring coverage was 66 percent in Connecticut and 71 percent in both Texas and Wisconsin. In a similar study that was conducted in 1954 in Kentucky, 89 percent of the farm operators who expressed an opinion favored coverage of farm self-employment.

Another factor that influenced the decision to cover farm operators was the development of a simplified method of computing farm earnings for old-age and survivors insurance purposes. Such a simplification was originally proposed in the report² to the Secretary of Health, Education, and Welfare by the consultants on

² Consultants on Social Security, *A Report to the Secretary of Health, Education, and Welfare on Extension of Old-Age and Survivors Insurance to Additional Groups of Current Workers*, 1953. For a summary, see the *Bulletin*, September 1953.

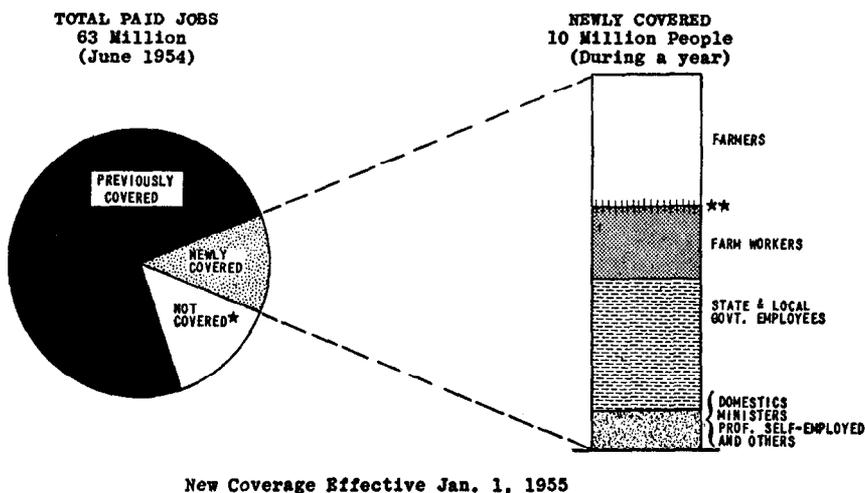
social security—a group that included representatives of the American Farm Bureau Federation and the National Grange.

The purpose of the simplification was to make it unnecessary for operators of small farms to assume a recordkeeping task they have not been performing. Of the 3.6 million farmers newly covered by old-age and survivors insurance, it is estimated that nearly 1 million have an annual gross farm income of \$1,800 or less. Most of these small-scale farmers pay no income tax because, after deducting expenses from their gross income, their net incomes do not exceed their personal and dependents' exemptions. Under the simplified reporting provision included in the amendments of 1954, farmers who have a gross income from farming of \$1,800 or less in a year and who compute their income-tax liability on a cash basis may be covered by old-age and survivors insurance on the basis of presumed net earnings. Thus they do not have to compute their actual net earnings from farm self-employment; instead, they may consider their net earnings from farm self-employment to be an amount equal to 50 percent of their gross income from such employment and may report this amount for old-age and survivors insurance purposes.

Farm operators who gross more than \$1,800 a year from their agricultural self-employment must compute their actual net earnings for social security purposes. More persons in this group are accustomed to computing their actual net earnings for income-tax purposes, and reporting for the purposes of old-age and survivors insurance will, generally speaking, not mean extra work. The "presumed net earnings" provision does, however, benefit this group too. Any person who has an annual gross income of more than \$1,800 from farm self-employment and who computes his income tax on a cash basis has the option of reporting \$900 as his net earnings for old-age and survivors insurance, provided his actual net earnings are less than \$900.

In addition to simplifying reporting for low-income farmers, then, the "presumed net earnings" provision

OASI COVERAGE AFTER 1954 AMENDMENTS



* Approximately 40 percent are members of the Armed Forces (wage credits under old-age and survivors insurance are provided for military service from

September 1940 to June 1955).

** During a year about 300,000 farmers are also employed as hired farm workers.

makes it easier for farmers to maintain unbroken coverage under old-age and survivors insurance. Such continuous coverage might otherwise be impossible because of years when the farmer's gross income produces little, if any, net earnings—years in which, for example, his earnings are cut down by adverse weather conditions or low prices.

