

# Social Security Amendments of 1961: Summary and Legislative History

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THE SOCIAL Security Amendments of 1961 (Public Law 87-64),<sup>1</sup> approved by President Kennedy on June 30, 1961, make significant improvements in the social security program that add to its flexibility and effectiveness. The legislation is a further step toward providing American workers and their families with basic protection against the hardships that can result from loss of earnings when the breadwinner retires, becomes disabled, or dies.

## CHANGES IN BRIEF

Most of the changes made by Public Law 87-64 are in old-age, survivors, and disability insurance.

1. The age at which men are first eligible for old-age and survivors insurance benefits is lowered from 65 to 62; for those who claim benefits before they reach age 65, the monthly amount is reduced to take account of the longer period that they will draw benefits.

2. The minimum insurance benefit payable to a retired or disabled insured worker, and to the sole survivor of a deceased insured worker, is increased from \$33 a month to \$40, with corresponding increases for those—wives and children, for example—getting other types of benefits based on primary insurance amounts of less than \$40.

3. The requirement for fully insured status—the proportion of time that a person must work in covered employment and self-employment to be eligible for old-age and survivors insurance benefits—is changed from 1 quarter of covered work for each 3 calendar quarters elapsing after

1950 to 1 quarter for each calendar year (equivalent to 1 for each 4 calendar quarters). The insured-status requirements for persons who are now old are thus made comparable, on a proportionate basis, to those that will apply in the long run for persons attaining retirement age in the future.

4. The insurance benefit payable to the aged widow of a deceased insured worker is increased by 10 percent, from 75 percent of the worker's primary insurance amount (the basic amount on which all old-age, survivors, and disability insurance benefit amounts are based) to 82½ percent. (A similar increase is made in the benefit payable to a widower and, when only one parent is entitled to benefits, to a surviving dependent parent.)

5. Under the new provision for withholding benefits from beneficiaries whose earnings exceed \$1,200 a year (generally referred to as the retirement test), \$1 in benefits will be withheld for each \$2 of earnings between \$1,200 and \$1,700. Under previous law, \$1 was withheld for every \$2 of earnings between \$1,200 and \$1,500.

6. The social security contribution rates payable by employers and employees are increased by ⅛ of 1 percent each, and the rate for the self-employed is increased by ⅜ of 1 percent and rounded to the nearest ⅒ of 1 percent, beginning with 1962. In addition, the tax increase scheduled for 1969 becomes effective in 1968.

The above benefit changes are effective for August 1961 and thus will be reflected in the benefit checks distributed at the beginning of September. The change in the retirement test is effective for beneficiaries' taxable years ending in and after July 1961, so that for the vast majority of persons, it is effective for the calendar year 1961.

Other changes in old-age, survivors, and disability insurance made by the legislation give workers with a prolonged disability additional time to file applications to preserve their benefit rights, facilitate the coverage of additional em-

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<sup>1</sup> See *Social Security Amendments of 1961: Executive Hearings Before the Committee on Ways and Means, House of Representatives, on H.R. 4751* (87th Cong., 1st sess.), Mar. 9, 13, 22, 24, and 27, 1961; and *Social Security Benefits and Eligibility: Hearings Before the Committee on Finance, U. S. Senate, on H.R. 6027* (87th Cong., 1st sess.), May 25 and 26, 1961.

ployees of State and local governments, and give survivors of certain deceased ministers an opportunity to obtain the protection of the program.

Public Law 87-64 also amends the public assistance program. Under the new law the amounts the Federal Government pays under the programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled are increased.

For these categories, the Federal Government will pay 80 percent of the first \$31 per recipient per month instead of the first \$30. The over-all maximum average payment in which the Federal Government participates is raised from \$65 to \$66. (For old-age assistance, the amount of vendor medical payments in which there is additional Federal participation beyond the formula applicable to all three adult categories was raised earlier in 1961 from \$12 to \$15.)<sup>2</sup>

Another provision of Public Law 87-64 authorizes the Secretary of Health, Education, and Welfare to furnish temporary assistance to United States citizens without available resources who return to this country from foreign countries because of war or other emergency.

