

A Comprehensive Social Security Program: Excerpts From the President's Messages

IN HIS MESSAGES to the Eightieth Congress on the state of the Union and on the budget, and in his second Economic Report, President Truman again expressed his conviction of the necessity for rounding out our social security system. Benefits under unemployment insurance and old-age and survivors insurance should be increased, he told Congress, and both programs should be extended to the "millions who are not now protected." Moreover, a national health program, keyed to a system of prepaid medical care, should be established. "Lack of adequate provision for the Nation's health," the President said, constitutes the "greatest gap in our social security structure."

State of the Union Message

In his message on the state of the Union, which he read to Congress on January 7, the President outlined a 5-point program for American action during the next 10 years. "I propose," he said, "that we look ahead today toward those goals for the future which have the greatest bearing upon the foundations of our democracy and the happiness of our people. . . Year by year, beginning now, we must make a substantial part of this progress."

The second of these "goals for the future" was defined by the President as the protection and development of our human resources. "The safeguarding of the rights of our citizens"—the first goal cited—"must be accompanied by an equal regard for their opportunities for development and their protection from economic insecurity. In this Nation the ideals of freedom and equality can be given specific meaning in terms of health, education, social security and housing.

"Over the past 12 years we have erected a sound framework of social security legislation. Many millions of our citizens are now protected against the loss of income which can come with unemployment, old age, or the death of wage earners. Yet our system has gaps and inconsistencies; it is only half finished.

"We should now extend unemployment compensation, old-age benefits, and survivors' benefits to millions who are not now protected. We should also raise the level of benefits.

"The greatest gap in our social security structure is the lack of adequate provision for the Nation's health. We are rightly proud of the high standards of medical care we know how to provide in the United States. The fact is, however, that most of our people cannot afford to pay for the care they need.

"I have often and strongly urged that this condition demands a national health program. The heart of the program must be a national system of payment for medical care based on well-tried insurance principles. This great Nation cannot afford to allow its citizens to suffer needlessly from the lack of proper medical care.

"Our ultimate aim must be a comprehensive insurance system to protect all our people equally against insecurity and ill health."

Because these programs for health and social security and our educational program are of "such great importance to our democracy," the President said in urging immediate action, an executive department for their administration should be established now.

Budget Message

The President's message on the budget for the fiscal year 1948-49, which went to Congress on January 12, called for expenditures, excluding trust accounts, of \$2,028 million for promoting the Nation's social welfare, health, and security. The programs now in operation under the Social Security Act would take almost half this total; another \$100 million would be assigned for the development of a general public welfare program, and \$15 million, for initial administrative costs of a national health program, which would include medical care insurance.

We now have, the President said, "a tried and successful framework within

which to construct an integrated, comprehensive system providing for all citizens some protection against the major economic hazards of our society. We have made real progress toward our objective, but it is still far from realized.

"From time to time I have proposed measures which, taken together, would complete our present system to a substantial degree, and would provide protection increasingly on a social insurance basis. I intend shortly to discuss this legislative program in a special message to the Congress. Some of the proposals would have immediate fiscal effects, and I have accordingly included estimates for the following items:

"Old-age and survivors insurance.—Extension of coverage to all gainful workers, including agricultural and domestic employees, farmers, and other self-employed persons. Increases in individual benefit amounts and in the maximum amount of earnings taxable.

"Health program.—Provision of a national system of health insurance and improved services and facilities for public health and medical care.

"Unemployment compensation.—Extension of coverage to employees of small businesses and as many other groups as feasible.

"Public assistance.—Broadening of Federal aid to include general assistance, and allotment of Federal grants for public assistance so as to relate them to the financial resources and needs of each State.

"Other proposals, such as temporary and permanent disability insurance benefits, would not affect estimates for the fiscal year 1949."

The proposed revision of public assistance and initial administrative costs of the medical care program would come from general revenues. The other proposals would be self-financed through trust accounts.

Broader coverage under old-age and survivors insurance would be financed "by extending the pay-roll tax at the rates provided by present law to the newly insured persons and their employers. These old-age pay-roll tax collections would suffice for several years to finance more liberal benefits

for both present and prospective beneficiaries.

