

Elective Coverage Under Old-Age, Survivors, and Disability Insurance

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In 1950, for the first time, Congress made coverage under old-age and survivors insurance available on a voluntary basis to certain employee groups for whom regular compulsory coverage appeared impractical. In 1954, to make the protection of the program available to ministers and members of religious orders, a similar approach was necessary although on an individual-election basis. The history of elective coverage under the program is reviewed in the following pages.

THE success of the old-age, survivors, and disability insurance program in doing the job for which it was designed—protecting workers and their families against economic insecurity when income is cut off by the earner's old age, disability, or death—depends in part on the completeness of coverage. This fact has been recognized since 1935, when the Committee on Economic Security made the report that helped lay the foundation for the social security system of this country.¹ The committee proposed that all employed persons be covered by the social insurance program it envisioned. Because of the administrative difficulties that it foresaw, however, the committee recommended that self-employed persons should not be covered on a compulsory basis and that, to protect the otherwise non-covered groups, a system permitting individual purchase of annuities be set up. Congress found that problems of constitutional prohibitions, traditional tax exemptions, and practical considerations were of such magnitude that the original Social Security Act extended compulsory coverage to only 3 out of 5 jobs in the country. At the same time it completely rejected the individual voluntary system.

In the years since the act was passed, continuing thought and effort have been given to the extension of coverage. In 1946 the need to extend

the limited coverage of old-age and survivors insurance was still considered the most pressing of social security issues.² Though great progress has been made toward universal coverage since that time, even now about 7 percent of the Nation's jobs are not covered by the program or any other public retirement system.

Background

The 1948 Senate Advisory Council on Social Security³ pointed out that "to offer voluntary coverage in any area where it can possibly be avoided would be a grave mistake." The Advisory Council opposed voluntary participation for two reasons: (1) Such participation might result in "adverse selection," whereby the workers most likely to participate would be those who "as a group would stand to gain disproportionately large benefits in return for their contributions," and those with least to gain would fail to participate despite the fact that the greatest social good for the community in general would arise from full coverage; and (2) it was likely that many members of the low-wage group, which needs protection most, would be unwilling to pay the contributions required and would, for this reason, fail to elect coverage.

Though recognizing the validity of

² *Issues in Social Security, A Report to the House Committee on Ways and Means by the Committee's Social Security Technical Staff, 1946, page 20.*

³ *Old-Age and Survivors Insurance, A Report to the Senate Committee on Finance from the Advisory Council on Social Security (80th Cong., 2d sess.), 1948, page 8.*

the Council's objections, Congress has found it necessary and desirable to provide some form of elective coverage on a group basis for four groups and on an individual basis for a fifth group. The four groups are State and local government employees, employees of nonprofit organizations, certain employees of foreign subsidiaries of domestic corporations, and employees covered by the retirement systems of the Tennessee Valley Authority and the Federal Home Loan Banks. The fifth group, ministers and certain members of religious orders, can decide individually if they want coverage. In addition, the coverage of farm self-employment has some, rather limited, individual-election aspects.

The coverage that was provided for workers in Puerto Rico was also in a sense voluntary, though it was not at the election of either worker or employer. Instead, Congress left the decision to the Puerto Rican Legislature, which passed the necessary resolution favoring coverage within a few weeks of the congressional action.

Private insurance, of course, deals with the matter of voluntary participation as a regular part of its business. When the insurance contract is with an individual, the premium rate charged is based upon the extent of risk associated with that individual, and some applicants are rejected. The extent of risk involved is determined on the basis of various characteristics, medical and other, of the individual. Since 1911, however, life insurance contracts covering groups of workers have been written without medical examinations. The provisions in the Social Security Act for the elective coverage of groups include much the same type of safeguards against adverse selection as are in private group contracts.

If the groups for whom life insurance group contracts are written are

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¹ Committee on Economic Security, *Report to the President, 1935.*

carefully selected (a minimum of 75 percent of the eligible employees in each group must join), an average mortality experience may be expected, provided that a sufficient number of groups are insured. Employee groups are especially suited to group insurance because the chance composition of the group in itself ordinarily eliminates any possibility of adverse selection. All the employees of a firm may be insured or only a specific category, provided that the coverage is based on conditions related to employment. The old-age and survivors insurance elective coverage provisions have in general embodied these insurance principles.

