

# SOCIAL SECURITY IN RELATION TO AGRICULTURE AND RURAL AREAS

A. J. ALTMAYER \*

SOCIAL SECURITY and civil liberty are two inter-related problems. In Europe as well as in this country during recent years we have seen that when the economic security of large masses of people is threatened there is also a threat to political security. The farm-mortgage riots, the bonus riot, the marches on State capitols during the early '30's—all these manifestations of economic insecurity resulted in incidents which seriously threatened our political security. And, of course, when political security disappears, civil liberties also vanish. Moreover, unless individuals possess some degree of economic security they cannot really enjoy liberty or exercise effectively their civil rights. There can be no question that the economic insecurity arising out of the instabilities and maladjustments of our highly complex economic system are fundamental factors in the threat to our social and political institutions which has been developing through the world in recent years.

There are some people in this country who still cannot understand why our Government should concern itself so much with what they still consider matters of individual responsibility. Some people probably still feel that anyone who really wants to work can really find a job; that dependency in old age is due to a lack of thrift, and that, by and large, dependent children and disabled workers should be taken care of by their relatives. As somebody has said, these people believe that everybody should have the right to work out his own destitution.

In turning to their Government and undertaking to furnish social security through their Government, our people were not misled by some who said that security can be purchased only at the price of liberty and freedom. I remember that in my own State of Wisconsin, speculators undertook to lure unsuspecting city dwellers onto worthless land with the slogan, "Forty Acres and Freedom." I saw one of these signs after some settler had altered it to read, "Forty Acres and Freedom—to Starve."

In my opinion that altered sign expressed a great truth. There is such a thing as liberty in the purely negative sense of being let alone, but liberty in the true sense is based upon security—that is, a real opportunity to live a reasonably satisfying life. However, it is true that the basic economic problem which faces us at the present time is how to provide adequate security for the individual and his family without discouraging individual initiative and thrift. But we know that destitution feeds upon itself and carries in its train evils that increase our problem—evils which this committee has shown to exist. We cannot expect the helpless and the hopeless to regenerate themselves or instill in their children habits of thrift and independence. We cannot expect men and women driven from their homes and their land to remain self-sustaining members of society. We can, however, by setting up certain protections and extending a helping hand to those in distress, restore their hope and their faith and make them and their families self-respecting, independent members of their own communities.

I wish to discuss today some ways in which I believe the freedom of our people could be promoted through the extension of our social security legislation—freedom from the haunting specter of insecurity. Before discussing the provisions of the Social Security Act it might be pointed out that the term "social security" is a term which has come into use only within the last few years. However, in a general sense it means the well-being of the people and is synonymous with the term "general welfare" which appears in the Preamble of the Constitution of the United States, which quite significantly links up the general welfare and liberty in the following words: "to . . . promote the General Welfare, and secure the Blessings of Liberty to ourselves to our Posterity." In the broadest sense, social security therefore describes a program of protection and prevention undertaken through government and directed against those hazards to which large numbers of individuals and families stand exposed. Today, however, I shall speak only about those programs of social security

\*Chairman, Social Security Board. Summary of a statement made by Mr. Altmeyer before the Senate Civil Liberties Committee, June 3, 1946.

related to legislation connected with the Social Security Act.

### **"Agricultural Labor" Under the Federal Old-Age and Survivors Insurance System**

The original 1935 Economic Security Act, drafted by the President's Committee on Economic Security, included all wage and salaried employees including agricultural labor. In its report to the President the Committee on Economic Security said:

Agricultural workers, domestic servants, home workers, and the many self-employed people constitute large groups in the population who have generally received little attention. In these groups are many who are at the very bottom of the economic scale. We believe that more attention will have to be given to these groups than they have received heretofore. We cannot be satisfied that we have a reasonably complete program for economic security unless some degree of protection is given these groups now generally neglected.<sup>1</sup>

In the 1935 Social Security Act, however, Congress excluded "agricultural labor." The exclusion of agricultural workers was due primarily to the administrative difficulties involved. The seasonal character of the industry, the high degree of mobility of the workers, the large number of employers and their scattered location, all indicated that the inclusion of agricultural labor would involve difficult problems of administration.

In 1939 the insurance program was amended in many respects, the most notable being the increase in average benefits during the early years of the system, payment of monthly benefits in 1940 instead of 1942, the payment of additional benefits to the wife and children of an annuitant, and the payment of monthly benefits to the widow and children of a deceased insured worker at any age. While these forward-looking amendments to the program were passed, certain other amendments were enacted which restricted the coverage and protection of the system. The original exclusion of "agricultural labor" was broadened so that an additional 600,000 to 700,000 individuals were excluded from the protection of the insurance system. Many of these workers who were excluded are not engaged in "agricultural labor" in the usual sense of the word. Many of them work in towns and cities and are engaged in processes identical or similar to those engaged in by

<sup>1</sup> Committee on Economic Security, *Report to the President, 1935*, p. 40.

workers in factories and in industries now covered by the Social Security Act. For instance, over 15,000 of the workers so excluded are carpenters, painters, engineers, bookkeepers, accountants, and so forth.

