

# Social Security Advisory Councils\*

by JAMES E. MARQUIS\*

A THIRTEEN-MEMBER advisory council, representing employers, employees, self-employed persons, and the public, was convened on June 10, 1963, to begin a comprehensive review of the Nation's old-age, survivors, and disability system. This is the second in a series of councils provided for under the 1956 amendments to the Social Security Act; in 1966 and every fifth year thereafter an advisory council will be appointed to study and report on the financing of the program.

The law gives the current council a special mission in addition to its function of considering the financing of the program: It is directed to study coverage, adequacy of benefits, and all other aspects of the program. A report of its findings and recommendations must be submitted to the Board of Trustees of the old-age and survivors insurance and the disability insurance trust funds before January 1965.

In accordance with the law, the current council consists of the Commissioner of Social Security, as chairman, and 12 other persons who represent employers and employees (in equal numbers), the self-employed, and the public. Its members are:

Robert M. Ball, Commissioner of Social Security  
J. Douglas Brown, dean of the faculty, Princeton University, Princeton, N.J.

Dr. Kenneth W. Clement, president-elect of the National Medical Association, Cleveland, Ohio.

Nelson H. Cruikshank, director of the Department of Social Security, AFL-CIO, Washington, D.C.

James P. Dixon, president of Antioch College, Yellow Springs, Ohio.

Loula F. Dunn, director of the American Public Welfare Association, Chicago, Ill.

Marion B. Folsom, director and management adviser of the Eastman Kodak Company, Rochester, N.Y.

Gordon M. Freeman, president of the International Brotherhood of Electrical Workers, Washington, D.C.

Reinhard A. Hohaus, executive vice president of the Metropolitan Life Insurance Company, New York, N.Y.

Arthur Larson, professor of law and director of the World Rule of Law Center, Duke University, Durham, N.C.

Herman M. Somers, chairman of the department of political science, Haverford College, Haverford, Pa.

John C. Virden, chairman of the board and president

of the Eaton Manufacturing Company, Cleveland, Ohio.

Leonard Woodcock, vice president of the United Automobile, Aircraft and Agricultural Implement Workers of America, Detroit, Mich.

The study being undertaken by the 1963 Advisory Council points up the continuing importance that is attached to examination of the old-age, survivors, and disability insurance program by independent citizen groups. In the relatively brief history of the program, advisory councils have contributed immensely to the planning and development of old-age, survivors, and disability insurance protection. There is a long tradition dating back to 1934, before the passage of the Social Security Act, of seeking from representative groups advice and guidance on the social security program.

## ADVISORY COUNCIL TO THE COMMITTEE ON ECONOMIC SECURITY

In November 1934, President Roosevelt named a 23-member advisory council, representing labor, industry, and the general public, to advise the Committee on Economic Security. The Committee, which was established to study various proposals and develop recommendations for a social security program, had five members—the Secretary of Labor, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator.

The members of the advisory council were distinguished citizens outside the Federal Government service. The group, all of whom had important private and public responsibilities, included among others Marion B. Folsom, assistant treasurer of the Eastman Kodak Company; William Green, president of the American Federation of Labor; Gerard Swope, president of the General Electric Company; Walter C. Teagle, president of the Standard Oil Company of New Jersey; and John G. Winant, Governor of New Hampshire. As was inevitable in view of its large membership, this first advisory council advanced

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diverse advice and suggestions. In general, however, it recommended strong Government action in fighting economic insecurity.<sup>1</sup>

### ADVISORY COUNCIL TO THE SENATE SPECIAL COMMITTEE ON SOCIAL SECURITY

In 1937, shortly after the old-age insurance program established by the Social Security Act began operating—in fact, before any monthly benefit payments were made—the Chairman of the Senate Committee on Finance appointed a subcommittee designated as the Senate Special Committee on Social Security. The Special Committee was directed to cooperate with the Social Security Board in studying the advisability of amending the Social Security Act in a number of respects. The areas to be studied included earlier-than-scheduled payment of monthly benefits, extension of the program's coverage, higher benefit levels, payment of survivor benefits, and deferment of the tax increase scheduled for 1940.

To assist in the study an advisory council was appointed by the Special Committee on Social Security and the Social Security Board. Again, the members were distinguished private citizens. They included J. Douglas Brown, of Princeton University; Paul H. Douglas, of the University of Chicago; Marion B. Folsom; William Haber, of the University of Michigan; Sidney Hillman, president of the Amalgamated Clothing Workers of America; M. Albert Linton, president of the Provident Mutual Life Insurance Company; Philip Murray, vice president of the United Mine Workers of America; E. R. Stettinius, Jr., chairman of the board of the United States Steel Corporation; Gerard Swope; and Edwin E. Witte, of the University of Wisconsin.

