

[COMMITTEE PRINT]

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COMMITTEE ON FINANCE, UNITED STATES SENATE

WALTER F. GEORGE, Chairman

(Printed for the use of the Committee on Finance)

H. R. 6000—To Extend and Improve the Federal Old-Age and Survivors Insurance System, To Amend the Public Assistance and Child-Welfare Assistance and Child-Welfare Provisions of the Social Security Act, and for Other Purposes

SUMMARY OF PRINCIPAL COMMITTEE DECISIONS

OLD-AGE AND SURVIVORS INSURANCE

I. COVERAGE

Under the House-approved bill, coverage would be extended on a compulsory basis to approximately 7 million persons not now covered by the old-age and survivors insurance system, and voluntary coverage would be available for about 4 million State and local government employees through Federal-State agreements. The committee's action would extend coverage on a compulsory basis to more than 8 million persons, but voluntary coverage would be available only for the 1½ million State and local government employees who are not under a retirement system. The specific actions on coverage are as follows:

A. Self-employed

1. *Nonfarm self-employed.*—Committee agreed to cover if self-employment yields annual net income of at least \$400, except for physicians, lawyers, dentists, osteopaths, chiropractors, optometrists, Christian Science practitioners, naturopaths, professional engineers, veterinarians, and architects.

Thus the committee has concurred in the provisions of the House-approved bill as to nonfarm self-employed except that (a) coverage would be extended to publishers, and (b) naturopaths, architects, and all professional engineers would be excluded from coverage.

2. *Farmers.*—Committee has concurred in provisions of the House-approved bill so that farmers would be excluded from coverage.

B. Agricultural workers

Committee agreed to cover borderline agricultural labor as in the House-approved bill except as to services in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways not owned or operated for profit, used exclusively for supplying water for farming purposes. In addition, committee covered regularly

employed agricultural workers on farms (defined as employed by a single employer for at least 60 days in a calendar quarter period with cash wages of at least \$50 for services in the quarter), including share croppers as employees.

C. Domestic workers

Committee agreed to cover if not in a farm home (if in a farm home, would be covered as agricultural worker—see above) and if employed by a single employer for at least 24 days in a calendar quarter period with cash wages of at least \$50 for services in the quarter. (The House-approved bill would cover if employment by one employer is for at least 26 days and wages total at least \$25.)

D. Employees of nonprofit organizations

Committee reconsidered its previous action whereby all employees of religious denominations and organizations owned and controlled by a religious denomination would be excluded on a mandatory basis. Under the committee's final action these employees would continue to be excluded but the religious denomination would be afforded an opportunity to obtain coverage for its employees on a voluntary basis if it so desired. Ministers and members of religious orders would continue to be excluded on a mandatory basis. Other nonprofit employment would be covered on a compulsory basis both as to employers and employees. Under the House-approved bill all nonprofit employment would be covered on a compulsory basis as to employees but on a voluntary basis as to employers (if the employer would not pay the tax, the employees would receive only half-wage credits).

E. Employees of State and local governments

Committee agreed to cover only if State enters into an agreement with the Federal Government but excluded on a mandatory basis all public employees under a retirement system. (The House-approved bill would cover employees under a retirement system if they elected by two-thirds vote in a written referendum and would extend coverage on a compulsory basis to certain employees of publicly owned transportation systems.)

F. Employees outside of the United States

Committee agreed to cover United States citizens employed by an American employer as in the House-approved bill.

G. Employment in Puerto Rico and Virgin Islands

Committee agreed to cover employment in the Virgin Islands and also in Puerto Rico if requested by the Puerto Rican Legislature, as in the House-approved bill.

H. Tips and gratuities

Committee agreed to exclude as in present law. (The House-approved bill would include tips and gratuities in the amount reported in writing to the employer by the employee.)

I. Definition of employee

Committee agreed to retain definition in existing law except that full-time life-insurance salesmen and agent-drivers are designated as employees. In general, persons who would be covered as employees by the definition in the House-approved bill would be covered under the committee's action as self-employed individuals.