Farm Workers

About 2.8 million farm workers, in all, will now have old-age and survivors insurance coverage during the course of a year. This is approximately four times the number who were able to acquire coverage under the restrictive and complicated test of coverage established by the Social Security Act Amendments of 1950. A hired farm worker (including a domestic worker in a farm home) is now covered with respect to his work for a farm employer if he is paid at least \$100 in cash wages by that employer during a year.

The amendments also change the coverage status of two minor groups of agricultural workers. Coverage is extended to persons employed in the ginning of cotton; they are covered on the same basis as other agricultural workers. A new provision excludes workers brought in from the British West Indies (under certificates issued by the Department of Agriculture) for farm work.

The extension of old-age and survivors insurance coverage to additional farm workers means that about 90 percent of the people whose major activity is hired farm work have an opportunity to acquire protection under the program. The amendments thus extend social security to almost all people who earn their living as hired farm workers. (Although some full-time migratory workers will continue to be excluded, the excluded group consists for the most part of housewives, children, and semiretired persons who are normally engaged in other activities but who do farm work for a few weeks during the peak harvest season.) Besides enabling more farm workers to be covered by the program, the annual test of coverage has another advantage. It ensures that,

once the coverage test has been met, all of a worker's earnings from one farmer during the year are covered; under a quarterly test, his earnings from one farmer might be covered in 1 quarter but not in the next.

The annual test of coverage was designed not only to bring under the program more persons who earn their living through hired farm work but to accomplish this without imposing a difficult recordkeeping and reporting burden on farm operators. Farmers will file only one annual report detailing the cash wages paid to individual farm workers who meet the coverage test, instead of the four quarterly reports that all other employers of covered employees must file. Only farm employers who, during the first 9 months of the year, pay a total of \$2,500 or more in cash wages to covered farm employees will have to make a return before the end of the year—and this a summary tax return requiring no entries of wages paid to each covered worker. The result is that no farmer will have to interrupt essential operations, such as planting or harvesting, in order to file detailed informational reports at the end of each calendar quarter, and relatively few farmers will have to file more than a year-end return.

The new coverage test for farm workers necessitated some provision for converting annual covered earnings into quarters of coverage. The amendments provide for crediting 1 quarter of coverage for cash farm wages amounting to \$100 but less than \$200, 2 quarters for \$200 but less than \$300, 3 quarters for \$300 but less than \$400, and 4 quarters of coverage for annual cash wages amounting to \$400 or more. The crediting of quarters of coverage is related not to covered wages earned from a single employer but to the worker's total covered farm earnings for the entire calendar year. If, for example, two farmers each report wages of \$150 for the same farm worker, the worker will be credited with 3 quarters of coverage on the basis of his farm employment during the year.

The amendments added a new provision to the Internal Reve-

nue Code relating to the collection of the employee tax. This provision authorizes employers, at their option, to deduct an amount equivalent to the employee tax from any wage payment made to agricultural workers, to domestic and other nonbusiness employees, and to industrial home workers, even though at the time of the wage payment the worker has not been paid enough wages to be covered. An unduly large deduction from earnings at any one time can thus be avoided. The employer is, of course, expected to return the amount withheld if the total wages he pays the employee are insufficient for coverage.

Household and Other Nonbusiness Workers

The amendments also improve and simplify the coverage of persons performing domestic service in nonfarm private homes and of other nonbusiness workers (persons who perform services not in the course of the employer's business). Under the amendments, these workers are covered for their work for an employer in any calendar quarter in which they are paid \$50 in cash wages by the employer. Thus, coverage is now based solely on the amount of cash wages that each employer pays for such work; housewives will no longer need to keep a record of the number of days on which a domestic worker performed services during a calendar quarter. The previous additional requirement that an employee work at least 24 days in the calendar quarter for the employer is deleted.

All household workers previously covered continue, of course, to be covered by the simplified test, and an estimated total of 200,000 additional household workers will be covered during 1955. Many of those who will be able to gain old-age and survivors insurance protection for the first time are regular day workers. These women work a day or a half day a week for each of several employers. Before the amendments they were completely excluded from coverage because they never worked as many as 24 days a quarter for any one employer.

