

# Past and Future Perspectives in Social Security

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A BRIEF QUARTER CENTURY ago, the Social Security Act formalized public recognition that the United States had passed from its agrarian, open-frontier beginnings to become predominantly urban and industrialized. The act revised and modernized American concepts of social responsibility for individual welfare in an industrial society. Characteristically American in its philosophy and provisions, the act is firmly rooted in our traditional principles of individual rights, freedoms, and responsibilities.

Inherent in the original deliberations leading to the basic Social Security Act and in experience since has been the concept of continuous, periodic reevaluation of the programs and of changing needs. The silver anniversary of the act presents a suitable occasion to look ahead against the perspective of past progress of social security in the United States.

Measures to promote what we now call social security have deep roots in our national life. From our earliest beginnings, mutual concern for people afflicted by poverty and other age-old social ills has found expression in public welfare measures. In a predominantly agrarian economy, however, most American families could work out their own security and were expected to do so.

As our Nation developed, towns and States gradually had to assume larger responsibility for public welfare measures for needy aged persons, widows, and orphans who could do little to maintain themselves and who required long-term support. Evidence of early concern with the integrity of the family unit were the laws for "mother's aid," which was usually a cash payment to mothers of children whose fathers had died, intended to make it possible to keep the remaining family members together. By 1935, nearly all States had such laws in operation in at least some local communities. By 1935 also, half the States had laws for aid to the blind and 30 had laws for "pensions" to needy old people.

During this same period, both the States and the Federal Government began to recognize that

certain protections in our dynamic and increasingly industrialized economy could best be provided through social insurance. By 1930 all but four States had workmen's compensation laws, and longshoremen and harbor workers were protected under Federal legislation. By 1930, also, the Federal Government and many State

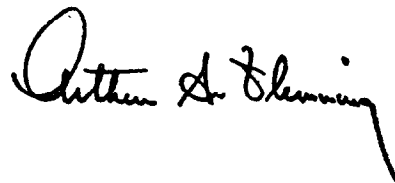
## **SOCIAL SECURITY TODAY AND TOMORROW**

IT IS WITH pleasure as an individual, with pride as a citizen of the United States and with a sense of deep concern and responsibility as the head of the Federal agency that must provide the leadership in the sound future development of our programs of health, education, and welfare, that I salute the twenty-fifth anniversary of the Social Security Act.

Social security is today an accepted part of our culture and an essential bulwark for our economy. The social security programs of the Government have grown from their initial limited beginnings to a scope that, for the national old-age, survivors, and disability insurance system at least, approaches universal coverage. At the same time, there has been a proliferation of private employee-benefit plans and a great expansion of private insurance. The sources of individual charity have not dried up.

Much remains to be done. Now that the base is firmly established, we need to rethink and reformulate our social security goals for the future. Even to keep up with the social and economic changes that are clearly foreseeable will require a major effort. I am sure that we have both the material resources and the moral strength to achieve a full measure of security for the American people.

In the future, as in the past, I anticipate that our social security goals and programs will encompass individual, private group, and governmental action. I look forward to a continuing partnership of responsibility and of action.



*Secretary of Health, Education, and Welfare*

and local governments had adopted retirement programs for their employees. Nevertheless, aid to the needy provided from local funds by villages, towns, and counties was the primary form of public income-maintenance.

## THE FIRST TWENTY-FIVE YEARS

The Social Security Act recognized the national interest in and the national scope of the problem of income security. In the midst of immediate need of devastating proportions it established programs to prevent future dependency. The social insurance programs started in 1935 have since proven their value in periods of economic prosperity as well as temporary economic downturn.

The principal responsibility for public assistance for needy persons and for health and welfare services manifested in the Federal grants to the States under the Social Security Act has also become firmly established.

In the years since 1935, the programs established by the act have been expanded and new programs added. Old-age insurance has become old-age, survivors, and disability insurance, and its coverage extended to almost the entire working population. Benefits have been increased not only to adjust to the changed value of the dollar but also to reflect in part the rising level of living for the population as a whole.

The Federal Government now shares with the States in the cost of aid to the permanently and totally disabled as well as old-age assistance, aid to dependent children, and aid to the blind. The Federal share has been increased over the years, and the Federal Government now helps proportionately more those States where need is greatest and income and fiscal ability least. Payment for medical care through public assistance has been made easier by the provision for Federal matching of direct payments to the vendors of service.

The programs for maternal and child health services and crippled children's services have expanded in scope. Both in these and in the child welfare services program, Federal financial support and Federal leadership have served to stimulate State and local action.