The 1948 Advisory Council, having weighed the advantages and disadvantages of voluntary coverage, recommended that employees of State and local governments be covered on the basis of voluntary agreements between the Federal Government and the States. The legality of compulsory coverage of these governmental units was doubtful because, under long-standing judicial interpretation of the Constitution, the Federal Government may not tax the States. Coverage on the basis of voluntary agreements was the only solution that presented itself. The Advisory Council endorsed voluntary coverage for this group as being better than no coverage.

State and Local Governments

The 1950 amendments to the Social Security Act permitted, for the first time, old-age and survivors insurance coverage of employees of State and local governments.⁴ The coverage was made available, beginning in 1951, under agreements between the States and the Federal Government and was restricted to employees who were in jobs not covered by a State or local retirement system. At the same time, coverage was made compulsory for employees of certain transit systems taken over by local governments from private ownership after 1936. In 1951, the persons in the jobs that could be covered by old-age and survivors in-

urance made up about one-fifth of all State and local government employees.

As in private insurance, a State can elect coverage for prescribed groups of employees. Under the 1950 amendments, two types of groups could be established: (1) all State employees and all employees of a political subdivision of a State, except those engaged in a proprietary function; and (2) all State employees and all employees of a political subdivision of a State engaged in a single proprietary function. If any employees of a group are to be covered, then all—except those in jobs covered by a retirement system and certain others specified by law—must be included. Some of the employees excluded by law are persons on work relief projects and inmates of institutions performing service therein. Other services—elective or part-time jobs, emergency services, and jobs compensated on a fee basis—may be excluded at the option of the State.

Since the constitutional barrier to compulsory coverage of State and local governments involved the tax exemption of the employer—but not the employee—the 1950 coverage provision required agreements only with the State. If a State agreement does not cover all eligible groups at the outset, it can be modified to cover additional groups. The State can terminate the coverage agreement, after it has been in effect for at least 5 years, by giving 2 years' notice. The Federal Government can terminate the agreement after reasonable notice and opportunity for a hearing if it finds that the State has not lived up to its terms.

An exception to the general provision was enacted in 1953 that affected State and local government employees in Wisconsin. Employees who were members of the State retirement funds could be covered by the Federal program if the State wished and at the same time retain the protection of the State fund.

The 1954 amendments to the Social Security Act made coverage available to most employees covered by State and local retirement systems. The only sizable group remaining ineligible for coverage after the enactment of the 1954 amendments consisted of policemen and firemen in jobs

covered by a State or local retirement system. The 1950 extension of coverage had originally excluded members of retirement systems because they already were protected in part against the risks that the Federal program was designed to cover. Members of these systems had expressed fear that extension of old-age and survivors insurance coverage to them might be accompanied by a reduction in the protection provided them by the States. Congress therefore required that, before coverage could be extended to persons in positions covered by a State or local retirement system, a majority of the members of the system would have to vote in favor of its extension. With some exceptions, persons in positions covered by each retirement system within a State constitute a separate group for coverage purposes and are covered or excluded as a group.⁵

The Social Security Amendments of 1956 further extended the elective coverage provisions for State and local government employment.⁶ For five States that requested it, coverage was made available to policemen and firemen who are protected by a State or local retirement system. In addition, specific exceptions were made, also by request, to the requirement that all members of a State or local retirement system be covered if any are covered. The most important of these exceptions permitted specified States (Florida, Georgia, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, and the Territory of Hawaii) to divide positions under their State or local retirement systems into two groups—one consisting of the positions of members who desire coverage and the other consisting of the positions of members who do not want it. Initial coverage may be extended to only those persons currently members of the retirement system who wish to be covered. Once such coverage is adopted, all new employees who become members of the State or local

⁴George J. Leibowitz, "Old-Age and Survivors Insurance: Coverage Under the 1950 Amendments," *Social Security Bulletin*, December 1950.

⁵James E. Marquis, "Old-Age and Survivors Insurance: Coverage Under the 1954 Amendments," *Social Security Bulletin*, January 1955.

⁶Charles I. Schottland, "Social Security Amendments of 1956: A Summary and Legislative History," *Social Security Bulletin*, September 1956.

retirement system must be covered under old-age, survivors, and disability insurance. No restriction was placed on either the number or proportion of the retirement group that may be covered under this provision.

The growth in the number of State and local government employees covered under old-age, survivors, and disability insurance is shown in table 1. The table indicates that most of those State and local government employees—perhaps 9 out of 10 of these working full time—for whom the 1950 law made coverage available now have the protection of the Federal program.

