

none were paid quarterly because such payment was not required.

## EFFECT OF NEW PAYMENT REGULATIONS

Starting in June 1966, Internal Revenue Service regulations require two monthly payments from employers who are liable for more than \$4,000 in payroll taxes in a month. About 65 percent of the dollar amount of OASDHI contribution payments come under the new regulations.

The first payment on a month's liability is due by the nearest banking day after the 15th of the month, for liability incurred through the 15th. The second payment is due within 3 banking days after the close of the month, for liability incurred after the 15th. The effect of the new regulations on OASDHI tax receipts of the Federal Government from the public is to accentuate an already marked seasonality.

Because of the taxable maximum on earnings, contribution liability is high in the first 6 months of the year and declines rapidly thereafter, and the low point is reached in December. Under the previous payment pattern, December's liability was paid in January, and cash receipts in the first quarter were thereby reduced. Under the new system, about one-third of December's liability will be received by the Government in December and about the same proportion of March's liability will be paid in March. The first-quarter receipts of the Government would thus be higher than they would have been under the old system for the same quarter. Fourth-quarter receipts would be lower, because of the loss of receipts from September's liability. There would be little change in second-quarter receipts, and third-quarter receipts would decline.

Employee cash payments by quarter are unaffected by the new regulations. Employer payments will be affected in a manner similar to Government cash receipts. First-quarter payments will be higher, and second-quarter payments will be unchanged in relation to expected payments under the old system. Third- and fourth-quarter payments will decline.

## Report of the Advisory Council on Public Welfare\*

In July 1964, an Advisory Council on Public Welfare was appointed by the Secretary of Health, Education, and Welfare "to review the administration of the public assistance and child welfare services programs for which the Social Security Act authorizes Federal funds; and to make recommendations for improvements in these programs, taking account of their administration, relationships with the old-age, survivors, and disability insurance program, the fiscal capacities of the States and the Federal Government, and other matters relating to Federal-State shares in these assistance and welfare services programs."<sup>1</sup>

On June 29, 1966, the Council submitted its report to the Secretary of Health, Education, and Welfare. In setting forth its proposal for a comprehensive program for basic social guarantees, the Council spelled out detailed recommendations in the following areas: assistance standards, eligibility for aid, eligibility determination, child and youth welfare services, other social services, legal rights, personnel, states' share, and federal share.

Chapter V of the report sums up the thinking of the Council after its review of the relationships of the welfare program and the social insurance programs. *The chapter is printed verbatim below.*

### V. SOCIAL INSURANCE PROGRAMS AND PUBLIC WELFARE

THE SOCIAL INSURANCE system is primarily designed to help meet income needs for employed wage earners when their earnings cease or are interrupted. While our present social insurance system is fragmented into various programs, such as Old Age, Survivors, Disability, and Health Insurance, Unemployment Insurance and Workmen's Compensation, its effectiveness can be measured by the extent to which all wage earners and risks are covered and the adequacy of

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\*The Advisory Council on Public Welfare, "Having the Power, We Have the Duty"—Report to the Secretary of Health, Education, and Welfare (Welfare Administration), June 1966.

<sup>1</sup> Title XI, section 1114, of the Social Security Act as amended in 1962.

the benefits. Another measure of the success of these programs in preventing need is how many wage earners and their dependents must turn to public assistance to meet their basic needs when income is interrupted.

In view of the interrelationships of the social insurance programs and the public welfare program, the Advisory Council has considered the scope of coverage of the insurance system and the adequacy of the benefits provided.

Clearly the social insurance programs need to realize more adequately their primary function of underpinning income.

**THEREFORE:** *The Advisory Council on Public Welfare Recommends*

**Prompt Extension of Coverage and Liberalization of Benefits Under the Social Insurance Program**

The Nation has long accepted social insurance as the primary source of economic security for workers and their dependents when earnings are interrupted by circumstances beyond their control.

