

A Program for the Nation: Recommendations From the Annual Report

The Social Security Administration, in its annual report to the Congress,¹ reviews the contribution that the social security programs made to the national economy during the fiscal year 1949 through its provision of basic economic security for the Nation's gainfully employed persons and their families. It also summarizes the services provided to people who lack security because of personal, family, or community conditions. At the same time the Administration calls attention to the limitations and inadequacies of the present system—shortcomings that could be overcome in a comprehensive system providing the basic essentials of social security for all persons in all parts of the country.

IN the fiscal year 1949, millions of workers and workers' families received insurance benefits, and other millions received help through the public assistance programs. These payments contributed significantly to the health of the national economy, helping maintain purchasing power in the face of declining income from production.

At the end of the fiscal year, about 2.6 million persons were receiving benefits under Federal old-age and survivors insurance; monthly benefits and lump-sum payments during the year totaled \$627 million. On January 1, 1949, some 43 million workers were insured under the program; other millions had earned some wage credits in covered employment but not enough to acquire insured status.

The two programs for unemployed workers—employment service and unemployment insurance—were integrated in the Social Security Administration's Bureau of Employment Security, effective July 1, 1948.² Better coordination in handling manpower problems and in identifying, for government action, areas of rising unemployment was thus made possible.

¹ The report, from which this summary of recommendations is taken, constitutes a section of the *Annual Report of the Federal Security Agency, 1949*.

² The Bureau of Employment Security was transferred, effective August 20, 1949, to the Department of Labor under Reorganization Plan No. 2.

Benefits under the State-Federal unemployment insurance systems helped 5.6 million workers who were out of work through no fault of their own. Unemployed workers received, on the average, \$19.91 a week for 11 weeks of total unemployment; in five States their benefits were supplemented by allowances for their dependents.

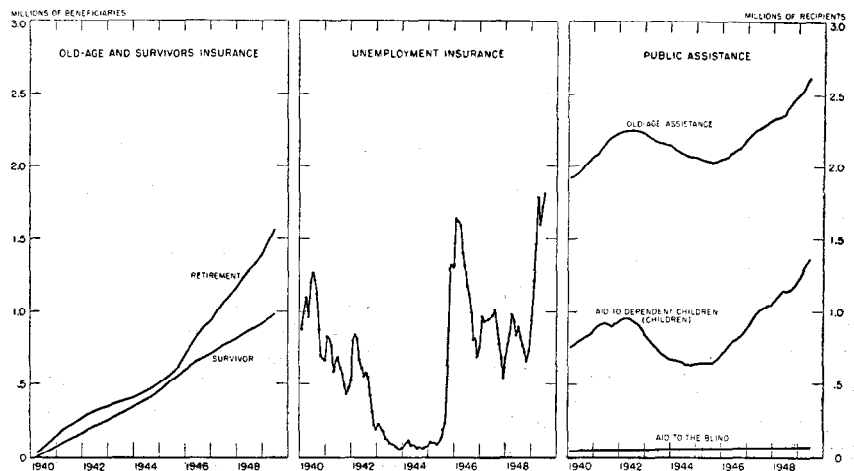
Many persons are not reached by the social insurance programs. For the dependent children, the aged, and the blind in the population, the public assistance programs are often the only source of financial help when family resources cannot meet living costs. During June 1949, 4.1 million persons were receiving public assistance under

the programs established by the Social Security Act. Additional Federal funds made available under the 1948 amendments to the act enabled most States to increase their assistance payments. Total expenditures for assistance payments and administration from Federal, State, and local funds for the three programs amounted to approximately \$1.8 billion.

Basic security is the principal objective, also, of State and local maternal and child health and child welfare services, for which Federal grants are made under the Social Security Act, and here, too, the year was one of progress. Services for mothers and children were strengthened and extended, and programs for infants and children with special needs—the physically handicapped as well as those with emotional or social handicaps—were expanded and new ones initiated.

Early in the fiscal year the Bureau of Federal Credit Unions was established in the Social Security Administration when Congress transferred the administration of the Federal Credit Union Act to the Federal Security Agency. The new Bureau has the responsibility for chartering, examining, and supervising Federal credit unions,

Beneficiaries and recipients under the Social Security Act



which are cooperative associations organized to promote thrift among their members and to create for them a source of loans for provident and productive purposes.

