

SUMMARY OF REPORT ON SECURITY, WORK AND RELIEF  
POLICIES (NATIONAL RESOURCES PLANNING BOARD)

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The report covers a wide range of social security problems. Past experience is surveyed and the broad outlines for future expansion of the program are drawn. Attention is focussed on social and administrative problems and much detailed material is presented. Contrary to the Beveridge Report, no specific quantitative proposals are made. A brief summary of the Report follows:

The Broad Objectives of Social Security

The post-war need for social security will be large and persistent. If democracy is to survive, we must "assure minimum security for all our people wherever they may reside, and maintain the social stability and values threatened when people lack jobs or income". Our country is sufficiently wealthy to meet this requirement. We should act now, since it is easier to maintain income and employment at a high level, than to raise it from a depression low. Moreover, assurance of social security will make an invaluable contribution to national morale in war time. Public aid programs need to be developed along these lines:

1. The basic problem is that of maintaining a high level of national income and employment. Those who cannot find employment in private enterprise must be assured public employment. If a high level of income and employment is maintained, the financing of adequate social insurance and assistance programs becomes possible.
2. Even though reasonably full employment may be maintained, people will always experience periods of temporary loss of earnings due to unemployment, disability, old age, etc. Adequate provision must be made through various insurance programs to meet these hazards.
3. Not all needs for relief can be met through specific programs based on the insurance principle. Some will be too poor to derive adequate benefits from the program and some needs will arise which are not covered by specific provisions. Social insurance thus needs the underpinning of a general public assistance (direct relief) system. In addition, essential public services, like medical care and child welfare services, should be extended and made available to the lowest income groups.

The financing of public aid (this term includes insurance, public assistance, and public works), in each of these areas, should be coordinated with and become an active part of fiscal policy. To do so, the financing of public aid and the control of public aid expenditures must be largely the responsibility of the Federal Government. State and local governments should participate as widely as possible in the administration of public aid, but strict central supervision will be necessary.

Assurance of Full Employment

All those willing to work but unable to find private employment should be given employment on public works. Working conditions, standards of performance and wages paid should be the same as in private enterprise. Eligibility

for employment on public works should be restricted to those who normally depend on full time employment and who do not receive other types of assistance. No need tests should be required. Public works employment should be obtainable only through registration at Federal employment offices.

In addition, special training-employment should be made available to youths above compulsory school age. Educational grants should be given. The N.Y.C. and C.C.C. should be combined into one organization.

A public works program, though more expensive than direct relief, is socially much superior. Large public works will be necessary and should be administered by a flexible but permanent Federal Works Agency. This Agency would engage in long range planning of public works in consultation with state and local governments. The main responsibility, both with regard to financing and supervision, must be with the Federal Government. The projects chosen should be socially useful. More attention should be paid to service and other non-construction projects. Emphasis is placed on maintaining the customary skills and work habits of the industrial labor force and if enough jobs appropriate for this purpose cannot be found within the accepted sphere of governmental activity, public works should not be barred from areas in which private enterprise is active. Financing of public works should be an integral part of fiscal policy. Annual deficits of \$3-4 billion should not frighten us after the current experience.

### Social Insurance

The more successful the effort to maintain a high and stable level of income and employment, the easier it will be to provide adequate social insurance. The advantages of the insurance type of public aid are emphasized but its limits are not stated clearly. The Report does not address itself directly to the central difficulty of giving adequate coverage under a private or public contributory system to those whose income is too low or too unstable to purchase adequate benefits. But by implication two solutions are suggested. Firstly, a social security program in the form of public assistance needs to be provided for those who cannot qualify under the insurance scheme. The larger that group, the greater the load upon public assistance. Secondly, the social insurance system itself may be adjusted to meet the problem. Here the Report considers the present degree of emphasis on individual contributions as excessive and favors a Federal contribution out of general funds. This implies that social insurance should, to some extent, serve as a channel of income redistribution. But there is no explicit discussion of this principle. A further departure from the contributory principle is suggested on the basis of fiscal policy considerations. The Report maintains that consumption and other low income taxes, like the present social security taxes, should be avoided.

a) Unemployment insurance should be extended. Coverage should be broadened and the duration of benefits (now on the average 16 weeks) be lengthened to 26 weeks. Benefit payments (now on the average about one-half of ordinary earnings) should be raised to permit the vast majority of covered workers to maintain themselves for 26 weeks without reliance on other kind of aid. Only those should be admitted to the unemployment insurance whose income is sufficiently high and stable to assure them a sufficient benefit from membership. This seems to imply the continued exclusion from the system of agricultural

workers and domestic servants. Experience rating should be discontinued.<sup>1/</sup> Unemployment insurance should be placed under fully Federal administration; (at present the states have almost complete independence in administration and setting benefit standards). There should be one unemployment insurance fund only, part of which should be drawn from general tax sources. (Reserve funds are now earmarked by states; virtually all receipts are payroll taxes on employers.)

b) Old age insurance coverage should be extended as rapidly as it can be shown that groups to be covered will receive adequate benefits from the system. (Again, this seems to imply the continued exclusion of important groups not now covered.) But study should be given to the feasibility of revising the benefit formulas and the minimum earnings eligibility requirement so as to make benefits more adequate and available to more people in the lower paid income groups. A general contribution of the Federal Government should be required by law. (Receipts now come wholly from payroll taxes levied in equal amounts on employers and employees.)

c) Disability insurance to cover loss of income due to permanent or temporary disability to work should be introduced promptly. Absence of insurance covering this hazard constitutes the main gap in the present insurance system.

### Public Assistance

In addition to work and social insurance programs a public assistance program is needed. It should be financed by Federal grants to states and state grants to local governments, available according to need and fiscal capacity. In each state a single agency should administer public assistance and be responsible to the Social Security Board for compliance with standards of public assistance laid down by Federal law. (The Federal Government has never, except briefly in 1932 and 1933, assumed financial responsibility for direct relief. Under the various Federal relief programs of the Thirties, it was a Federal objective to give employment to all "employables", leaving the care of "unemployables" to the states and cities. This objective was not realized and there were always many "employables" on local relief rolls receiving widely varying payments.)

Special public assistance programs (for the aged, blind, etc.) should be extended. The present equal-matching Federal grants should be replaced by grants adjusted according to the economic needs and fiscal capacities of the states.

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<sup>1/</sup> Experience rating is the practice followed by some States of reducing the unemployment compensation taxes of employers who have a record of better than average employment stability. The chief argument in its favor is that it provides an incentive to stabilize employment. The chief arguments against it (the existing practice, not the theory) are that stability of employment is often due to the inherent nature of an industry rather than to the efforts of employers and that (again, in practice) it sometimes operates to reduce the benefits of employees in unstable industries.

Public services, in particular medical and child welfare services, should be made available throughout the country, especially in underprivileged areas. The Federal Government should assume leadership in this direction.