

Social Security Act Amendments of 1946

By Angela J. Murray*

DELIBERATIONS of the 79th Congress on changes in the Social Security Act culminated in the final days of the session in the passage of H. R. 7037, the Social Security Act Amendments of 1946, which became law (Public, No. 719) on August 10. The hearings of the House Ways and Means Committee during the early months of the year, and the subsequent debate on the changes proposed in the various social security programs, represent the first general consideration of such changes by Congress since the adoption of the Social Security Act Amendments of 1939.

In the interval, however, certain changes have been made in various provisions of the act. Among these, title VI relating to grants to States for public health,¹ and title V, part 4, relating to grants to States for vocational rehabilitation were deleted because of enactment of other legislation in these fields; title XII, temporarily authorizing advances to State unemployment funds, was added by the War Mobilization and Reconversion Act of 1944, the so-called George Bill.² In 1945, protection under the insurance programs was extended to certain employees of the Bonneville Power Administration. And for 1943 and each following year, the contribution rate under the Federal Insurance Contributions Act was held at 1 percent each for employers and employees instead of permitting an increase to the higher rates specified for these years in the original Social Security Act and again in the 1939 amendments.

In the Committee report issued in December 1944 (H. Rept. 2010, 78th Cong., 1st sess.) to accompany the bill freezing the rates for 1945, seven minority members outlined their reasons for objecting to the tax freeze and declared that they were opposed to the "piecemeal consideration of one aspect of social security legislation" and that they favored "a comprehensive study of the entire social security

program with a view toward broadening, expanding, and strengthening its provisions so that it will make its full contribution to the preservation of our democracy and our system of free enterprise in the difficult reconversion and post-war periods."

The majority report of the Committee, on the other hand, said that the statutory increase to 2 percent was unnecessary to finance benefit payments for many years to come, and no "unnecessary increase in the existing high tax burden should be made now in view of the problems of reconversion from war to peace that soon will confront us." The Committee announced, however, that it had "unanimously voted to commence a study, at an early date, of what constitutes an adequate contingent reserve fund and the rates required to produce and maintain that fund on a sound financial basis."

On March 26, 1945, the House endorsed a comprehensive investigation of the social security program by agreeing to H. Res. 204, which appropriated \$50,000 to be spent by the House Ways and Means Committee "in obtaining information with respect to the need for the amendment and expansion of the Social Security Act, with particular reference to old-age and survivors insurance and the problems of coverage, benefits, and taxes related thereto."

At that time, some 80 bills were pending before the House Committee on Ways and Means proposing various changes in old-age and survivors insurance, unemployment insurance, and public assistance. These proposals included important changes in requirements for receipt of old-age and survivors insurance benefits, computation of the benefit amount, rate of contributions, and other aspects of financing. They also included incorporation of disability benefits in the Federal insurance program and extension of Federal financial participation to general assistance.

After the House action on H. Res. 204, the Ways and Means Committee appointed a technical staff of six members, under the direction of Com-

mander Leonard J. Calhoun, to investigate social security problems and report their findings to the Committee. That report, *Issues in Social Security*, was presented on January 17, 1946.³

Late in February the Committee began public hearings, which continued until June 7. The printed transcript⁴ fills some 1,500 pages and includes testimony of the 157 witnesses who appeared before the Committee—Federal, State, and local officials, representatives of private organizations interested in social security and allied fields, and individuals concerned with particular aspects of the program—as well as statements submitted by other witnesses.

On June 28 Representative Doughton, Chairman of the House Ways and Means Committee, introduced H. R. 6911, which was referred back to the Committee and reported out on July 1. In the report accompanying the bill (H. Rept. 2447, 79th Cong., 2d sess.), Mr. Doughton explained that, while Congress now had available "a body of information essential to making needed changes in the various social security programs," the time for considering and reporting on legislation for immediate enactment was so limited "that the consideration of various proposed basic changes could not be undertaken at this time." The proposed bill was therefore "limited in scope," dealing only with "comparatively simple legislative changes which could be speedily prepared by the Committee and enacted by the Congress."

