

Social Security Looks Ahead: Recommendations of the Social Security Administration in Its Annual Report to Congress

In its first annual report the Social Security Administration,¹ successor to the Social Security Board, presents a record of substantial accomplishment during the fiscal year 1946-47 in providing a basic minimum of economic security to millions of persons in the Nation, and health and welfare services to thousands of children and mothers. It also indicates the extent to which it believes the present provisions should be strengthened and extended to meet more fully the objectives of social security for all people in all parts of the country.

OPERATION of the various programs under the Social Security Act during the fiscal year 1946-47 underscored the fact that, while full production and full employment are imperative for the Nation's continuing economic health, they cannot of themselves solve the problems that face most working people and their families when family income is interrupted for any length of time or cut short completely.

In this country, as in all countries that have adopted social security measures over a period of time, development of an adequate, comprehensive system is an evolutionary process. The Social Security Act, building upon and extending earlier legislative provisions enacted at different times and dealing with different groups of the population, represented the first concerted attack on problems recognized as transcending individual or community efforts at solution. Our present system is still incomplete in the coverage of both risks and persons, and the extent of protection for persons insured against similar economic risks varies greatly.

During the war this country proved its amazing productive capacity by turning out half of the war material with which the Allied Nations waged war on all fronts throughout the

¹ The report, from which this summary of recommendations is taken, covers all programs now operating under the Social Security Act and the research and reporting functions of the Children's Bureau under the act establishing that Bureau. The report constitutes section 1 of the *Annual Report of the Federal Security Agency, 1947*.

world. We are now producing at least one-third of the world's total output of goods, at an unprecedented level of civilian employment. The Social Security Administration believes that economic conditions at the present time offer an exceptional opportunity to develop a comprehensive program that will provide the basic essentials of social security for all persons in all parts of the Nation.

A Comprehensive Program of Social Security

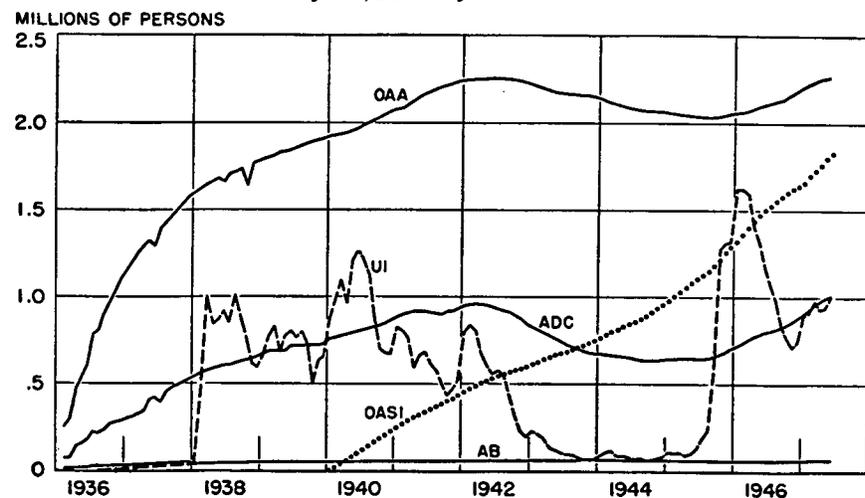
To accomplish this objective, the Social Security Administration believes that our present programs of social insurance should be broadened into a comprehensive system that will

underwrite the basic minimum security and well-being of the people of the Nation. The objective of such a program is twofold. It should enable the great majority of all individuals and families to maintain their independence when they meet with the common economic hazards against which they have little or no individual defense. It should also assure that the services necessary for the health and welfare of the people of our country are available for their use.

In our contributory social insurance program we have a tested and successful system that can be used to compensate all the major risks of wage loss—sickness and extended disability, unemployment, old age, and death, as well as the costs of medical care. A comprehensive social insurance system would afford protection to all to whom these risks apply. It would have the simplicity and economy attainable through the use of a single set of records, a single contribution, and a single set of local offices to administer all types of cash benefits.