It is still too early to assess the effectiveness of the 1954 amendments, because of the time involved in the State legal processes for arranging for old-age, survivors, and disability insurance coverage of the employees under their retirement systems. Since a coverage agreement made before the end of 1957 may be made retroactive to the beginning of 1955, it will not be possible to make a proper appraisal of coverage under the 1954 amendments before 1958. Moreover, agreements and modifications may be made even after 1957, but they can be retroactive only to the beginning of the year in which the agreement is made. Any extended delay in formulating agreements would mean that 1958 may be too early for determining the completeness of coverage. A considerable length of time was necessary in effecting elective coverage under the 1950 provisions, and substantial numbers of nonmembers of retirement systems are still being brought under the Federal program; in the third quarter of 1956 about 80,000 were added.

On the basis of agreements made so far, State and local governments appear to be taking advantage of the opportunity for providing coverage to members of their retirement systems. As of January 1957, about one-fourth of the members of retirement systems were covered. Among the 535 coverage referendums so far reported, however, 527 have favored coming under the Federal program. That State and local governments and their employees are interested in the protection afforded by old-age, survivors, and disability insurance is

indicated not only by the referendums but also by the number of States that have urged Federal legislation to make coverage of retirement systems easier to accomplish. At present, of the 2 million State

and local employees covered by the Federal program, almost 1 million are also covered by retirement systems. It is likely that most members of retirement systems will soon have the protection of old-age, survivors, and disability insurance as well. The provisions of the 1956 amendments that apply to specified States were designed to expedite this coverage, but their effect cannot yet be measured.

Table 1.—Old-age, survivors, and disability insurance: Estimated coverage of State and local government employment, continental United States, 1951-56¹

Quarter and year	States with agreements, number reporting	All States		
		All employment, end of quarter ²	Potential coverage, end of quarter ²	Covered employment, end of quarter ³
1951				
Jan.-Mar..	42	3,680	710	415
Apr.-June.	43	3,400	560	460
July-Sept..	43	3,940	850	540
Oct.-Dec..	43	4,140	990	545
1952				
Jan.-Mar..	44	4,120	960	620
Apr.-June.	44	3,830	870	670
July-Sept..	44	4,140	880	695
Oct.-Dec..	44	4,150	860	700
1953				
Jan.-Mar..	44	4,300	1,030	745
Apr.-June.	44	3,670	670	785
July-Sept..	45	4,050	860	810
Oct.-Dec..	45	4,180	990	830
1954				
Jan.-Mar..	47	4,450	1,190	960
Apr.-June.	47	4,200	1,140	960
July-Sept..	47	4,420	1,130	960
Oct.-Dec..	47	4,720	1,350	1,020
1955				
Jan.-Mar..	47	4,690	4,510	⁴ 1,150
Apr.-June.	47	4,340	4,160	⁴ 1,210
July-Sept..	47	4,650	4,450	⁴ 1,220
Oct.-Dec..	47	4,810	4,630	⁴ 1,390
1956				
Jan.-Mar..	47	4,730	4,550	⁴ 1,660
Apr.-June.	47	4,480	4,300	⁴ 1,840
July-Sept..	47	4,840	4,660	⁴ 2,000

¹ Excludes the District of Columbia (which does not come under the statutory definition of a State for purposes of coverage agreements), as well as Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

² Data from the monthly Current Population Survey of the Bureau of the Census in the last month of each quarter. Excludes in June persons on vacation who were not on State and local government payrolls.

These data, which were obtained from household interviews, are on a major-activity basis and differ from the annual Census of Governments data, which are based on reports from the governments and include part-time government employees also employed in other jobs.

³ Covered during the pay period ending nearest the 15th of the last month of the quarter. Because of differences in concepts, some persons not counted in the Bureau of the Census data may be reported to the Bureau of Old-Age and Survivors Insurance as covered. Data through June 1955 are based on reports received by the Bureau of Old-Age and Survivors Insurance and processed up to the end of January 1956.

⁴ Preliminary.

Nonprofit Organizations and Clergymen

The Social Security Act Amendments of 1950 provided coverage on a group-elective basis also for employees of nonprofit organizations operated for religious, charitable, scientific, literary, educational, or humane purposes. This method of making coverage available to employees of such nonprofit organizations was intensively studied by the congressional committees that developed the 1950 amendments. The nonprofit organizations had feared that the compulsory imposition of old-age and survivors insurance taxes on them as employers would endanger their traditional tax-exempt status. Congressional desire to avoid any seeming weakening of this status or any departure from the principle of separation of church and state explains the voluntary basis for the extension of coverage to persons employed by these organizations. Coverage is therefore provided only if the nonprofit organization waives its exemption from taxes for this purpose and files a certificate stating that at least two-thirds of its employees have voted for coverage. All employees signing the certificate, and all employees hired after its effective date, are covered. A nonprofit organization may terminate a coverage agreement—upon giving 2 years' notice—only after the coverage has been in effect for at least 8 years.