J. Federal civilian employees not under an existing retirement system

Committee concurred in provisions of the House-approved bill except that (a) certain policy-making committee members (who would generally be employed for only short periods) would be excluded and (b) employees serving under temporary appointment pending final determination of eligibility for permanent or indefinite appointment would be covered.

K. Effective date

Committee agreed that effective date for coverage changes would be January 1, 1951.

II. BENEFIT AMOUNTS

A. Current beneficiaries

About 2.9 million persons currently receiving old-age and survivors insurance benefits would have their monthly benefits increased on the average by about 90 percent. Increases would range from about 60 percent for highest benefit groups to over 100 percent for low-benefit groups. The average primary benefit of approximately \$26 per month for a retired insured worker at present would be increased to about \$49.

Present primary insurance benefit	New primary insurance amount	
	House-approved bill	Committee action
\$10.....	\$25	\$20
\$15.....	31	31
\$20.....	36	37
\$25.....	44	48
\$30.....	51	56
\$35.....	55	62
\$40.....	60	68
\$45.....	64	72

(Under the House-approved bill, benefits for existing beneficiaries would have been increased by only 70 percent as compared with the 90 percent under the committee's action.)

B. Future beneficiaries

An alternative formula is provided for persons retiring in the future which would be applicable to those who have at least six-quarters of coverage after 1950. The resulting benefits would be approximately double the average benefits payable under existing law provisions.

1. The committee's formula is 50 percent of the first \$100 of average monthly wage, plus 15 percent of the next \$150 (based on the maximum wage and tax base of \$3,000 per year). For example, for an average monthly wage of \$200, the primary benefit would be \$65 (50 percent of the first \$100 of average wage, plus 15 percent of the next \$100 of average wage, or \$50 plus \$15.)

The House-approved bill would provide 50 percent of the first \$100 of the average monthly wage, plus 10 percent of the next \$200, plus a one-half percent increase for each year of coverage. The amount of benefits would be reduced, however, for those not constantly in covered employment because of the so-called continuation factor in the House-approved bill. Under the committee's action individual benefit amounts payable in the next decade on the whole would be

110 percent higher than under existing law, whereas the House-approved bill would result in benefits about 100 percent higher. As to total benefit disbursements under the system, the committee's action would result in total payments of about 2 billion dollars in the first year of operation as against 1½ billion dollars under the House-approved bill.

2. The minimum primary benefit under existing law of \$10 per month would be increased to \$25, as under the House-approved bill, except that for those with very low wages (averaging under \$34 per month) the minimum would be \$20.

3. As under the House-approved bill, the maximum family benefit under existing law of \$85 per month would be increased to \$150, but not more than 80 percent of the average monthly wage of the insured person.

C. Computation of average wage

The average wage of an insured worker would be computed the same as under present law, except that if a bigger benefit would result, the individual's average would be computed over the period following 1950 rather than from 1936 on. In order to have such a "new start" average wage, the individual would have to acquire six quarters of coverage after 1950. The House-approved bill would introduce a new average wage concept basing the average only on years of coverage, but with a continuation factor in the benefit formula to reduce benefits for periods of noncoverage. Under the committee's action by basing the average monthly wage on the elapsed period after 1936 or 1950, benefits would be reduced for the time an individual was out of covered employment, but in a much less drastic fashion than under the continuation factor in the House-approved bill.

III. ELIGIBILITY FOR BENEFITS

In order to qualify for old-age and survivors insurance benefits under present law, an individual must have either (a) quarters of coverage (by the committee's action, defined just as in existing law; namely, calendar quarters with \$50 or more of wages) in one-half of the number of quarters elapsing since 1936 and before age 65 or death, or (b) 40 quarters of coverage. Under the committee's action future eligibility requirements are greatly liberalized by requiring quarters of coverage for only one-half of the number of quarters since 1950 (with a minimum of six quarters of coverage required), but such quarters of coverage may include those earned before 1951. Accordingly, any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time. Persons aged 61 would need 8 quarters of coverage; those aged 60, 10 quarters; those aged 59, 12 quarters; those aged 58, 14 quarters; etc., with the maximum requirement for fully insured status never exceeding the 40-quarter provision in existing law.