Others who will benefit by the

change in the law are persons who perform some specialized household job, such as sewing or practical nursing. Such employees frequently are paid \$50 or more by an employer during a calendar quarter, but they work for a relatively short period for any one employer.

The amendments will also benefit an estimated 50,000 day workers by covering more of their domestic jobs. Under the original coverage test, these workers were covered for some of their domestic jobs but not for others. They worked on at least 24 days during a quarter for at least one employer but less than 24 days in the quarter for other employers.

While a large group of persons who do some paid domestic work—possibly two-fifths of the total—continue to be excluded from coverage under the amendments, it is estimated that about 9 out of every 10 persons whose domestic work is their major activity are covered by old-age and survivors insurance. Most of those still excluded are students, housewives, and others who spend comparatively little time in paid employment.

An estimated 50,000 persons who perform service (other than domestic service) not in the course of the employer's business are covered for this type of work for the first time. As in the past, the coverage tests for domestic service in private homes and for other service not in the course of the employer's trade or business are the same because certain services of the latter type are difficult to distinguish from domestic service.

State and Local Government Employees

The 1954 amendments make coverage under old-age and survivors insurance available to about 3.5 million employees of State and local governments who, during the course of a year, are in positions that could not previously be covered. Beginning January 1, 1955, almost all employees of State and local governments can be brought under Federal-State agreements for coverage. The only sizable group still not eligible for coverage under these agreements

consists of about 200,000 policemen and firemen who have their own retirement systems.

The 1950 amendments, which provided that State and local government employees could be covered under old-age and survivors insurance by means of agreements between the Federal Government and the individual States, specifically excluded employees who were in positions covered by a State or local retirement system on the date their coverage group was brought under the Federal system. The 1954 legislation permits the inclusion of these employees (except policemen and firemen) in the State agreements under certain conditions. To ensure that the interests and wishes of the retirement system members are respected, the amendments require that the Governor of the State certify that a referendum by secret written ballot was held among the members of the system and that a majority of those eligible to vote actually voted in favor of coming under old-age and survivors insurance. Generally speaking, all members of the system must be afforded an opportunity to vote and must be given at least 90 days' notice of the referendum. In effect, the new provisions relating to persons in positions covered by State or local retirement systems make old-age and survivors insurance coverage available if the responsible officials want to cover the employees and if the employees want to be covered. The amendments contain a statement that it is the policy of Congress that the total protection of retirement system members and beneficiaries should not be impaired by old-age and survivors insurance coverage.

In general, the members of each State or local retirement system constitute a separate group for purposes of the referendum; each retirement system may hold a separate referendum, and its members are covered or excluded as a group. However, a retirement system that covers State employees as well as employees of one or more political subdivisions, or a system that covers employees of more than one political subdivision, may be treated either as

a single voting group or as several independent voting groups. Each institution of higher learning (defined to include junior colleges and teachers' colleges) may also be regarded as a separate voting group if the State wishes.

The amendments exempt from the referendum provisions two groups of employees whose jobs are under a retirement system, or were under a retirement system when their coverage group was brought under old-age and survivors insurance in accordance with the provisions of the 1950 amendments. One such group consists of employees whose positions are under a retirement system but who are not themselves eligible for retirement system membership. Under the 1954 amendments, these employees must be covered if the retirement system that applies to their job is brought in under old-age and survivors insurance. Their coverage, however, does not depend entirely on coverage of the retirement system members. They may also be covered, if the State desires, when employees whose positions are not under a retirement system are covered under old-age and survivors insurance, or at any later date.

The second group consists of certain employees whose staff retirement systems had been dissolved or whose positions had been removed from coverage under such systems after the coverage group to which they belonged had been covered under old-age and survivors insurance. These employees were not eligible for old-age and survivors insurance coverage under the 1950 amendments. The 1954 amendments permit their coverage without a referendum, provided the action dissolving the retirement system or removing the positions from under the system was taken before September 1, 1954 (the date of enactment of the amendments), and provided they are covered before 1958. Special provision is made for these employees because, where the retirement system has been dissolved, there are no members of a retirement system who could vote in a referendum.