Under the original 1935 Social Security Act excluding "agricultural labor" this term was defined by regulation to mean, in general, work on a farm and in the employ of a farm operator in connection with the production of crops and the management of livestock. The 1939 amendments broaden this definition by stating that the employee can perform the services for "any person" and include all operations which are "incident to" farming. The 1939 amendments broaden the term so as definitely to exclude persons employed by nonfarm employers such as large-scale business firms that purchase and harvest an entire crop (such as chain stores or commission houses). This broader language also means that work in connection with the preparation of natural agricultural products for market and transportation "to market or to a carrier" is exempted service when it is performed for a "farmer," "cooperative," or "group" of farmers and the products are 50 percent of their own production. This language is intended to provide exemption for central plants that clean, grade, pack, and prepare products for market, store, and transport the products to market or a carrier. In the case of fruits and vegetables, the exceptions are extended to services "incident to" marketing, which is intended to include preparation and transportation to a carrier or market, whether done by a group of producers or by a commercial handler.

The most important single group of employees excluded from social security protection by the 1939 amendments are the workers engaged in the packing of fruits and vegetables. There are about 125,000 such persons employed at the peak of the season, but because of the turn-over of employment due to the seasonal character of the work, the total number in this group is much larger than this figure. About 40,000 of these employees are engaged in packing citrus fruits.

An analysis of carlot shipments of commercially packed fruits and vegetables shows that the industry is concentrated in a few States and areas. Practically all citrus packing takes place in California, Texas, and Florida. In 1939 three States

shipped 94 percent of the pears; two States shipped 94 percent of the lettuce; two States shipped 85 percent of the celery; six States shipped 86 percent of the tomatoes; and nine States shipped 90 percent of the apples.<sup>2</sup>

In a recent decision, a United States Circuit Court refused to recognize that employees of a citrus-packing house were agricultural laborers. The court found that "industrial activity" commonly means the treatment or processing of raw products in factories. When the product of the soil leaves the farmer as such, and enters a factory for processing and marketing, it has entered upon the status of "industry."<sup>3</sup>

In the case of the *Pinnacle Packing Company v. State Unemployment Commission* an Oregon court said:

The fruit growers who are engaged in the care, cultivation, picking, and delivery of the products of the orchard to be processed, graded, packed, and marketed are engaged in agricultural labor and are exempt from the provisions of the statute. As soon as the fruit is delivered by the growers to the plaintiff for processing, grading, packing, and marketing, then the exemption ceases. The plaintiffs engaged in processing, grading, and packing and marketing the fruits are engaged in industry and are, therefore, subject to the provisions of the act and are not exempt as being engaged in agricultural labor.<sup>4</sup>

In discussing the industrial nature of packing-house operations, an interdepartmental committee sent to investigate labor problems in the Florida citrus industry in 1934 stated:

The packing house employees are distinctly industrial labor. They are used in cleaning, grading, and packing the fruit. They are factory workers, skilled and unskilled carrying on routinized operations. They are the adjuncts of belt conveyors, mechanical graders and other typically industrial machinery . . .<sup>5</sup>

Further evidence of the industrial nature of packing houses is presented by a report<sup>6</sup> on the citrus-fruit packing industry prepared by the Wage and Hour Division of the Department of

Labor. This report shows that in 4 important citrus counties in California, 162 plants or 61.1 percent of all plants had 100 or more employees and 32.1 percent had 200 or more employees. Five plants in this California group employed 500 or more workers. In Florida, 68 plants or 42 percent of all plants employed 100 or more workers.

Secretary of Agriculture Wallace has also expressed the belief that there is no justification for singling out these industries for special treatment when industry generally is subject to the act.

In view of the facts cited above, the Social Security Board is of the opinion that this group of excluded workers should be reincluded under the provisions of the Social Security Act. S. 3902, introduced by Senator Pepper on May 1, proposes to reinclude under both the old-age and survivors insurance system and the unemployment compensation program employees engaged in the preparation of fruit and vegetables for market. The bill is now pending before the Senate Finance Committee.

In the past the coverage of fruit and vegetable-house employees, because of their industrial nature, offered no administrative problem of coverage.

The location of the industry, the size of the plants, the employer-employee relationship, and the recordkeeping work do not offer any special problems as strictly agricultural employment might offer, but are comparable to many other industries now included under the Social Security Act.

Another important group of workers excluded by the 1939 amendments are the persons working in cotton gins—about 40,000 during the course of a year. I have received many letters from workers excluded by the 1939 amendments protesting their exclusion from coverage, and the following excerpts are taken from a recent letter I received from a cotton-gin worker from Louisiana:

. . . all Cotton Gin Workers are or should be skilled workers and only a very few do any farm labor. If the Cotton Gin Workers are to be classed as farm labor, I think the grain elevators, rice mill and sugar mill and tobacco worker should also be classed the same.

. . . And as you know we in the ginning industry have not trained any workers for several years and in a few places there will be a shortage of cotton Gin Operators to take our places. As our ages run from 45 to 70 years at the present time and that if we cannot offer Social Security to young workers we cannot get the best to train.

<sup>2</sup> U. S. Department of Agriculture, Agricultural Marketing Service, *Car Lot Shipments of Fruits and Vegetables . . . 1939*, March 1940.

<sup>3</sup> *North Whittier Heights Citrus Ass'n v. National Labor Relations Board*, No. 8819, Jan. 12, 1940, in the U. S. Circuit Court of Appeals for the Ninth Circuit.

<sup>4</sup> *Pinnacle Packing Co. Inc. et al. v. State Unemployment Compensation Com. et al.* Feb. 19, 1937. Oregon Circuit Court for Jackson County. Commerce Clearing House, Oregon, pars. 8013 and 8014.

