The Desirability of Extending Social Security to Employees of Nonprofit Institutions

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Nearly a million employees of nonprofit organizations are still without adequate protection against the major personal causes of insecurity. No comprehensive program to meet the economic risks which they and their families face from old age, illness, disability, and death of the family breadwinner has yet been provided for them.

THE MAN OR WOMAN who works for a private, nonprofit organization foregoes the protection afforded by old-age and survivors insurance under the Social Security Act. If he were employed by an industrial or commercial concern, he would have this basic insurance protection for himself and his dependents in old age and for his survivors in the event of his death. If, however, an organization is operated solely for religious, charitable, scientific, literary, educational, or humane purposes, its employees must rely on individual savings and insurance or private pension plans for provision against wage loss through old age or death. During 1943, nearly a million persons were working full or part time for such organizations.

Probably most people think of professors, teachers, clergymen, physicians, and other professional employees as typical employees of nonprofit organizations, overlooking the fact that many others are employed as office workers, laboratory assistants, and administrative aids, or in maintenance jobs, such as those of janitor, maid, sexton, and orderly. Some organizations have comparatively few nonprofessional employees, but in most others they are well over half the total personnel.

The skills, tasks, and earnings of these nonprofessional employees do not usually distinguish them from comparable employees in commerce or industry. A printer employed by a church-sponsored publishing house, a charwoman employed by a college, a carpenter employed by a hospital, a truck driver employed by an art museum—these are persons who, but for the fact that they work for nonprofit institutions rather than commercial or industrial enterprises, would be covered by the Federal insurance program. Indeed, many such persons were covered before they took the noncovered job.

Extent of Present Protection Under Private Plans

The chance that a person who works for a nonprofit institution will have an assured income when he retires depends largely on his occupation. Professional employees generally have some prospects for pensions, although not to the extent often assumed. Nonprofessional employees, however, are far less likely to have any systematic protection for their old age. To assume that exclusion from coverage under the Federal system is no hardship for employees of nonprofit institutions because they participate in private pension plans does not square with the facts. Perhaps not more than one-third of all these employees are covered by any formal retirement plan. Very few plans extend protection to survivors.

A review of the retirement plans now in force for employees of nonprofit institutions shows that clergymen are generally covered by such programs although in some denominations the more poorly paid clergymen do not participate in a retirement plan. Probably one-fourth of the members of the regular clergy face the prospect of old age without assured retirement income. Few lay employees of churches, on the other hand, have any assurance of economic security in their old age.

Not more than half the college teachers of the Nation actually participate in retirement systems. In private colleges most such systems are for faculty members exclusively. Several hundred educational institutions have no retirement plans.

Employees of religious and educational institutions, however, are far better off than the employees of other types of nonprofit organizations. There is an occupation-wide plan for registered nurses, but the plan is necessarily on a voluntary basis and only a relatively small number of nurses have bought its annuity contracts. The nonprofessional employees of private hospitals, to an even greater extent than the secular employees of churches and the maintenance workers employed by private schools and colleges, fail to have any systematic provisions for retirement. Few librarians have taken advantage of the voluntary plans sponsored by their professional association. Although some social-work agencies operate their own plans, there is no general retirement program for workers in private social agencies.

Desire for Coverage

Many employees in the nonprofit field—teachers in private schools, maintenance workers in colleges, nurses, rural clergymen, and many others—have written to the Social Security Board to express their concern that they are excluded from the program.

The lack of formal retirement plans for employees of nonprofit institutions is not to be explained on grounds of indifference. Actually, sincere and long-standing interest in the problem is evident in the valuable pioneer experiments of churches in retirement plans. The areas of failure—among low-paid workers and small occupational groups, and in the omission of survivorship protection—would disappear if risks might be pooled with those of the whole Nation's commercial and industrial workers. By contributing to the compulsory old-age and survivors insurance system, institutions which already have retirement plans could, with less strain, make the required payments for classes of employees not now covered and, at the same time, give these employees as well as employees already covered a more satisfactory type of protection.

As long ago as December 1938 the Advisory Council on Social Security, consisting of 25 representatives of employers, employees, and the public, recommended that nonprofit institutions be included in the Federal old-age and survivors insurance system. On March 14, 1940, Senator Walsh

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inserted in the *Congressional Record* a statement, in which seven organized nonprofit groups concurred, setting forth the terms of a bill to extend old-age and survivors insurance coverage to employees of nonprofit organizations except clergymen and members of religious orders. According to this joint statement, the institutions "that have agreed to this proposal, approve of the legislation, and request favorable action, are the following: the National Council Protestant Episcopal Church (speaking for itself and not the whole church), National Catholic Welfare Conference, Council of Jewish Federations and Welfare Funds, American Hospital Association, American Association of Social Workers, Community Chests and Councils, Inc., and the National Recreation Association."