Certain employees of nonprofit organizations were not eligible for coverage under the 1950 amendments—persons earning less than \$50 in a calendar quarter, students or student nurses performing services for the institution in which they are enrolled, and certain internes in hospitals. Clergymen and members of religious

orders were also excepted. The 1954 amendments extended coverage on an individual-election basis to ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty.

To obtain coverage, a clergyman must file a certificate waiving his tax exemption (1) not later than the filing date for the 1956 income-tax returns or (2) not later than the filing date for the income-tax return for the second year in which he has net earnings of \$400 or more from self-employment, any part of which was from the performance of religious duties. The election is effective with the year in which it is filed and for all subsequent years; an election filed on or before April 15 is also effective for the preceding year. Individuals who elect to participate in the old-age, survivors, and disability insurance program under this provision are covered and report as self-employed persons. If a clergyman elects coverage, he cannot withdraw after the first tax payment becomes due.

Ministers and certain members of religious orders are the only employment groups to which coverage is available on an individual-election basis; the other groups for which some form of voluntary coverage is available cannot make the election independent of the coverage group to which they belong. In its report on the 1954 amendments to the Social Security Act,⁷ the Senate Committee on Finance stated that, though individual voluntary coverage was generally undesirable, it considered individual election for ministers and members of religious orders necessary to (1) maintain the separation of church and state and (2) to permit ministers "who do not wish to be covered on grounds of conscience" to make this choice.

In the short run, the possibilities for adverse selection are greater in the nonprofit groups than in State and local employment. Unlike the general situation in the government groups, in a nonprofit organization only the members favoring the coverage of the Federal program are brought under it. The exclusion of persons who do not vote for coverage

may mean the exclusion of some of the lower-cost risks in the organizations covered. The provision in the Social Security Amendments of 1956 that permits, in certain States, the exclusion from coverage of members of State and local retirement systems who do not desire coverage may produce similar results, but it affects relatively few persons. Adverse selection may also arise from the coverage provisions that apply to clergymen.

In the long run, however, because of the safeguards that have been provided, none of the coverage provisions in the area of employment for non-

profit organizations or applicable to clergymen is likely to produce any serious adverse selection. First, for a nonprofit organization to come under coverage, at least two-thirds of its employees must be covered. Second, all new employees of these nonprofit organizations must be covered. Third, in the future a clergyman eligible for elective coverage must, generally speaking, elect coverage within 2 years of becoming a member of the clergy; most clergymen will, therefore, have to elect coverage in their younger years. When elective coverage is permitted, coverage throughout the entire working lifetime is necessary if the program is to be protected from adverse selection.

Even in the absence of adverse selection, voluntary coverage is not a satisfactory approach to the problem of providing protection unless substantially complete coverage is obtained. Table 2 shows the growth in the coverage of persons, other than clergymen, employed by nonprofit organizations. It is estimated that 1¼ million—90 percent of those eligible for coverage—have been covered. The proportion covered will ultimately be even larger.

The 1954 coverage of clergymen is estimated to have extended the privilege of election to some 270,000 individuals who may be eligible for coverage. A substantial but unknown number of such individuals do not, however, have sufficient income from ministerial functions to be covered and therefore probably would not make an election. By the end of March 1957, more than 100,000 certificates had been received by the Bureau of Old-Age and Survivors Insurance. Since the initial period in which all clergymen may file extends to April 15, 1957—the filing date of 1956 income-tax returns—a final appraisal of the completeness of coverage of this group cannot be made until later in 1957.