H. R. 6911 consisted of five titles: social security taxes; benefits in case of deceased World War II veterans; unemployment compensation for maritime workers; technical and miscellaneous provisions; and State grants for old-age assistance, aid to dependent children, and aid to the blind. The last title was the storm center in the ensuing legislative discussion on this bill and its successor, H. R. 7037, during the remainder of the session.

³ See the *Bulletin*, February 1946, pp. 3-9.

⁴ House Committee on Ways and Means. *Amendments to Social Security Act. Hearings . . . 79th Congress, Second Session.* February 25-June 7, 1946.

* Division of Publications and Review.

¹ See the *Bulletin*, August 1944, pp. 15-17.

² See the *Bulletin*, October 1944, pp. 10-15.

Federal Grants for Public Assistance

Federal grants to States, related to State per capita income and varying from 50 to 75 percent of the total spent by a State for public assistance, had been proposed in two bills—the Wagner-Murray-Dingell bill (S. 1050, H. R. 3293, introduced May 24, 1945) and the Forand bill (H. R. 5686, introduced March 6, 1946). The Forand bill—the Public Welfare Act of 1946—incorporated the recommendations of the American Public Welfare Association and was endorsed by many of the welfare officials who testified at the hearings. It proposed a uniform program of grants to the States for assistance to the needy and for welfare services, with use of the same formula to determine Federal grants for assistance, welfare services, and administration. The proposed program would be administered by the Federal Security Administrator and included provisions making it possible for the Federal Government to assist the States in meeting need whatever its cause. The States would have the option of continuing the present categories of old-age assistance, aid to dependent children, and aid to the blind or of providing for these groups as part of a comprehensive assistance program. No maximum limitation on Federal participation in payments to individuals was specified, but funds within the State had to be allocated in such a way as to meet in full the recipient's need in terms of standards established by the State agency.

The Ways and Means Committee had considered both bills during its hearings on social security, devoting 10 days to the Forand bill but deciding that it was too late in the session to take up a measure of such broad implications. It therefore agreed to report a more limited proposal, but the majority of the Committee agreed on the compromise measure only on the understanding that the Committee would consider the Forand bill again next January. Representative Forand declared on the floor of the House that he intended to press for its enactment in the 80th Congress and that the Committee had promised that it would receive consideration early in the next congressional session.

The Committee's compromise measure, title V of H. R. 6911, introduced June 28, provided for an increase both in the Federal share of assistance payments in the States with per capita income below the national average and also in the Federal matching maximums for payments to individuals. For States where per capita income is below the average for the country as a whole, the Federal share would be increased proportionately up to a maximum of 66⅔ percent. The wealthiest States (and Alaska, Hawaii, and the District of Columbia) would continue to share public assistance costs equally with the Federal Government; States where per capita income falls below two-thirds of the national per capita income would pay one-third of the costs of the assistance program and receive two-thirds from Federal funds; for States in the intermediate group the State percentage would be half the ratio of State per capita income to national per capita income. The Federal matching maximums would be raised from \$40 to \$60 for old-age assistance and aid to the blind and from \$18 to \$27 for the first child receiving aid to dependent children in a family and from \$12 to \$18 for each additional child aided in the home.

A minority report, signed by six Republican members of the Committee, strongly attacked the Democratic majority for "scuttling the present 50-50 system of State-Federal matching by imposing on the taxpayers a 2-for-1 rule that would enable a small group of favored States to obtain \$2 from the Federal Treasury for every \$1 from their own." Such a rule, they charged, "abrogates the long-standing system of equal financial participation by the State and the Federal Government in the noncontributory programs originally provided for in the Social Security Act."

The minority's opposition made it impossible to obtain from the Rules Committee permission for the bill to be voted on before its regular place on the legislative calendar and for it to be considered under a closed rule barring amendment from the floor. Accordingly, H. R. 6911 was withdrawn, and a substitute, H. R. 7037, carrying the same five titles, was introduced on July 15.

Like H. R. 6911, H. R. 7037 lifted the ceiling on Federal matching, but it deleted the controversial section providing for variable grants. It proposed raising the Federal matching maximums from \$40 to \$50 for old-age assistance and aid to the blind and from \$18 and \$12 to \$27 and \$18, respectively, for the first and additional children aided in a family. Within these maximums, the Federal and State governments would share the costs on a 50-50 basis, as under existing provisions. The bill specified that the proposed increases were to be operative for 15 months only—from October 1946 through December 1947.