<sup>5</sup> U. S. National Recovery Administration, Division of Review, *Limits of Coverage of Labor in Industries Closely Allied to Agriculture Under Codes of Fair Competition Under NIRA*, Work Materials No. 45, Appendix B, March 1938, p. 37.

<sup>6</sup> *Report on the Citrus Fruit Packing Industry under the Fair Labor Standards Act*, pp. 10, 12.

Approximately 10,000 workers employed in cooperative grain elevators also are excluded by the 1939 amendments. One of these workers from Michigan also protesting his exclusion from coverage wrote me a short time ago as follows:

Recently we, who are employed in the Country Bean and Grain Elevator Industry, were informed that we were no longer entitled to Social Security as we were closely allied to the Agricultural Industry.

We process produce for Interstate Commerce and are no more to be deprived of this Gov't. Insurance than an employee who helps manufacture farm implements. This industry is'ent even seasonal as we process the year around . . . Now I ask, is this Democracy at work.

In general, the comments I have just made are applicable to all of the groups excluded by the 1939 amendments. The Social Security Board is of the opinion that the 1939 amendments should be repealed and that the agricultural labor exemption be modified so that this exception applies only to the services of a farm hand employed by a small farmer to do the ordinary work connected with his farm. H. R. 7935, introduced by Congressman Havenner on January 16, 1940, provides that the term "agricultural labor" under both the old-age and survivors insurance system and the unemployment compensation program be amended to mean "service by a farm hand in the employ of a bona fide farmer to do work connected with a nonindustrial farm."

### *Extension of Coverage to All Agricultural Labor*

In addition to the recommendations cited above, the Social Security Board recommends further that, with a reasonable time allowed before the effective date, the agricultural labor exception be eliminated entirely with respect to the Federal old-age and survivors insurance system. The Board has given a great deal of study to this problem and believes that it is administratively feasible to work out certain adjustments in the present program to take account of the special factors involved in the field of agricultural labor. A simple system of collecting contributions by means of the stamp system would appear to be readily workable in cooperation with existing institutions, such as the post offices, the employment offices, and the various field offices of the Social Security Board. By determining the contributions to be made by means of a wage-class system, the administration of the plan could be

simplified for the employers and employees and the Government.

Several foreign countries have included agricultural labor. I am submitting for the record material showing how agricultural labor is dealt with in the old-age insurance systems of France, Germany, and Great Britain.

This recommendation of the Social Security Board is supported by a recommendation on the same subject by the Advisory Council on Social Security, consisting of 25 persons representing employers, workers, and the general public. In the report of the Advisory Council on Social Security made in December 1938, the following statement will be found under the Council's recommendation that the coverage of farm employees under the Federal old-age and survivors insurance system "is socially desirable and should take effect, if administratively possible, by January 1, 1940":

Farm and domestic employees are, in general, among those wage earners most in need of protection against dependent old age and premature death. Low wages and intermittent employment frequently combine to make individual savings difficult. Their exclusion from the existing legislation was based to a considerable extent on grounds of administrative difficulties foreseen with respect to wage reporting and tax collections. Recent studies indicate that the additional cost of extending the coverage of the system to these classes of workers will be considerably less than originally estimated since a large number of such workers are already coming under the system through employment in covered occupations on a seasonal or part-time basis. Intermittent coverage of this character is not only unsatisfactory in the benefits afforded but is a factor of uncertainty in financing the program. These groups could probably be covered by means of some form of stamp-book system applied to a limited number of broad wage classifications.<sup>7</sup>

In addition, extension of coverage to all agricultural labor has been recommended by the American Federation of Labor, the Congress of Industrial Organizations, the National Association for the Advancement of Colored People, and other groups.

### **Unemployment Insurance for Agricultural Workers**

All of the State unemployment compensation laws with the exception of that for the District of Columbia exempt agricultural labor. How-

<sup>7</sup> Advisory Council on Social Security, *Final Report*, Dec. 10, 1938, p. 10.

ever, the definition of the term varies from State to State.

The reasons for exclusion of agricultural workers from coverage under the unemployment insurance program were very much the same as those which actuated their exclusion from old-age insurance. As the insurance programs have become established and operating procedures tried out in actual practice, it has become apparent that the extension of protection to agricultural workers has somewhat different implications for unemployment insurance than for old-age and survivors insurance.

It should be emphasized, however, that in the case of the additional groups excluded from the social insurance programs by the broadening of the term "agricultural labor" in the 1939 amendments to the Social Security Act, there are no administrative difficulties in the way of coverage under either program. These groups are essentially industrial wage workers, and their reinclusion is both administratively possible and socially desirable.

In Great Britain, unemployment insurance was extended to agricultural labor in 1936. A separate schedule of contributions and benefits was adopted although the law is administered in conjunction with the law for all industrial workers.<sup>8</sup>

Somewhat more than half of the State laws now contain provisions permitting the limitation of the benefits which can be paid to seasonal workers. Although only a few States have put these provisions into effect, there is increasing pressure to have benefits denied to seasonal workers during parts of the year. Agriculture is one of the most seasonal of all industries. An illiberal interpretation of seasonality provisions could result in the denial of benefits to the great majority of agricultural workers and completely negate the effect of extension of coverage to this group. This, of course, could be prevented through an appropriate provision in the Social Security Act.