Even with complete coverage of risks and of population, however, there will always be some groups who will fail to qualify for insurance benefits and others who need services for which they turn to the public welfare agency. For them, there should be comprehensive welfare programs, in-

Social insurance beneficiaries and public assistance recipients under the Social Security Act, February 1936-June 1947¹



¹ AB: aid to the blind. ADC: aid to dependent children. OAA: old-age assistance. OASI: old-age and survivors insurance. UI: unemployment insurance.

A Comprehensive Program of Social Security

The Social Security Administration recommends the establishment of:

A comprehensive basic national system of contributory social insurance.

This basic program, covering all major risks to economic independence and all workers and their dependents threatened by such risks, would include insurance against wage loss in periods of disability and against costs of medical care, for which no general provision now exists in the United States, as well as old-age and survivors insurance and unemployment insurance. Cash benefits would be related to past earnings and additional benefits provided for dependents. The program would be designed to eliminate existing gaps in the coverage of both persons and risks, to remove present inequities in the protection of workers and their families and in the financial burdens of employers, and to provide a consistent relationship, not only among the insurance provisions for the various risks covered but also between the provisions of the basic system and those of supplementary special systems now in effect for particular groups. As compared with separate programs to meet particular risks, such a system would reduce administrative costs and reporting burdens and simplify arrangements as they affect workers, employers, and public agencies.

A comprehensive program of public welfare, including public assistance and family and child welfare services. Under this program, on a Federal-State basis, payments and services financed from Federal and State funds would be available to any needy person in the United States, irrespective of the reason for need or the place of residence. The Federal financial contribution to such a program should be designed to remove the great disparities now existing in the treatment of various classes of needy persons and to reduce the disparities in different parts of the country. It should also be designed to remove serious present inequities in the relative burdens borne by States and localities in financing public assistance.

The role of public welfare agencies should be strengthened by Federal participation on a State-wide and comprehensive basis in social services for all families and adults and children. Federal grants should be available likewise to assist the States in developing such services to families and individuals—whether self-supporting or not—who turn to the agencies for help in becoming self-supporting, in making use of community resources, and in solving individual problems in family or community adjustment.

A comprehensive program of health and welfare services for children and research in child life. Such a plan should provide for the progressive development of the full range of physical, mental, and social services of high quality required by mothers and children of this country wherever they live and whatever their income or race. Immediate attention should be given to the provision of programs of health, medical, and dental services for the child of school age—one of the most neglected areas of service. Research and investigation in child life are essential in supporting and guiding the development of these services and enriching our knowledge and understanding of the needs of children. Such research should approach the programs of child life from the point of view of the total child, his growth and development, and his place in society.

cluding family and child welfare services. In addition to these provisions for safeguarding family income and family welfare, a comprehensive

program of services for children should be developed, since the Nation's future will be determined by the children of this generation.

Disability and Medical Care Insurance

Disability insurance.—The size of the disability problem can best be visualized when it is realized that, on an average day, disability keeps out of the labor force some 2 to 2.5 million persons who, but for their recent incapacity, would be working or looking for work; another 1.6 million are being kept out of the labor force by a disability that has lasted 6 months or longer. The average working man can do little to protect himself against the economic consequences of a disabling disease or injury. Aside from workmen's compensation for occupational injuries or diseases, which represent only a small fraction of all cases of total disability, there are few public provisions for compensating either temporary or prolonged disability.

Increasingly, the public is supporting proposals for disability insurance because it is obvious that in many cases the individual burden on the worker and his family is overwhelming. Disability insurance is an orderly method of sharing a widespread risk so that partial compensation for loss of wages may be provided without loss of self-respect and without undue hardship. The insurance contributions would not represent a wholly new load, moreover,

Disability and Medical Care Insurance

The Social Security Administration recommends:

Provision for cash benefits to insured workers and their dependents during both temporary disability (less than 6 months) and extended disability (6 months and over).