H. R. 7037 passed the House on July 24 and on the following day was introduced in the Senate, where it was referred to the Committee on Finance. By unanimous consent the Senate proceeded on July 29 to consider the bill as amended and reported by the Committee (S. Rept. 1862).

The Senate Finance Committee reported itself "strongly of the opinion that raising the Federal matching maximums on individual payments, as proposed in the House bill, without simultaneously providing special Federal aid to low-income States, will only serve to increase the very inequities we are seeking to minimize. Under the House bill, the already large disparity in payments between the high- and low-income States would be widened . . . the richer States, i. e., most of those that are now making payments in excess of the present Federal matching maximums on individual payments, will receive additional Federal funds to assist them in making such payments. The low-income States, on the other hand, for the most part are unable to make payments that even approach the present Federal matching maximums."

On July 30 the Senate passed H. R. 7037 with an amended title V, which retained the ceilings set forth in the House version but restored the variable-matching provisions. The same day—only 3 days before Congress adjourned—the amended bill was returned to the House, where Representative Doughton asked unanimous consent to have the bill taken up and a conference with the Senate agreed to. An objection by Representative Knutson, ranking minority member of the Ways and Means Committee,

made a resolution to send the bill to conference necessary. On August 1 such a resolution was introduced and agreed to unanimously, and conferees were appointed. Within a few hours, the conferees agreed on a compromise title V, and on August 2 the conference report was adopted by both Houses without a roll-call vote.

In its final version, title V makes three changes in the public assistance provisions of the Social Security Act for the 15 months from October 1946 through December 1947:⁶

(1) It increases the maximum individual payment for Federal matching purposes from \$40 to \$45 a month for old-age assistance and aid to the blind and, for aid to dependent children, from \$18 for one child in the family and \$12 for each additional child aided to \$24 and \$15, respectively.

(2) It increases the Federal share of assistance payments under a formula which permits the Federal Government, subject to the maximums on individual payments stated in paragraph (1), to pay two-thirds of the first \$15 of the average State monthly assistance payment for the aged and the blind, and of the first \$9 of such average payment for dependent children, plus one-half of the remainder of such average payments. Formerly the Federal Government paid one-half of all individual assistance payments within the maximums of \$40 for the aged and the blind and of \$18 for the first child aided and \$12 for each additional child.

(3) It provides that Federal funds for administering old-age assistance will equal half the cost of operating the program—the provision in effect for aid to dependent children and aid to the blind. In the past, Federal funds for administrative expenses of old-age assistance were provided as a percentage addition (5 percent) to the grant for assistance payments. This additional amount could be used for administration and/or assistance. For most States this change will mean more Federal money for administration.

⁶ See pages 25-30 for a discussion of the effect of these changes on Federal costs, average payments, and recipients under various assumptions concerning State-local expenditures.

Social Security Taxes

Title I of H. R. 6911 proposed to increase to 1½ percent the rates for both employer and employee contributions under the Federal Insurance Contributions Act for 5 years beginning January 1, 1947; for 1952 and thereafter the rates would be 3 percent each. It would also have repealed the amendment to the Social Security Act contained in the Revenue Act of 1943 which authorized Congress to appropriate from the general fund of the U. S. Treasury to the old-age and survivors insurance trust fund the amounts needed to finance the payment of old-age and survivors insurance benefits.

In explaining the proposed increase to 1½ percent, the Committee report (H. Rept. 2447) alluded to the previous yearly tax freezes and said that it would be "for the best interests of all concerned if the rate could be fixed at this time for a reasonable period." The report of the technical staff had shown, the report continued, that while unanticipated high levels of wartime employment had caused the trust fund to exceed estimates made in 1939, it had also increased substantially the prospective benefits which must be paid from the fund. It seemed, therefore, "that orderly and sound financing of the old-age and survivors insurance system makes appropriate an immediate increase in the present contribution rates. The period of 5 years has been determined upon as one which will settle the present annual question of rates for some time to come, and at the same time permit further experience before fixing the rates for subsequent years."