Not only would this liberalization enable many persons already aged to draw retirement benefits immediately if they have coverage in the past, but also would enable the newly covered groups to qualify much more quickly. As a result, about 500,000 additional persons

would be paid benefits in the first year of operation, thus reducing the need for public-assistance expenditures by the States. The House-approved bill would liberalize eligibility conditions only slightly since the only change in present law was to provide a new alternative requiring at least 20 quarters of coverage in the 10 years prior to age 65. Furthermore, that bill would make it more difficult to obtain a quarter of coverage since the present requirement of \$50 for a quarter of coverage is raised to \$100.

IV. BENEFIT CATEGORY

The committee concurred in provisions of the House-approved bill with the following exceptions:

A. Dependents of women workers

Under the committee's action, benefits are payable on a more liberal basis in respect to deaths of insured married women and also in respect to dependent husbands of deceased or retired women workers. Thus, if a woman is currently insured at the time of her death (has 6 quarters of coverage out of the 13-quarter period ending with the quarter of death) her children will be eligible for monthly survivor benefits even though the father of the children is present in the household. Under existing law and the House-approved bill such children would be ineligible for benefits.

B. Wives of retired workers

Under the committee's action these benefits would be payable only as in existing law where the wife must be age 65, whereas in addition under the House-approved bill wives under 65 could draw benefits in the relatively few cases in which they had children in their care.

C. Dependent parents

The benefit amount is retained at 50 percent of the primary benefit as in present law rather than being increased to 75 percent as in the House-approved bill.

D. Lump-sum death payments

The provision of present law is retained so that the payment is made only when no survivor is immediately eligible for monthly benefits. Under the House-approved bill the payment would be made at the death of every insured worker.

E. Permanent and total disability insurance

Under the committee's action no benefits would be provided for this category just as in existing law, whereas under the House-approved bill such benefits would be provided.

V. LIMITATION ON EARNINGS OF BENEFICIARIES

The committee concurred in provisions of H. R. 6000 so that the amount the beneficiary may earn in covered employment without loss of benefits would be increased from \$14.99 to \$50 per month. After age 75 benefits are payable regardless of amount of earning from employment.

VI. VETERANS

The committee concurred in provisions of H. R. 6000 granting World War II veterans wage credits under the old-age and survivors insurance program of \$160 per month for the time spent in military or naval service between September 16, 1940, and July 24, 1947, except that under the committee's action such wage credits would not be provided if the period of service in the armed forces is credited for civil service, military, railroad, or any other Federal retirement system. Further, the committee's action differs from the House-approved bill in that the additional cost of the benefits arising from these wage credits would be borne by the trust fund rather than from the General Treasury.

VII. EFFECTIVE DATE

Committee agreed that all changes in benefit provisions should be effective for the second month following the month of enactment.

VIII. FINANCING OF OLD-AGE AND SURVIVORS INSURANCE

A. Taxable wage base.

The total annual earnings on which benefits would be computed and contributions paid is retained at the present \$3,000 in contrast with the increase to \$3,600 under the House-approved bill.

B. Contributions schedule

Under the committee's action employers and employees will continue to share equally with the rate on each being as follows:

Calendar years—	Rate (percent)
1950-55.....	1½
1956-59.....	2
1960-64.....	2½
1965-69.....	3
1970 and after.....	3½

The self-employed who are covered would pay 1½ times the above rates.

(Under the House-approved bill the same schedule would apply except that the increase in rates to 2 percent would be effective in 1951 instead of 1956.)

PUBLIC ASSISTANCE

The committee's action on the old-age and survivors insurance provisions of the House-approved bill will result in reducing the need for public assistance expenditures. The "new start" in eligibility requirements for old-age and survivors insurance will provide benefits to an additional 500,000 aged individuals in 1951. These individuals would be ineligible for benefits under the House-approved bill requirements. Moreover, all old-age and survivors insurance beneficiaries will be eligible for substantially higher benefits than under existing law, so that the need for supplementary public assistance payments will be decreased in all States. The committee is of the opinion that the cost to the Federal Government for public assistance—now running at 1.1 billion dollars a year—should not be increased further by modifying the existing matching formulas and establishing a new

State-Federal program as would be provided by the House-approved bill.