Insurance against costs of medical care, including payments to physicians, dentists, nurses, hospitals, and laboratories, with provision for free choice of doctor and patient, decentralization of administration, and utilization of State administration.

Old-Age and Survivors Insurance

The Social Security Administration recommends:

Coverage of all gainful workers, including agricultural and domestic employees, public employees and members of the armed forces, employees of nonprofit organizations, railroad employees, and self-employed persons, including farmers and small businessmen.

Changes in the average monthly wage and benefit formula to increase benefit amounts, particularly to low-paid workers.

Increase in the maximum amount of earnings taxable and counted in benefit computation, and expansion of the definition of taxable wages to include all tips, gratuities, and dismissal wages.

Increase in the amount of earnings a beneficiary may receive in covered employment without suspension of benefits.

Reduction of the qualifying age for all women beneficiaries from 65 to 60 years.

Greater uniformity in defining, for purposes of the insurance system, family relations and conditions of dependency that qualify members of an insured person's family for benefits.

Payment of a lump sum in the case of every deceased insured wage earner.

Payment of benefits during periods of extended or permanent total disability, similar to those for old-age retirement.

Provision for ensuring uniformity in coverage decisions relating to liability for contributions and eligibility for benefits, which are based on identical language in the Social Security Act and Internal Revenue Code but are made by two separate Federal agencies—the Bureau of Internal Revenue and the Social Security Administration.

Adoption of a long-range plan for financing old-age and survivors insurance which looks toward an eventual tripartite division of costs among employers, employees, and the Government.

since a substantial proportion of the continuing burden of public aid, amounting to more than a billion dollars a year, arises from the illness or prolonged disability of the breadwinner.

Medical care insurance.—When the family earner falls ill, not only does wage income usually stop but costs are incurred which in cases of severe and prolonged illness often wipe out all the resources of a family and force it into serious debt. When other members of the family need medical care, the family budget has to bear costs which may be small or may be overwhelming.

Two major viewpoints are represented in the present concern with the problem of meeting the costs of medical care on a prepaid basis. One, seeing medical costs as a problem for a relatively small group of the population, proposes Federal aid to the States to help them provide free or part-free medical care to needy per-

sons and persons of low income only. The other, in which the Social Security Administration concurs, believes that the problem exists for the great majority of people and cannot be solved by measures that condition eligibility for service on a means or income-test basis. It must be met by a program sufficiently broad in coverage to reach eventually all the people in need of help in meeting medical costs and provide for their participation in meeting the cost.

Such a program, made effective through health insurance, would enable families that are normally self-supporting to pay for the medical care they need through small regular contributions to a fund from which payments would be made to the hospitals, doctors, and others who furnish the services. By removing the economic barrier, it can make medical care more readily accessible when and as needed. With a comprehensive system covering all wage earners and

self-employed persons and their dependents, some 85–90 percent of the entire population could be protected. Agreements with State public assistance agencies and other groups could extend this protection to nearly all the rest of the population.

Such a program should be national in scope but highly decentralized in administration, emphasizing adaptation to local needs and conditions. Subject to national standards, administration of benefits should be decentralized through the States under arrangements worked out locally with doctors, hospitals, and others concerned. To assure maximum utilization of professional skills and experience, provision should be made for professional groups to participate in determining policies in each area of administration—national, State, and local. Patients should be free to choose their own doctor from all who elect to participate in the system and to change doctors; doctors should also be free to reject patients. In these terms, health insurance is not socialized medicine. Nor would it supplant existing group arrangements for medical care for persons who may wish to use the services they offer.

Old-Age and Survivors Insurance

The unfavorable effects of the limited coverage of the present program are clear when it is realized that, in June 1947, more than two out of five gainfully employed persons in the country were in jobs that provided no credit toward old-age and survivors insurance. Moreover, of the workers with wage credits at the end of 1946, more than two in five had been in covered employment too short a time to be either fully or currently insured and so had no protection under the program. Another two in five were insured at that time but had not acquired permanently insured status; if they should leave covered employment, their future benefits would unavoidably be reduced and might actually be wiped out. Even the permanently insured worker would suffer a reduction in his future benefit amount if he should shift from covered to noncovered employment.