Though impressive gains have been made through the social security programs, the experience of the past few years has made clear certain major deficiencies. In the first half of 1949, for example, 2 earners in every 5 were in employment not covered by old-age and survivors insurance, 3 wage or salary workers in every 10 had no protection against the risk of unemployment. Benefits under both programs were low in relation to living costs. Disability insurance was largely lacking for most of the country's workers. Increasing pressure for various types of pensions and health and disability insurance under union-management contracts emphasized the lag in the development of the public programs and the urgent need to expand and strengthen public provision for social security to meet the needs of all persons.

In some parts of the country, public assistance was not available to all needy persons, and for many recipients, their income, including the assistance payments, was below the subsistence level. Maternal and child health and child welfare services were not available in all areas. Only 1 out of every 5 counties had the services of a full-time child welfare worker paid from public funds. In 2 out of every 3 counties, no well-child clinics are held.

A Comprehensive System

The necessary changes to round out the system can be made most effectively and economically through a comprehensive social security program. The base of the program should be a national system of contributory social insurance that would enable the great majority of workers and their families to maintain independence in the face of all common threats to economic security, particularly unemployment, disability, old age, and death of the wage earner. One single, basic, Nation-wide system would bring into proper relationships the eligibility conditions, the amounts and duration of benefits, and the financing of all the programs. More-

A Comprehensive Social Security Program

The Social Security Administration recommends the establishment of:

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

A comprehensive program of public welfare, including public assistance and family and adult welfare services. Under this program, on a Federal-State basis, payments and services financed from Federal and State funds would be available to any needy person in the United States, irrespective of the reason for need. The Federal financial contribution to such a program should be designed to remove the great disparities now existing in the treatment of various classes of needy persons and to reduce the disparities among the same programs in different parts of the country. The Federal Government should participate in payments made directly to individuals or to agencies authorized to supply medical services to needy persons.

The role of public welfare agencies should be strengthened by Federal participation in social welfare services for families and adults. Federal grants should be available to assist the States in developing such services to families and individuals who turn to the public welfare agencies for help that will enable them to keep the family together, to become self-supporting, to make use of community resources, or to solve individual problems in family or community adjustment. Research should be conducted on the causes of dependency and other factors affecting family life.

A comprehensive program of health and welfare services for children and research in child life. Such a plan should provide for the progressive development of the full range of health and welfare services essential to the physical, emotional, and social well-being of our children, so that all children, wherever they live and whatever their income or race, would have access to such services. Research and investigation in child life are essential in supporting and guiding the development of these services and enriching our knowledge and understanding of the needs of children. Such research should approach the problems of child life from the point of view of the total child, his growth and development, and his place in society.

A comprehensive credit union program. Under this program, credit unions sponsored by employers, labor unions, and other groups would be strengthened to become more effective instruments of self-help in promoting habits of thrift and better employee-employer relations.

Advisory Committees, Research, and In- formation

The Social Security Administration recommends:

Advisory committees for all programs, the committees to be composed of representatives of insured persons, employers, and the public, and of the professional interests of particular groups, such as medical and allied professions and hospitals.

Adequate appropriations and staff for research and program planning and for publication of research information of interest to Congress, employers, unions, and the public. Study of private and public retirement and welfare plans in relation to social security.

Adequate appropriations and staff for informational services to inform beneficiaries, employers, and the public of their rights and obligations under the Social Security Act and related laws.

over, the cash benefits paid would reflect more closely the income loss actually suffered, since the worker's earnings in any job would be counted in computing his benefits.

Even with a well-developed insurance system, some persons will fail to qualify for insurance benefits; for others the benefits will prove inadequate, or they will need services for which they turn to a public welfare agency. For these groups there should be a supplementary Federal-State system of comprehensive welfare programs, including public assistance and family, adult, and child welfare services, as well as services to safeguard the health of mothers and children.