Accordingly, the committee has not concurred in the provisions of the House bill which would—

1. Increase the Federal share of public assistance expenditures by providing a higher percentage of Federal funds under formulas weighted in favor of those States making low assistance payments and by including the caretaker in aid to dependent children families as a recipient for Federal matching purposes;
2. Establish a program for aid to the permanently and totally disabled; and
3. Extend the State-Federal public assistance programs to Puerto Rico and the Virgin Islands.

The other major decisions of the committee relating to public assistance are as follows:

I. OLD-AGE ASSISTANCE

State supplementary old-age assistance payments would be shared in by the Federal Government only on a 50-50 basis in those cases when a retired worker becomes a primary old-age and survivors insurance beneficiary after the effective date of the bill. Thus, the maximum Federal share in these cases would be \$25. Under existing law the Federal Government provides three-fourths of the first \$20 and one-half of the balance of an assistance payment within \$50 maximums or \$30 if State provides \$20 in all instances.

II. AID TO DEPENDENT CHILDREN

In order to assist the States to improve this program the maximum payments in which the Federal Government would share are increased from \$27 to \$30 per month for the first child and from \$18 to \$20 for each additional child in a family. Thus the maximum Federal funds are increased from \$16.50 to \$18 for the first child and from \$12 to \$13 for each additional child.

III. AID TO THE BLIND

Beginning July 1951 all States administering federally approved aid to the blind programs would be required to disregard earned income, up to \$50 per month, of claimants of aid to the blind in determining eligibility for and the amount of aid. Prior to July 1951 the exemption of earnings is discretionary with each State. Thus the State legislatures will be afforded an opportunity to make any necessary changes in their aid to the blind laws to conform to the new Federal requirement.

Under the House-approved bill the exemption of earnings for aid to the blind claimants was not mandatory on the States.

IV. DIRECT PAYMENT FOR MEDICAL CARE

The committee concurred in the provisions of the House-approved bill under which States would be authorized to make direct payments to doctors or others furnishing medical care, except to add technical amendments, to make it clear that the States would be authorized to

make direct payments to anyone providing recipients with remedial care as authorized under State laws.

Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to recipients.

V. MEDICAL INSTITUTIONS

The committee concurred in the provisions of the House-approved bill under which the Federal Government would share in the costs incurred by the States in furnishing assistance to the needy aged and blind recipients in public medical institutions. Existing law limits Federal participation to recipients residing in private institutions.

SERVICE PROGRAMS FOR CHILDREN

The House-approved bill would increase Federal grants to States for child-welfare services in rural areas or other areas of special need from 3½ million dollars per year to 7 million dollars. The House-approved bill would not alter the Federal grants for the other two service programs provided for in title V of the Social Security Act; i. e. maternal and child health, and crippled children services.

I. CHILD WELFARE SERVICES

To assist the States to strengthen and improve the Federal-State cooperative programs for services to neglected children and children in danger of becoming delinquent, the committee agreed to increase the authorization for child welfare services from the 7 million dollars per year authorized in the House-approved bill to 12 million dollars.

II. MATERNAL AND CHILD HEALTH SERVICES

To assist the States to extend and improve their programs to promote better health for mothers and children, the committee agreed to increase the authorization for Federal grants from the 11 million dollars per year in existing law to 20 million dollars.

III. SERVICES FOR CRIPPLED CHILDREN

To assist the States to reduce the number of crippled children now awaiting medical, surgical, or other necessary service, the committee agreed to increase the authorization for Federal grants from the 7½ million dollars per year in existing law to 15 million dollars.

COSTS OF CHANGES IN PUBLIC ASSISTANCE AND SERVICE PROGRAMS TO CHILDREN

It is estimated that under the House-approved bill the additional cost to the Federal Government for public assistance and child welfare service would be 275 million dollars annually. Under the committee's action this additional cost would be reduced to 45 million dollars of which 25 million dollars would be for the service programs for children and practically all of the balance for assistance payments to dependent children.