The inequities that result from this division into covered and noncovered segments would be eliminated if the

program were extended to include noncovered occupations. The experience of the past 11 years indicates that these occupations can successfully be brought into the present program.

Another important deficiency in the program arises from the generally low level of benefits, which are inadequate in terms of both percentage of wage replacement and purchasing power. The impact of the rise in living costs during the past year has affected all the social security programs but has been felt most acutely in this program, with its fixed statutory scale of benefits. That scale was set in 1939 and living costs have risen at least 60 percent since then. Other proposed modifications in the benefit and eligibility provisions represent necessary correction of anomalous or inequitable situations, not anticipated when the 1939 amendments were adopted and not corrected in the 1946 amendments.

Unemployment Insurance

Though 1946-47 was a year of full employment, it was also a year of heavy turn-over and shifts in employment that resulted in heavy claims for unemployment insurance. The unemployment that occurred was largely concentrated among workers covered either by the Federal-State system of unemployment insurance or by the readjustment allowance program for veterans. The program was therefore an invaluable resource for millions of workers during their search for work. It demonstrated that provision for unemployment insurance did not deter individuals from taking jobs when suitable ones were available.

Much still remains to be done, however, if the program is to achieve its objectives. Too many workers are still excluded from coverage. The benefits of many workers are too low

to replace a reasonable proportion of their wage loss. Other workers whose past earnings and employment would entitle them to benefits are disqualified under harsh disqualification provisions or interpretations of State laws.

The financing of the program also needs thoroughgoing revision, in the light of 8 years of State benefit experience and the substantial reserves that have accumulated in the unemployment trust fund since 1935. The Social Security Administration believes that the Federal law should be amended to provide for a reduction in the Federal tax. It also recommends that the additional-credit provisions of the Federal law be amended so that States may reduce employer contribution rates in any way they desire; in other words, the recommendation would broaden the base on which employers can get additional credit against the Federal tax by permitting a State, if it so wishes, to tax all employers within its jurisdiction at reduced rates determined by the State to be sufficient to meet its liabilities. Failing that change, immediate action should be taken to amend the additional-credit provisions of the Federal law to make possible the granting of lower tax rates to new employers.

Enactment of these provisions would go a long way toward improving the financing of the program. Any change in financing, however, should take account of pressing needs for temporary disability insurance and the revenue requirements for such a program.

Another problem demanding serious consideration is the method of financing administrative costs of State employment security agencies to determine whether the present method should be continued or some alternative method adopted. Any changes proposed must make certain that the method will result in adequate financing in all States, promote economical and efficient administration, provide the flexibility necessary for a dynamic program, and give an incentive for maintaining an integrated and cohesive employment security system throughout the country. It is important, moreover, that such an integrated system continue to function as

Unemployment Insurance

The Social Security Administration recommends:

Extension of the Federal Unemployment Tax Act to all employers of one or more workers in covered industries and to many excepted employments.

Provision of unemployment benefits for employees of the Federal Government.

Provision of a maximum weekly benefit amount of at least \$25 for the wage earner with dependents, in the case of workers whose past earnings entitle them to the maximum.

Provision of as much as 26 weeks' duration of benefits for all workers eligible for benefits whose unemployment extends over so long a period.

Provision that disqualifications for voluntary leaving without good cause, discharge for misconduct, or refusal of suitable work should entail only postponement of benefits for not more than 4 weeks rather than cancellation of benefit rights or reduction of benefits.

Definition of good cause for voluntary leaving or for refusing suitable work to include good personal reasons, not merely causes attributable to the job or the employer.

Reduction in the Federal tax rate: if the credit-offset feature of the present tax is retained, reduction of the tax to 2 percent; under a grant-in-aid provision, substitution of a straight Federal tax of 1 percent of covered pay rolls, from the proceeds of which Federal grants to the States would be made to share the costs of both benefits and administration.

