penses are to be met by the Federal Government.

Sickness benefits, payable to the insured worker and his dependents, will comprise medical, surgical, and pharmaceutical assistance and a cash allowance payable for 26 weeks. Maternity benefits to insured women and wives of insured men are to include pre-natal care, obstetrical services, and a cash benefit payable for 6 weeks before and 6 following delivery, provided the woman has not been in gainful employment during that time. A funeral benefit of 300 bolivares (about $100) is payable at the death of the insured worker.

The cash benefits for occupational and industrial diseases or injuries run for 26 weeks; if before the end of that period the incapacity is deemed permanent, the sickness benefit ceases and the worker is eligible for a continuing indemnity related to his annual wage and degree of incapacity. No time limit is set for the medical services, however, which are to continue as long as the worker is incapacitated.

General authority for supervision of the programs is vested in the Central Social Security Institute, an autonomous body which will operate through a Management Council and a Director General. The Council is to consist of six members, two representing the Government, two the employers, and two the workers. Each representative will serve for a term of 2 years. The Director General is to be appointed, and subject to removal, by the President, through the Minister of Labor and Communications. He will be responsible for recruiting the staff of the Institute. An important provision written into the decree is that appointment of staff is to be based on merit-system principles.

Actual administration of the programs is to be decentralized among Regional Funds. These Funds, subject to the general control of the Institute, have their own autonomy, administrative and financial, in administering sickness and maternity insurance, and each will operate through a tripartite Management Board representing the Government, employers, and workers. In the administration of the industrial and occupational accidents and disease program, the Regional Funds will act as administrative agents of the Central Institute.

The Central Institute must begin functioning within 60 days of the date of the decree, under the general control of the Minister of Labor and Communications. A special decree will fix the geographical area in which the system will start operating. Within 6 months of the date of that decree the Regional Fund must be ready to function.

Social Security for Farm People

By A. J. Altmeyer*

The 12 million people working in American agriculture are still without protection against the personal causes of insecurity. No program to meet the risks of illness, accident, disability, old age, and premature death has yet been provided for them. When the principal breadwinner of a farm family, be he an operator or a paid worker, is stricken by long illness, old age, or death, the family has only its own resources at its command. Too often these resources are inadequate to meet such contingencies.

ABOUT 12 million people are working on farms. Some 4 million or more work for wages; they may be regular workers, or sharecroppers, or local seasonal workers, or migratory workers. Many of them are farmers or farmers' sons who are temporarily not employed on the home farm. Some 6 million are farm operators, and 1½ to 2½ million are family helpers.

The farm population has more than its national share of old people. The great increase in farm tenancy in the more productive farming areas of the Nation means that fewer can retire with sufficient capital to support them during their latter years. The stream of young farmers moving up from the status of hired man to that of farm owner is diminishing, and more and more farm employees are remaining in the status of wage workers. Even in relatively prosperous times, it is difficult for most farmers to save for their old age or for the protection of their family. For 1939, two-thirds of the farms reported a total valuation of less than $1,000 for the farm products sold, traded, or used by farm households.

More and more, during recent years, farmers have been turning toward insurance and cooperative effort for protection against the special hazards of agriculture, both economic and natural. They have learned new ways of working together. The barn-raisings and husking-bees of their grandfathers' days have given place to the group action of local organizations, which make and administer plans for crop control, irrigation and drainage control, soil conservation and stock improvement, as well as to the pooled effort of cooperative growers' and shippers' groups. Insurance against fire, hail, drought, flood, as well as general crop insurance, has been used to spread the risk of loss from natural causes.

Now farmers are beginning to think of the possibility of applying the insurance principle also to the social hazards which affect their security. Farm families, no less than the families of urban workers, are exposed to the risk that old age or premature death will deprive them of their principal breadwinner. Sickness and accident bring medical costs that many farm families can ill afford, and sometimes result in permanent disablement of the head of the family.[1]

To meet some of these contingencies the social insurance principle is already being used by the 50 million industrial and commercial workers covered by the Social Security Act. Since 1937 these workers have contributed to the old-age and survivors insurance program, and some 600,000 of them or their families were, as of the end of January of this year, re-

*Chairman, Social Security Board.

[1] See Altmeyer, A. J., "Social Security in Relation to Agriculture and Rural Areas," *Social Security Bulletin*, Vol. 3, No. 7 (July 1940), pp. 3–15.

ceiving monthly benefits under the program.

