### Table IV.—Nonresponse on receipt of specified sources of income: Percent of married couples who did not report

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Payable</th>
<th>Postponed</th>
<th>Reduced</th>
<th>Not reduced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Reduced</td>
<td>Not</td>
<td>Reduced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reduced</td>
<td>reduced</td>
<td></td>
</tr>
<tr>
<td></td>
<td>66 and</td>
<td>over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital men and their wives not</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reporting:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>9</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Social security benefits</strong></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Other public pensions</strong></td>
<td>10</td>
<td>10</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>Private pensions</strong></td>
<td>8</td>
<td>8</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>All other transfer payments</strong></td>
<td>10</td>
<td>10</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Marital women and their husbands not</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reporting:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>4</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Social security benefits</strong></td>
<td>1</td>
<td>1</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td><strong>Other public pensions</strong></td>
<td>5</td>
<td>8</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Private pensions</strong></td>
<td>7</td>
<td>7</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>All other transfer payments</strong></td>
<td>8</td>
<td>8</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

1 Includes veterans' pensions and compensation, workmen's compensation, public assistance, and unemployment insurance.

2 Less than 0.5 percent.

to obtain the amount of total money income for an individual or a married couple, nonresponse on amount for even a single source makes it impossible to determine the total income. For this reason the nonresponse on amount of total income for the first year of the SNEB survey is so high as to yield unreliable data. Starting with the July 1969 awards, however, nonresponse has been significantly lowered by introduction of special callback and follow-up procedures for the income questions.

The worker has the option of declaring his earnings on the SNEB questionnaire as an hourly, weekly, monthly, or annual amount. The annual rate of earnings often has to be calculated from information on weeks worked per year or both hours per week and weeks per year. Even if the worker states his income for the period of his choice, nonresponse on earnings may still be possible if the auxiliary information needed for calculating the annual rate of earnings is not entered. This form of “double jeopardy” is responsible for much of the high nonresponse rate on amount of earnings and has a major impact on the high nonresponse rate for the total amount of income.

### Notes and Brief Reports

#### Employment Security Amendments of 1970*

On August 10, 1970, President Nixon signed the Employment Security Amendments of 1970 (Public Law 91-373), the most significant unemployment insurance legislation passed by Congress in a decade. The major features of the legislation are extension of coverage to small firms, nonprofit organizations, and some State employment; establishment of a permanent program of extended benefits for persons who exhaust their regular State benefits during periods of high unemployment; and improvements in the financing of the program, including a rise in the taxable wage base and the Federal tax rate.

#### Coverage

The legislation provides for the largest single increase in coverage since the unemployment insurance program began. Effective January 1, 1972, about 4,750,000 jobs will be added to the almost 60 million presently covered under Federal and State unemployment insurance laws. About 1,700,000 of the new jobs will be covered through extension of the Federal Unemployment Tax Act (FUTA). The remainder will be covered through requiring State action as a condition for provid-

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* Prepared in the Interprogram Studies Branch, Division of Economic and Long-Range Studies.
ing other employers in the State with the exist-
ing credit against the Federal unemployment tax.

FUTA Changes

The new law extends coverage to small firms—
those either employing one or more workers on at
least 1 day of each of 20 different weeks in a
year, or paying wages of $1,500 or more in a
calendar quarter of the current or preceding
calendar year. Under present law, an employer
is subject to FUTA if he employs four or more
persons in each of 20 different weeks during the
year. The change provides unemployment insur-
ance protection for 1,100,000 jobs.

The legislation broadens the definition of “em-
ployee” to accord more closely with that specified
in the old-age, survivors, disability, and health
insurance (OASDHI) program. Under this pro-
vision, coverage is extended to persons not con-
sidered employees under common-law rules, such
as certain agent-drivers and outside salesmen.
The new concept of employee differs from that
used for OASDHI in that it does not apply to
full-time life insurance salesmen and individuals
who work in their homes on materials furnished
by another and who are not employees under
common-law rules. This provision extends cov-
erage to about 210,000 additional jobs.