The administrative problems involved in the extension of unemployment insurance to agricultural workers are in many respects similar to those which would arise in the case of old-age and survivors insurance. Tax collections should be handled similarly for the two programs. Thus the

<sup>8</sup> Cohen, Wilbur J., *Unemployment Insurance and Agricultural Labor in Great Britain*, Social Science Research Council, Pamphlet Series, No. 2, February 1940.

necessity of estimating the cash value of wages in kind would arise under both programs and would call for close coordination of administration under the two programs to achieve the most satisfactory results.

In certain respects the administration of a system of unemployment insurance for agricultural workers would involve difficulties not found in old-age and survivors insurance. Since adequate administration of unemployment insurance requires that the worker be able to register for work and claim benefits reasonably near his place of employment or his residence, a considerable extension of the services now available through the public employment offices would probably be necessary were agricultural workers to be included under the program. In the past few years we have developed the beginnings of a farm placement service. An extension of this service would not only make possible the payment of benefits to agricultural workers unable to obtain employment, but by promoting a more orderly organization of the agricultural-labor market would at the same time decrease the need for such benefits.

The extension of unemployment insurance to agricultural workers could mean a guarantee of continuing income to a large group of our population which is at present too often completely without resources. The social advantages of such a program would be tremendous. It must be recognized, however, that certain costs would also be involved. Whether those costs can or should be borne primarily by agriculture is a question in need of further serious study. Moreover, before any attempt is made to extend unemployment insurance to agricultural workers, we should be certain that the system we propose to extend is so designed as to provide reasonable benefits on a Nation-wide basis to all the workers within its scope.

### *The Farm Placement Service*

The Wagner-Poyser Act, passed by Congress in 1933, created a Federal-State system of employment offices and authorized the Federal Government "to maintain a farm placement service." Until July 1, 1939, these functions were carried out in the Department of Labor at which time they were transferred to the Federal Security

Agency and coordinated with the unemployment compensation functions of the Social Security Board.

Today there are nearly 1,500 fully equipped and fully staffed public employment offices and approximately 3,000 additional locations visited periodically by itinerant interviewers in order to serve sparsely populated areas. These offices stand ready for any service designed to bring men and jobs together. In agriculture, industry, and commerce they can help to reduce the time and cost involved in job hunting by employees and in bringing to employers qualified workers without cost. Nearly 5.7 million persons are registered for work at these offices in practically every line of endeavor. Nearly 4.5 million jobs were filled during the year 1939 by placements made through employment offices. Over 1.1 million youth placements were made and 143,000 veterans' placements. Agricultural placements have increased from 200,000 placements in 1935 to more than 1 million in 1939—a fivefold increase.

Despite the notable advances during the last 8 years much remains to be done in both industry and agriculture in our employment service. Particularly in agriculture the workers suffer unduly from a lack of reliable job information. They are misdirected by rumor, handbills, and irresponsible recruiting to areas in which a surplus of labor already exists; often they are misinformed regarding the wages paid and available housing. The low standard of living and poor health of these unemployed workers also threaten the living conditions and wage structure of the communities into which they come. The farm placement program is such that it can be an effective means of dealing with this part of the problem. In cooperation with other agencies it can be a means of stabilizing farm-labor resources, providing a more adequate annual income to a limited number of qualified workers, eliminating the irresponsible recruiting practices of labor contractors, and providing the grower with experienced workers.

It is the objective of the Employment Service first to retard and then definitely to control what has been in the past a haphazard migration. Its over-all purpose is to meet the needs of both growers and workers and at the same time to avoid unnecessary and fruitless migration of labor. The methods now being followed by the Employment

Service to further this objective are carried out at three different levels:

1. Through Federal administrative control, Headquarters of the Farm Placement Service in the Employment Service Division of the Social Security Board gathers information with respect to major seasonal crops and their location by States. In the organization of the work at this level, information is secured with regard to acreages; availability of workers within the State; the character of the work required; the number of workers required; and the amount of migration across State lines, or for great distances within one State. Such information is made available to the State administrative agency.

Federal farm placement supervisors have been placed in States which require large movements of agricultural workers to cultivate and harvest seasonal crops. These men serve in an advisory capacity to the State employment service. While they are administratively responsible to the chief of the Farm Placement Service in Washington, they operate under the general supervision of the State director. The farm placement supervisors aid in preseasonal planning with their respective States with regard to the needs of workers and growers.

2. State administrative control. Whether or not Federal farm placement supervisors are available within the State, information is organized with regard to crops; acreages; the number of workers needed, where they are needed, when they are needed, and whether the labor is available locally within the immediate area. If sufficient labor is not available locally, provision is made for proper requisitioning of additional workers at nearest points of supply. Information obtained through State administrative control is disseminated to the local offices in order that each employment office may be fully aware of its agricultural labor problems and be prepared for peak labor demands.

3. Local-office control. This consists of accumulating information such as that used at the State administrative level, particularly as it is applied to the area served. The local office must know these problems in more intensive detail than it is possible for the State headquarters to know them. The local office must know the sizes of farms and number of acres in cultivation. The size and condition of crops on certain farms are

used as an index of labor that will be needed during the season.

The success of the Farm Placement Service in coping with the problem of migratory movements in a number of States indicates that an enlarged program projected along the same lines will go far to correct conditions causing large-scale migration.