Many of those who will benefit from the changes in the old-age, survivors, and disability insurance program are getting public assistance because they are not now eligible for insurance benefits or because their benefits are inadequate to meet their needs. The new or increased insurance benefits will enable some of them to get along without public assistance, while others will need smaller amounts of assistance. It is estimated that the savings in assistance expenditures (Federal and State) resulting from the changes in the insurance program will total \$50 million in the first 12 months in which the amendments are in effect; the estimated saving in Federal expenditures alone is between \$19 million and \$20 million.

#### **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE**

The 1961 amendments liberalize old-age, survivors, and disability insurance in several important areas. It is expected that \$815 million in

new or increased benefits will be paid to 4,770,000 persons as a result of these changes during the first 12 months of operation.

#### **Benefits for Men at Age 62**

The new law makes insurance benefits payable to men at age 62; the amount of the monthly benefit payable for those claiming benefits before attainment of age 65 is actuarially, permanently reduced. Though there is general agreement that this change does not represent the only or the best solution to the economic problems of older unemployed workers, it does give them some protection. The fact is that the problem of the older worker who cannot get a job continues to exist, in good times as well as bad, and the social security program should be flexible enough to take account of this problem. Men and women make social security contributions over the years in the expectation of receiving insurance benefits when they are too old to work. They should have a degree of protection if they find themselves unable to get work because of conditions beyond their control when they are nearing retirement age, even though they have not reached age 65.

Under the provision making reduced benefits available at age 62, a man can weigh the amount of the benefit he can get against his physical condition, the availability of work, and his general financial situation and make the choice that seems best for him under all the circumstances. It is estimated that benefits amounting to \$440 million will be paid during the first 12 months of operation to about 560,000 persons who would not have been eligible for insurance benefits if it were not for this change.

The insurance benefits for a male worker are reduced, under the new provision, at the same rate as those for a woman worker ( $\frac{5}{9}$  of 1 percent for each month before attainment of age 65 for which a benefit is payable). Husband's insurance benefits are reduced at the same rate now applicable to wife's insurance benefits ( $\frac{25}{36}$  of 1 percent for each month before age 65); and benefits to a widower and to a surviving father are, like those for a widow and a surviving mother, payable without reduction. The monthly benefit for a man who begins to draw old-age insurance

<sup>2</sup> See the *Bulletin*, July 1961, page 18.

benefits in the month in which he reaches age 62 will amount to 80 percent of the benefit he would get if he stopped working then but waited until his sixty-fifth birthday to draw benefits; for a man getting husband's insurance benefits at age 62, they are 75 percent of the amount otherwise payable at age 65.

For men, as for women, the percentage reduction will continue to apply after the beneficiary reaches age 65. If, however, he returns to work and earns enough before he reaches age 65 to cause any of his benefits to be withheld, the reduction in his benefit will be refigured when he reaches age 65 to reflect the fact that benefits were not paid for as many months before his sixty-fifth birthday as had been contemplated at the time that the original computation was made.

A 1960 proposal to lower the minimum eligibility age for men involved some additional cost (estimated at 0.10 percent). The added cost would have arisen from the use of the same method of determining fully insured status and computing the average monthly wage as is now used for women electing to receive insurance benefits at age 62. The measuring period for such determinations for men would have been based on the period ending with the beginning of the year of attainment of age 62 instead of age 65—a period 3 years shorter than under the present law.

Using a smaller number of years in the computation permits the dropping of more years of low earnings and thus may give a higher average monthly wage and a higher benefit amount even when the person works up to age 65. In the 1961 amendments, an increase in the cost of the program is avoided by continuing to use age 65 for determining insured status and computing the average monthly wage for men.

Because the period for computing the average monthly wage for men extends to age 65 even though men may claim benefits before that age, in some cases, where coverage was very recent, as many as 3 years without earnings may have to be included in the computation. When the man works after entitlement to reduced benefits, therefore, the new law provides for a special automatic recomputation without an application at age 65 or at death, before age 65, in order to pick up such earnings. In addition, the period used in

the computation is shortened in cases of death before age 65.

### **Minimum Insurance Benefit**

The provision for increasing the minimum insurance benefit from \$33 to \$40 makes an improvement in the old-age, survivors, and disability insurance program that has been much needed. Persons coming on the benefit rolls in the future will generally get benefits above the minimum because they will have had a chance to work in covered employment during their best working years. Many of those now on the rolls, however, are getting benefits at or near the minimum—not because they had a low level of lifetime earnings but because they were already old when their jobs were covered and their earnings under the program were lower than their average lifetime earnings. The increase in the minimum makes the protection of the program much more effective for these men and women.