Extending to the States the option of granting rate reductions to employers either through experience rating, State-wide reduction, or some other method.

Modification of the additional-credit provisions to reduce the contribution rate for new employers by permitting them to pay the State-wide average rate instead of 2.7 percent.

part of a comprehensive system of social security. All the social insurance programs have common concepts and administrative and financial interrelationships that require continual review, revision, and coordination in the light of changing economic and social conditions. The costs of any one program—old-age and survivors insurance, unemployment insurance, temporary or extended disability insurance—must always be considered in relation to the costs of the other programs.

Public Assistance

The displacement of marginal war-time workers by returning veterans and workers with higher skills, loss of servicemen's dependents allowances, and increase in the cost of living resulted in a sharp upswing in the number of persons on the assistance rolls. The additional Federal funds made available by the 1946 amendments enabled some States to aid needy persons who otherwise would have been unable to get help because of limited State and local funds. The steady rise in case loads, on the other hand, prevented some States from using all the additional Federal funds they received to raise the payments of persons already on the rolls.

Valuable as were the 1946 amendments in making possible more nearly adequate assistance to the needy aged and blind and to dependent children, the Social Security Administration believes that those temporary provisions for determining the Federal share of assistance costs should not become permanent legislation. Instead, it advocates other changes that would enable the States to make assistance, including both money payments and medical care, available with Federal help to any needy person and that would authorize Federal participation in State expenditures for comprehensive welfare services for families, adults, and children without regard to economic status. The Social Security Administration is convinced, moreover, that the Federal contribution in States with relatively small economic resources should represent a larger share of the cost than at present, to assist these States in providing more satisfactorily for their needy persons.

Public Assistance and Welfare Services

The Social Security Administration recommends:

Special Federal aid to low-income States for assistance, administration, and welfare services to enable States with relatively low economic resources to develop adequate public welfare programs.

As a condition of Federal aid, State apportionment of Federal and State funds among the localities in accordance with their need for funds.

Removal of the Federal maximums limiting Federal participation in individual monthly payments for aid to dependent children and removal or increase of such maximums for old-age assistance and aid to the blind.

Federal grants to States for general assistance to any needy person, as well as for the three special types of assistance.

Extension of Federal participation in aid to dependent children to include participation in assistance to a parent, relative, or other person who assumes responsibility for the parental care and support of any needy child and who maintains a family home for the child; such payments should be made without regard to the cause of the child's need.

Withholding approval of any State plan under the Social Security Act that contains a residence or citizenship requirement as a condition of eligibility for assistance.

Prohibition, as a condition of Federal grants, of State requirements for transferring title or control of property of an applicant or recipient to the State or locality. This stipulation would not preclude any agency from claiming from the estate of a deceased recipient recovery of the assistance paid.

Federal participation in the costs of medical services made available to needy persons under State public assistance programs and in assistance payments to needy sick persons who reside in public or private medical institutions other than mental hospitals and tuberculosis sanatoria.

Federal financial participation in all types of welfare services administered by the staff of the public welfare agency to help families and individuals become self-supporting, make fuller use of community resources, or solve individual problems in family or community adjustments. Such services should be available, when requested, to recipients of assistance and to others not needing or requesting financial aid.

Explicit provision in the Federal act that a State, as a condition of plan approval, be required to define the standard of living to be afforded needy persons through assistance and their own resources, if any; to develop standards that will assure equitable treatment of needy persons throughout the State; and to consider, in determining the amount of assistance, only resources actually available to the individual.

Unification of the administration of State public assistance programs at both State and local levels as a condition of Federal grants.

Extension of Federal grants-in-aid for all assistance programs to Puerto Rico and the Virgin Islands.