There are now 20 Federal farm placement supervisors assigned to 18 agricultural States. Eight of these supervisors work full time on the farm placement problem. The remaining 12 must, because of inadequate administrative funds, work part time in other capacities. Up to the present time there have not been adequate Federal funds or adequate Federal leadership in the promotion of a Nation-wide farm placement program. The organization of the farm placement program in Texas is the outstanding example of the lines along which a successful program can be operated. The Employment Service Division of the Social Security Board is prepared to develop a comprehensive program for agricultural placements in all agricultural areas throughout the Nation.

### Public Assistance to the Needy

More than 1.9 million needy aged, 780,000 dependent children, and 46,800 needy blind are now in receipt of assistance under the Federal-State programs embodied in the Social Security Act. Substantial progress has been made since 1935 in providing more humane, more systematic, more adequate aid to these needy groups. All the States and Territories have old-age assistance programs, 43 States and Territories have programs for aid to the blind, and 42 for dependent children.

Last year Congress liberalized the public assistance programs in several respects. The maximum amount of assistance which the Federal Government will match was raised from \$30 per month to \$40 per month for old-age assistance and aid to the blind. Federal matching for aid to dependent children was increased from one-third to one-half and the age limit raised from 16 to 18 for those children regularly attending school. One very important amendment urged by the distinguished chairman of this subcommittee which he so ably advocated on the floor of the Senate was the provision extending the merit system of personnel administration to all State programs

administering social security funds. In addition, Congress also passed amendments requiring the States, in order to receive grants for public assistance, to provide safeguards to restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan. These amendments, which become effective July 1, 1941, are designed to ensure that the recipients are protected from humiliation and exploitation.

Despite these important advances made last year, much more remains to be done to make the existing public assistance programs more adequate and to make it possible for them to furnish aid to all needy persons. I would like to discuss briefly some further changes in the existing programs which would be of particular help to the rural areas.

### *Variable Grants to States With Inadequate Financial Resources*

In many States and in many counties aged and blind persons and dependent children are in *need* of public assistance but are not in *receipt* of such aid. In many such areas where assistance is granted, the aid is spread thinly over a large group of needy people. The primary reason for this situation is that these States and counties do not have the financial resources to take full advantage of the Federal funds for these purposes. By and large, these States and counties tend to be the poorer agricultural areas where the cash resources of both individuals and government are drastically limited. Consequently the need for assistance in these areas is relatively much greater than in other areas, while the ability to meet this need is relatively much less. Since over one-half of all recipients of old-age assistance reside in rural areas it is important to look into the relationship between rural needs for old-age assistance and the ability of rural areas adequately to meet these needs.

In Mississippi 84 percent of the aged recipients are in rural areas; in Arkansas, 80 percent. These two States have the highest proportion of rural recipients of old-age assistance in the country. They are also the two States with the lowest per capita income in the country. All of the 10 States with the lowest per capita incomes are also States with the highest percentages of rural

recipients. In these 10 poorest States the proportion of rural aged recipients varies from a minimum of 65 percent in Tennessee to 84 percent in Mississippi.

In aid to dependent children the following five States have 70 percent or more of the dependent children residing in rural areas: North Carolina, Arkansas, South Carolina, Georgia, and Virginia. In North Dakota, Oklahoma, New Mexico, and Wyoming approximately 65 percent of the children live in rural areas.

In most of these poorer agricultural and rural States, the amounts of assistance are unduly low. In Arkansas, the average payment for old-age assistance in March was only \$6 per month; in Mississippi, \$7.70; in South Carolina and Georgia, \$8; and in Alabama and Texas, about \$9.50.

The Social Security Board stated in its report to the President last year on proposed changes in the Social Security Act as follows:

Federal grants-in-aid under the three public assistance provisions of the Social Security Act will total approximately a quarter of a billion dollars during the current fiscal year. These grants are made to all States on the same percentage basis, regardless of the varying capacity among the States to bear their portion of this cost. The result has been wide difference between the States, both in number of persons aided and average payments to individuals. Thus in the case of old-age assistance the number of persons being aided varies from 54 percent of the population over 65 years of age in the State with the highest proportion to 7 percent in that with the lowest proportion. Similarly State averages for payments to needy old people range from about \$32 per month to \$6. While these variations may be explained in part on other grounds, there is no question that they are due in very large measure to the varying economic capacities of the States.

The Board believes that it is essential to change the present system of uniform percentage grants to a system whereby the percentage of the total cost in each State met through a Federal grant would vary in accordance with the relative economic capacity of the State. There should, however, be a minimum and maximum limitation to the percentage of the total cost in a State which will be met through Federal grants. The present system of uniform percentage grants results at best in an unnecessarily large amount of money flowing in and out of the Federal Treasury, and at worst in increasing the inequalities which now exist in the relative economic capacities of the States.

The Board believes that, with such large sums involved, it would be desirable to establish an interdepartmental agency representing the various governmental departments which collect and analyze economic data having a bearing on the relative economic capacity of the various States. Such an agency could be given the responsibility

of determining the relative economic capacity of the various States upon the basis of which the varying percentages of Federal grants would be computed.<sup>9</sup>

Such a change as recommended above would do much to aid the poorer agricultural States. Public assistance could be made more adequate and could be extended to a larger number of needy people. This would assist in maintaining purchasing power and would be another important step forward in promoting the economic and social security of our people.

