Social Security - post-war

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PUBLIC AFFAIRS PAMPHLETS

JOBS AND SECURITY FOR TOMORROW

BY MAXWELL S. STEWART

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What kind of public work should we have after the war?

What changes are needed in our social-security laws?

How do our social-security provisions compare with the Beveridge Plan?

PUBLIC AFFAIRS PAMPHLETS
No. 84 1943

JOBS AND SECURITY FOR TOMORROW

By MAXWELL S. STEWART

IN the midst of a war people are naturally anxious about the future. They know that the end of the war is bound to bring about drastic changes. Eleven or twelve million young soldiers, sailors, and marines will be returning home seeking jobs and normal peacetime lives. At the same time more than twenty million war workers will be looking for civilian jobs. Great industries will have to be converted from war to peace production. These readjustments were not easy after the last war. Mil-

This pamphlet is a summary of *Security, Work, and Relief Policies,* a report of the Committee on Long-Range Work and Relief Policies to the National Resources Planning Board, together with the recommendations for the revision of the Social Security Act proposed in the 7th Annual Report of the Social Security Board, and certain excerpts from *National Resources Development Report for 1943* by the National Resources Planning Board.

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lions were jobless in the winters of 1920–21, 1921–22, and ten years later the country suffered a major depression with ten to fifteen million unemployed.

All of us—Jim Hardy who flew with the Flying Tigers in China, Meyer Cohen who fought with the Marines on Guadalcanal, Joe Bojkiechowsky of the Navy, Mary Donnelly who works in a local war plant, and millions of other Americans, white, black, and yellow, who have willingly sacrificed to win the war—are deeply concerned lest this happen again. We want to be sure that there will be something better than a breadline for the men and women who served so faithfully on the home and fighting fronts in this war.

No one can say with certainty today that there will be a job waiting for everyone when the Big Job is completed. But the government has given us a program designed to preserve economic stability and banish the need for breadlines and soup kitchens such as we had after the last war. Most of this program is contained in a public document that was released by the President in March, 1943 for the study of Congress and the people of the United States. This document, officially entitled *Security, Work, and Relief Policies,* is usually referred to as the American Beveridge Plan but is actually broader and more complete than the British plan* in some respects. It represents the fruit of more than two years' exploration of the whole field of social security by a committee of experts assembled for that task by the National Resources Planning Board, and it contains a plan for the reorganization of the American social-security system.

The postwar goals for the United States have been set forth by the Planning Board in a New Bill of American Rights. The nine essential rights of every American citizen are shown on the opposite page.

Some of these rights are political in nature and are covered by our federal and state law. But a number—including the right to work, to fair pay, food, clothing, shelter, medical care, and security—are economic in character and fall into the general field

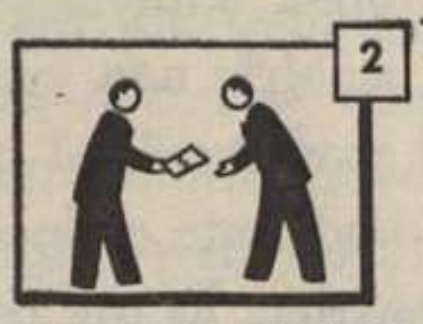
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*For details regarding the British proposals, see *The Beveridge Plan,* by Maxwell S. Stewart. Public Affairs Pamphlet No. 79, 1943.

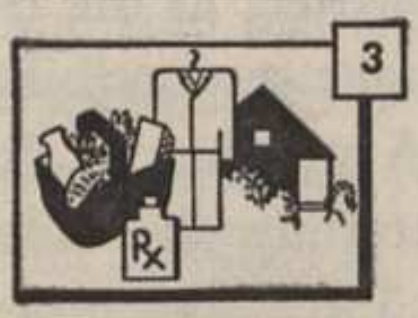
A NEW AMERICAN
BILL OF RIGHTS



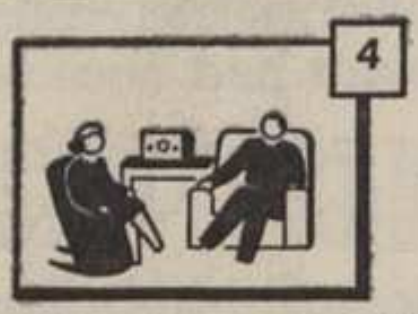
The right to work, usefully, and creatively through the productive years;