For more than a year the Council concentrated on the old-age insurance program and the means by which the program might be extended or improved. It studied proposals advanced by a large number of bodies representing industry; labor; and professional, social welfare, and other groups. The Council also asked a number of outstanding experts on various aspects of the problem of old-

<sup>1</sup> *Report of the Advisory Council to the Committee on Economic Security, December 18, 1934 and Supplemental Statements to the Report . . .*, printed in *Hearings Before the Committee on Finance, U.S. Senate (74th Cong., 1st sess.)*, on S. 1130, January 2 to February 20, 1935, pages 226-237, 324-327, and 331-332.

age security to present their views. In its final report, submitted on December 10, 1938, the Council made a large number of recommendations, including proposals for improving the structure and scope of benefits, expanding the system to cover a larger proportion of the population, and improving the method of financing.<sup>2</sup>

### ADVISORY COUNCIL, 1947-48

Because of the Nation's preoccupation with the problems of World War II, the provisions of the social security law as they had been amended in 1939 were not substantially changed for several years. The next advisory council was not appointed until September 17, 1947, this time by the Senate Committee on Finance.

This Advisory Council on Social Security, like the earlier councils, included citizens from various walks of life. Edward R. Stettinius, Jr., then rector of the University of Virginia, was named chairman. The other members were Frank Bane, executive director of the Council of State Governments; J. Douglas Brown; Malcolm Bryan, of the Trust Company of Georgia; Nelson Cruikshank, director of social insurance activities of the American Federation of Labor; Mary H. Donlon, chairman of the New York State Workmen's Compensation Board; Adrien J. Falk, president of S & W Fine Foods, Incorporated; Marion B. Folsom; M. Albert Linton; John Miller, assistant director of the National Planning Association; William I. Myers, dean of the New York State College of Agriculture; Emil Rieve, vice president of the Congress of Industrial Organizations; Florence Sabin, scientist; Sumner H. Slichter, Lamont University Professor, Harvard University; S. Abbot Smith, president of the Thomas Strahan Company; Delos Walker, vice president of R. H. Macy and Company; and Ernest C. Young, dean of the graduate school of Purdue University.

The Council was directed to "study, assist, consult with, and advise the Committee on Finance," which in turn was authorized "to make a full and complete investigation of old-age and survivors insurance and all other aspects of the existing social security program, particularly in respect

<sup>2</sup> *Final Report of the Advisory Council on Social Security (S. Doc. 4, 76th Cong., 1st sess.)*, 1938. For a brief summary of the report, see the *Bulletin*, January 1939, pages 2-3.

to coverage, benefits, and taxes related thereto.” The staff director was Robert M. Ball, now Commissioner of Social Security.

The Council made four reports<sup>3</sup> to the Finance Committee, presenting recommendations on various aspects of the Nation’s program for social security. One report covered the Council’s recommendations on old-age and survivors insurance; these consisted of proposals designed to close the gaps in the protection then offered under the program. A second, separate document reported recommendations for benefits for permanently and totally disabled workers through the extension of the old-age and survivors insurance system to cover the risk of disability. A third report presented the Council’s recommendations for improving the public assistance program, and a fourth was devoted to unemployment insurance.

### CONSULTANTS ON SOCIAL SECURITY, 1953

Under both Democratic and Republican administrations, advisory groups have been used in appraising and guiding the development of the social security program. President Eisenhower, in his first State of the Union Message (February 2, 1953), recommended that the “provisions of the old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social security system.”

Mrs. Oveta Culp Hobby, the first Secretary of Health, Education, and Welfare, named 12 consultants from outside Government to assist and advise her in carrying out the President’s recommendations. The group was asked to study various alternatives for extending old-age and survivors insurance to additional groups of workers, both employed and self-employed, and to develop proposals.

Again the group was made up of men and women in different fields but with a unifying interest in social security. Reinhard A. Hohaus was named chairman. The other members were Thomas H. Beacom, vice president of the First National Bank of Chicago; Eveline M. Burns, economist and professor of social work at the New York School of Social Work, Columbia Uni-

<sup>3</sup> S. Docs. 149, 162, 204, and 206 (80th Cong., 2d sess.). The introductory sections of the reports, including the summaries of recommendations, were reprinted in the *Bulletin*, May 1948, October 1948, and January 1949.

versity; Robert P. Burroughs, president-treasurer, R. P. Burroughs Company (consultants on pension and profit-sharing plans); Leonard J. Calhoun, attorney-at-law; Nelson H. Cruikshank; Wallis B. Dunckel, vice president of the Bankers Trust Company; Loula Dunn, director of the American Public Welfare Association; Katherine Ellickson, secretary of the Social Security Committee of the Congress of Industrial Organizations; Hugh F. Hall, of the American Farm Bureau Federation; Lloyd C. Halvorson, of the National Grange; and A. D. Marshall, manager of employee benefits for the General Electric Company.