Whatever method is adopted for achieving a comprehensive social insurance system, the employment security program should continue to be related to the Nation's social insurance system. Only by effective coordination of the social insurance programs can social security make its maximum contribution to individual

and family security as well as to the stability of business and the economy in general.

Day-by-day operation of the Federal programs should be decentralized—as has been done successfully in old-age and survivors insurance—so that local offices can give individualized services. Advisory councils should be set up that would provide for appropriate representation of the general public, of the persons who contribute to the system, and of the professional interests of particular groups, such as the medical and allied professions.

The entire social security system should be constantly reviewed, so that adjustments in line with economic developments and experience can be made. Provision should be made for adequate staff to carry on effectively the research on which such adjustments should be based and also to supply the advisory committees with information and to inform the taxpayers, the beneficiaries, and the public as a whole of developments and of their rights and obligations under the law.

Disability Insurance

The worker who becomes disabled before he reaches age 65 is faced with serious economic problems. If his disability is extended—and on an aver-

Disability Insurance

The Social Security Administration recommends:

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

Provision for charging the insurance trust fund for providing medical, surgical, training, and other rehabilitation services to disabled individuals.

age day, about 2.1 million workers are kept out of the labor force by a disability that has lasted 6 months or longer—he may find it almost impossible to maintain his home and a min-

imum standard of living. All workers in the country face this risk and the hazard of briefer spells of disability as well; every day some 2.5 million workers are kept from their jobs by disability of a temporary nature.

The result is a constant drain on the Nation's economy in terms of reduced productive capacity, lost earnings, and impaired purchasing power. The cost can be measured in terms of the destitution of many families; large public assistance expenditures, since disability is an important factor in the assistance loads; and, for many workers with long-lasting disabilities, a loss of the benefits of the social insurance system to which they have contributed.

There is little logic in protecting a worker against wage loss due to lack of work or old age and in ignoring the loss that he suffers because of disability. Of the three risks, moreover, disability is the greatest that the worker and his family must face, since it brings with it medical expenses as well as loss of income. The Federal Government has successfully administered old-age and survivors insurance; it has also successfully administered disability benefits under a variety of other programs. It has the experience and the organization to administer disability benefits through a contributory social insurance program consistent with the American concept of self-support.

Medical Care

The United States is almost alone among the industrialized nations in its lack of public provision for meeting medical care costs on an insurance

Medical Care Insurance

The Social Security Administration recommends:

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

basis. Care in this country is generally paid for as sickness occurs, by the person affected. As a result, many persons put off obtaining medical attention in the early stages of an illness, when care can be most effective; serious illness generally means a severe strain on family finances, if not the exhaustion of savings and heavy debt.

The solution that appeals to more and more persons is to budget medical care costs on a prepayment basis. The attractiveness of the idea is evident in the growth of voluntary prepayment hospital and medical care plans. Useful as these plans have been, they have not met, nor do they promise to meet, the full needs of the country.

The need for such protection is one that is common to all; the costs of meeting it can and should be shared by all. To this end, President Truman has asked for a comprehensive national health program that would include a system of prepaid medical care, utilizing state and local administration and financed—as is old-age and survivors insurance—by contributions from workers and employers. Such a plan would bring comprehensive medical care within the reach of every person and family.

Old-Age and Survivors Insurance

An improved and expanded program of old-age and survivors insurance has long been recognized as essential for the security of American workers and their families and for the good of the economy as a whole. The present coverage limitations (2 out of every 5 workers are in jobs in which they can earn no credit toward Federal retirement or survivor benefits) have led to serious difficulties. **Workers change from job to job, as in a healthy, democratic economy they must be free to do. Under existing conditions, however, a worker may shift in and out of covered employment; any period during which he is not in a covered job lowers the amount of his potential benefits, and if he is out of covered employment for a long time, he and his family may lose all benefit rights.**

Limited coverage causes further

hardships. Workers who are not covered pay for the benefits of covered workers to the extent that pay-roll taxes are passed on in consumer prices. Covered workers not only contribute to their own security but also help provide, through general taxes, assistance for those who are not protected. Many persons who pay insurance contributions do not qualify for benefits, while others, who have spent much of their working life in noncovered employment, are able to meet the eligibility requirements and receive benefits far greater than their contributions.