While all the programs have thus reflected

changing needs and changing concepts of what is feasible and desirable, certain basic principles have not changed. We continue to regard the individual as himself responsible for doing what he can towards his security and that of his family. We recognize the great value, in our widespread and diverse society, of initiative and action by private organizations and by local communities. We also know that there are problems and needs that transcend local boundaries and require Federal leadership and action.

In our total social security system, primary reliance and emphasis have been placed on the contributory earnings-related programs—old-age, survivors, and disability insurance and unemployment insurance—as the basic source of protection, for almost all working Americans, against commonly shared risks to income. Under both of these programs, Americans earn their security as they earn their living, and benefits paid are varied—within limits—with the individual's customary level of living and his economic contribution to society as measured by his earnings. Because benefits under old-age, survivors, and disability insurance and unemployment insurance are payable when due no matter what other income the individual may have, the social insurance programs have served to encourage other means of protection, through private employee-benefit plans and individual action.

No preventive measures can ever anticipate all problems and all need. An essential part of our social security system is therefore a flexible program of public assistance. Assistance can seek to rehabilitate and to prevent the handing on of poverty and dependency to successive generations.

From the beginning, the Social Security Act has provided encouragement and support for health and welfare services. Explicit recognition of the importance of services to promote self-help and restore the independence of persons receiving public assistance was written into the Federal act in 1956.

In large measure, the questions, how fares American society? and how fares the American family? are inextricably linked. Our society functions basically through the family, and much of our organized activity is directed toward supplementing family functions. Subsequent amendments in all the programs have had as their purpose better protection and broadened

service to families. Among such changes have been the recognition of additional situations in which survivor benefits are now payable to children under old-age, survivors, and disability insurance, the provision of dependent's benefits in the unemployment insurance laws of a number of States, the broadening of the group of adults with whom children may live and receive help under the program of aid to dependent children, and increased emphasis on services to children in their own homes under the child welfare service programs.

In the past 25 years, then, the United States has established the foundations and principles of its social security system. The specific directions taken and the progress made are discussed in more detail in subsequent articles in this BULLETIN. What of the future? What is there yet to be done or to be done better, more completely, or even differently?

## CHALLENGES OF THE FUTURE

We should expect and look forward to further changes in all the social security programs, both to remedy the gaps and inadequacies that are evident today and to reflect new circumstances and new goals. Possible changes in specific programs are suggested in other articles in this issue.

The general direction of future progress may perhaps be summarized in two broad goals: (1) to move toward assuring, for all Americans, an economic well-being that is more than minimum economic security; and (2) to bring increased understanding and service to the noneconomic needs of man.

### Economic Well-Being for All

The American people, generally, enjoy one of the highest material standards of living in the world today. But the prevailing prosperity is still too unevenly shared for the best interests of individual and national welfare. Inadequate income is still all too prevalent in the United States. Social insurance programs in themselves cannot correct for low income that is due to lack of opportunity and low wage levels, or that occurs because a whole region or area is eco-

nomically distressed or underdeveloped. Indeed, the programs can only reflect such conditions in limited coverage and low benefits. Similarly, public assistance cannot feasibly or properly be used as a major support of the economy of any region or State, as it would be in the lowest-income States if under present economic conditions the assistance standards were raised to adequate levels and assistance programs met full need.

Action to correct conditions leading to widespread poverty in specific areas or regions and among specific groups of the population must be taken outside the social security system in broad corrective social and economic programs designed to get at the underlying conditions and causes.

At the same time, the Nation must also move toward economic well-being for all on a second front: to ensure that coverage under the social security programs is complete and effective and that payments under the programs are adequate and equitable and that they are kept consistent with changing standards and concepts of American living.

*Improving coverage.*—Present gaps in coverage are indicated, by program, in subsequent articles. The gaps should be closed so that the maximum number of persons are protected under social insurance against all insurable risks and so that all needy persons can receive public assistance regardless of the reason for their need or where they may live.

*Adequacy of payments.*—Adequacy has at least three meanings for the social security programs: sufficiency to replace wage loss, to meet need, and to keep pace with the economy. In the first meaning of the word, benefits under the social insurance programs may be considered adequate if they are reasonably related to an individual's previous earnings. Up to now, however, the Nation has not really faced up to deciding what relationship is reasonable in a dynamic economy.