"The estimates for the health insurance program assume a total initial pay-roll tax of one-half of 1 percent of individual salaries up to \$4,800 a year, effective January 1, 1949, to furnish a basis for establishing eligibility for benefits and to build up an operating reserve. After a year or two of accumulation at this low rate, the permanent contribution rate would go into effect and the system would begin to provide benefits on a basis which is mainly self-financing.

"The recommended broadening of social insurance would increase both the receipts and expenditures of the trust accounts over what they otherwise would have been. For the immediate future, however, these increases would be greater in pay-roll contributions than in benefits. This net accumulation is useful at this time as an anti-inflation measure."

Economic Report

As in his first Economic Report, the President, in his second annual Economic Report, transmitted to Congress January 14, stressed both short-range and long-range objectives; in both reports, he emphasized the development of welfare, health, and security programs as essential long-range objectives. "We have learned that those programs which make people healthier and more secure," he said, "also make them more efficient. In this light, the educational and health and social security programs which were once thought of as purely 'social' take on a deep economic significance."

As the first objective for 1948 the President listed the arrest of the inflationary trend; the second main objective "should be to maintain maximum employment, achieve maximum production, and adjust the price-income structure so as to stop the inflationary spiral without production cutbacks or extensive unemployment."

The third main goal for 1948—firmer foundations for the long-range growth and prosperity of our economy in the years ahead—demands carefully considered and well-directed efforts toward "three major purposes: conserving and developing our natural re-

sources and capital equipment, enabling our human resources to become fully productive and thus provide richer and more satisfying lives, and improving our economic institutions and practices so as to utilize free enterprise and representative government effectively toward maximum production and sustained general prosperity."

Social security and health and educational services are basic to the achievement of the second major purpose—development of human resources and productivity. "Within 10 years," the President pointed out, "maximum employment will mean 64 million jobs or more." We need improved services in these three fields if we are "to raise the individual to the highest practical level of productivity, and to provide an outlet for the increasing part of the labor force which technological changes may displace from the mass-production industries or from agriculture."

For education, the President recommended as the first step, "which should not be deferred," Federal aid for elementary and secondary education "to help remedy the deplorable shortages and the maldistribution of school facilities and teachers." Federal aid should also be extended to research work "both in basic principles of natural and social science and in their practical application."

The connection between the economic objective of maximum production and the humanitarian objective of improved well-being can be seen from a study of health records, the President said. "With the labor force at its present size, the annual cost of illness, long-term disability and accidents is about 3.5 million man-years. . . . Our goal should be the establishment of safe working conditions and an increase in the physical standards of the whole population.

"This problem has economic aspects, not only because health standards below the maximum attainable reduce productivity, but also because the lifting of these standards requires economic measures which remove the incapacity of many communities to support and of millions of individuals to purchase adequate medical care." For these reasons, the President again

urged the enactment of a comprehensive national health program, including prepaid health insurance and aid to hospitals and health centers.

The third factor in the long-range program of developing human resources and productivity is social security. "No matter how stable a particular business, industry, or region may be, it can rarely avoid unemployment in the event of a serious depression. A national policy of vigorously promoting maximum employment will be the longest step toward the sense of individual security which is conducive to high productivity." Supplementing this national policy, there should be planning by individual firms and industries for the stabilization of their own activities. Training programs, an adequate and efficient public employment service, and other improvements of the labor market can all play their part, also. For those who will be temporarily unemployed despite our best efforts, unemployment insurance is available. Benefits should be increased in amount and duration, however, the President declared, and coverage of the system should be extended.

Maximum employment and production cannot be maintained, Mr. Truman added, "when men and women are discriminated against because of race or color, creed or national origin. An effective system which will assure fair employment practices should be established."

Parallel with job security is old-age security. "The retirement problem has economic as well as social aspects. Those who have withdrawn from productive activity because of age continue to require goods and services, and to make expenditures which flow into the general income stream. A systematic national program which provides for regularity and certainty in the basic income of those who have retired is a more efficient economic policy than the haphazard treatment of this problem which preceded the establishment of old-age insurance. Such a system has the further advantage that it helps to regularize the saving habits of workers during their productive years.