In November 1942, writing on "Social Security for All,"[1] Rainard B. Robbins, vice president of the Teachers Insurance and Annuity Association of America, declared that, "The attitude of nonprofit institutions as a group toward the old-age and survivors insurance provisions has changed remarkably in recent years. In fact, many of these institutions desire this coverage, and representatives of colleges, churches, hospitals, social workers and community chests have urged the adoption of an amendment to extend coverage to employment for nonprofit institutions . . ."

Within the past few months, representatives of additional organizations have gone on record as favoring extension of the Federal program. The General Conference of the Methodist Church, at a meeting in Kansas City, adopted a report favoring "the application of Federal social security legislation for all full-time employees of religious and social work organizations and institutions." In Atlantic City the United Synagogue of America, representing some 1,200 affiliates, adopted a resolution calling upon leaders of social service agencies, philanthropic institutions, and religious and cultural bodies to unite in an appeal to Congress to amend the Social Security Act to include officials and employees of such organizations. A few weeks later the Board of Directors of the American Nurses' Association recommended extension of the social security system to nurses.

In peacetime, nonprofit institutions had little difficulty in attracting and retaining competent personnel because of the high degree of job stability which they offered. Now, the high wages and social security offered in jobs in war industry are proving more attractive than job tenure, and nonprofit institutions are suffering serious losses in personnel. Their quickening interest in old-age retirement plans may be affected, therefore, by the desire to hold employees as well as by their growing appreciation of advantages in efficiency and good will created by such programs. At any rate, for both humanitarian and business reasons, the extension of the coverage of old-age and survivors insurance seems the solution for their war-accentuated difficulties.

Advantages of Inclusion in the Federal Program

The employees of nonprofit institutions would gain three major advantages from such coverage. The large segment of employees now without any systematic retirement protection for themselves would gain protection against want in their old age. Employees of nonprofit institutions, professional and nonprofessional, would gain survivorship protection. Finally, employees who spend only a part of their working lifetimes in the nonprofit field would have continuity of protection under old-age and survivors insurance; their protection would increase while they were working for nonprofit institutions and not, as at present, be impaired or lost.

No employee in the nonprofit field needs to suffer any loss of protection through extension of the coverage of the Federal insurance program. Such an extension need have no adverse effects whatever on the present retirement systems of nonprofit employees. These systems could be revised, if the institutions considered it desirable, to supplement old-age and survivors insurance. Similar revisions in the retirement systems of various commercial concerns were made very successfully when the Federal insurance program was inaugurated.

At one time, some leaders of opinion in the nonprofit field were inclined to believe that an extension of old-age and survivors insurance to that area might impair religious and academic freedom, the separation of church and State, and public encouragement of religious, educational, and philanthropic enterprises. Some feared that to levy the employer's tax on nonprofit institutions would undermine the traditional tax-exempt status of charitable institutions. These fears could be surmounted by three provisions which might be inserted in the law. In the first place, the clergy and members of religious orders might continue to be excluded. Second, the taxing provisions of the Internal Revenue Code could be amended by specifically providing that the contributions are not to be regarded as general-purpose taxes or as a precedent for such taxes. Third, contributions might be paid directly into the old-age and survivors insurance trust fund without the necessity for an appropriation by Congress.

Application of legislation or public regulations to nonprofit institutions—such as licensing or the requirement of specified educational and professional standards for employees—is not new. Employees of nonprofit institutions are generally protected under State workmen's compensation laws; these institutions have been required for many years to insure their workers against accidents and to make reports to the State.

The Social Security Board believes that, in justice to an occupational group which stands in serious need of insurance protection, the Social Security Act should be amended to provide old-age and survivors insurance for the employees of nonprofit institutions. The Social Security Board has also recommended that the present social insurance program be broadened to cover insurance against wage losses due to disability and medical and hospitalization insurance. Employees of nonprofit institutions would benefit from such broadened insurance protection. The social insurance principle is already being used by the 50 million industrial and commercial workers covered by old-age and survivors insurance, under which a million persons already are entitled to monthly insurance benefits. By building on the existing foundation, employees of nonprofit institutions can obtain maximum social security protection at minimum cost.

[1] *The Spectator*, November 1942.