Generally speaking, the employees made eligible for coverage by the

amendments could not be covered until January 1, 1955, and could not receive credit for work done before that date. Coverage may be made retroactive to January 1, 1955, for groups of employees who are included in the State agreement at any time during 1955, 1956, or 1957. This is an exception to the general provision that coverage may not be made retroactive beyond the first of the calendar year in which the State or local group is brought under the agreement; it takes into account the fact that State legislation may be required before State and local employees can be covered under the new provisions. The provision permitting up to 3 years of retroactive coverage for groups covered before January 1, 1958, avoids penalizing employees in those States in which the legislature will not have a regular session until 1956, or in which the legislature, though meeting in 1955, will not be able to complete its action until 1957.

The new coverage provisions for these employees mark a significant advance toward providing improved retirement and survivorship protection for public employees. A large portion of the public employees in the United States may now have the same combination of protection under old-age and survivors insurance and a staff retirement system that is available to many employees both in private industry and in the nonprofit field.

Federal Civilian Employees

The amendments extend old-age and survivors insurance coverage to nearly all civilian employees of the Federal Government who are not under Federal staff retirement systems. In extending coverage to the several groups of Federal employees who had previously been excluded from both the old-age and survivors insurance program and the civil service retirement system, Congress took the position that any Federal employee who lacked retirement protection "should be covered by old-age and survivors insurance if the services he performs for the Government are of a type that would be covered if performed for a private employer." To ensure that the services of the

Federal employees to whom the amendments extend coverage are covered by only one retirement system, the crediting of such services under any other Federal retirement system is prohibited.

The Federal employees newly covered by the amendments are employees not covered by another retirement system who are employed in the field service of the Post Office Department; civilian employees in Coast Guard exchanges; temporary census-taking employees in the Bureau of the Census; employees paid on a contract or fee basis or receiving nominal compensation of \$12 or less a year; patients or inmates employed in Federal hospitals and other (except penal) institutions; members of certain types of committees and boards; and employees of instrumentalities not wholly owned by the Federal Government who are not covered by a Federal staff retirement system. The amendments delete the exclusion of services performed under Federal unemployment relief programs and the services of certain consular agents. At present, however, there are no Federal unemployment relief programs, and most consular agents are aliens working outside the United States and therefore excluded by another provision of the Social Security Act.

The following Federal employees, in addition to those covered by a Federal staff retirement system, continue to be specifically excluded from old-age and survivors insurance: the President, the Vice President, and Members of Congress; employees in the legislative branch; inmates employed in Federal penal institutions; interns, student nurses, and other students in Federal hospitals; and persons employed for emergency work in a disaster.

As has been noted, Congress did not consider methods of coordinating the civil service retirement system and other Federal staff retirement systems with old-age and survivors insurance because this matter was under study by the Committee on Retirement Policy for Federal Personnel. The reports of this Committee, which were submitted to Congress in May and June 1954, presented detailed recommendations and plans to establish a supple-

mentary relationship between the various Federal staff retirement systems and old-age and survivors insurance. Briefly, 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 and contributions adjusted to take into account the fact that Federal employees would also have old-age and survivors insurance protection.

The Committee pointed out that there is a considerable movement of workers between private industry covered by old-age and survivors insurance and Federal service covered by the Civil Service Retirement Act. This shifting of employees between industry and Federal employment results in certain inequities. Some of these workers may qualify under both civil service retirement and old-age and survivors insurance and receive total benefits that may be unwarranted when considered in relation to their total service and contributions; others may fail to qualify under either system. Under the Committee's recommendations, the employee whose work life is divided between employment covered by the civil service retirement system and employment covered by old-age and survivors insurance (including certain Federal employment) would receive a total retirement benefit that would be closely related to his lifetime service. The employee who did not remain in Federal service long enough to qualify under the civil service retirement system would at least get an old-age and survivors insurance benefit, and this benefit would include some retirement credit for his period of Federal service.