Other Elective Coverage Provisions

Members of other small groups with elective coverage, unlike members of State and local retirement systems, employees of nonprofit organizations, and ministers, were given no voice in deciding whether they should be covered. Those groups are foreign

Table 2.—Old-age, survivors, and disability insurance: Estimated coverage¹ of nonprofit organizations, continental United States,² 1951-56

(In thousands)			
Quarter and year	All employment ³	Potential coverage ³	Covered employment ⁴
1951			
Jan.-Mar.	1,190	820	690
Apr.-June	1,090	720	700
July-Sept.	1,000	630	710
Oct.-Dec.	1,220	840	720
1952			
Jan.-Mar.	1,230	850	750
Apr.-June	1,190	800	790
July-Sept.	1,320	930	820
Oct.-Dec.	1,460	1,060	870
1953			
Jan.-Mar.	1,380	980	870
Apr.-June	1,420	1,020	880
July-Sept.	1,660	1,250	890
Oct.-Dec.	1,540	1,130	900
1954			
Jan.-Mar.	1,450	1,040	910
Apr.-June	1,400	990	910
July-Sept.	1,440	1,030	920
Oct.-Dec.	1,500	1,090	920
1955			
Jan.-Mar.	1,500	1,160	1,120
Apr.-June	1,480	1,150	1,130
July-Sept.	1,470	1,140	1,140
Oct.-Dec.	1,680	1,330	1,150
1956			
Jan.-Mar.	1,770	1,430	1,160
Apr.-June	1,550	1,190	1,170
July-Sept.	1,630	1,290	1,180

¹ Excludes ordained ministers, of whom some 270,000 are eligible for elective coverage as self-employed. About 107,000 election certificates had been received by the Bureau of Old-Age and Survivors Insurance as of Mar. 29, 1957.

² Excludes Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

³ Data from the monthly Current Population Survey of the Bureau of the Census, in the last month of each quarter.

⁴ Covered during the pay period ending nearest the 15th of the last month of the quarter. Because of differences in concepts, some persons not counted in the Bureau of the Census data may be reported to the Bureau of Old-Age and Survivors Insurance as covered.

⁷ Senate Report No. 1987 (83d Cong., 2d sess.), July 27, 1954, page 9.

subsidiaries of American employers and members of the retirement systems of the Tennessee Valley Authority and the Federal Home Loan Banks. In terms of size, these groups are far less significant than those already discussed. Some elements of election also enter into the coverage of farm operators.

Employment with foreign subsidiaries of American employers.—One of the groups for which regular coverage was not found feasible consisted of possibly 30,000 American citizens employed abroad by foreign subsidiaries of American corporations. In law, these firms do not come under the jurisdiction of the United States but under that of some foreign government. As subsidiaries of domestic corporations, however, they employ American citizens, often for long periods. Before the 1954 amendments, these citizens—because of gaps in their coverage resulting from this employment—experienced a loss in protection under old-age and survivors insurance. The 1954 law made coverage available to these employees, if the American corporation held more than 50 percent of the voting stock in the employing foreign subsidiary and entered into a voluntary coverage agreement with the Secretary of the Treasury. The same provision applied to subsidiaries of the foreign subsidiary if 50 percent or more of the voting stock was held by the foreign subsidiary. Currently, under the 1956 amendments, coverage is made available if the American corporation holds 20 percent or more of the voting stock. Since there was no reason to require employee concurrence in the coverage agreement, all American citizens employed by each subsidiary included in an agreement must be covered.

Estimates made at the close of 1956 indicate that about 3,000 persons—approximately one-tenth of the total number eligible—have been covered under this provision. The number covered in the group represents a smaller proportion of those eligible for coverage than that for any other elective coverage group. Estimates of the size of the potentially covered groups are rough, however, and the low proportion indicated as covered may result from the fact that poten-

Table 3.—Old-age, survivors, and disability insurance: Amount of farm self-employment earnings reportable¹

Net earnings	Amount reportable if gross earnings are—						
	Less than \$400	\$400-599		\$600-1,799		\$1,800 or more	
		Actual-earnings basis	Presumed-earnings basis	Actual-earnings basis	Presumed-earnings basis	Actual-earnings basis	Presumed-earnings basis
Less than \$400.....	None.....	None.....	None.....	None.....	$\frac{2}{3}$ of gross.	None.....	\$1,200.
\$400-1,199.....	None.....	None.....	None.....	Net total.	$\frac{2}{3}$ of gross.	Net total.	\$1,200.
\$1,200 or more.....	None.....	None.....	None.....	Net total.	$\frac{2}{3}$ of gross.	Net total.	Net total.

¹ Within the specified limits, an individual has the choice of reporting either his actual earnings or his presumed earnings.

tial coverage may be substantially overestimated.