These recommendations include removal of or increase in the maximums on individual payments subject to Federal matching, particularly in aid to dependent children, in which the maximums are far lower than in the other two programs. Federal grants in aid for general assistance are also urgent, to enable States to care more

effectively for persons who are needy but cannot qualify for one of the three types of assistance. Federal financial participation should also be extended to the cost of medical services made available to needy persons. Such provision is especially important in view of the lack of a comprehensive program of medical care insurance for

the general population. The Federal Government should also share in the cost of all welfare services provided by the staff of a public welfare agency under a State plan.

Children's Bureau

Achievements in promoting the health and welfare of children and mothers in the Nation must be measured against the size of the job to be done. Of some 3,000 counties in the United States, two out of five do not have the services of a full-time public health unit; one out of three has no public health nurse. Three out of five rural counties have no regular maternity clinics; two out of three have no well-child conferences. No community in 25 States has a child-guidance clinic. About five-sixths of all counties have no full-time child welfare worker paid from public funds, and the present workers are most unevenly divided among States and between rural and urban areas.

The great gaps now existing in the maternal and child health services will disappear only when there is full public acceptance of the responsibility for seeing that facilities are made possible for continuous study and investigation of the causes and the extent of need, and that services known to be necessary to protect and maintain the health and well-being of mothers and children are within reach of all mothers during pregnancy and of all children wherever they may be living.

In considering how programs can best be expanded, special thought needs to be given to the school-age child and to the hundreds of thousands of children of migratory workers who are now beyond the reach of practically all health, welfare, educational, and other community services. Provision must be made to safeguard the rights of parents and children to all services by requiring that State programs provide full opportunity for fair hearing whenever a claim for care or services is denied.

This progressive development of services demands their effective coordination with other public health and welfare services for the community, to avoid duplication and achieve rational and well-integrated programs of health and welfare services that will reach all people in need of them.

Children's Services and Research in Child Life

The Social Security Administration recommends:

Legislation and appropriations providing for the progressive development of State-wide programs at a rate consistent with availability of personnel and with facilities that meet standards established under State plans, for the purpose of assuring that child health and welfare services will be available as needed for all children in all political subdivisions of each State. Provision of such services without discrimination as to race, creed, nationality, residence, citizenship, or economic status.

Development within the health and welfare programs of measures necessary to assure that children in migrant families will receive the services they need.

Priority of attention to development of programs of health, medical, and dental services for children of school age.

Safeguarding the rights of parents and children to such services by requiring that State plans provide an opportunity for fair hearing before the State agency responsible for the program whenever a claim for care or services under the plan is denied; and adequate restrictions on the use or disclosure of information concerning persons applying for or receiving such services to purposes directly connected with the administration of such services.

Special provision of financial aid in the training of professional and technical personnel needed in making child health and welfare services available throughout the country.

Effective coordination of the health and welfare services for children with other health and welfare services.

Administration of the maternal and child health and crippled children's services by the same State health agency in each State by the end of a 5-year period.

Appointment by each State agency administering maternal and child health and crippled children's services of a general advisory council providing adequate representation of the public as well as of the professions.

More adequate financial implementation of the basic act of 1912 creating the U. S. Children's Bureau, to enable that Bureau to strengthen and broaden its work as a center of information related to children; to evaluate current research in the physical, biological, and social sciences that pertains to the growth and development, the health and well-being of children and young people; to assist in financing specific research projects by competent research authorities to fill in recognized gaps in these fields of research; and to undertake research and investigations that deal with the child as a whole or with specific problems that require Nation-wide study or that have Nation-wide significance to State and community health and welfare programs for children or mothers.

Parallel to the need for expanding the services is the need for trained personnel to provide them. Adequate provision should be made to remedy this lack through training programs financed by the Federal Government and by the States receiving Federal grants for their child health and child welfare services.

Research is the cornerstone both of an efficient program of services and

of public understanding of the needs of children. Compared with the wide-spread research, publicly financed, in the development of plant and animal life, relatively little is done in the field of child growth and development. More adequate financial implementation of the basic act of 1912 is recommended to enable the Children's Bureau to strengthen and broaden its responsibilities under that act.