The minority disagreed, and the substitute bill, H. R. 7037, in the form in which it was introduced, would have continued the present 1-percent rates for employer and employee contributions for another year—to January 1, 1948, when the rates would rise automatically to 2½ percent under existing statute. Like H. R. 6911, it would have repealed the authorization for appropriations from the general fund to the old-age survivors insurance trust fund.

The Senate Finance Committee (S. Rept. 1862) agreed with the House provision that the present rates should be continued for a year "pending decision as to various proposed basic

changes in the program." It pointed out, however, that the provision authorizing appropriations to the Federal old-age and survivors insurance trust fund had been added in 1943 in "recognition of the fact that freezing of the tax at the 1-percent rate, if long continued, will result in a reserve which will ultimately be insufficient to meet the liability for benefits, and that contributions from general revenues, therefore, may eventually be necessary to make up this deficiency. To repeal this provision . . . while continuing to freeze the tax, might be taken to imply an unwillingness of Congress to underwrite the solvency of the system."

The Committee therefore omitted the provision repealing the earlier amendment as "being inconsistent with the continued freezing of the tax."

On July 30 the Senate approved this title as it came from the Committee, without substantial amendment, and the House conferees agreed to the Senate version. As reported by the conference and passed by both Houses, title I simply freezes the contribution rates under the Federal Insurance Contributions Act for 1947.

Survivor Benefits for Dependents of World War II Veterans

Title II, which extends the protection of survivors insurance to the survivors of World War II veterans who die within 3 years after receiving their military discharge, remained substantially unchanged from H. R. 6911 to the final version of H. R. 7037.

Service in the armed forces has always been considered Government employment and has consequently been excluded from coverage under the Social Security Act. The effect of military service requirements arising out of the war, therefore, has been to keep millions of men and women from receiving wage credits that they ordinarily would have earned in covered employment.

Military service could affect a worker's social insurance rights adversely in any of three situations: (1) The worker had insured status when he entered military service and retained it on his discharge. His period of service operated, however, to decrease his average monthly wage and, therefore, the amount of benefits ultimately

payable on his account. (2) The worker had fully or currently insured status when he entered the armed forces, but his time in military service caused his insured status to lapse. (3) The individual did not have insured status, because he had not worked long enough in covered employment to acquire status, or had previously worked in noncovered employment, or had never been employed. His services in the armed forces prevented him from acquiring insured status through work in covered employment. In either of these two latter situations, also, military service would tend to reduce the amount of any benefits ultimately payable to the worker and his dependents or survivors.

On September 14, 1940, President Roosevelt asked Congress to protect the insurance rights of civilians drawn into military service, and legislation to accomplish this end was passed by the Senate as a rider to a bill which later became the Second Revenue Act of 1940. The provision was deleted in conference, however, because it was felt that there was need for further study of the problem, although it was generally agreed that protective legislation should be speedily enacted.

In April 1942 an amendment to the Railroad Retirement Act extended credit for military service toward retirement benefits under that act to all persons serving in the armed forces during any war period or time of national emergency. In the next 2 years, 14 bills were introduced to provide servicemen with old-age and survivors insurance protection, and during 1945-46 some 20 other measures were introduced in the 79th Congress. These bills made varying approaches to the problem of servicemen's rights under old-age and survivors insurance. One approach is exemplified in S. 878, introduced by Senator Wagner on April 17, 1945, which would have provided wage credits of \$160 to each serviceman as remuneration for employment for each month of active service after September 7, 1939. If benefits were payable for an individual under both this section and veterans' regulations, adjustment would be made in accordance with joint regulations to be issued by the Veterans Administration and the Social Security Board (now the Social Se-

curity Administration). A companion bill, H. R. 2912, was introduced in the House by Representative Lynch.

On May 1, 1946, Senator Butler introduced S. 2137, which also proposed to grant servicemen wage credits of \$160 for each month of military service but made no provision for adjusting concurrent benefits under old-age and survivors insurance and veterans' legislation.

A third approach was made in S. 2204, introduced by Senator George on May 15, which had been prepared by the Federal Security Agency and the Veterans Administration. It proposed to guarantee minimum survivors insurance benefits during the critical 3-year period following discharge from the armed forces. S. 2204 was referred to the Finance Committee, which held hearings on May 22 and 23 on that and related bills and on June 10 reported the bill to the Senate (S. Rept. 1438).