#### *Intra-State Equalization of Public Assistance Funds*

In addition to the problem of providing adequate Federal funds to the States for public assistance, there is a related problem of making adequate Federal and State funds available to the localities. All of the State governments contribute to the various public assistance programs in accordance with the requirement in the Social Security Act. However, 28 States<sup>10</sup> require their counties or other political subdivisions also to contribute to one or more of the programs. In New Hampshire, for instance, the county share is as much as 45 percent in old-age assistance while the State contributes only 5 percent. In Maine and New York, the counties contribute 50 percent for aid to dependent children.

My own State of Wisconsin presents an example of the type of public assistance program which is dependent primarily upon the amount of funds which a county or other local governmental subdivision makes available for assistance to needy individuals. For example, under the Wisconsin old-age assistance system the counties are required to carry 20 percent of the cost to needy aged individuals; the State bears 30 percent of the total cost and the Federal Government, of course, contributes 50 percent. The total amount available for old-age assistance in any county in Wisconsin is determined therefore by the amount of the county appropriation for this purpose, since neither the State nor the Federal Government is able to increase its proportionate contribution.

<sup>9</sup> Report of the Social Security Board, II. R. Doc. No. 110, 76th Cong., 1st sess.

<sup>10</sup> These 28 States are as follows: Alabama, California, Colorado, Delaware, Georgia, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, Tennessee, Utah, Vermont, Virginia, Wisconsin, Wyoming.



In Wisconsin, the poorest agricultural counties as well as the richest industrial counties must put up 20 percent of each old-age assistance payment. This uniform contribution from each county is not in keeping with the great disparity in economic capacity and welfare needs which exists among the various counties. According to a study made by the Wisconsin Public Welfare Department, 12 counties in the northern part of the State had 20 percent or more of the county population in receipt of some form of public assistance in December 1937. In one of the counties about 43 percent of the population was in receipt of public assistance. The report of the Wisconsin Department of Public Welfare states:

As in the two previous studies, this survey demonstrated that most of the poorer counties are located in the northern part of the State, the region that was stripped of its most valuable asset—timber—at the turn of the century.

As stated above, the basic reason for the financial difficulties of these northern counties was the rapid depletion of their timber resources. The cut-over land was agriculturally unprofitable and did not offer its inhabitants an opportunity to earn even a meager income. Naturally, taxes were allowed to become delinquent, relief rolls increased, and property values dropped. Since these trends were not accompanied by a corresponding decrease in the ordinary cost of government, it was inevitable that the counties should gradually find themselves in a dangerously unstable financial condition. Tax rates have been increased to the maximum allowed by statute.<sup>11</sup>

The fact that many States thus require their counties to contribute under the various programs has had an inhibiting effect upon the development and expansion of all the public assistance programs. Since county and local funds are raised practically entirely from general property taxes this source of funds has offered very little possibility in recent years for yielding increased revenues. The result has been that many rural counties do not have the necessary money to enable them to obtain State and Federal matching for needy persons in their communities. While some States have adopted equalization plans to aid counties which are unable to pay their share of the public assistance programs, this is still in a developmental stage. In Utah, for instance, the State requires each county to contribute 15 percent of the costs of assistance to the aged, to the blind, as well as to dependent children. In Utah, the county share is paid from State funds when coun-

ties are unable to meet their share by a 5-mill levy on all taxable property within the county.

Even an increase of Federal funds to the States will not result in more adequate assistance unless satisfactory methods are worked out for equalizing available funds *within* the States. Two general alternatives are possible: (1) a Federal requirement that counties or local subdivisions cannot be required to match Federal and State funds; or (2) a Federal requirement that each State requiring county or local matching provide some type of an effective equalization fund.

### *Residence Requirements*

The Social Security Act provides that no plan for State old-age assistance or for aid to the blind can impose a residence requirement which excludes any resident of the State who has resided in the State for 5 years during the 9 years immediately preceding his application for assistance and who has resided in the State continuously for 1 year immediately preceding the application. Practically all of the States have adopted identical residence provisions in their State old-age assistance laws. However, it is significant that nine States have voluntarily provided more liberal residence requirements. In New Hampshire, for instance, the residence requirement is only 6 months; in five States it is 1 year; and in one State only 2 out of the last 5 years; in one it is 2 out of the last 10 years; and in one it is 5 out of the last 10 years. Of course, any State is free to adopt residence provisions more liberal than Federal law if the State wishes to do so. The Federal law only sets the maximum length of residence which may be required; any State may require a shorter period.

There is no doubt that these residence requirements frequently prevent or postpone the granting of assistance in certain cases. Migratory agricultural workers, salesmen, actors, and many other groups often find it difficult to prove long residence. The highly mobile character of our labor force makes it more difficult year after year to cling to our outmoded notion of permanent residence in one place. Workers must go where there are jobs and must move on as industrial processes change, as new industries grow up and as old ones decline. As the economic system creates demands for labor in new areas and dries up the demand for labor in

<sup>11</sup> Wisconsin Public Welfare Department, *Financial Condition of Wisconsin Counties, 1937*, p. 30.

other areas, people move frequently, losing their rights to public assistance and general relief.

These considerations indicate that the existing residence requirement for old-age assistance and aid to the blind should be liberalized in the Federal law. In the aid to dependent children program the maximum residence requirement provided in the Federal law is 1 year. Such a provision could be included in the programs for the aged and the blind.