Farm People Should Have Social Security

Heretofore, farmers have borne the costs of social insecurity through local taxes for relief purposes. Thus, the farm owner, through his payment of property taxes, has in part contributed to the support of those of his fellow-farmers or agricultural workers who had lost their farms or their jobs. Under a social insurance program, all farmers and farm workers would contribute in proportion to their earnings. They would be entitled to insurance protection in proportion to those earnings rather than by reason of the financial distress in which they or their families happen to find themselves when their earnings cease.

Farmers would not have to start a new social insurance system on the basis of their own limited resources only. On the contrary, because all the Nation's workers would be pooling their small regular contributions in a common plan, farm families would enjoy the same protection as urban families. Because all families, rich and poor alike, would be included, such a program would be consistent with our democratic traditions. Under it every worker could earn basic security for himself and his family according to his ability. This, too, is consistent with our traditions of expecting everyone to pay his own way if he can, and of helping people to help themselves as much as they can.

To meet the needs of farm families adequately, social insurance should be expanded to give protection against the cost of medical care. Rural medical and hospital services have long been below urban standards, in both quality and quantity. Farm families have not been able to afford, on an individual basis, as much medical, nursing, and hospital service as they need. The greatest relative number of children with preventable illnesses or correctible defects, the highest infant death rates, and the highest death rates in maternity cases are found in rural areas. Farm boys have been rejected by army doctors for physical defects in considerably greater proportions than urban selectees. These are partly the results of the inability of farm families to obtain adequate medical services out of their own resources.

The interest of farm people in social insurance for themselves has also been stimulated by the fact that many of them contribute from time to time to old-age and survivors insurance, when they take covered jobs during slack seasons on the farm. But, generally, they stay in covered jobs only for short periods and thus fail to qualify for insurance rights under the program. A large number have left the farm temporarily to work in covered war industries. Many of these will find, however, that whatever insurance rights they have earned will soon lapse when they return to farming or farm employment. Some will stay in industry, if they can, partly because of the security rights they have built up there.

Farmers have an interest in seeing that their workers are permitted to build up similar protection. While they cannot well compete with industry in the matter of wage rates, they can, at little cost to themselves, improve their ability to attract good men to the farm by offering the same kinds of social security, including unemployment insurance, that are now available to industrial labor. Even the farmer who employs little or no paid help—and only 1.7 million of America's 6 million farm operators spend as much as $600 per year for labor—has an interest in this plan, for he and his sons frequently work on other farms for wages whenever they can be spared from the home place.

Simplified Administration

From the outset, farm people were excluded from the social security program largely because it seemed wiser to the Congress to begin with groups that could be included more readily, and to bring farm people in only after experience had been acquired in administering the program for industrial and commercial workers. Time was needed also to work out plans for meeting the special conditions found in agriculture. Eight years of experience have now been accumulated, and answers have been found to the special problems of bringing farm people under the program.

The most important problems involved in extending social security to farm people are those of obtaining reports of their earnings and collecting their contributions without undue cost or inconvenience. For farm operators, both these problems could be solved by making use, so far as possible, of other reports that they are already sending to the Government, such as their income-tax returns. With very little change, the same returns could be made to serve also as earnings reports for social security purposes, and the social security contributions could be sent in with the income tax payments. Farm operators who do not pay income taxes could avoid any need for keeping special records by estimating the market value of their services to their farm businesses, and paying their social security contributions on that basis. The wages they paid to their best workers, or if they had no regular workers the prevailing rate for good workers in their locality, would furnish a guide in making this estimate.

The problems of collecting contributions and obtaining wage records for farm workers are simplified by the fact that more than half of all farms employ no paid help at all. About 30 percent of the workers are employed on only 8 percent of the farms—those hiring more than 4 workers. The largest farms—those employing 10 or more—hire nearly 15 percent of the workers but comprise only 2 percent of the farms hiring labor. In 1939, farms with products valued at $2,500 to $10,000 annually—21 percent of the farms hiring labor—paid about 36 percent of the wage bill. In the same year, only 2.4 percent of farms hiring labor had products valued at $10,000 or more, but these farms paid more than 30 percent of the farm wage bill.

For farm workers, several methods of collecting wage reports and contributions could be used. For regular workers on large farms, where pay-roll records are already kept, the system of pay-roll reporting now used in industry might be most convenient. For the rest—that is, for the workers on small farms and the temporary help employed during rush seasons—it might be more convenient to use a stamp plan. Whenever he paid his hands, the farmer could place special social insurance stamps in books carried by the workers. Half the cost of these stamps would be borne by the employee. The books would be accepted by the Social Security Board as evidence of earnings, and the farmer would not need to make any report or keep any special records for the purpose.