In the short-term benefit programs, dollar maximums on weekly benefit amounts have not been increased as rapidly as wages have risen. As a result, a large proportion of beneficiaries under unemployment insurance and workmen's compensation are getting little more than one-third of their previous earnings. Since most

workers' incomes do not permit accumulation of sizable reserves, failure of the benefits satisfactorily to replace wage loss raises serious questions as to how effectively the programs serve their avowed purposes.

In old-age, survivors, and disability insurance, the limit on the taxable wage base also sets a maximum on benefit amounts. In addition, over the long run, benefit amounts will be based on a lifetime average of earnings in covered work. During the recent past, benefits awarded have generally been based on fairly current wage levels. The longer the system is in effect, however, the more seriously will consideration have to be given to what is meant by a worker's lifetime earnings level.

In its second meaning, adequacy is defined in terms of sufficiency to meet need for income under current American living standards. In this sense, the issue of adequacy relates primarily to the average level of social insurance benefits and public assistance standards.

Benefits paid under old-age, survivors, and disability insurance have always been intended to provide only a floor on which additional protection can be built, not to meet full need among beneficiaries who have no other income. Many of those receiving the lowest social insurance benefits, however, have little or no other income. What they receive in many cases fails to meet their needs, even as measured by relatively low assistance standards. This is why many aged beneficiaries and some families with children receive supplementary public assistance payments. Surveys of income among beneficiaries reveal that others have equally small incomes but for one reason or another do not receive public assistance.

Social insurance can and should diminish need for public assistance, but it cannot eliminate it. Indeed, to a significant degree, the very integrity of the social insurance system may depend on the extent to which public assistance is available and adequate to provide for the uninsured and those whose work histories and earnings do not permit substantial savings or cannot yield anything but minimum benefits. If the Nation can come to accept the necessary and valuable role played by public assistance in achieving social security, the programs may attain their true stature and receive the public support they deserve and need.

The recent report of the Advisory Council on

Public Assistance signalized the beginning of a new phase in attention to adequacy of public assistance. The Council recommends that the Federal Government provide financial aid to States for assistance to all needy persons, that Federal grants take full account of differences in income levels among the States, and that steps be taken to raise the levels of both maintenance and medical care provided through public assistance and to ensure equity of assistance among needy groups. These recommended changes represent the thinking of many responsible people. They point the way for future consideration and action. They make clear that adequacy in public assistance is a goal, not an accomplished fact.

*Improving incentives to personal initiative.*—Is it time, also, to consider more carefully ways in which the provisions of the social security programs may encourage individuals and families themselves to try to increase their incomes? For example, is the retirement test under old-age, survivors, and disability insurance really a deterrent to work? Should the test be modified? Should an earnings exemption for public assistance be reconsidered?

Undoubtedly, incentives to employment can lead to constructive results for families and individuals. Many aged persons still have valuable contributions to make in employment. For the handicapped, employment is a symbol of triumph over their disabilities. For children in dependent families, an opportunity to earn and manage money can build attitudes and capacity for independence that give better preparation for adult responsibilities than most of their parents had.

On the other hand, some knotty questions present themselves here—especially for the assistance programs. One question is how to achieve a balance between incentives to employment and equity of assistance provided for persons with earnings and without. Safeguards would be needed also, against degrading a constructive *incentive* to work to a restrictive and damaging *requirement* to work. In large part, the answers to these questions go back again to those of how to achieve adequate assistance programs. Inequities in total income available between the needy who work and those who do not would be unimportant if both groups were assured at least minimum adequate income.

*Keeping up with a changing economy and culture.*—While all the programs need to be periodically reevaluated in relation to changing need, most of them by their nature deal with current situations. A somewhat different problem occurs for the long-term benefits under old-age, survivors, and disability insurance.

The man or woman who retires today may still be living—and primarily on his social insurance benefit—10, 20, or even 30 years hence. What should he have year by year in relation to what the rest of the population has? Probably, everyone would agree that if inflation continues his benefits should be raised to retain their original purchasing power value. During the period of his retirement, however, the average level of living in the United States undoubtedly will rise. Economists foresee a rise in real per capita income of at least 25 percent in the sixties. Should retired and survivor beneficiaries share in the rise? If so, by what amount? The question cannot be avoided since inaction, in itself, is also a reply. The better answer would be a considered one.