The 1970 law also adopts, with modification,
the definition specified under OASDHI with re-
spect to agricultural processing workers. Included
among the newly covered workers are those in
processing plants, including cooperatives, where
one-half or more of the commodities handled are
not produced by the plant operator or farm
operator members of the cooperative. About
190,000 jobs are affected.

Coverage is extended for the first time to serv-
ices performed outside the United States by
a citizen of the United States for an American
employer, other than services performed in Can-
ada (with whom reciprocal arrangements already
exist) and the Virgin Islands. This provision is
also similar to the OASDHI definition. To claim
benefits a worker must return to the United States
and report in person to a local State employment
office. Approximately 160,000 jobs are covered
by this provision.

State Changes

States are required to extend coverage to State
hospitals and State institutions of higher learning
and to certain nonprofit organizations that em-
ploy four or more persons in 20 weeks in the
current or preceding calendar year. Such organ-
izations have the option of reimbursing the
State for unemployment insurance payments
attributable to service for them or of paying
the regular State unemployment taxes. Church
employees, members of religious orders, clients
of sheltered workshops, and employees of schools
other than institutions of higher learning are
not covered. Faculty, research, and principal
administrative employees of institutions of higher
learning are not considered eligible for benefits
based on such employment during summer vaca-
tion (or other comparable period) if they have a
contract to resume work—either for the same
institution or another institution—at the end of
summer recess is over. These provisions add an esti-
imated 3 million covered jobs.

The States are also required to extend to each
of their political subdivisions the right to elect
to cover employees of county and municipal
hospitals and institutions of higher education.
Special rules are provided under which such in-
stitutions can make unemployment insurance
payments directly to employees in lieu of unem-
ployment taxes.

The law contains specific exclusions, effective
January 1, 1970, for students under age 22 em-
ployed under work-study programs, for students’
sponsors employed by a university under a program
of assistance to the students, and for people
employed by hospitals in which they are also
patients.

Agricultural workers are not covered although
the Senate had adopted an amendment on the floor
to extend unemployment insurance to large farms.
This amendment was not accepted by the House;
instead it substituted a provision giving the
subject top priority in special studies authorized
on the effect and impact of extending unemploy-
ment insurance coverage to excluded groups.

EXTENDED BENEFITS

The law establishes a new permanent Federal-
State program to pay extended unemployment in-
Insurance benefits to workers who exhaust their regular State unemployment insurance benefits during periods of high unemployment (including benefits to Federal civilian workers and ex-service men). Temporary programs of this nature were enacted by Congress during the recessions of 1958 and 1961.

The program starts operating or is “triggered in” during periods of high unemployment at either the State or national level. Nationally, the “on” indicator is reached when the seasonally adjusted rate of insured unemployment equals or exceeds 4.5 percent in each of the 3 most recent calendar months, and the “off” indicator occurs when the unemployment rate drops below 4.5 percent in each of 3 consecutive months.

The State indicator is “on” for any individual State when the State’s insured unemployment rate averages 4 percent for any period of 13 consecutive weeks and is 20 percent higher than the average rate for the corresponding 13-week period in each of the 2 preceding years. The State extended-benefit period ends when either of these conditions is not met.

An extended-benefit period begins with the third week after a week for which there was a national “on” indicator or a State “on” indicator, whichever occurs first. The period ends with the third week after the first week for which there are both national and State “off” indicators. An extended-benefit period must last for not less than 13 consecutive weeks, however, and cannot be started again on the basis of a State indicator for another 13 weeks.

During an extended-benefit period, whether it is established by national or State conditions, an eligible worker can receive extended benefits equal to the weekly benefit—including dependents’ allowances—that he received under the State program, for one-half his total regular compensation but not more than 13 times his weekly benefit, with an overall limitation on regular and extended benefits of 39 times his weekly benefit.

The Federal Government is to reimburse each State for one-half the cost of the extended benefits (and one-half the cost of regular benefits in excess of 26 weeks in a benefit year, to the extent that any regular compensation is paid within an extended-benefit period). The State may provide more payments than those required by the new law, but the Federal Government will not share in any of the resulting additional cost.