For those workers who qualify for benefits, the present level of payments is wholly inadequate to assure them

basic security; as a replacement of wage loss, benefits are far out of line. The average monthly benefit being paid, as of June 30, 1949, to a man who had retired was \$26.20; for a retired worker and his wife, the average was \$41.00. Even when the present formula was established in 1939, these amounts were precariously low in terms of basic security. Today the rise in living costs has made them still more unrealistic.

In view of the upward trend of wages, the maximum amount of taxable earning should be increased from the present \$3,000 to \$4,800. Similarly an increase in the amount of earnings permitted a beneficiary without loss of benefits, an increase in the mini-

Old-Age and Survivors Insurance

The Social Security Administration recommends:

Coverage of all gainful workers, including agricultural and domestic employees, public employees and members of the armed forces, employees of nonprofit organizations, railroad employees, and self-employed persons, including farmers, small businessmen, and professional persons. Relaxation of geographical limitation on coverage to include Puerto Rico and the Virgin Islands and foreign service by American citizens for American employers.

Repeal of the legislation eliminating certain salesmen and adult news vendors from coverage.

Changes in the average monthly wage and benefit formula to increase benefits materially, increases in both minimum and maximum benefit amounts, and continuation of the 1-percent increment in the benefit for each year an individual is in covered employment.

Increase to \$4,800 a year in the maximum amount of earnings taxable and to \$400 in the maximum average monthly wage on which benefits are computed; expansion of the definition of taxable wages to include all tips, gratuities, and dismissal wages.

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

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

Changes in eligibility requirements to make it easier for persons in newly covered employments and persons of advanced age to qualify for benefits.

Greater uniformity and greater equity in defining, for purposes of the insurance system, family relationships and conditions of dependency that qualify members of an insured person's family for benefits, especially with respect to the rights of dependents of women workers.

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

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

mum and maximum benefits payable, and other proposed adjustments are needed to bring the program closer to its recognized objectives.

Unemployment Insurance

The \$1.2 billion paid out in benefits under the State unemployment insurance systems during the fiscal year provided an invaluable prop to the Nation's economic well-being. Despite this significant contribution, the effectiveness of the program has been severely limited by a number of weaknesses.

Of first importance is the inadequacy of coverage. Only 7 out of every 10 wage earners have this insurance protection against wage loss. Extension of the coverage of the Federal Unemployment Tax Act to cover employers of one or more and to include many excepted groups is generally regarded as long overdue. Twenty-nine States now cover employees of firms with fewer than eight workers, and their experience has clearly indicated that the original concern about administrative difficulties has not been substantiated.

Benefits have been inadequate in

amount and duration. They have replaced, on the average, only a third of wages, and hundreds of thousands of workers exhaust their benefits before getting another job. The Social Security Administration recommends minimum benefit standards in State laws, designed to assure that benefits are adequate, in relation to workers' accustomed earnings, to meet their immediate needs. It also believes that the maximum weekly benefit should be at least \$30 for workers without dependents and \$45 for those with three or more dependents; that the benefit formula should be so designed that the average weekly benefit for a person without dependents should approximate 50 percent of average weekly earnings; and that all States should provide a potential duration of benefits of 26 weeks to all claimants who meet the qualifying-wage requirements.

Liberalized benefit provisions are no help to workers who are disqualified from receiving any benefits. Present disqualification provisions deny benefits to workers who are genuinely unemployed through no fault of their own and who are ready, willing, and

able to accept suitable work. The Administration believes that disqualifications should involve only a postponement of benefits—instead of their cancellation or reduction—and, further, that no disqualification should be imposed if a claimant quits with good cause, including cause based on good personal reasons.

State experience has shown that unemployment insurance is less costly than was expected when the program was initiated; if existing State reserves are properly utilized, it can be made even less expensive. Under a uniform, Nation-wide system, with all contributions deposited in one fund, the system could be financed with lower contribution rates than would be necessary if the separate State reserve funds are continued. To assure that State financing arrangements will not require unduly heavy contribution rates when benefit outlays increase, the Social Security Administration recommends that the accumulated excess of collections under the Federal unemployment tax over expenditures for State administration—now more than \$1 billion—should form the basis of a reinsurance fund on which the States could draw as necessary. The Federal tax rate could then be lowered to a point more properly related to the long-run costs of the program.

