benefits and the 7–11 nonwork months would hold down their total earnings considerably.

Technical Note*

All data, except those presented in table 2, were derived on a 100-percent basis from the Social Security Administration's master beneficiary record. Sampling variability calculations for the data in table 2 (derived from the 1971 Continuous Work History Sample) are shown in table I.

TABLE I.—Approximations of standard errors of estimated percentages

Base of percentages (in thousands)	Percent: 2 or 98	5 or 95	10 or 90	20 or 80	35 or 65	50
	All workers					
25,000	(1)	(1)	0 10	0 10	0 10	0 10
50,000	(1)	(1)	(1)	10	10	.10
75,000	(1)	(1)	(1)	10	10	10
	Workers aged 65 and over					
750	0 20	0 30	0 40	0 50	0 60	0 60
1,000	10	.20	30	40	50	50
2,500	10	.10	20	30	30	30

[1] Less than 0 1 percent

Since the estimates (in percentages) are based on sample data, they are subject to sampling variability, which can be measured by the standard error. The chances are about 68 out of 100 that the differences due to sampling variability between a sample estimate and the figure that would have been obtained from a compilation of all records is less than the standard error. The chances are 95 out of 100 that the difference is less than twice the standard error and about 99 out of 100 that it is less than 2½ times the standard error. Table I (expressed in percentage points) shows the standard error for percentages of persons with a particular characteristic. Linear interpolation may be used for estimated percentages and base figures not shown here.

* The contributions of Robert H. Finch and Beatrice K. Matsui, Division of OASDI Statistics, to the sampling variability calculations are acknowledged For details on the sample design see *Earnings Distributions in the United States, 1968*, Office of Research and Statistics, 1973, pages 316–18.

Notes and Brief Reports

Quadrennial Advisory Council on Social Security: Summary of Major Findings and Recommendations*

Section 706 of the Social Security Act requires appointment every 4 years of an Advisory Council on Social Security. Early in 1974, the Secretary of Health, Education, and Welfare announced the appointment of the most recent Council.[1] *The 13 appointees were required to review the status of the four social security trust funds in relation to the long-term commitments of the social security programs, the scope of coverage, the adequacy of benefits, and other aspects of the program, including its impact on public assistance programs under the Social Security Act.*

In March 1975, the Council submitted reports of its findings and recommendations to the Secretary, as required by law. He, in turn, sent the reports to the Speaker of the House of Representatives and the President of the Senate. President Ford, commenting on the Advisory Council reports, said, ". . . I concur strongly in the Council's unanimous endorsement of the basic principles of the social security system." The President took issue, however, with the Council's specific recommendation to change the source of Medicare financing.

The "Summary of Major Findings and Recommendations" section from the Council's submittal follows verbatim.

* *Reports of the Quadrennial Advisory Council on Social Security*, House Document No 94–75, U.S. Government Printing Office, 1975 (Transmitted to the Congress, March 7, 1975).

[1] See "Advisory Council on Social Security Appointed," *Social Security Bulletin*, July 1974.

A. CASH BENEFITS

1. Purpose and Principles

The earnings-related old-age, survivors, and disability insurance (OASDI) program should remain the Nation's primary means of providing economic security in the event of retirement, death, or disability. It should be supplemented by effective private pensions, individual insurance, savings, and other investments; and it should be undergirded by effective means-tested programs. Future changes in OASDI should conform to the fundamental principles of the program: universal compulsory coverage, earnings-related benefits paid without a test of need, and contributions toward the cost of the program from covered workers and employers.

2. Benefit Structure—Replacement Rates

The provisions of present law for computing average monthly earnings, on which benefits are based, and for adjusting the benefit table in the law to changes in prices may result over the long range in unintended, unpredictable, and undesirable variations in the level of benefits. The benefit structure should be revised to maintain the levels of benefits in relation to preretirement earnings levels that now prevail. Benefits for workers coming on the rolls in the future should be computed on the basis of a revised benefit formula using past earnings indexed to take account of changes during their working lives in the average earnings of all covered workers. As under present law, benefits for people on the rolls should continue to be increased as price levels increase.