In these ways the principal administrative problems of bringing social security to the farm would be solved simply and with a minimum of inconvenience to farmers. A number of workable proposals have also been made for adapting the technical details of the program to the needs of farmers. The chief question of that sort is how to remove the handicap that people would otherwise suffer because farm work had been excluded from the program in the past. Several ways of doing this equitably are under study by the Board. They all provide adequate safeguards for whatever social insurance rights farm people have already acquired, and make it unnecessary for them to pay contributions for their earlier periods of noncoverage.

Practical Effect of Extension

Of the farm operators, about one-fourth were 59 years of age or older at the time of the 1940 census. If the social security program is extended to agriculture in the near future, many of these operators would be able to qualify for retirement benefits, even if they now are over age 65. At current high levels of farm income, many would be eligible to retire after the war with benefits well above the minimum rate.

About one-third of the operators in 1940 were between 45 and 58 years of age. These individuals have time to qualify for benefits if the program is extended within the next few years. Some of them have worked or are now working in covered employment; extension of the program would enable them to continue building up benefit rights and to qualify for substantial benefits.

For many farm people who are under age 45, agricultural coverage would be more a continuance of participation than an introduction into a new system, especially if service in the armed forces were also covered by social insurance. A larger proportion of this group than of the older workers had some covered employment even before the defense and war booms. The need for retirement benefits is not so immediate for this group, but the advantages of protection for their dependents in case of their death are clear. These younger families would benefit particularly from an insurance program covering the cost of medical care.

The question of social security is, of course, only one of the many problems facing farmers when the war is over. The return of the American economy to a peacetime basis will bring with it many questions demanding earnest attention. But if the farmer can be assured, on a self-respecting insurance basis, of basic minimum security against the risks of illness, disability, premature death, and old age, he and his family will be better prepared to meet the uncertainties of the post-war future and to maintain their traditions of independence and self-reliance.

Economic Factors in Long-Range Cost Estimates of Old-Age and Survivors Insurance

By Michael T. Wermel*

UNDER THE PRESENT system of old-age and survivors insurance, the annual expenditure for benefits is expected to rise steeply for many years, as the result of the rise in the number of beneficiaries and in average benefit payments. Both these increases will occur whether or not coverage is extended or benefit and eligibility provisions are liberalized.

The planning of the financing of these mounting future costs of benefits raises many questions of legislative policy. No other aspect of old-age and survivors insurance is likely to present more serious pitfalls. "In the history of social insurance throughout the world," said the Chairman of the Social Security Board in a recent statement before the Senate Committee on Finance, "the major difficulty of social insurance systems has been the lack of adequate financing of old-age retirement benefits." [1]

Often the framers of retirement systems have failed to understand the importance of making advance financial provision to meet the heavy benefit load which develops only after some decades of operation. As a result, if benefit expenditures begin to outrun receipts from contributions, the legislature is faced with the difficulty of making large unexpected increases in contribution rates, providing a contribution out of general tax revenues, or reducing benefit amounts, or some combination of these possibilities.

Even when the requirements of sound financing are recognized in principle, determination of the specific provisions necessary to give effect to this financial policy involves many difficult decisions. To forecast future disbursements of an old-age and survivors insurance system,[2] estimates must extend over several decades and over a variety of demographic and economic factors whose future trends cannot be foreseen with any degree of assurance. For example, changes in birth rates, mortality rates, age distributions, family composition, and other similar elements, which are basic in determining the size of the covered population and the number of beneficiaries, cannot be predicted with certainty for a half

*Bureau of Old-Age and Survivors Insurance, Analysis Division. The author acknowledges his indebtedness to Ensign Mason O. Doan (SC), USNR, and to George H. Trafton, of the Analysis Division, for assistance in preparing this article, and to studies in this field by William R. Williamson, Actuarial Consultant to the Board. The article immediately following discusses long-range actuarial factors in costs of this program.

[1] *Freezing the Contribution Rates of the Federal Old-Age and Survivors Insurance at 1 Percent for 1944; Hearings Before the Senate Committee on Finance* (78th Cong., 1st sess.), revised Oct. 14–15, 1943, p. 10.

[2] Such forecasts are required under the provisions of section 201 (b) of the Social Security Act Amendments of 1939. See the Annual Reports of the Board of Trustees of the Old-Age and Survivors Insurance Trust Fund.