To make administrative funds available on a more effective basis in the future, all proceeds of the 0.3-percent Federal tax should be earmarked for employment security financing and used, as needed, for both administrative and reinsurance purposes.

Public Assistance and Family and Adult Welfare Services

Legislation that became effective in October 1948 raised the maximums on assistance payments in which the Federal Government can participate financially and increased the proportion of the Federal share in the assistance payments. The States were thus helped to assist larger numbers of needy persons, increase payments, and strengthen the administration of their assistance programs. Further changes in the Federal act are necessary, however, to aid the States in developing more nearly adequate pub-

Unemployment Insurance

The Social Security Administration recommends:

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

Repeal of the legislation eliminating certain salesmen and adult news vendors from coverage.

Provision for a weekly benefit that approximates 50 percent of the weekly wage for a claimant without dependents, and provision for supplementary amounts for claimants with dependents.

Provision of a maximum weekly benefit amount that will be not less than \$30 for a claimant without dependents and \$45 for a claimant with three or more dependents.

Provision of 26 weeks' potential duration of benefits for all claimants who meet the qualifying-wage requirement and whose unemployment extends over so long a period.

Provision that disqualifications for voluntary leaving without good cause, discharge for misconduct, or refusal of suitable work should entail only postponement of benefits for a period such as 4 or 6 weeks, rather than cancellation of benefit rights or reduction of benefits.

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

Earmarking the Federal share of the Federal tax for reinsurance and Federal and State administrative expenses.

lic welfare programs, that will be properly integrated with social insurance.

To strengthen the financing of the programs, Federal participation in assistance payments and administra-

tive costs should be modified by using a formula for distribution of funds to States that varies the Federal share with the economic capacity of the State as well as with the extent of need within the States. Similarly,

the States should be required to apportion State and Federal funds to the localities in relation to the need for funds. The maximums limiting Federal participation in monthly payments for aid to dependent children should be made more realistic in terms of what families need to live on, the definition of "dependent child" should be broadened, and the Federal Government should share in meeting the needs of the relative who cares for the child. For all programs, the maximum amount in which the Federal Government will participate should be related to an average amount per recipient rather than to individual payments, in order to permit the States greater flexibility in meeting need as it actually exists.

The Social Security Administration believes that the Federal Government should share in the costs of assistance for any needy person. The Administration also recommends, as a means of strengthening the family as the basic unit in our society, that Federal financial participation be extended to social welfare services supplied to families and adults by the staff of the public welfare agencies.

The lack of provision for medical assistance is a serious gap in the assistance programs; the scope of the programs should be broadened to permit Federal sharing in payments directly to doctors, hospitals, and others supplying medical services to needy persons and also for the care of persons who live in public medical care institutions other than those for the care of tuberculosis and mental disease.

Children's Bureau

As a Nation we have set our sights high for our children. Great numbers of children in our country have advantages for sound growth that no earlier generation had and that exceed those in any other large country. For many children, however, these advantages do not exist.

To remedy deficiencies in the present program, adequate Federal funds should be made available to help the States extend services that guard and maintain the health and social well-being of mothers and children until such services are within the reach of

Public Assistance and Family and Adult Welfare Services

The Social Security Administration recommends:

Change in the basis of Federal financial participation to relate the Federal share more nearly to the financial resources of each State.

Increase in the maximums for aid to dependent children in order to provide more adequate care for children.

Specific requirement that a State, as a condition of plan approval, shall apportion Federal and State funds among localities in accordance with their need for funds.

Grants-in-aid to States for general assistance to any needy person, as well as for the special types of public assistance.

In aid to dependent children, removal of restrictions relating to the cause of a child's need in order to make assistance available for any needy child living with a parent or relative who maintains a family home for the child.

As a condition of plan approval, no person to be denied aid to the blind because of age.

Approval of the State plan to be conditioned on the absence of any citizenship requirements or any residence requirement that excludes an individual who resides in the State.