The effect which social insurance programs can have in reducing public assistance is illustrated by the steady rise in the number of aged persons receiving benefits under OASDHI and the equally steady decline in the recipients of Old Age Assistance. The provision of survivors benefits to widows and orphaned children and of benefits to totally disabled individuals and their dependents has also greatly reduced the number of potentially destitute persons. Despite these advances, at the close of 1965 approximately 1,200,000 recipients in four public assistance programs<sup>2</sup> were concurrently receiving OASDHI benefits which were insufficient to meet their basic minimum needs.

### **Scope of Coverage**

The cash benefits of the Federal social insurance programs now have achieved almost universal coverage, reaching more than 90 percent of the

<sup>2</sup> Old-age assistance, medical assistance for the aged, aid to the permanently and totally disabled, and aid to the blind.

population. On the other hand, many workers are not covered by unemployment insurance. One worker out of every four (15 million) is still not covered by unemployment insurance. State laws in 27 States (including Puerto Rico) follow the Federal Unemployment Tax Act by limiting the program to employers of four or more persons. Nearly all States also follow the Federal Act in excluding agricultural workers, domestic employees, public employees, and employees of non-profit organizations, though a few jurisdictions cover some of these groups.

In addition there is a trend toward restrictive policies and practices among the States to exclude persons from the unemployment insurance program for essentially technical reasons but who are unemployed and in need of income.

The adequacy of coverage can also be measured by the extent to which the social insurance programs cover risks to which a wage earner may be subject. For example, until the enactment of the 1965 amendments, an insured disability was narrowly defined so that it included only disabilities that were expected to result in death or were of long and indefinite duration. The 1965 amendments broadened coverage by providing disability insurance benefits for a worker who has been totally disabled for at least 6 calendar months even though it is expected that he may recover in the foreseeable future. The individual, however, must still by reason of his impairment be unable "to engage in any substantial gainful activity."

Temporary disability is still not included within the scope of the Federal insurance program, and only four States—California, New Jersey, New York, and Rhode Island—have laws that provide protection for temporary disability.

In 1965 legislation providing hospital insurance benefits for the aged and supplementary medical insurance benefits for the aged was incorporated into the Social Security system.

### **Benefit Levels**

The benefits provided to eligible persons under OASDHI are not sufficient to meet the needs of many beneficiaries, as reflected by the number who receive additional help through public assistance.

*The Council believes that unless social insurance benefits are substantially increased, a much larger proportion of social insurance beneficiaries will require public assistance to meet their basic needs.*

The minimum social security benefit is now only \$44 a month. (Recently an amendment was enacted which provides a benefit of \$35 a month to certain otherwise ineligible persons 72 years of age and older.) Obviously, unless persons receiving minimum benefits have supplementary income (an unlikely assumption for the larger number), such persons must rely upon public assistance for help in meeting their basic needs.

While it is not the function of this Advisory Council to make recommendations as to the specifics of a benefit formula for OASDHI, it is germane to any consideration of public welfare to propose that the social insurance system establish reasonable minimums for workers regularly under the system and provide higher percentages of wage losses to low paid workers. This does not imply that a social insurance system should not provide adequate benefits in relation to past wages for higher paid workers. To the extent that benefits are more heavily weighted in favor of lower paid workers through adjustments in the formula and increases in the minimum benefits, the system of financing must be reexamined. Consideration must be given to a substantial contribution from general revenues. Furthermore, such adequate benefit levels need to be kept current in relation to rising prices and real wages.

In the area of unemployment compensation, maximums on the amount of weekly benefits in many States do not permit most workers to achieve a minimum of 50 percent of past wages when unemployed. In more than two-thirds of the States, the basic maximum weekly benefit amount continues to be less than half of the State's average weekly wage. In 17 States, the maximum is less than 40 percent of the State's average wage. The lower the weekly maximum, the greater the percentage of individuals whose amount of benefits fails to meet at least 50 percent of wages.

Consideration must also be given to the length of time for which unemployment benefits are paid. The States are permitted under Federal law to set the limit on the number of weeks of benefits

to be paid as well as to determine the scale of benefits. The maximum number of weeks payable ranges from 22 weeks in one State to 39 weeks in another.