In reporting on S. 2204 the Committee referred to the many bills relating to lapse of servicemen's benefit rights and declared its belief that "the wisest course is to enact a measure which will supplement, but will not duplicate, the protection afforded by the pension laws." Since protection is now lacking when the serviceman dies within a relatively short period after separation from military service in such circumstances that veterans' pensions are not payable, "the bill seeks to close this gap" by providing "social security protection, beginning when the protection of the pension laws terminates and ending when the veteran has had a reasonable opportunity to acquire or reacquire insured status by employment covered by old-age and survivors insurance."

S. 2204 passed the Senate on June 14 without a recorded vote. Four days later it was introduced in the House, where it was referred to the Committee on Ways and Means and, as title II, became part of H. R. 6911 and H. R. 7037.

Under title II any World War II veteran with the qualifying eligibility requirements—which are approximately those specified in the GI Bill of Rights—and who dies or has died within 3 years of his separation from the service, shall be deemed to have

died a "fully insured" individual, to have an average monthly wage of not less than \$160, and to have been paid wages of \$200 in each calendar year in which he had 30 days or more of active service after September 16, 1940. Benefits are made retroactive if the ex-serviceman died within 3 years after discharge but before the law was enacted. The costs of the benefits payable under this title will be met by appropriations to the old-age and survivors insurance trust fund of "such sums as may be necessary."

The fact that the serviceman is deemed to have died a fully insured individual means that his survivors will be eligible for any of the various types of survivor benefits under the Federal system. The credit of the average monthly wage to his account ensures at least a given level of benefits, and the provision deeming him to have been paid wages of at least \$200 in each year with 30 days' military service increases the basic primary insurance benefit amount on which benefits to survivors are computed by 1 percent for each such year, as in civilian covered employment.

These provisions afford a "satisfactory temporary solution," the Chairman of the Ways and Means Committee declared in a speech on the floor of the House, but they do not afford a permanent solution to the problem of crediting military service for the purposes of old-age and survivors insurance. He promised that the question would receive further study.

Unemployment Insurance for Maritime Workers

Protection of seamen was recommended in 1935 by the Committee on Economic Security, which proposed a "separate nationally administered system of unemployment compensation for railroad employees and maritime workers," and the economic security bill as originally introduced in the House would have levied a tax on maritime employers. The Social Security Act excluded maritime employment from the taxing provisions, however, and most State laws had similar exclusions, based on the assumption that seamen were under exclusive Federal jurisdiction and that

the States had no authority to cover them. Although private maritime employment was brought under the provisions of the old-age and survivors insurance program in 1939 and employment by or through the War Shipping Administration in 1943, no action was taken to provide unemployment insurance protection to this group.

In May 1943 the United States Supreme Court held that employers otherwise subject to a State unemployment insurance law were not excluded from coverage, by the Constitution or laws of the United States, by reason of being maritime employers. This decision cleared up the constitutionality of coverage of maritime workers in private employment under State laws. During the war, however, the very large majority of all workers in deep-sea shipping were employees of the War Shipping Administration and hence of the Federal Government. As such they could not be covered under State laws.

After the Supreme Court ruling, several States acted to remove the exclusions in their laws for some or all maritime workers in private employment. By the middle of 1946, some 34 States either had no exclusion of maritime service or provided for automatic extension when the Federal Unemployment Tax Act is extended.

Various bills have been introduced since 1938 which would have created a Federal maritime unemployment insurance system, but the first bill to propose coverage of all maritime employment under State unemployment insurance laws was introduced by Representative Lynch in the House on March 9, 1945, and referred to the Ways and Means Committee. This bill, H. R. 2564, proposed to amend the Internal Revenue Code to permit States to cover all private maritime services by extension of the Federal Unemployment Tax Act. It would not apply to maritime workers employed by carriers as agents of the War Shipping Administration, who were considered Federal employees. No hearings were held on H. R. 2564.