### *Aid to Dependent Children*

Between one-half and two-thirds of the children in American cities live in homes where the family income is less than sufficient to maintain a decent standard of living. Over 30 percent of all children live in farm families which receive less than 10 percent of the national income.

These two simple facts tell the story of the insecurity which confronts the families and the children of America. It is imperative, therefore, that there should be a well-rounded program of protection for the child and the family.

The development of the program for aid to dependent children has lagged far behind the assistance programs for the aged and the blind. In the first place, only this year for the first time was the children's program put on a par with the aged and blind program insofar as Federal funds is concerned. For 4 years the Federal Government matched only one-third of the payments for aid to dependent children while the aged and blind programs received one-half. This anomaly was remedied by Congress last year when it raised the Federal matching for aid to dependent children to one-half. Consequently while there are programs for the aged in every State there has been no program for aid to dependent children in 8 States and Alaska. Furthermore, the average payment per child is only about \$13 per month in the 42 States which have such programs in operation.

While the increased Federal matching for children will probably result in all States having such programs by next year it will also result in an expansion of the number of children aided in States with existing programs. It is estimated that by June 30, 1941, approximately 1 million children will be in receipt of such aid. However, the number of dependent children is probably closer to 2 million, and consequently this program must be

rapidly expanded if we are to make adequate provision for our children.

The eight States which do not have aid to dependent children programs are in most cases States with large rural populations. Kentucky, Mississippi, South Dakota, Texas, Iowa, and Nevada all have very substantial rural populations; Connecticut and Illinois, the other two States, also have important rural areas.

With respect to the amount of assistance per child, the present program also needs modification. The existing maximum amount of aid per child matched by the Federal Government is \$18 for the first child and \$12 for each child thereafter. No allowance is made for the parent. Last year the Senate passed an amendment raising the maximum to \$18 per child but this provision was not included in the final bill. The Board is still of the opinion that the existing maximum limitations of the Federal law must be liberalized if we are to enable dependent children to obtain adequate assistance to ensure a proper start in life.

In many States and counties aid to dependent children has lagged behind since a large part of available State and local funds have been put into the aged program. As a result there exist wide variations in the adequacy of aid to children. In Ohio, for instance, there is considerable variation in the amount of the assistance payments in the aid to dependent children program in the various counties, largely because of the limited county funds available for this type of aid. Moreover, the State funds distributed to the counties for aid to dependent children are allocated on the basis of the ratio of children under 16 in each county to the total number of children under 16 in the States, irrespective of the number of needy children in any county.

As a result of this situation, in some counties there were more State funds available than were needed for the aid to dependent children program. In other counties the funds were so inadequate that the assistance payments met only part of the need of recipients, and in addition many families had to remain on waiting lists. In December 1937, the Ohio State Department of Public Welfare made a study of the amounts paid in various counties. For a group of 15 counties studied, the assistance payments varied from 43 percent to 100 percent of the amounts of aid which should have been paid in accordance with

the standards of adequacy which the State had established. In 4 of these 15 counties the assistance payments were 50 percent or less of the amount necessary under the State standards, and in only 7 counties did these payments meet over 80 percent of the amount required by these standards.

The average monthly aid to dependent children payments in the various Ohio counties in December 1939 ranged from \$63.39 per family in the highest county to \$13.04 per family in the lowest.

In Indiana the average monthly aid to dependent children payment varied from \$11.48 per family in one county to \$34.56 in another. In Wisconsin the variation was from \$22.55 to \$54.13.

In this connection the Social Security Board has recommended that a system of variable grants such as has been mentioned previously should be inaugurated for aid to dependent children as well as other types of public assistance.

Half of the farm families of the Nation live in the 15 Southern States. In 11 of the Southeastern States there are more than 13 percent of all the children of the Nation living in farm families which receive less than 2¼ percent of the national income. One-third of all farm families live in the 8 States with the lowest per capita incomes which combined have a total of only 8 percent of the national income. These facts warrant the need for more Federal financial assistance in the poorer States. The adoption of such a program would extend more aid to needy children in the rural areas.

The White House Conference on Children in a Democracy recently made the following recommendations with respect to aid to dependent children:

Aid to dependent children should be further developed with the objective of enabling each eligible family to provide adequate care for its children. Rigid limitations on the amounts of grants to individual children or families should be removed from State and Federal laws. Necessary appropriations should be made by State and local governments and by the Federal Government. Federal aid should be equitably adjusted to the economic capacities and the needs of the several States.<sup>11</sup>

These proposals have the endorsement of the Social Security Board.

<sup>11</sup> *Children in a Democracy; General Report Adopted by the White House Conference . . .* Washington, Jan. 10, 1940, p. 23.

## Rural Health Services and Health Needs

Studies of the Technical Committee on Medical Care, a subcommittee of the Interdepartmental Committee to Coordinate Health and Welfare Activities, of which I am a member, made public through the National Health Conference in 1938, indicate a general inadequacy of our health services.

Equally significant were the findings that this inadequacy was particularly acute in rural areas, regardless of the criterion used in appraising the adequacy of medical services in rural communities. For instance, available information indicated that in the population at large there was 1 licensed physician per 807 persons. The ratio in communities with a population of 1,000 or less was only 1 physician per 1,600 population, and the national average of 1 per 807 population was attained only in communities with 10,000 or more population. In certain rural areas a ratio of 1 physician to 3,000 population was not unusual. The shortages are even more acute in specialized medical services than the ratios given here would indicate.