### **Public Welfare and Social Insurance**

There will always be individuals and families who will not be afforded protection under social insurance. One of the great strengths of the public assistance program is its potential to recognize full need, unusual need, and special circumstances.

The responsibilities of the public welfare agencies, as complementary to social insurance, will grow with the increasing need for social services. The public welfare agencies, in providing counseling, guidance, referral, and other social services for special groups in the community will increasingly be serving the needs of social insurance beneficiaries. Thus, the coordinate relationship between social insurance and public welfare should continue, although hopefully as the recommendations of this Advisory Council are enacted into law, these relationships will shift. The shift for public welfare will be toward less supplementation of inadequate social insurance income through public assistance and a greatly strengthened role in providing essential social service.

### **Conclusion**

Implementation of the Council's recommendation to extend social insurance coverage and raise benefit levels would contribute significantly to the economic stability of an increasing number of Americans.

Such action would reduce the necessity for public assistance to provide supplementary income maintenance for many former wage earners and their dependents as well as place responsibility for basic income maintenance in the social insurance programs where it rightfully belongs.

If social insurance benefits are made adequate to help meet ordinary living costs during periods of income cessation or interruption, then the public welfare program will be better able to fulfill its primary functions: meeting special and un-

# Current Operating Statistics

TABLE M-1.—Public income-maintenance programs: Cash benefit payments, 1940-66

[In millions; includes payments outside the United States and benefits to dependents where applicable]

Period	Total <sup>1</sup>	Retirement, disability, and survivor benefits					Unemployment benefits				Temporary disability benefits		Workmen's compensation benefits <sup>14</sup>	Public assistance payments <sup>15</sup>	
		Monthly			Lump-sum <sup>8</sup>		State laws <sup>10</sup>	Railroad	Training allowances <sup>11</sup>	State laws <sup>12</sup>	Railroad <sup>13</sup>				
		OASDHI <sup>2</sup>	Railroad retirement <sup>3</sup>	Public employee retirement <sup>4</sup>	Veterans' pension and compensation <sup>7</sup>	Other <sup>9</sup>									
				Federal civil service <sup>5</sup>	Other <sup>6</sup>	OASDHI	Other <sup>9</sup>								
1940	\$4,205.6	\$23.5	\$115.6	\$62.0	\$183.1	\$423.5	\$11.8	\$12.3	\$518.7	\$16.0				\$161.0	\$1,035.0
1945	3,593.8	247.8	138.9	83.9	253.7	952.1	26.1	23.4	572.5	2.4			\$4.7	283.0	989.7
1950	8,716.9	928.4	298.1	184.2	600.4	2,223.8	32.7	33.6	1,407.8	59.8			89.3	\$28.1	415.0
1955	14,692.2	4,855.3	560.8	370.4	1,043.0	2,745.9	112.9	42.1	1,466.9	93.3			192.7	51.9	591.0
1960	25,885.2	11,080.5	942.4	804.5	1,793.3	3,436.9	164.3	71.1	2,867.1	157.7			311.3	56.9	853.0
1961	29,528.3	12,577.6	985.0	895.0	2,025.0	3,640.7	171.1	77.1	4,156.3	201.9	(16)		341.6	55.0	901.0
1962	30,665.9	14,278.0	1,028.3	984.1	2,221.9	3,732.7	183.4	81.8	3,012.6	132.7	\$3.7		364.9	51.4	3,532.1
1963	32,392.8	15,220.8	1,056.9	1,134.4	2,518.9	3,864.3	205.9	89.0	2,926.5	99.4	21.6		392.8	49.5	1,055.0
1964	33,820.0	16,006.7	1,084.2	1,253.0	2,886.5	3,942.5	216.4	94.8	2,670.8	78.4	51.8		413.6	45.9	1,138.0
1965	36,608.3	18,093.7	1,133.2	1,366.0	3,248.5	4,196.0	216.9	97.1	2,283.4	60.5	107.6		420.0	40.8	1,215.0
1965															
May		1,394.6	91.8	113.1		351.6	18.7	8.5	175.0	4.4	7.8			3.5	334.8
June		1,408.3	91.8	113.9		329.6	21.0	7.7	165.5	3.9	8.0			3.7	332.7
July		1,398.3	91.8	114.2		370.7	18.4	8.6	157.1	3.6	6.7			2.9	331.4
August		1,394.4	104.9	115.6		347.4	13.5	7.0	156.9	4.0	8.7			5.0	333.0
September		2,249.4	95.5	116.6		352.7	16.8	7.5	146.6	3.9	9.6			5.1	336.5
October		1,559.4	95.8	117.6		351.2	14.3	8.0	124.6	3.7	10.0			5.1	332.0
November		1,578.5	97.5	118.6		350.8	20.3	8.0	139.1	4.0	10.2			5.3	337.9
December		1,588.2	97.7	127.8		363.1	19.0	7.4	180.1	4.7	11.8			5.2	341.6
1966															
January		1,590.1	98.9	133.2		362.0	18.5	8.3	221.4	5.2	10.8			5.6	346.6
February		1,625.0	99.3	146.2		353.7	19.9	7.7	226.1	4.3	11.3			3.9	349.0
March		1,623.8	99.7	143.7		365.3	20.2	10.0	234.8	5.3	14.1			4.8	352.7
April		1,635.3	98.9	143.1		368.3	18.6	9.3	162.8	3.7	12.2			3.7	351.1
May		1,664.1	99.2	141.2		362.9	23.3	8.9	132.3	3.9	12.1			3.6	351.6