As a condition of plan approval, no State plan to require transfer of title or control of applicant's or recipient's property to the State or locality. The State would not be precluded from making a recovery from the estate of a deceased recipient for assistance that he had received, or from imposing a lien to secure this claim provided the applicant or recipient retained title and control of the property.

Authorization of Federal financial participation in payments made directly to individuals or agencies supplying medical services to needy persons.

Federal participation in assistance payments made to or in behalf of needy persons living in public medical institutions, except tuberculosis or mental hospitals. States to be required to establish and maintain suitable standards for all institutions of the types specified in the State plans as institutions in which recipients of assistance may reside.

Federal financial participation in social welfare services administered by the staff of the public welfare agency and designed to help families and individuals become self-supporting, to keep families together in their own homes, and to reduce the need for institutional care.

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

Study of the causes of dependency and other factors affecting family welfare, with a view to the development of suitable programs by public and private agencies for the advancement of family welfare.

Authorization and adequate appropriations for staff training for Federal-State public welfare programs.

all mothers during childbearing and of all children. This would mean expansion of services that promote the health of children and treatment of crippled children, as well as expansion in public child welfare services for dependent, neglected, homeless, and delinquent children.

If health and child welfare services are to be fully available to all children who need them, programs for increasing the number, improving the qualifications, and ensuring better distribution of trained personnel will be necessary. Finally, funds must be available for continuous study and in-

vestigation of the problems of child care—not only physical care but that affecting the emotional and social growth of children.

Credit Unions

On December 31, 1948, 4,058 Federal credit unions were operating in all the States and in Alaska, Hawaii, the Canal Zone, and the District of Columbia. Shares, which represent members' savings, amounted to more than \$235 million. Outstanding loans totaled \$137.6 million, and the average loan during the year was \$227, an all-time high.

Each year an increasing number of Federal credit unions reach a stage of development that enables them to pay the costs of the examinations that the act calls on the Bureau of Federal Credit Unions to make. If the process continues, within a reasonable time the program can become self-supporting, but this goal can be attained only if the Bureau is adequately staffed and has adequate operating funds.

Children's Services and Research in Child Life

The Social Security Administration recommends:

Provision of adequate funds to strengthen and broaden the work of the Children's Bureau as a center of information related to child life; to assist in financing specific research projects in child growth and development and in child life by universities, schools, child research centers, agencies, and individuals; and to undertake original research and investigations that require Nation-wide study or that have Nation-wide significance to State and community programs for mothers and children.

Replacement of the present limitations in annual appropriations for child health and welfare services by an authorization for appropriations in amounts that are sufficient to provide for expansion of such services for children as rapidly as States can use additional funds effectively. State planning to proceed at a rate consistent with the availability of personnel and facilities that meet standards. Progress year by year toward the goal of making child health and child welfare services available in every local subdivision of the country.

Priority to be given by the States in developing their programs to groups of children in most urgent need—for example, children needing prolonged and expensive medical care; prematurely born infants; children with vision and hearing defects; children in need of health services and medical care in families receiving public assistance or social insurance; school children in need of health services and medical care; children in need of foster-home care; children in need of temporary care away from their own homes; children in need of day care; and children of migratory workers.

Legislation to provide that a definite percentage of the funds available for maternal and child health, crippled children, and child welfare services can be used by the Children's Bureau to promote effective measures on a national basis for carrying out the purposes of the programs, by demonstrations and evaluations of the means of carrying programs forward and by paying the salaries and expenses of personnel requested for temporary assignment by the State or local agencies, and for the administration of the programs.

Substantial Federal funds to be made available to increase the number of professional and technical personnel through grants to such educational institutions as medical, dental, nursing, social work, and public health schools, and through a system of fellowships and scholarships to individuals who will specialize in services to children.

Federal Credit Unions

The Social Security Administration recommends:

Authorization for State or regional agencies to provide discount facilities for State and federally chartered credit unions.

Authorization to permit employees of the Federal Security Agency to administer oaths on certificates.

Extension of the Federal credit union services to all who can be reached would result in a marked increase in the number of solvent families in the country; it would also reduce the exploitation of people of small means by illegal lenders, who make excessive charges for the use of money and for credit.