Employees of TVA and Federal Home Loan Banks.—The Social Security Amendments of 1956 introduced a new element into voluntary old-age, survivors, and disability insurance coverage. Though the 1950 amendments had made coverage compulsory for employees of the Board of Governors of the Federal Reserve System—which has its own Federal retirement system—the 1956 legislation was the first that made coverage available, on the election of the employing instrumentality, to employees already covered by a Federal retirement system. It extends coverage under old-age, survivors, and disability insurance to employees who are under the Tennessee Valley Authority retirement system and for employees of the 11 district Federal Home Loan Banks (all of whom are covered under a staff retirement system). Coverage in each instance was made contingent upon the approval by the Secretary of Health, Education, and Welfare of a plan for coordinating, on an equitable basis, the benefits of the agency retirement system with old-age, survivors, and disability insurance benefits. The two Federal instrumentalities are considered as separate groups for coverage purposes.

Coverage under this provision involves two elements of election. First, each agency decides if it desires to provide a plan for coordination. Second, with the approval of the plan, it can elect to make old-age, survivors, and disability insurance coverage effective with the beginning of any calendar quarter between January 1, 1956, and July 1, 1957.

Congress required no change in the retirement systems of the agencies. The systems are not statutory but were established by the agencies involved. These agencies are somewhat independent in character and, as part of their operations, make their own decisions about their retirement systems. From agency earnings the Tennessee Valley Authority pays part of the employer contributions to their retirement systems, and the banks pay the entire amount. Coordination plans have been submitted by both agencies to the Secretary of Health, Education, and Welfare. The plan of the Tennessee Valley Authority, which was approved December 28, 1956, was effective as of January 1, 1956.

Farm self-employment.—In extending coverage to farm operators in 1954, Congress paid considerable attention to the practical problems involved. These problems are associated in part with the fact that low-income farm operators could not realistically be burdened with any great amount of bookkeeping in connection with reporting covered earnings. In addition, farm income is subject to great fluctuation. In some years the farmer's net income may be negligible or he may operate at a loss, so that ordinary coverage procedures may not be successfully applied to many of those who most need the program's benefits. As a congressional study had argued in 1946, if normal coverage were applied there would, because of the income variation typical of farming, be years when substantial numbers normally covered would obtain no social security credits. Accordingly, if protection of this group was to be assured, some modi-

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Table 8.—Amount of vendor payments for medical care for recipients of public assistance, by program and State, February 1957¹

State	Old-age assistance	Aid to dependent children	Aid to the blind	Aid to the permanently and totally disabled	General assistance *
Total.....	\$13,343,006	\$2,292,720	\$366,090	\$2,344,804	* \$5,803,000
Alabama.....	1,391	1,165		511	
Alaska.....				(⁴)	21,636
California.....	266,403		22,204	(⁴)	89,736
Colorado.....			374		(⁴)
Connecticut.....	256,016	112,224	6,270	88,040	(⁴)
District of Columbia.....	747	286		694	160
Florida.....	34,482	11,065	1,273	2,430	(⁴)
Hawaii.....	7,845	22,234	190	5,060	(⁴)
Illinois.....	2,206,519	308,903	56,035	320,030	495,291
Indiana.....	492,198	76,796	21,988	(⁴)	197,004
Iowa.....				(⁴)	229,997
Kansas.....	250,104	48,571	4,308	39,343	42,276
Louisiana.....	110	4,048	450	1,345	1,782
Maine.....	46,796	13,563	1,515	5,148	78,106
Massachusetts.....	2,476,444	161,333	8,109	516,016	123,150
Michigan.....	194,115		2,944	33,267	129,265
Minnesota.....	1,451,451	112,774	38,093	13,196	275,998
Montana.....					168,016
Nebraska.....					192,211
Nevada.....	7,835			(⁴)	71,400
New Hampshire.....	85,862	12,852	2,750	9,493	(⁴)
New Jersey.....	19,954	19,954	15		136,045
New Mexico.....	49,925	36,477	2,038	9,695	5,481
New York.....	2,376,938	748,176	87,710	922,055	(⁴)
North Carolina.....	33,028	16,045		14,184	212,410
North Dakota.....	167,440	21,960	679	24,578	21,638
Ohio.....	576,367	9,704	20,666		918,275
Oregon.....	222,465	25,464	3,453	65,661	80,238
Pennsylvania.....	212,596	158,238	51,876	71,285	93,726
Rhode Island.....	76,467	43,176	1,086	19,435	37,007
South Carolina.....					16,193
South Dakota.....					117,214
Utah.....	1,005	1,201	2	600	379
Virgin Islands *.....	174	64	7	26	82
Virginia.....					9,478
Washington.....	1,152,765	159,598	13,916	128,935	173,472
West Virginia.....	38,716	31,970	2,060	14,534	28,203
Wisconsin.....	656,894	184,888	16,073	61,545	169,263
Wyoming.....					45,911

¹ For the special types of public assistance figures in italics represent payments made without Federal participation. States not shown made no vendor payments during the month or did not report such payments.