States are required to establish the new program by January 1, 1972, as a condition for any tax offset under FUTA. States wanting to establish a State-triggered program with Federal reimbursement before that day can do so starting October 11, 1970.

FINANCING

The wage base (taxable portion of an employer’s payroll) for the Federal tax will increase from $3,000 to $4,200 beginning January 1, 1972. The law also increases the Federal unemployment tax from 3.1 percent to 3.2 percent of taxable wages, retroactive to January 1, 1970. Since the tax offset allowed to employers in the States remains at 2.7 percent, the law in effect increases the net Federal tax from 0.4 to 0.5 percent.

For 1970 and 1971 the additional Federal tax receipts resulting from this increase will be put into a separate new account in the unemployment trust fund to finance the Federal share of the extended-benefit program. Thereafter, one-tenth of the net Federal tax will be transferred to the new account, titled the Federal extended unemployment compensation account, until the statutory ceiling of $750 million or 0.125 percent of the aggregate of State wages in covered employment, whichever is larger, is met. The remainder will be retained in the existing employment security administration account (to which is initially credited all revenue received from the Federal unemployment tax) for appropriation for administrative expenses.

Under previous law, the Federal unemployment account (Reed Act Loan Fund, which is used to make non-interest-bearing repayable advances to States with depleted reserves) had first right to any excess of Federal unemployment tax collections over total Federal and State employment security administrative expenditures until the account reached its statutory limit of $550 million or 0.4 percent of taxable wages. The new law changes this ceiling to the larger of $550 million or 0.125 percent of total wages. It also provides that no additional transfers will be made to the Federal unemployment account (which is presently at the new statutory ceiling) until the employment security administration and Federal
extended unemployment compensation accounts are built to their statutory limits. Effective for fiscal years after 1972, the statutory limit for the employment security administrative account was changed from $250 million to an amount, equal to 40 percent of the total annual appropriation by Congress out of the account.

When all three accounts have reached their statutory limits and advances (if any) from the Treasury general funds have been repaid, any excess is to be distributed to the accounts of the individual States.

The law contains a provision designed to exclude the use of revenues derived from the Federal unemployment tax for employment service costs not attributable to unemployment insurance administration. The President is to determine what proportion of the total cost of administering the system of public employment offices is an appropriate charge to the employment security administration account. Amounts authorized to be made available out of that account, after June 30, 1972, are to reflect this proportion. The President's determination, made after consultation with the Secretary of Labor, is to take into account such factors as the relationship between employment subject to State unemployment insurance laws and the total labor force, the number of unemployment compensation claimants, and the number of job applicants, and such other factors as he deems relevant.

Under the law, States are permitted to assign new employers a reduced rate of tax, not less than 1 percent of taxable payroll, before they have had the period of experience needed to qualify for experience rating under State law. Previous law had required that a new employer pay a rate of at least 2.7 percent during the first year.

OTHER PROVISIONS

States must amend their laws to meet the following requirements by January 1, 1972:

1. A beneficiary must have worked since the beginning of his benefit year in order to obtain unemployment compensation in his next benefit year.

2. Compensation can no longer be denied to workers in approved training programs.

3. Compensation cannot be reduced or denied because a claimant lives or files his claim in another State or in Canada. In addition, States are required to participate in arrangements for combining wage credits when the earnings are in two or more States.

4. Wage credits cannot be canceled or benefit rights eliminated completely because of a disqualifying act other than discharge for misconduct or fraud in connection with a benefit claim, or because of disqualifying income such as pension payments.

The legislation repeals a section of Federal law that precludes payment of unemployment compensation to ex-servicemen during periods to which terminal leave is allocated. Repeal of this section has the effect of insuring that the accrued leave of ex-servicemen will be treated by each State in the same way as the accrued leave of all other unemployed workers, including former Federal civilian employees.