The provision to increase the minimum insurance benefit to \$40 will put an additional \$170 million in the hands of 2,175,000 persons in the first 12 months of its operation.

### **Insured-Status Requirements**

Under the new law a person is fully insured if he has 1 quarter of covered employment for every year elapsing after 1950 up to but not including the year in which he reaches age 65 (age 62 for women), dies, or becomes disabled. (As under the old law, a minimum of 6 quarters of coverage is required; the maximum requirement is 40.) One quarter of coverage was required under the previous law for every 3 quarters elapsing after 1950.

The change to 1 quarter out of every 4 will help many persons who are uninsured because the jobs they held during their best working years were not covered and, by the time their jobs were covered, they were already so old that they could not work regularly enough to meet the insured-status requirements then in the law. Here again, though the long-run cost is small (a level-premium cost of only 0.02 percent of payroll), the immediate effect is pronounced. About \$65 mil-

lion will be paid during the first 12 months to 160,000 persons who would not otherwise have qualified for insurance benefits.

### Widow's Insurance Benefit

The amendments increase the aged widow's insurance benefit by 10 percent (from 75 percent to 82½ percent of the worker's primary insurance amount). Men getting widower's benefits and surviving dependent parents, when only one parent is entitled to benefits, also have the amount of their benefits increased.

Under the law in effect up to this time, when a retired-worker beneficiary died his widow had to get along with half the benefit income that he and his wife had been receiving while he was living. If the retirement benefit for a man bears a reasonable and adequate relationship to his previous earnings, as it is intended to, then three-fourths of that benefit is not adequate for his widow in terms of the man's earnings. The increase provided in the legislation produces a more reasonable relationship between the widow's benefit and her deceased husband's earnings. This change will result in \$105 million in additional benefits being paid to 1,525,000 older women and men during the first 12 months of operation.

In the following tabulation, benefits for aged widows under the new law, at various levels of average monthly wages, are compared with those previously payable.

Average monthly wage	Widow's benefit under old law	Widow's benefit under 1961 amendments
\$50.....	\$33.00	<sup>1</sup> \$40.00
100.....	44.30	48.70
150.....	54.80	60.30
200.....	63.00	69.30
250.....	71.30	78.40
300.....	78.80	86.70
350.....	87.00	95.70
400.....	95.30	104.80

<sup>1</sup> The minimum benefit payable under the 1961 amendments.

### Retirement Test

Under the annual test of retirement, full benefits for the year are paid if earnings are \$1,200

or less. The 1961 amendments change the provision for withholding benefits from beneficiaries whose earnings exceed \$1,200 a year (generally referred to as the retirement test). Under the new law, \$1 in benefits will be withheld for each \$2 of a beneficiary's earnings between \$1,200 and \$1,700. Beyond that point, \$1 of benefits is lost for each \$1 of earnings. If an individual earns \$1,210, for example, he loses \$5 in benefits; if he earns \$1,600 he loses \$200; and if he earns \$2,000, he loses \$550 (½ of \$500 plus \$300). (As under the old law, no benefits are withheld, regardless of the amount of annual earnings, for any month in which the beneficiary neither earns wages of more than \$100 nor renders substantial services in self-employment or for any month in which the beneficiary is aged 72 or over.)

In 1960, Congress had eliminated the earlier requirement for withholding a month's benefit for each \$80 of earnings above \$1,200 and provided instead for withholding \$1 in benefits for each \$2 of earnings between \$1,200 and \$1,500 and for each \$1 of earnings above \$1,500. For most persons, whose taxable year for income-tax purposes is on a calendar-year basis, the 1960 provision was never effective since the first year to which the provision applied for them was 1961.

The changes made in the retirement test by the 1960 amendments reduced the deterrent to work and eliminated certain anomalies that had existed under previous law. Adjusting benefits in direct ratio to the amount of earnings above \$1,200 assures that a beneficiary who earns more than \$1,200 in a year will always have more in total income from benefits and earnings than if he had held his earnings to \$1,200.

The 1961 change increasing the \$1,500 limitation on the "\$1-for-\$2" band to \$1,700 raises the level-premium cost of the program by 0.02 percent of payroll on an intermediate-cost basis. Under the new test, about 350,000 persons will start to get insurance benefits or will receive more in benefits for 1961 than they would have received if the law had not been changed.