With respect to the availability of public-health nursing services, there were some 1,000 counties without such services. In some rural areas 1 public-health nurse was serving a population of 25,000 or more, while in urban areas the average was 1 nurse per 5,000 population; approved standards for effective public-health nursing require 1 nurse per 2,000 population.

In 1937, when these studies were made, only one-third of the rural areas in the United States had made a beginning in establishing child-health centers or clinics where children from rural families could receive the health supervision, diagnosis, and treatment essential in any sound program for child-health improvement.

In the country as a whole, approximately 17 million people lived in 1,338 counties in which there was no registered general hospital; these counties were predominantly rural in character.

In a study by the United States Public Health Service of 1,340 nonmetropolitan counties scattered throughout the United States which were 50 miles or more from any city regarded as a hospital center—i. e., having 250 or more general hospital beds—it was found that 733 or 55 percent of these counties were without a general hospital;

of the 45 percent with hospitals, more than one-third had only proprietary hospitals. The presence of a hospital does not tell the entire story, since the effectiveness of a hospital depends on its size, accessibility, equipment, organization, and type of ownership—i. e., governmental, private nonprofit, and proprietary.

In terms of actual facilities available in these 1,340 predominantly rural counties, the number of general hospital beds per thousand population was only 1.6, while in 25 metropolitan centers the number of beds per thousand population was 5.2. Moreover, while in the United States as a whole the average occupancy of general hospital beds was 70 percent, in these predominantly rural counties the average occupancy was only 53 percent. The lower rate of occupancy did not mean there was less need but less adequate facilities, less accessibility, and particularly the lack of means with which to purchase available services. Another element affecting the use of hospital facilities in rural areas was the fact that the proportion of proprietary hospitals was much larger in rural than in urban areas; 27 percent of the hospital beds in these 1,340 counties, for example, were in proprietary hospitals and only 18 percent in local governmental general hospitals. All available information indicates that in communities which had both a governmental and a proprietary hospital the former would generally be overcrowded, while the latter would have 50 or 60-percent occupancy.

As a result of these elements, while in certain large cities the amount of hospitalization for the population at large was 1.34 days per person per year, in these predominantly rural counties it was .32 days per person and in certain areas only .17 per person.

Despite the fact that between 1935 and the end of 1937, under the stimulus of the Social Security Act, the number of counties with full-time health officers more than doubled, the proportion of the total rural population having access to this type of service, as of December 31, 1937, was less than 50 percent. This and other inadequacies cannot be interpreted as an indication of a lack of need for health services on the part of rural communities. For instance, in 1936 only 14 percent of the births in rural areas occurred in hospitals, as contrasted with 71 percent of the births in cities. This contrast is no doubt con-

nected with the fact that since 1929 infant mortality in rural areas has been higher than in cities despite the opportunity for more normal and wholesome living in rural areas. In regions where careful studies of maternal mortality have been made, there is sometimes an indication of some excess of maternal mortality rates in rural as compared with urban regions.

Despite the congestion, slum conditions, and industrial hazards to which city dwellers are exposed, available data in this country indicate that the extent of disabling illness in large cities is no higher than in rural areas.

Mortality statistics not limited to infant and maternal mortality indicate that, despite the traditionally excessive death rates in cities, the decrease in death rates in the United States has been much more rapid in urban than in rural areas. As a result, the death rates in many urban areas, despite slums and industrial hazards, are now actually less than in rural areas. The much more rapid decrease in the urban death rates must be attributed largely to the comparatively better health services in urban regions.

These inadequacies can be remedied only through the coordinated efforts of the Federal, State, and local governments. The effectiveness of this method of attack is already demonstrated by the progress made in the establishment of full-time county health departments. That the improvement of medical service in rural areas is of national concern can hardly be overstressed, particularly when it is remembered that a large proportion of our population is born and reared in these areas and it is here where intensive health work would give us the greatest return.

In view of these inadequacies in the health facilities of the Nation, and especially of rural regions, the Interdepartmental Committee to Coordinate Health and Welfare Activities made a series of recommendations which were incorporated in the national health bill introduced by Senator Wagner in 1939 (S. 1620). Most other health legislation now pending in Congress excludes agricultural workers. This is not true, however, of the national hospital bill of 1940 (S. 3230) introduced by Senators Wagner and George and recently passed by the Senate. The passage of this bill, providing limited funds for the construction of hospitals and temporary grants toward their operation in the

first 5 years after construction, will, I hope, occur during the present session of Congress. Such action would be a concrete first step in mitigating these glaring deficiencies of health service, particularly in rural areas where the deficiencies are most acute.

### **Migratory Agricultural Workers**

Migratory agricultural workers and their families in many cases fail to secure the full benefits of the Social Security Act either because they do not stay in one place long enough to meet the residence requirements under certain programs, or, what is more important, because they are engaged in employment which is specifically excluded from

coverage. Consequently, the migratory worker and his family are not eligible for public assistance through the needy aged, blind, or dependent children, or through State unemployment insurance, or Federal old-age and survivors insurance. Moreover, in most cases such migrants cannot obtain other social services such as general relief, medical care, education, or adequate housing. I believe that Federal legislation on this subject is vitally necessary. The Interdepartmental Committee on Health and Welfare Activities, of which I am a member, has a special subcommittee which has been studying the many aspects dealing with migratory labor. It is hoped that the report to be submitted soon on this subject will be useful in helping to formulate a policy on this question