"There are now more than 10 million people in the United States, about

8 percent of the total population, who have reached the age of 65. By 1960, about 15 million people, or about 9 percent of the population, will have reached that age. Our systems of protection against the economic hazards of old age and dependency are inadequate. There are now some 17 million jobs in which workers cannot build up wage credits for old-age retirement. The coverage of old-age and survivors insurance should be extended, and benefits should be adjusted upward with a higher limit upon earnings which may be received after retirement without loss of benefits. A lowering of the retirement age will be feasible in future years as we attain the levels of national output that sustained maximum employment and production will bring . . ."

Supplementing the two insurance programs are the public assistance programs, financed by States with the aid of Federal grants. In terms of the number of people aided and of total expenditures, the public assistance programs are now more significant than the social insurances. "About 4 million people now depend on public assistance, in part because existing social insurances, particularly old-age and survivors insurance, are deficient and because there is no national health insurance program. Expansion of social insurance will decrease the need for public assistance expenditures, but those who must still rely on public assistance should receive adequate payments. The Federal Government should make grants to States to help them finance general assistance payments, and all public assistance grants should take account of variations in the ability of the States to finance adequate assistance programs."

Pointing out that the whole question of benefits cannot be divorced from the question of the cost of the payments and how these costs are borne, the President declared that "It is of paramount importance to bear in mind that the costs of unemployment, old age, and sickness are borne by the community whether social security measures exist or not. Social security measures involve a change in the distribution of money, goods, and serv-

ices among consumers only to the extent that the existence of the measures diverts additional funds to the support of the aided groups. This diversion does occur, but the additional funds are far less than the total volume of benefits provided under the programs.

"Nevertheless, the fact that wage earners' risks are met under social security measures through payments derived from taxes rather than directly from private sources in itself

has economic implications. The social insurances are now financed by employees' contributions and employers' pay-roll taxes; the public assistance payments are financed from general revenues. Employees' pay-roll taxes place a heavy drain upon mass purchasing power while the employers' share of these taxes adds to costs of production. In financing an expanded social insurance program, these economic aspects should be considered."

Higher Educational Institutions and Social Security

By Dorothy F. McCamman*

Part of the solution to present-day problems of recruiting staffs for institutions of higher education lies in providing old-age and survivorship protection that is at least as adequate as that available in other employments. An evaluation of existing protection for college and university personnel indicates that the basic social security system has an important role to play in strengthening the economic security of staff members and their families and in placing the educational institution as an employer in a more favorable competitive position.

OF THE 1,700 higher educational institutions in the United States, about one-third are publicly controlled and two-thirds are under private or denominational control. Employment in all the publicly controlled institutions falls outside the coverage of the old-age and survivors insurance system, by reason of the Social Security Act's exclusion of service performed for Federal, State, and local governments. The private and denominational colleges and universities are predominantly nonprofit in nature, and these are also excluded from old-age and survivors insurance coverage.¹ To what extent, then, has this group of employees achieved, in the absence of the protection of the basic social security system, economic security against wage loss resulting from old age or death?

*Bureau of Research and Statistics, Division of Coordination Studies.

¹In a calendar quarter in 1945, a total of 105 institutions falling in the classification of junior colleges, colleges, universities, and professional schools were making reports under old-age and survivors insurance for 1,783 employees.

About 9 out of every 10 public institutions of higher education, but only three-tenths of the private institutions, now have some type of formal retirement plan for their employees. Together, the public and private institutions with plans comprise half the 1,700 universities, senior colleges, professional and technical schools, junior colleges, teachers colleges, and normal schools in the country. The institutions with plans employed 94,500 teachers in 1946, more than three-fourths of the total regular teaching staffs of all higher educational institutions. How many of these 94,500 teachers are actually protected by the retirement plans of their schools is not known. Some individuals may have elected to stay outside the coverage of systems that provide for voluntary participation; others may not have met the age or service requirements set up for participating members. Also unknown is the exact extent to which the administrative personnel of educational institutions and the nonprofessional staff members (clerks, maintenance