### Period of Disability

Under the amendments, the deadline of June 30, 1961, for filing applications for establishing a period of disability beginning with the actual

onset of the disability (as far back as October 1941) is postponed for 1 year. (As in the old law, when an application is filed after the deadline a period of disability can be established no earlier than 18 months before the date of filing, even if the applicant stopped working because of his disability much earlier than that eighteenth month.)

This is a much more important provision than it may appear to be. Failure to qualify for a period of disability means that a person may lose his insured status for all types of insurance benefits—retirement and survivor, as well as disability—or may have the benefits payable on his earnings record greatly reduced. Yet about one-sixth of the disability claims now being filed are based on disabilities that began more than 18 months earlier. Many of these late filers are disabled workers under age 50, who only recently were made eligible for disability insurance benefits and who have just learned that they are eligible.

### Coverage for State and Local Government Employees

The amendments give some employees of State and local governments additional time to elect coverage under the “divided retirement system” provision, which permits specified States to cover those retirement system members who desire coverage, with all future members being covered compulsorily. Under a provision added to the law by the 1958 amendments, employees who did not choose coverage at the first opportunity could, at their request, be brought under the program by the State at any time within a year after the date on which coverage for the group was approved (or before January 1, 1960, if that was later). Under the 1961 amendment, the option of bringing additional persons under coverage is open for 2 years after coverage for the group is approved, or through December 31, 1962, if that date is later. This extension of time takes account of the fact that State legislatures meet only once every 2 years and of other factors that might result in employees not coming under the program within the time limits of previous law.

Another amendment adds New Mexico to the list of States to which the “divided retirement”

system provision applies, bringing the total number to 17.

### Election of Coverage by Ministers' Survivors

A minor amendment affects the provisions for covering ministers. This change permits the survivors of ministers (or Christian Science practitioners) who die on or after September 13, 1960 (the date of enactment of the 1960 amendments), and before April 16, 1962, to take advantage of the extension of time for electing coverage that was provided for ministers in the 1960 amendments. Such a survivor, as would be true of the minister himself had he lived, has through April 15, 1962, to file a certificate electing coverage of services performed by the minister before his death. A certificate filed by a survivor will be effective, generally, to cover the minister's services retroactively for 1 year, as if the certificate had been filed by the minister himself on the date of his death.

This change will help a few families who have been adversely affected by the fact that, in such cases, waiver certificates could not be filed on behalf of a minister after his death.

### Financing the OASDI Amendments

The changes made by the 1961 amendments will increase the level-premium cost of the program by 0.27 percent of payroll and, in the long run, the income to the trust funds by an equal amount. This additional income will result from an increase in the contribution rates and from advancing by 1 year, to 1968, the time at which the ultimate scheduled contribution rate becomes effective.

The changes in the contribution schedule are shown below.

Calendar years	[Percent]			
	Employee rate (same for employer)		Self-employed rate	
	Old law	New law	Old law	New law
1962.....	3	3½	4½	4.7
1963-65.....	3 ½	3¾	5½	5.4
1966-67.....	4	4½	6	6.2
1968.....	4	4¾	6	6.9
1969 and after.....	4½	4¾	6¾	6.9

In making the changes in old-age, survivors, and disability insurance, Congress has shown its customary concern for the financial soundness of the insurance program. Since the amendments increase the level-premium cost of the program by 0.27 percent of payroll, and since they provide for additional income to the trust funds that is also estimated at 0.27 percent of payroll, the actuarial balance of the program is not changed and the system remains on a sound financial basis.<sup>3</sup>

## **PUBLIC ASSISTANCE**

The new legislation amends the Social Security Act to provide additional Federal participation in public assistance payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled. It also provides for aid on a temporary basis to those U. S. citizens and their dependents who, having returned to this country from abroad, lack funds and other resources necessary to their health, welfare, and resettlement as responsible citizens.

### **Federal Participation in Assistance Payments**

In recognition of the need for more nearly adequate assistance payments to the needy, Congress raised the amount of the payment in which the Federal Government shares for the adult categories—old-age assistance, aid to the blind, and aid to the permanently and totally disabled. The Federal share has been 80 percent of the first \$30 per recipient per month paid by the participating State. The Federal share in the next \$35 of the average assistance payment (up to a maximum average total payment of \$65, excluding the special medical provision in old-age assistance) has ranged, according to relative State per capita income, from 50 percent to 65 percent.