In February 1945, Representative Herter had introduced H. R. 2180. This bill was of a temporary nature, substantially like the GI Bill of Rights for veterans. It proposed that members of the merchant marine dur-

ing the war receive readjustment allowances following their release from the merchant marine. The allowances were to be financed by the Federal Government. This bill was referred to the Merchant Marine and Fisheries Committee.

A different approach was proposed in H. R. 3736, introduced, on request, by Representative Doughton on July 9, 1945, and referred to the Ways and Means Committee, and in S. 1274, introduced by Senator Kilgore on July 17. Among other things these bills included provision for federally financed benefits to all seamen for an emergency period ending June 30, 1947, to be paid through State agencies. The Doughton bill provided that seamen would receive benefits according to the provisions of State laws, while the Kilgore bill and its companion bill H. R. 3891, introduced by Representative Forand on June 2, stipulated that seamen would have the same rights to unemployment benefits as were provided under the District of Columbia unemployment insurance law. Under both bills, provisions were included for increasing the maximum amount and duration of benefits provided under State laws. Hearings were held on both these bills. On September 20, the Senate passed S. 1274, with amendments, and referred it to the House Ways and Means Committee, which on September 24 postponed further consideration of both bills.

On June 11, 1946, Mr. Lynch introduced H. R. 6749, which was referred to the Ways and Means Committee. The bill amended the Federal Unemployment Tax Act, effective July 1, 1946, to cover all maritime employees included under old-age and survivors insurance. Unlike his earlier bill, this proposal also extended coverage under the Federal Unemployment Tax Act to seamen employed by agents of the War Shipping Administration. It permitted each State to cover seamen working for an employer whose operating office was within the State and, effective January 1, 1947, authorized the States also to cover under their laws seamen employed by the War Shipping Administration.

Since benefits under regular State coverage would not be immediately available to this second group, the

bill also proposed to amend the Social Security Act by adding a new title XIII, which would provide for reconversion unemployment benefits to such maritime workers—to be paid for unemployment occurring between the "fifth Sunday after the date of enactment of this title" and June 30, 1948. Title XIII would be administered by the Federal Security Administrator, and the State agencies would act as agents of the Federal Government. Benefits would be payable according to the provisions of State laws, and the Federal Government would repay the States for all benefits paid under this title.

Title III of H. R. 6911 incorporated many of the provisions of H. R. 6749. It amended the Federal Unemployment Tax Act, effective July 1, 1946, to extend coverage to private maritime employment and provided that reconversion unemployment benefits to seamen employed by the War Shipping Administration would be paid to June 30, 1949. H. R. 7037 carried title III intact, and Mr. Lynch, speaking on the floor of the House, pointed out that it has been "unanimously agreed upon" and had "met with the approval of the labor unions, the ship operators, and the State agencies." In the conference committee a provision was inserted which stipulated that no reconversion unemployment benefits would be payable to an individual for unemployment occurring prior to the time when funds were made available for such purpose. This change had the effect of postponing operation of title XIII until funds for benefit costs are made available.

In reporting H. R. 7037, the Committee on Ways and Means left the door open for further legislation on the subject, pointing out that "Congress could have created an unemployment compensation system for maritime workers and exclude from State jurisdiction the workers who were covered by such system. The fact that the Congress has, as a matter of policy, decided not to do so, does not preclude making another choice if the necessity arises at some future time."

Title III has two purposes—permanent coverage of certain types of maritime employment under the

State unemployment insurance systems and temporary protection for seamen who have been employed by agents of the War Shipping Administration and thus are technically Federal employees.

To accomplish the first of these purposes, title III amends the Federal Unemployment Tax Act, as of July 1, 1946, to extend coverage to private maritime employment. The States are authorized to extend their unemployment insurance laws to private operators of American vessels "operating on navigable waters within or within and without the United States," and to require contributions with respect to the employment of seamen on such vessels. Seamen's services for the purposes of wage credits, must be treated like other covered employment performed for the operator in the State.

To achieve its second purpose, title III amends the Social Security Act by adding a new title XIII, which authorizes the Federal Security Administrator to enter into an agreement with any State or with the unemployment insurance agency of a State to provide that the State agency shall make payments as an agent of the United States to workers who have performed Federal maritime service within the designated reconversion period. The costs of such payments will be borne by the Federal Government, but the benefits are to be in the same amounts, on the same terms, and subject to the same conditions as if such employment had been subject to the State unemployment compensation law. The Administrator may make direct payments to the seamen when no agreement has been made between him and a State or when the State unemployment insurance agency fails to make payment in accordance with an agreement; in such cases the amounts, terms, and conditions of the payment will follow the State law.