² In all States except California, Florida, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, Oregon, Pennsylvania, Utah, the Virgin Islands, Washington, and Wisconsin includes payments made on behalf of recipients of the special types of public assistance.

³ Includes an estimated amount for States making vendor payments for medical care from general assistance funds and from special medical funds and reporting these data semiannually but not on a monthly basis.

⁴ No program for aid to the permanently and totally disabled.

⁵ Data not available.

* Represents data for January. Data for February not available.

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fication of old-age, survivors, and disability insurance appeared necessary.

Primarily to avoid complexities of bookkeeping that might have made coverage unfeasible, and perhaps secondarily to provide some assurance that the persons covered would not lose protection as a result of income fluctuations, the 1954 coverage provisions allowed farm operators certain options on reporting. The 1956 amendments liberalized and extended these options. The options are carefully circumscribed to limit their use

to the special low-income class for whom they were intended. Briefly, a farm operator with a gross income of \$600-\$1,800 may report either his net earnings or, as his presumed net earnings, two-thirds of his gross income (table 3). He is not covered unless earnings of \$400 or more are reported. If a farmer's gross income exceeds \$1,800 and his net earnings are less than \$1,200, he may report presumed net earnings of \$1,200, or his actual net earnings. If his gross income exceeds \$1,800 and if his net earnings exceed \$1,200, his actual net earnings must be reported.

Thus, under the provision for farm operator coverage, the low-income

farmer may determine each year which of two amounts he wishes to report. In some instances the decision affects his coverage for the year, but in others it affects only the amount of earnings he reports. Because the farmer's opportunity to make such determination will continue indefinitely, the effects of adverse selection may be more likely to persist in farm self-employment coverage than in any other of the wholly voluntary coverage provisions. On the other hand, since both the number of persons involved and the size of the reports are limited, there should not be any significant effect on program costs.

Table 9.—Average payments including vendor payments for medical care, average amount of money payments, and average amount of vendor payments for assistance cases, by program and State, February 1957¹