The new legislation, effective from October 1, 1961, through June 30, 1962, provides a Federal share of 80 percent of the first \$31 of the average monthly payment, with the Federal share in the next \$35 ranging from 50 percent to 65 percent as

<sup>3</sup> For a discussion of the financing basis and policy under the 1961 amendments, see pages 12-19 of this issue of the *Bulletin*.

heretofore. The maximum for the average total payment is thus raised from \$65 on an average basis to \$66. The provisions already in the law for special Federal financial participation in medical care vendor payments in old-age assistance beyond the monthly maximum are not affected by this legislation. The amount of the additional vendor medical payments in old-age assistance in which there is Federal sharing is \$15.

The new legislation makes appropriate changes in the special provisions for Federal financial participation in these programs for Puerto Rico, Guam, and the Virgin Islands.

The formula changes are expected to increase the Federal share in the Federal-State assistance programs by more than \$15 million for the 9-month period covered by the legislation.

Legislation enacted earlier in 1961 (Public Law 87-31) provided for an increase in Federal financial participation in the program of aid to dependent children by broadening the coverage to include the children of unemployed parents.<sup>4</sup>

### **Assistance for United States Citizens Returned From Foreign Countries**

From time to time, United States citizens in foreign countries are without available resources and must be returned to this country because of their personal misfortune or illness or destitution or because of international crisis. After they reach a port of entry in the United States they may be in need of temporary assistance.

An amendment to title XI of the Social Security Act authorizes the Secretary of Health, Education, and Welfare to provide temporary assistance to citizens of the United States and their dependents who have been identified by the Department of State as having returned or been brought back from a foreign country because of destitution or illness, or the illness of any dependent, or because of war, threat of war, invasion, or other crisis when they are without resources.

Except in cases or classes of cases set forth in regulations by the Secretary, recipients of temporary assistance are to reimburse the Federal Government for the cost of assistance.

<sup>4</sup> See the *Bulletin*, July 1961, page 18.

Assistance may be provided to the recipient directly by the Department of Health, Education, and Welfare or through the services and facilities of appropriate public or private agencies and organizations.

The Secretary of Health, Education, and Welfare is also authorized to develop plans and make arrangements for providing such assistance in the United States to United States citizens and their dependents who are without available resources after being returned or brought back from a foreign country.

“Temporary assistance” may include money payments, medical care, temporary billeting, transportation, and other goods and services necessary for the health and welfare of individuals. It may also include guidance, counseling, and other welfare services. Temporary assistance to individuals is available on their arrival in the United States and for a period after arrival as may be provided in regulations. The provision for temporary assistance will be effective through June 30, 1962.

In this critical period of history, the residence and travel of Americans in foreign countries can be a real method for building international friendship, economic progress, scientific and educational exchanges, and cultural ties. At the same time, however, American citizens abroad cannot always protect themselves against illness or even greater disasters in a foreign land. Yet some of them on returning to this country are ineligible for the public assistance available to other needy Americans.

Up to this time the responsibility for giving essential help to returning citizens has been largely carried—of necessity—by private agencies and organizations. The welfare agencies in the Nation’s major ports have made substantial contributions of time, skill, and money drawn from State, local, and private sources.

The Department of Health, Education, and Welfare has worked with State and local public welfare agencies on an individual case basis in an effort to develop arrangements under which care and attention could be given to needy citizens from abroad. The Department for several years has been making preliminary plans with various Federal agencies for the care of returning American citizens and is now authorized to enter into agreements with them or with State

welfare agencies or with appropriate private agencies and organizations. Under the new law the Department will be able to reimburse such public and private agencies and organizations for the costs of care given at the reception point and for a limited period after the needy recipients reach their point of destination.

## BACKGROUND AND LEGISLATIVE HISTORY

In general, the amendments make changes in the social security program along the lines recommended by President Kennedy in his message to Congress of February 2, in which he outlined a program to restore momentum to the national economy.<sup>5</sup> Although the increases in the amount of the minimum insurance benefit and in the benefit for the aged widow are not as large as those the President had proposed, and although his proposal for paying disability insurance benefits to a worker with an extended but not necessarily permanent disablement is not included, the amendments largely meet the problems that prompted his recommendations for changes in the old-age, survivors, and disability insurance program.