The law provides for judicial review of the Secretary of Labor's findings in State conformity or compliance proceedings. These proceedings are to insure (1) that States comply with Federal standards and so are entitled to receive funds to administer the program and (2) that the States meet certain conditions in order to have their employers entitled to Federal tax credits. Previously, no specific provision allowed a State to appeal to a court when a determination of the Secretary of Labor was adverse to the State. Under the new law, the State may appeal to a U.S. Court of Appeals within 60 days of notification of the action. An automatic 30-day stay will then be placed on the Secretary's action, and the court can thereafter grant interim relief, if warranted, including a further stay of the Secretary's action. The Secretary's findings of fact are to be conclusive if supported by substantial evidence.

The law establishes a Federal unemployment insurance research program, a Federal program of grants to train unemployment insurance personnel (both Federal and State), and a Federal Advisory Council on Unemployment Compensation to review the operations of the Federal-State program and make recommendations for improvements.

1 States whose legislatures do not meet in regular session in 1971 will have until July 1, 1972, to conform to the requirements.
Beginning in 1972, the date on which the Secretary of Labor certifies to the Secretary of the Treasury that State laws and administration meet the requirements of the Federal Unemployment Tax Act is changed from December 31 to October 31 of each year.

The new legislation provides for enforcement of existing prohibitions against unequal treatment of maritime and other employment in which the Federal Government has a special jurisdictional interest.

The Railroad Retirement Amendments of 1970*

Three laws enacted in the past year have made significant changes in the Railroad Retirement Act. The most recent amendments, enacted August 12, 1970 (Public Law 91-377) established a commission with a broad mandate to examine the system and recommend the changes necessary for its maintenance on a sound actuarial basis. These amendments also provided a temporary increase in benefits and a favored position in the determination of the interest rate for investments in special obligations issued to the Railroad Retirement Account. An earlier amendment (Public Law 91-215, enacted March 17) continued the supplemental annuity program on a permanent basis, with provision for adequate financing. The Social Security Amendments of 1969 (Public Law 91-172, enacted December 30, 1969) provided a 15-percent increase to social security beneficiaries, which is automatically reflected in railroad retirement annuities paid under the provisions of the minimum guarantee.¹

Commission on Railroad Retirement

For the past few years employment in the railroad industry has been shrinking. Although taxable payrolls have not decreased substantially, they have been maintained because of increases in the earnings base. Employment has dropped from a level of approximately 1,400,000 in 1950 to 639,000 in 1969. For several years railroad retirement beneficiaries have outnumbered railroad employees. At the present time the Railroad Retirement Account is running at a deficit of $31 million a year, representing an actuarial deficit of about 2/3 of 1 percent of taxable payroll. In view of these facts, Congress acted to establish a five-member commission to study the railroad retirement system and to recommend the changes necessary to restore the system to an actuarially sound basis.

The commission is to consist of (1) three members appointed by the President without a requirement for Senate confirmation, one representing the railroad industry, one representing railroad employees, and one representing the public; (2) one member appointed by the Speaker of the House after consultation with the House Committee on Interstate and Foreign Commerce and another by the President pro tempore of the Senate after consultation with the Senate Committee on Labor and Public Welfare—both representing the public.

The President is to appoint as chairman one of the five commissioners. The commission may appoint an executive director and such other staff and consultants as it deems necessary. In addition, an actuarial consultant is to be appointed by the commission.

The commission must make its report to Congress by July 1, 1971. It is specifically instructed to include in its consideration the following questions:

1. The necessity of providing benefit increases commensurate with social security benefit increases;
2. The necessity of revising benefits to meet increases in the cost of living;
3. The question of the adequacy of benefit levels for various classes of beneficiaries;
4. The possibility of transferring the coverage of some classes of beneficiaries to the social security system;
5. Changes necessary to make permanent the temporary benefit increases included in the amendments;
6. The possibility of changes in the financing methods—including adjustment of tax rates, adjustment of earnings base, use of general revenues financing, and revision of the investment policy of the Railroad Retirement Account; and
7. The relationship between the social security and

*Prepared by Orlo Nichols, Office of the Actuary.
¹ Railroad retirement annuities are at least 110 percent of the total amount (or the additional amount plus 10 percent of the total amount) that would be payable under the Social Security Act if railroad service were employment covered under that system.