Though the act specifies that the period during which the reconversion benefits are to accrue shall begin with the fifth Sunday after enactment of the law and end June 30, 1949, Congress did not appropriate funds for this purpose and the act provides that no benefits can be paid for unemployment occurring before the date funds for the purpose are made available.

Technical and Miscellaneous Provisions

Title IV of the Social Security Act Amendments of 1946 includes provisions affecting various programs under the Social Security Act.

Child health and welfare services.—Both the need for and equity of extending to the Virgin Islands the maternal and child health and welfare services provided under title V of the Social Security Act had been established by testimony at the social security hearings before the House Ways and Means Committee. H. R. 6911 and H. R. 7037, as passed by the House, in addition to providing for such extension, authorized increased appropriations in the amounts "necessary or equitable" as a result of such extension. This latter provision was deleted by the Senate, and a substitute was inserted which increased to \$31.5 million the authorization of the total appropriation for grants under the title and for Federal administration. The authorization for Federal grants to all States for maternal and child health services was increased from \$5.8 million to \$15 million a year; for services to crippled children, from \$3.9 to \$10 million a year; for child welfare, from \$1.5 million to \$5 million. Authorization of funds for the Federal administration of these grants for the fiscal year 1947 was set at \$1.5 million. The House bill had contained no provision corresponding to these increases for all the States and no authorization of appropriations for administrative expenses.

When H. R. 7037 went to conference, the House proposed to reduce the total increase proposed in the Senate amendment by about half; and the final agreement authorized an appropriation of \$23 million for Federal grants for these purposes—\$11 million for maternal and child health services, \$7.5 million for services to crippled children, \$3.5 million for child welfare, and \$1 million for administrative expenses—and extended these services to the Virgin Islands.

Use of employee contributions deposited in unemployment trust fund.—The new legislation permits the nine States that have collected contributions from employees under State unemployment insurance laws

to use them to finance disability insurance benefits. Two of the nine States—Rhode Island and California—now have established programs of this type. Rhode Island has been paying cash sickness benefits for more than 3 years, and California has enacted an amendment to its unemployment insurance law under which disability benefits will shortly become payable.

Old-age and survivors insurance.—Other sections of title IV are designed to correct minor flaws, inequities, and anomalies that have come to light in the operation of old-age and survivors insurance. The most important changes are:

1. Liberalization of eligibility requirements for parent's benefits by changing the requirement that a parent must have been "wholly" dependent on the deceased wage earner to "chiefly" dependent, and by permitting a dependent parent to qualify when the wage earner's surviving widow or child is neither immediately nor potentially eligible for monthly benefits. These provisions are effective for claims filed after 1946.

2. Revision of eligibility requirements for child's benefits (a) to permit the child to continue receiving benefits on the parent's wage record if, after the parent's death, he is adopted by a stepparent, grandparent, aunt, or uncle, but (b) to bar the child from benefits on the wage record of his primary beneficiary father if the child was living with and chiefly supported by a stepfather and was not receiving support from his father.

3. Repeal of the requirement that children aged 16 and 17 must attend school as a condition for receiving a child's benefit.

4. Liberalization, for claims filed after 1946, of the definition of "wife" and "child" to include a stepchild, adopted child, or a wife whose relationship to the wage earner had continued for the 36 months immediately before application for supplementary benefits was filed or, in the case of child's survivor benefits, 12 months before the wage earner died.

5. Authorization to compute the monthly benefit as of the time when, all other conditions of eligibility being met, the highest benefit amount

would result, and liberalization of the terms under which benefits are recomputed to include wages received after the first contribution.

6. Liberalization of the definition of "currently insured individual," for claims filed after 1946, to include wages in the quarter in which the wage earner dies.

7. Liberalization of the provision for retroactive payment for as much as 3 months by extending it to include the primary beneficiary, for claims filed after 1946.