In his message the President recommended five improvements in the old-age, survivors, and disability insurance program. These provisions were spelled out in the draft legislation that he submitted to Congress on February 20. They were: (1) An increase in the minimum benefit from \$33 to \$43 a month; (2) a provision that men might qualify for actuarially reduced benefits at age 62; (3) a liberalization in the requirement for fully insured status, from 1 quarter for every 3 quarters elapsing after 1950 to 1 quarter for every 4 quarters after 1950; (4) an increase in the benefit payable to the aged widow of a deceased insured worker, from 75 percent of the worker’s retirement benefit to 85 percent; (5) a provision for payment of benefits to totally disabled per-

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<sup>5</sup> House Document No. 81 (87th Cong., 1st sess.). See also “Health and Social Security for the American People” (Task Force on Health and Social Security), which contained recommendations for improvements in the old-age, survivors, and disability insurance program. (Printed in *Nominations: Hearings Before the Senate Committee on Finance*, 87th Cong., 1st sess., Mar. 22 and 23, 1961, page 94.) Mr. Cohen was chairman of the task force, which made its recommendations to President Kennedy on January 10, 1961.

sons after 6 months of disability, without an expectation that the disability will necessarily result in death or continue for a long and indefinite period. These improvements, to be effective for April 1961, would have been financed by an increase of  $\frac{1}{2}$  of 1 percent each in the taxes on employers and employees and by  $\frac{3}{8}$  of 1 percent on self-employed persons beginning in 1963. Provisions (2) and (3) had been considered in the preceding Congress.

In 1960, in connection with the social security amendments then under consideration, an amendment to permit men to receive reduced insurance benefits at age 62 was proposed to the Senate Committee on Finance by Senator Byrd, of West Virginia, and cosponsored by 21 other Senators. (A 1956 amendment made actuarially reduced benefits available to women at age 62.) The provision was included in the Finance Committee's bill and passed by the Senate. It was later deleted in the House-Senate Conference because of its cost (then estimated at 0.05 percent of payroll).

The provision under which a person is fully insured for benefits if he has 1 quarter of coverage for every year (equivalent to 1 for each 4 calendar quarters) elapsing after 1950 and up to the year in which he reaches age 65 (age 62 for a woman), dies, or becomes disabled was included in the bill passed by the House of Representatives, but it was deleted in the Senate. Previous law had required 1 quarter of coverage for every 2 quarters elapsing after 1950; a provision requiring 1 quarter of coverage for each 3 calendar quarters elapsing came out of the 1960 House-Senate Conference as a compromise.

President Kennedy's Task Force on Area Re-development, in its report dated December 27, 1960, had advocated the payment of retirement benefits to men beginning at age 62, "to ease the burden of unemployment on the older workers." The President's Task Force on Health and Social Security also suggested this provision for consideration in its report of January 10, 1961, and the change was recommended by the President in his economic message.

### House Action

On February 20, the same day that the draft legislation was transmitted to Congress, Repre-

sentative Mills, Chairman of the House Committee on Ways and Means, introduced a bill, H.R. 4571, incorporating the proposed changes. The Ways and Means Committee held executive hearings on the proposal on March 9, 13, 22, 24, and 27, 1961.

A clean bill, H.R. 6027, was introduced by Mr. Mills on March 29. This bill differed from the President's recommendations in a number of respects. The minimum benefit was to be increased to \$40 instead of \$43. The provision for benefits at age 62 was rewritten to avoid any increase in long-range actuarial cost. Benefits for widows were to be increased to 82.5 percent (instead of 85 percent) of the amount that would be payable to the husband before his death, and the proposed disability provision was dropped. The "1 out of 4" insured-status provision was adopted as recommended. The House Committee added an amendment extending for 1 year (through June 30, 1962) the time within which a disabled worker may file application to establish a period of disability that would begin with the onset of the disability.

The changes (effective for the month beginning after the thirtieth day following enactment) that were made by the Ways and Means Committee reduced the actuarial cost of the bill by about half and were to be financed by a tax of  $\frac{1}{8}$  of 1 percent each on employers and employees and of  $\frac{3}{16}$  of 1 percent on self-employed persons, effective January 1962. The bill as reported by the Ways and Means Committee on April 7 was passed by the House on April 20 by a vote of 400 to 14.