Because Congress, in considering the bill that became the Social Security Amendments of 1954, limited its deliberations to the question of covering persons not covered by Federal staff retirement systems, the resulting coverage provisions affecting Federal employment cannot be considered to be of great significance. However, the amendments corrected certain inequities in the coverage of Federal employees, rid the law of some minor provisions, and, of course, extended old-age and survivors in-

surance protection to some 150,000 workers who had no retirement-system protection of any kind.

Self-employed Professional Persons

Coverage is extended by the amendments to about 150,000 self-employed architects, funeral directors, engineers, and accountants on the same basis as that applicable to the self-employed who were covered by the 1950 amendments. Thus, individuals with annual net earnings of \$400 or more from self-employment in the indicated professions are compulsorily covered under old-age and survivors insurance. Self-employed physicians, lawyers, dentists, osteopaths, chiropractors, veterinarians, naturopaths, and optometrists continue to be excluded from coverage.

In the process of extending coverage to additional groups of workers, including self-employed groups, Congress considered both the administrative feasibility of their coverage and the wishes of the members of these groups. There is little question that coverage for all self-employed professional groups would be feasible from the administrative standpoint. The continued exclusion of certain groups was due primarily to the conflicting viewpoints expressed by members of these groups on the desirability of coverage. As a result of these conflicting viewpoints, some of which were presented in testimony before the congressional committees considering the bill, Congress was not certain that the majority of the members of these groups wanted to be covered by old-age and survivors insurance. In the Senate discussion of the amendments, both Senator Millikin and Senator George, chairman and ranking minority member, respectively, of the Senate Committee on Finance, expressed a desire to provide coverage for additional self-employed persons. Speaking for the Committee on this point, Senator Millikin stated: "We want to bring people under this system, but we do not want to bring them under it if they do not want to come under it."

Although serious consideration was given to proposals that old-age and survivors insurance be extended to

self-employed professionals under some form of voluntary coverage, Congress rejected this approach. In deciding to provide for coverage on a compulsory basis, Congress again emphasized one of the basic principles underlying the development of old-age and survivors insurance. In a broad sense this was the most significant aspect of the provisions that extended coverage to self-employment in the specified professions.

Ministers, Christian Science Practitioners, and Members of Religious Orders

The new amendments make old-age and survivors insurance coverage possible on an individual election basis for ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty. A person in one of these occupations can obtain coverage by filing a certificate indicating his desire to be covered as a self-employed person; he can take this action whether he is in fact an employee or a self-employed person. In general, the certificate must be filed within 2 years after coverage becomes available on January 1, 1955, or after the individual becomes a minister, practitioner, or member of a religious order. An election of coverage will be effective for the taxable year with respect to which it is filed and for all subsequent years.

An individual electing coverage under this provision will report his earnings and pay contributions in the same manner as all urban self-employed persons covered under the program. A special provision permits ministers working as missionaries abroad to pay the self-employment contributions and receive credit for their wages and salaries under old-age and survivors insurance, even though income taxes are not payable on such earnings.

About 250,000 ministers and 10,000 Christian Science practitioners, formerly excluded from coverage, will be able to participate in the old-age and survivors insurance program under these provisions. Since the law excludes members of religious orders who have taken a vow of poverty, only a few members of religious

orders will be able to obtain coverage under the program.

It is significant that, although proposals for coverage on an individual election basis were made in connection with several other groups—such as farm operators and self-employed professional persons—the clergy is the only group for which this basis for coverage was acceptable to Congress. Even here, individual voluntary coverage was not agreed upon until late in the legislative process.

In its report the Committee on Finance stated, "A provision for coverage on an individual election basis, while not generally desirable, is considered by your committee to be justified in this area because of the special circumstances. Many churches have expressed the fear that their participation in the old-age and survivors insurance program as employers of ministers might interfere with the well-established principle of separation of church and state. Many church representatives also believe that individual ministers who do not wish to be covered on grounds of conscience should not be required to participate in the program."³

United States Citizens Employed Outside the United States

The amendments round out and make more effective the 1950 provisions that extended old-age and survivors insurance coverage to United States citizens employed by American employers outside the United States. The 1950 legislation failed to cover citizen seamen and citizen airmen employed abroad by American employers on ships and aircraft operated under foreign flags. The 1954 legislation covers these seamen and airmen.