<sup>1</sup> Annual data include other public employee lump-sum payments not shown separately and not available on monthly basis. 1940 total includes \$1,630.3 million in emergency relief funds.

<sup>2</sup> Retirement and survivor benefits beginning 1940; disability benefits beginning 1957.

<sup>3</sup> Includes annuities to widows under joint-and-survivor elections before 1947.

<sup>4</sup> Excludes refunds of contributions to employees who leave service.

<sup>5</sup> Includes survivor annuities under joint-and-survivor elections before 1948.

<sup>6</sup> Represents Federal contributory systems other than civil service, Federal noncontributory systems for civilian employes and career military personnel, and systems for State and local government employes. Monthly data not available.

<sup>7</sup> Payments to veterans and survivors of deceased veterans, including special allowances for survivors of veterans who did not qualify under OASDHI (sec. 405, P. L. 861, 84th Congress) and subsistence payments to disabled veterans undergoing training.

<sup>8</sup> Death payments.

<sup>9</sup> Under railroad retirement, Federal civil service retirement, and veterans' programs. Excludes other public employee lump-sum payments, included in total.

<sup>10</sup> Includes unemployment insurance for Federal employees (from 1955)

and for ex-servicemen (from 1958); also includes payments under the Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Act of 1952 and those under Federal temporary extended unemployment insurance programs of 1958 and 1961. Beginning 1961, includes program in Puerto Rico.

<sup>11</sup> Cash allowances to unemployed workers in training under the Area Redevelopment Act of 1961 and the Manpower Development and Training Act of 1962.

<sup>12</sup> Benefits in Rhode Island (from 1943), in California (from 1947), in New Jersey (from 1949), and in New York (from 1950), including payments under private plans where applicable. Monthly data not available.

<sup>13</sup> Benefits began 1947.

<sup>14</sup> Benefits under Federal workmen's compensation laws and under State laws paid by private insurance carriers, by State funds, and by self-insurers. Beginning 1959, includes data for Alaska and Hawaii. Monthly data not available.

<sup>15</sup> Includes general assistance; excludes vendor payments. Data for 1940 exclude work relief payments.

<sup>16</sup> Less than \$0.5 million.

Source: Based on reports of administrative agencies on a checks issued basis where available. Data for Veterans Administration programs adjusted monthly, other data adjusted annually.

usual needs of wage earners and their dependents, providing for the income maintenance needs of individuals and families who are not covered by social insurance, extending medical assistance, and providing a broad range of social services.

*Further, the Advisory Council on Public Welfare is of the opinion that the adequacy of social insurance benefits should not remain static but be kept in proper relationship to living costs and wage levels.*