### Senate Action

The Senate Finance Committee held public hearings on May 25 and 26, 1961. At these hearings, Secretary Ribicoff called attention to the differences between the President's recommendations and the House-passed bill. "All the changes proposed by the President," he said, "are desirable. Nevertheless, since in its overall effect the bill passed by the House will largely meet the problems that prompted the President to make his recommendations for changes in the insurance program and in view of the need for action to meet these problems, we recommend adoption of



the bill as passed by the House of Representatives.”

The Finance Committee considered the bill in executive session on May 31 and June 15. The Committee adopted a number of amendments. Those affecting old-age, survivors, and disability insurance included: (1) Additional time for State and local employees under the “divided retirement system” provision to elect coverage; (2) addition of the State of New Mexico to the list to which the “divided retirement system” provision applies; (3) provision for survivors of certain deceased ministers to have the same right to elect coverage that the minister would have had if he had lived; and (4) provision for rounding the contribution rate for self-employed persons to the nearest  $\frac{1}{10}$  of 1 percent so that it can be expressed decimally rather than in sixteenths, thus making it easier for individuals to compute the amount of their contributions.

The Senate Finance Committee also adopted two amendments affecting public assistance. One, proposed by Senator Long of Louisiana, provided for additional Federal sharing in the programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled. The additional amount would have been available only in States paying more than the existing maximums on the average payment and would have been limited to participation in an additional \$2.50. This amendment was accompanied by a provision intended to assure that the additional Federal funds would be passed on to recipients of assistance and not substituted for existing State or local expenditures. The other amendment authorized the Secretary of Health, Education, and Welfare to provide temporary assistance to certain United States citizens without available resources who return to this country from other countries because of illness, destitution, war, or other emergencies.

The bill as amended was reported on June 20 to the Senate, where it was passed unanimously, 90 to 0, with further amendments, on June 26. Among the amendments adopted on the floor of the Senate was one liberalizing the retirement test—a substitute offered by Senators Hartke, Humphrey, and Randolph for a somewhat more liberal amendment that had been proposed by Senator Cotton. Under the 1960 law, \$1 in benefits was withheld for each \$2 of earnings in excess

of \$1,200 but not exceeding \$1,500. The amendment increased the \$1,500 limitation on the \$1-for-\$2 “band” to \$1,700. To finance the liberalization in the retirement test, which would have a level-premium cost of 0.02 percent of payroll, an amendment offered by Senators Kerr, Byrd of Virginia, and Anderson was adopted. This amendment, by moving forward from 1969 to 1968 the final scheduled tax increase, provided for additional revenues to the system, on a long-range basis. Also adopted was an amendment by Senator Humphrey intended to ensure for individual recipients of medical assistance for the aged freedom of choice in the selection of medical practitioners or suppliers of services. Several technical amendments were also adopted.

An amendment by Senator Clark and Senator Goldwater to permit individuals who belong to well-known religious sects that do not believe in social insurance programs to remain outside the old-age, survivors, and disability insurance system was defeated.

An amendment by Senator Javits and a number of other Senators, incorporating the same medical care plan for the aged that had been offered by essentially the same group in 1960, was debated but withdrawn.

### Conference Action and Enactment

The House and Senate conferees met on June 27 and 28. All the Senate amendments relating to old-age, survivors, and disability insurance were accepted. The provision for assistance for United States citizens returned from foreign countries was modified to limit the Secretary's authority to provide such assistance for the period ending June 30, 1962. In place of Senator Long's original public assistance formula amendment that had been incorporated in the Senate bill a substitute amendment of approximately comparable cost was adopted. It provided for additional Federal participation in old-age assistance, aid to the blind, and aid to the permanently and totally disabled for all States during the 9-month period beginning October 1, 1961. Under this amendment, both the amount in which the Federal Government provides 80 percent and the maximum payment in which the Federal

*(Continued on page 33)*

TABLE 2.—Contributions and taxes collected under selected social insurance and related programs, by specified period, 1957–61

[In thousands]