3. Retirement Test

The provisions of the present retirement test should be modified so that beneficiaries who work can retain more of their benefits. Instead of reducing benefits by one dollar for every two dollars of earnings above the exempt amount of earnings, as under present law, one dollar of benefits should be withheld for every three dollars of earnings between the exempt amount and twice the exempt amount, and one dollar for two dollars above that level. Also, the provision under which a full benefit may be paid for any month in which a beneficiary earns less than one-twelfth of the annual exempt amount should be eliminated, except for the first year of entitlement to benefits. The test should be based on annual earnings.

4. Treatment of Men and Women

The requirements for entitlement to dependents' and survivors' benefits that apply to women should apply equally to men; that is, benefits should be provided for fathers and divorced men as they are for mothers and divorced women and benefits for husbands and widowers should be provided without a support test as are benefits for wives and widows. At the same time, the law should be changed, effective prospectively, so that pensions based on a person's work in employment not covered by social security will be subtracted from his social security dependents' benefits. Other provisions of the social security program which are the same for men and women but which are criticized because they appear to have different average effects on men and women (or different average effects on the married and the unmarried) should not be changed.

5. Other Recommendations

Universal compulsory coverage.—Although social security covers over 90 percent of workers, the gaps that remain often result in unwarranted duplication of benefits. Social security coverage should be applicable to all gainful employment. Ways should be developed to extend coverage immediately to those kinds of employment, especially public employment, for which coordinated coverage under social security and existing staff-retirement systems would assure that total benefits are reasonably related to a worker's lifetime earnings and contributions.

Minimum benefit.—Partly because of the gaps in social security coverage, the minimum benefit is frequently a "windfall" to those, such as Federal retirees, who are already receiving a pension based on earning in employment not covered by social security. Almost all workers who have worked in social security employment with some regularity become entitled to higher than minimum social security benefits. The minimum benefit in present law should be frozen at its level at the time the new benefit structure recommended under number 2 above goes into effect and the new system should not pay benefits exceeding 100 percent of the indexed earnings on which the benefit is based.

Definition of disability.—The definition of disability should be revised to provide disability benefits for workers aged 55 or over who cannot qualify for benefits under present law but who are so disabled that they can no longer perform jobs for which they have considerable regular experience. These benefits should be 80 percent of the benefits for those disabled workers who qualify under the present law.

Miscellaneous.—Further study is needed on three matters; the effects of the social security program on different racial and ethnic groups, ways of simplifying the social security program and its administration, and the frequency of cost-of-living adjustments in benefits. In addition, a general study of social security should be made by a full-time non-Government body, covering such matters as funding vs. pay-as-you-go, possible effects of social security on capital formation, productivity, the proper size of the trust funds, the incidence of payroll taxes, and other basic questions.

B. FINANCING

1. Actuarial Status

The cash benefits program needs a comparatively small amount of additional financing immediately in order to maintain the trust funds levels. Beginning about 30 years from now, in 2005, the program faces serious deficits. Steps should be taken soon to assure the financial integrity and long-range financial soundness of the program.

2. Tax Rates

Employee-employer.—No increase should be made, beyond those already scheduled in present law, in the total tax rates for employees and employers for cash benefits and hospital insurance. However, the OASDI tax rate should be gradually increased, as OASDI costs increase, and the increases should be met by reallocating taxes now scheduled in the law for part A (hospital insurance) of the Medicare program. Income lost to the hospital insurance program by this reallocation should be made up from the general funds of the Treasury. Hospital insurance benefits are not related to earnings, so should be phased out of support from the payroll tax.

Self-employed.—The present 7-percent limitation on the tax rate for the self-employed should be removed. The self-employment OASDI tax rate should be the same multiple of the employee contribution rate as was fixed at the time the self-employed were first covered—150 percent.

3. Retirement Age

The Council recognizes that under current demographic projections there will be a sharp rise in the number of people who will have reached retirement age relative to the working age population in the first several decades of the next century. Although the Council is not recommending an increase in the age of eligibility for social security retirement benefits, the Council does believe that such a change might merit consideration in the next century, when the financial burden of social security taxes on people still working may become excessive.