Decisions on the share of an increased national output that should go to social insurance beneficiaries will undoubtedly be influenced by the extent to which beneficiaries have other sources of income, the circumstances under which they can get medical care, and the availability of other special services for their needs. Beyond that, their resources and needs will have to be weighed against those of other groups and against the Nation's obligations to people in other parts of the world. Goals and concepts of what is appropriate and feasible must be as dynamic as the social situation demands. Should such goals and concepts be made an integral part of the program through automatic devices for benefit increases? Or should reliance be placed on periodic amendments to keep the program up to date?

Some nine Nations have written provisions into their laws to take account of the general level of earnings at the time the beneficiary retires in computing his first benefit and to relate subsequent benefit amounts to changes in a price index or a more general indicator of economic change. The possibility of adapting such measures to the American system should be studied and weighed against other approaches for value and feasibility.

## **Increased Understanding and Service for Human Needs**

In the movement and change that are characteristic of present American life and that are to be expected in the future, some difficult social consequences develop. The positive changes that have occurred to give women and children greater freedom and independence as individuals as well as increased stature as family members, for example, undoubtedly also have their negative effects. The Nation needs now to turn more of its attention to the noneconomic, nonmaterial aspects and values of our culture and to plan more carefully to avoid haphazard social consequences of material progress and change.

The needs that will emerge from such consideration will require broader action than can be supplied within the social security programs alone. Personal and family problems are often—and sometimes sensationally—deplored and disapproved, but the community as a whole does not sufficiently realize or accept its shared responsibility for them. Currently, it is fashionable to assign responsibility to the social welfare programs, particularly public assistance, as both the cause and cure of widespread disaffections and deviations from accepted social behavior. Any examination of the problems that cause concern, however, indicates that they extend beyond the groups with lowest income—those generally known to social welfare agencies. The underlying factors must be sought and dealt with more broadly than can be done effectively within the programs alone.

To make progress in meeting the social and psychological needs of man our Nation must devote more of its effort and wealth to acquiring greater knowledge about these needs. We must mobilize the various strengths and skills throughout society that can help in meeting them—in the churches, in the schools, in voluntary groups, and in public agencies. Real progress will be made only as the needs of man come to be understood well enough that social problems can be predicted and thus controlled and prevented. The knowledge must come from painstaking research—both “pure” and applied—conducted scientifically. The skills necessary to meet needs will come from training based on knowledge. While a large part of progress in skill must wait for increased knowledge, the Nation needs also to give better

support in using the skills already available. This support will come only with the recognition of community responsibility.

## CONCLUSION

The contribution the social security programs make to the Nation has required increasing expenditures over the years. Even if nothing more were done than to carry forward present services, future expenditures would have to rise to meet the needs of an increasing population, particularly among children and older people. To meet new challenges will cost more. The need for these expenditures must be evaluated in relation

both to available resources and other community obligations. In this evaluation, however, the following two considerations should influence the decisions made. While the numbers needing community services and the types of services required are increasing, so also are the average productivity of the American worker and the number in the labor force. Beyond this, the long-run, if not the immediate, price of neglecting human needs usually is considerably higher than the cost of meeting them as they occur.

If the Nation accepts and meets the challenges the future presents, the next 25 years will see progress in social security comparable to the progress of the past 25 years in basic economic security.

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# Social Security Status of the American People

by **IDA C. MERRIAM\***

THE SOCIAL SECURITY Act of 1935 established or provided for Federal financial participation in programs in seven major areas. Other articles in this issue describe what has happened during the intervening 25 years in the national old-age—now old-age, survivors, and disability—insurance program, in the Federal-State unemployment insurance programs, and in the federally aided public assistance and maternal and child health and child welfare programs. The provisions for Federal grants to the States for public health activities, which laid the basis for modern public health programs in the United States, were subsequently removed from the Social Security Act and incorporated in the basic Public Health Act of 1944. The original Social Security Act also increased substantially the amounts authorized for grants to the States for vocational rehabilitation programs under a 1920 act and placed them on a permanent basis.

The concept of social security that was re-

flected in the original Social Security Act and that has helped shape the programs that we have today was broader than any specific measures. Essentially it was an idea and a goal. It accepted as a legitimate concern of the Federal Government the economic security and the social welfare of all the American people. At the same time, it recognized and asserted that these ends could best be achieved through a diversity of programs and methods. The individual (both as consumer and as citizen), private groups and agencies, and local, State, and Federal Governments all had a part to play. This article attempts to sketch briefly the part each has played in this first 25 years and to assess the overall social security status of the American people at the beginning of the 1960's.

## THE ECONOMIC AND SOCIAL CLIMATE

The past 25 years have seen more rapid and far-reaching social and economic change than any other quarter century in our history. From an

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