The 1954 amendments also expand the 1950 provisions to make coverage possible for citizens employed abroad by foreign subsidiaries of domestic corporations. Before the amendments, United States citizens working outside the United States for an American employer (defined to include "a corporation organized under the laws of the United States or of

³ Senate Report No. 1987 (83d Congress, 2d session), page 9.

any State") were compulsorily covered under old-age and survivors insurance, but citizens employed abroad by a foreign subsidiary of such a corporation were excluded. The latter group may now be covered if the domestic corporation makes a voluntary agreement with the Secretary of the Treasury to pay the contributions. Such an agreement may cover the United States citizens working for one or more of the corporation's foreign subsidiaries. All the United States citizens employed by each subsidiary included in the agreement must be covered. This special provision for coverage by agreement was necessary because the United States cannot impose the employer tax of the old-age and survivors insurance program upon foreign corporations, even though such corporations are subsidiaries of United States corporations.

The United States citizens made eligible for coverage are likely to have the same close economic and personal ties with the United States, and the same expectation of returning to the United States, as do United States citizens working abroad for American employers. Consequently, old-age and survivors insurance coverage will have the same value for these employees as for those covered in 1950. Often such coverage will prevent gaps in protection that would otherwise result when an individual interrupts his employment in the United States to go abroad for a period of time. Approximately 100,000

United States citizens working abroad for foreign subsidiaries of domestic corporations are eligible for coverage under the new legislation.

Fishermen and Homeworkers

Before the 1954 amendments, employees engaged in fishing or related activities (except those fishing for salmon or halibut) either on shore or on vessels of 10 net tons or less were excluded from coverage. The amendments extend coverage to such persons—about 50,000 of them in the course of a year. In this group are many of the lower-paid persons in the fishing industry—individuals who have the most need for the protection of the old-age and survivors insurance program.

The amendments cover as employees those homeworkers who, though not employees under the common-law test, meet all the special conditions that would make them employees under the previous law except the condition that their services be subject to licensing requirements under State law. The licensing requirement is eliminated. The result of this change is that all homeworkers who perform service under substantially the same conditions will be accorded the same treatment under old-age and survivors insurance irrespective of the State in which they live.

Conclusion

The 1954 amendments to the Social Security Act extend the coverage

of old-age and survivors insurance to a point where it is nearly universal. Nine out of every 10 gainfully employed persons are now under the program. Few persons with a substantial amount of employment or self-employment will be without some type of retirement protection. With nearly universal coverage, old-age and survivors insurance will be more important as a force helping to prevent family insecurity and promoting the economic and social welfare of the Nation.

The farm coverage provisions alone mark the amendments as an important achievement in the development of old-age and survivors insurance. A total of about 6 million farm operators and farm workers will be covered by old-age and survivors insurance during the course of a year, compared with the 700,000 persons who were covered in agricultural employment before. For the first time the program can assume a major role in helping to provide security for farm families.

The old-age and survivors insurance program, of course, will not remain static. Coverage, as well as the benefit provisions and other aspects of the law, will be subject to continuing examination. The direction any further changes may take, however, is likely to be greatly influenced by the fact that the 1954 amendments endorsed the principles on which old-age and survivors insurance is based.

SOCIAL SECURITY IN REVIEW (Continued from page 2)

ward movement that had started in May. Insured unemployment in an average week in October amounted to 1.5 million—7.2 percent less than the September average. The number of initial claims (1.1 million) repre-

sented a drop of 2.1 percent from the total for September; the decline, which was the result of the shorter workmonth, was the first to occur in October since 1945.

The average weekly number of beneficiaries, and with it the amount of benefits paid, also declined in October. The 1.3 million persons who

received payments in an average week were fewer by 8.1 percent than the number in September but 98.1 percent more than that in October 1953. The total amount of benefits paid—\$135.3 million—was 12.0 percent less than the September total but 104.7 percent greater than that a year earlier.