State	Old-age assistance			Aid to dependent children (per family)			Aid to the blind			Aid to the permanently and totally disabled		
	All assistance ²	Money payments to recipients ³	Vendor payments for medical care ²	All assistance ²	Money payments to recipients ³	Vendor payments for medical care ²	All assistance ²	Money payments to recipients ³	Vendor payments for medical care ²	All assistance ²	Money payments to recipients ³	Vendor payments for medical care ²
Total, 53 States ⁴	\$58.00	\$53.02	\$5.32	\$95.73	\$92.21	\$3.64	\$63.28	\$60.09	\$3.41	\$58.76	\$50.78	\$8.57
Alabama.....	39.67	39.65	.01	36.04	35.98	.06	91.31	90.01	1.67	32.26	32.24	.02
California.....	74.45	73.74	1.01	114.60	114.47	.13	66.68	65.54	1.14	(⁵)	(⁵)	(⁵)
Colorado.....	90.02	74.02	16.00	140.50	119.50	21.00	99.80	80.80	19.00	126.61	86.61	40.00
Connecticut.....	56.36	56.10	.25	114.60	114.47	.13	66.68	65.54	1.14	66.21	65.92	.29
District of Columbia.....	48.88	48.38	.50	58.71	58.21	.50	53.00	52.50	.50	52.44	51.94	.50
Florida.....	49.89	44.94	4.94	113.69	106.02	7.67	60.01	57.95	2.07	60.79	55.82	3.97
Hawaii.....	66.63	43.41	25.10	143.87	131.82	12.11	69.27	53.76	16.46	78.91	50.07	29.96
Illinois.....	53.65	39.72	14.81	96.80	88.47	8.47	65.52	53.96	12.19	(⁵)	(⁵)	(⁵)
Indiana.....	70.90	63.69	7.63	120.82	111.55	9.91	78.02	70.98	7.04	75.09	66.02	9.60
Kansas.....	63.15	63.15	(⁵)	77.57	77.38	.19	74.13	73.93	.20	47.27	47.17	.09
Louisiana.....	51.87	47.93	4.00	90.39	87.39	3.00	56.72	53.72	3.00	61.06	55.12	6.00
Maine.....	86.73	58.86	28.56	140.81	129.00	12.91	106.47	102.49	4.19	112.58	64.90	51.67
Massachusetts.....	62.51	61.50	2.79	132.51	119.05	13.68	70.53	70.05	1.66	82.30	80.97	11.91
Michigan.....	74.54	46.31	28.97	132.51	119.05	13.68	87.35	55.91	32.34	58.20	51.12	8.66
Minnesota.....	66.13	64.37	3.07	138.35	124.51	13.83	68.81	57.81	11.00	(⁵)	(⁵)	(⁵)
Mississippi.....	65.24	50.02	15.24	136.85	134.02	2.83	76.05	76.28	.02	86.69	56.90	30.04
Montana.....	52.65	47.32	5.34	93.43	87.71	5.72	56.38	51.12	5.25	54.59	49.18	5.41
New Hampshire.....	88.38	66.89	25.50	144.43	132.72	13.24	93.47	76.55	20.26	90.86	70.52	23.55
New Jersey.....	34.91	34.27	.64	67.82	67.04	.78	69.82	64.43	5.96	39.61	38.61	1.00
New Mexico.....	84.13	64.70	21.00	137.95	125.99	13.00	62.35	56.06	5.59	88.25	66.57	24.17
New York.....	64.05	58.04	6.01	95.23	94.70	.53	62.57	59.60	2.98	59.71	54.20	5.51
North Carolina.....	74.56	62.58	11.91	139.27	132.36	6.90	85.52	74.90	10.62	89.81	74.50	15.61
North Dakota.....	50.65	46.52	4.13	116.24	111.01	5.23	62.57	59.60	2.98	59.71	54.20	5.51
Ohio.....	68.46	59.82	10.04	118.71	106.71	12.00	74.68	69.09	7.49	78.45	69.24	11.61
Oregon.....	61.05	60.94	.11	114.49	114.07	.42	67.93	67.92	.01	67.92	67.64	.27
Pennsylvania.....	18.35	18.14	.26	33.96	33.98	.26	(⁵)	(⁵)	(⁵)	19.41	19.16	.25
Rhode Island.....	87.01	66.57	20.66	130.66	113.95	16.84	101.46	83.87	17.59	103.09	79.17	24.15
Utah.....	35.29	33.58	1.70	91.16	89.40	1.76	39.91	38.15	1.76	38.96	37.23	1.73
Vermont.....	69.93	53.88	16.89	153.80	136.70	17.16	76.25	61.32	14.99	108.70	67.35	41.57
Virginia.....												
Washington.....												
West Virginia.....												
Wisconsin.....												

¹ Averages for general assistance not computed because of difference among States in policy or practice regarding use of general assistance funds to pay medical bills for recipients of the special types of public assistance. Figures in italics represent payments made without Federal participation. States not shown made no vendor payments during the month or did not report such payments.
² Averages based on cases receiving money payments, vendor payments for medical care, or both.
³ Averages based on number of cases receiving payments. See tables 10-13

for average money payments for States not making vendor payments.
⁴ For aid to the permanently and totally disabled represents data for the 46 States with programs in operation.
⁵ No program for aid to the permanently and totally disabled.
⁶ Less than 1 cent.
⁷ Represents data for January. Data for February not available.
⁸ Average payment not computed on base of less than 50 recipients.

It will be a number of years, however, before data will be available that can be used to appraise the experience under this provision. Under current reporting and processing procedures, data on the alternative earnings that could have been reported under the two options open to farmers will never become available. Therefore, the effects of adverse selection may never be measured. On an *a priori* basis, however, a farmer, given the permission to decide each year which of two amounts he should report, can be expected to report the

amount that will be more advantageous for him.

Conclusion

The greatest part of the group to which voluntary coverage was made available under the 1950 amendments has come under the old-age, survivors, and disability insurance program. The completeness of coverage under the 1954 and 1956 amendments cannot yet be appraised with finality. Because for most persons the program is, and may be expected to remain, the best available means for basic economic security against the

risks of old age, disability, and death, it is likely that when a group is permitted to vote on coverage it will in most instances choose the program's protection.

Any future extensions of old-age, survivors, and disability insurance should be on a compulsory basis wherever possible. Experience under the present elective-coverage provisions indicates, however, that the exceptions to compulsory coverage suggested by the 1948 Senate Advisory Council and extensions of voluntary coverage subsequently adopted appear preferable to no coverage.