On June 24, 1953, the Consultants on Social Security submitted to the Secretary their report for extension of old-age and survivors insurance to additional groups of workers.<sup>4</sup> Among the groups for which it recommended coverage, or improved coverage, were farm operators, farm workers, domestic workers, ministers, State and local government employees, and self-employed professional people. The Consultants’ recommendations were largely implemented by the Social Security Amendments of 1954.

### ADVISORY COUNCILS ON SOCIAL SECURITY FINANCING

As previously noted, the Social Security Amendments of 1956 provided for the periodic review by an advisory council of the status of the old-age, survivors, and disability insurance trust funds in relation to the long-term commitments of the program. The first such council provided for by the 1956 amendments (actually the fifth advisory group to study social security) was appointed by the Secretary of Health, Education, and Welfare in the fall of 1957. As directed, its deliberations and recommendations covered only the financial aspects of the program.

In its report,<sup>5</sup> issued January 1, 1959, the council summarized its “major finding” in the following words: “The method of financing the old-age,

<sup>4</sup> *A Report to the Secretary of Health, Education, and Welfare on Extension of Old-Age and Survivors Insurance to Additional Groups of Current Workers*. The report was summarized in the *Bulletin*, September 1953.

<sup>5</sup> *Financing Old-Age, Survivors, and Disability Insurance: A Report of the Advisory Council on Social Security Financing*. The findings, conclusions, and recommendations were reprinted in the *Bulletin*, February 1959.

survivors, and disability insurance program is sound, and, based on the best estimates available, the contribution schedule now in the law makes adequate provision for meeting both short-range and long-range costs."

The Advisory Council appointed by Secretary Celebrezze in 1963, then, is the sixth major advisory group to consider social security. It is, however, the first since the Advisory Council on Social Security of 1947-48 to make a comprehensive review of the old-age, survivors, and disability insurance program.

Even though the statutory provision for future advisory councils does not call for another extensive review of the program, citizen groups will most likely be called upon again to make comprehensive studies of old-age, survivors, and disability insurance. Because of the importance of the program to virtually every American family and because of the outstanding contributions made by past councils, we can expect that the advisory-council technique will continue to play a prominent role in program appraisal and the making of program recommendations.

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## Notes and Brief Reports

### Old-Age, Survivors, and Disability Insurance: Administrative Expenses\*

The administration of the old-age, survivors, and disability insurance program has never cost more than a small proportion of contribution income—2-3 percent in most years. Administrative costs are also small by another measure; as a proportion of the total taxable payroll on which contributions are based, they are only about  $\frac{1}{10}$  of 1 percent.<sup>1</sup> The costs are met from two funds—the old-age and survivors insurance trust fund and the disability insurance trust fund. These funds, though similar, are operated separately.

Into the disability insurance trust fund established by the 1956 amendments to the Social Security Act are paid the proceeds from the additional contributions required under that legislation to meet the cost of the disability benefits. The combined employer-employee contribution rate for this purpose is  $\frac{1}{2}$  of 1 percent of earnings; the self-employed contribute at a rate of  $\frac{3}{8}$  of 1 percent.

Contributions for the old-age and survivors insurance aspects of the program are paid into the old-age and survivors insurance trust fund. The combined employer-employee rate for old-age and survivors insurance and disability insurance purposes at the present time is  $\frac{7}{4}$  percent of

earnings up to \$4,800 a year, and for the self-employed the rate is 5.4 percent. These rates are scheduled to rise to  $8\frac{1}{4}$  percent and 6.2 percent, respectively, in 1966; they will be  $9\frac{1}{4}$  percent and 6.9 percent from 1968 on. The trust funds are also credited with receipts from the sale of miscellaneous services and supplies for which the initial outlays have been made from the trust funds—for example, preparation of statistical tabulations for other Government agencies.

Monthly benefits to disabled workers and their eligible dependents are paid from the disability insurance trust fund. All other benefits are paid from the old-age and survivors insurance trust fund; they include (a) child's benefits to disabled persons aged 18 or over who are the children of retired or deceased insured workers and (b) any additional old-age and survivors insurance benefit amounts payable as a result of the disability freeze.

Since January 1, 1940, administrative costs have also been paid from the trust funds.<sup>2</sup> They are clearly allocable in some instances to only one fund, but usually an estimated allocation between the two funds is necessary. The allocations for Treasury Department expenses in connection with the program are made month by month for each trust fund, but for other expenses the appropriate adjustment between the trust funds is not made until after the end of the fiscal year, when a full analysis can be made. The program ex-

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\* Prepared by Robert J. Myers, Chief Actuary, Social Security Administration.

<sup>1</sup> For earlier analyses of administrative costs, see the *Bulletin*, May-June 1960, pages 23-28, and March 1958, pages 13-16.

<sup>2</sup> Before 1940, administrative costs were paid from the General Treasury, which was effectively reimbursed since the appropriations made to the old-age reserve account (predecessor of the old-age and survivors insurance trust fund) closely approximated the tax receipts less these administrative costs.