8. Revision of the definition of the term "wages" to simplify the Administration's recordkeeping, the employer's reporting, and the payment of refunds of contributions to employees who receive wages of over \$3,000 from more than one employer during a year.

9. Provision for allocating 1937 wages, which were reported semiannually, on a quarterly basis.

10. Elimination, for deaths occurring after 1946, of lump-sum death payments to a spouse who is not living with the worker at the time of his death and to children and parents (unless they have paid the worker's funeral expenses), and elimination, after February 10, 1947, of lump-sum payments under the 1935 provisions with respect to the wage records of

persons who died before 1940.

11. Making the 2-year limitation on filing of claims for lump-sum payments run from August 10, 1946, in the case of insured workers who died outside the United States after December 6, 1941, and before August 10, 1946.

Other proposals.—The Senate Committee on Finance had added, and the Senate passed, two other titles to H. R. 7037, but both were dropped in the conference between House and Senate. Title VI would have authorized and directed the Joint Committee on Internal Revenue Taxation to make a full and complete study and investigation of all aspects of social security and to report the results of its work, with its recommendations, not later than October 1, 1947.

Title VII would have amended the section of the Internal Revenue Code relating to the taxation of annuities purchased by employers for their employees; it also contained a provision exempting the Veterans' Emergency Housing Act of 1946 from the provisions of the Administrative Procedure Act. The first part of title VII was dropped, but the second section became title VI of Public Law 719—Veterans' Emergency Housing Act of 1946.

Future Consideration

Conferees from both Senate and House pointed out that the social security legislation enacted was limited in scope. Senator George, who submitted to the Senate the conference report accompanying the bill as it was finally adopted, declared that the "whole social security system must be overhauled." Senator Connally, also one of the conferees, said that "the whole subject matter should receive thorough study and examination . . . I think that ultimately we shall have to revamp the whole system; but this is at least a beginning of the right kind." On the other side of the Hill, Representative Dingell, a House conferee, said that the job of Congress "is not finished with this report, and the House will understand that in the field of old-age and survivors insurance many interrelated matters must be considered and settled. I hope this will be done early next year."

On August 2 the Senate adopted a resolution proposed by Senators George and Vandenberg, directing the Senate Finance Committee to make the investigation of all phases of social security that had been proposed in the amendment dropped in conference and instructing the Committee to appoint an advisory council to aid it in exploring the subject.

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employment opportunities for workers who were laid off earlier in the reconversion and are still unemployed are not as good as those for newly separated employees. This interpretation of the relatively slow decline in compensable claims is supported by the fact that the decline is partly due to exhaustion of benefit rights by workers who were laid off or displaced by veterans in the earlier phase.

Since the middle of July a downward trend has been evident in the number of ex-servicemen making continued claims for unemployment allowances under the veterans' program.

Week ended	Continued claims*
July 13.....	1, 817, 051
July 20.....	1, 734, 697
July 27.....	1, 720, 270
August 3.....	1, 690, 931
August 10.....	1, 664, 482
August 17.....	1, 678, 769
August 24.....	1, 661, 889
August 31.....	1, 648, 880

In August, however, the average weekly number of veterans claiming readjustment allowances was about one-and-a-half times the number of continued claimants under State unemployment insurance programs. The number of veterans filing continued claims in the week ended August 31 was 9 percent below the peak in the week ended July 13; in the same period the number of workers filing continued claims under State unemployment insurance programs declined by almost 24 percent. This marked difference in the rate of decline indicates that unemployment among veterans differs from industrial unemployment of the usual type. In fact, the veterans' program is supposed to help ex-servicemen through the transition from the military pattern of life to the peacetime pattern, not merely between two spells of employment. It is understandable that

this process of readjustment may take more time than the shift of a regular worker from one job to another.

July in Review

Initial claims for unemployment benefits continued downward in July but at a slower rate, which may reflect a similar slowing down in reconversion or may represent an approach to equilibrium in the labor market. The \$88.4 million paid in benefits represented compensation for 4.9 million weeks of unemployment. Nearly half this amount was paid to women, who made up more than two-fifths of all claimants—a higher proportion than the relative number of women in the labor force as estimated by the Bureau of the Census. Part of this high ratio of women claimants results from the fact that many men

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