Period	Retirement, disability, and survivor				Unemployment		
	Old-age and survivors insurance <sup>1</sup>	Disability insurance <sup>2</sup>	Federal civil service <sup>3</sup>	Railroad retirement	State unemployment insurance <sup>4</sup>	Federal unemployment taxes <sup>5</sup>	Railroad unemployment insurance <sup>6</sup>
<b>Fiscal year:</b>							
1957-58 <sup>7</sup>	\$7,266,985	\$926,403	\$1,259,041	\$575,282	\$1,500,397	\$335,880	\$99,891
1958-59 <sup>7</sup>	7,665,086	894,995	1,515,852	525,369	1,675,280	324,020	102,014
1959-60 <sup>7</sup>	9,842,685	987,079	1,509,695	606,931	2,164,757	341,108	152,998
<b>11 months ended:</b>							
May 1959	6,978,746	828,687	1,392,312	479,728	1,664,358	323,075	83,258
May 1960	8,827,147	897,396	1,380,462	556,495	2,136,693	339,987	121,891
May 1961	10,224,939	915,640	1,572,061	526,285	2,324,815	344,257	122,099
<b>1960</b>							
May	1,865,591	176,057	118,129	81,561	531,420	1,641	7,205
June <sup>7</sup>	1,015,538	89,683	129,233	50,436	28,064	1,120	31,107
July	345,944	29,952	162,091	17,121	221,125	674	711
August	1,596,615	146,950	139,442	83,320	481,092	807	10,501
September	678,887	61,473	156,682	52,464	11,483	607	28,223
October	348,088	31,165	144,032	15,037	144,580	541	890
November	1,270,214	116,266	139,565	80,571	293,950	692	9,785
December	510,927	36,747	114,062	48,288	14,633	847	28,655
<b>1961</b>							
January	287,326	21,670	159,785	12,842	83,875	32,045	748
February	1,385,958	123,931	120,024	77,142	196,811	289,106	5,422
March	1,175,534	112,588	169,832	47,953	17,059	14,702	31,663
April	664,441	62,464	121,205	14,285	246,944	1,043	1,328
May	1,961,004	172,435	145,341	77,262	613,259	2,293	4,173

<sup>1</sup> Represents contributions of employees, employers, and the self-employed in employments covered by old-age and survivors insurance; beginning January 1951, on an estimated basis, with suitable subsequent adjustments; beginning May 1951, includes deposits in the trust fund by States under voluntary coverage agreements; beginning December 1952, adjusted for employee tax refunds.

<sup>2</sup> Represents contributions of employees, employers, and the self-employed in employments covered by disability insurance, on an estimated basis with suitable subsequent adjustments; includes deposits in the trust fund by States under voluntary coverage agreements; adjusted for employee tax refunds; excludes transfers from the railroad retirement account to the disability insurance trust fund under the financial interchange provisions of the Railroad Retirement Act.

<sup>3</sup> Represents employee and employing agency (Government) contributions.

<sup>4</sup> Represents deposits in State clearing accounts of contributions plus penalties and interest collected from employers and, in 3 States, contributions from employees; excludes contributions collected for deposit in State temporary disability insurance funds. Data reported by State agencies.

<sup>5</sup> Represents taxes paid by employers under the Federal Unemployment Tax Act.

<sup>6</sup> Beginning 1947, also covers railroad temporary disability insurance.

<sup>7</sup> Except for State unemployment insurance, as shown in the *Final Statement of Receipts and Expenditures of the U. S. Government*.

Source: *Monthly Statement of Receipts and Expenditures of the U. S. Government* and other Treasury reports, unless otherwise noted.

## SOCIAL SECURITY AMENDMENTS

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Government will participate were increased by \$1 each, so that all States will get additional Federal funds. Senator Humphrey's amendment concerning medical assistance for the aged was eliminated.

The Conference report was approved without a rollcall vote in both the House and the Senate on June 29, and the bill was signed by President Kennedy on June 30, becoming Public Law 87-64. The signing before July 3 made the old-age, survivors, and disability insurance benefit provisions effective, in general, on August 1, 1961.

## CONCLUSION

Although these amendments go a long way in making the social security program more flexible and effective, much still remains to be done. No program intended to meet the needs of the people in a changing society can remain static. Congress and the Executive Branch recognize the need for periodic re-evaluation and improvement in the program, and on the basis of the record there is every reason to believe that the entire social security program will continue to be modified and strengthened to meet changing needs of a growing economy.