The right to fair pay, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift, and other socially valuable service;



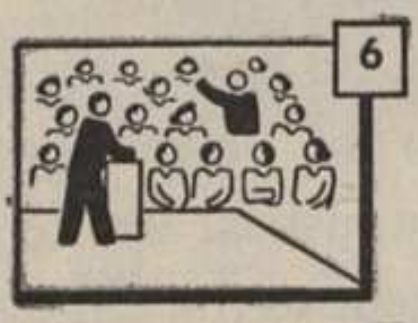
The right to adequate food, clothing, shelter, and medical care;



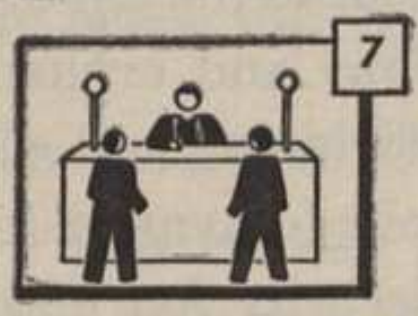
The right to security, with freedom from fear of old age, want, dependency, sickness, unemployment, and accident;



The right to live in a system of free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority, and unregulated monopolies;



The right to come and go, to speak or to be silent, free from the spyings of secret political police;



The right to equality before the law, with equal access to justice in fact;



The right to education, for work, for citizenship, and for personal growth and happiness; and



The right to rest, recreation, and adventure; the opportunity to enjoy life and take part in an advancing civilization.

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of what we call social security. It is these that the National Resources Planning Board is primarily concerned with in this report.

Present Provisions for Social Security

The idea that the government should protect individuals against socially-caused misfortune is, of course, a fairly new one. Before 1930 about the only protection we had was provided by workmen's compensation laws, private charity, and state or local relief. The local arrangements broke down, however, in the depression, and the federal government began to take responsibility for public aid in partnership with the states. A number of different steps were taken. Some of these were carefully dovetailed with one another in the Social Security Act of 1935, and others were unrelated. By 1940 five separate federal plans had been set up to meet the needs of the unemployed. They were the Work Projects Administration, the Civil Conservation Corps, the National Youth Administration, the state unemployment-insurance systems, and the national railroad unemployment-insurance system. The first three sought to provide work or training along with a cash income, while the insurance schemes provided only income but did so as a right to everyone who could qualify.

In addition, there are three separate plans for aid to the aged: a federal-state program of old-age assistance to the needy aged, federal old-age insurance for commercial and industrial workers, and a railroad retirement program. An amendment to the old-age insurance law in 1939 gives protection to widows and orphans in the event of the death of an insured breadwinner, and the insurance plan for railroad workers provides limited payment for disability as well. Other sections of the Social Security Act make possible financial aid through the states to families in need of funds to care for orphan or dependent children, and assistance to the needy blind.

General Relief

Persons in need of help who do not fall into any of these groups must still look to their state or local governments for what is known as general relief or public assistance. A person's chances

of getting relief and the amount granted depend largely on where he lives. In Mississippi, for example, the average monthly relief grant per case at the time the report was prepared was only $3.08, while in New York it was $36.05. Over and above this relief, the federal government has provided certain services which have been of considerable help to relief families. Surplus farm commodities have been distributed to relief families in bulk and under a stamp plan, while the Children's Bureau has provided some free medical care, with special provision for mothers and crippled children. Some of the fine, new houses built with United States Housing Authority funds have been made available to relief families at a very low rental although at least half of all relief families live in the "worst" kind of houses.

IS AID AVAILABLE TO THOSE WHO NEED IT?

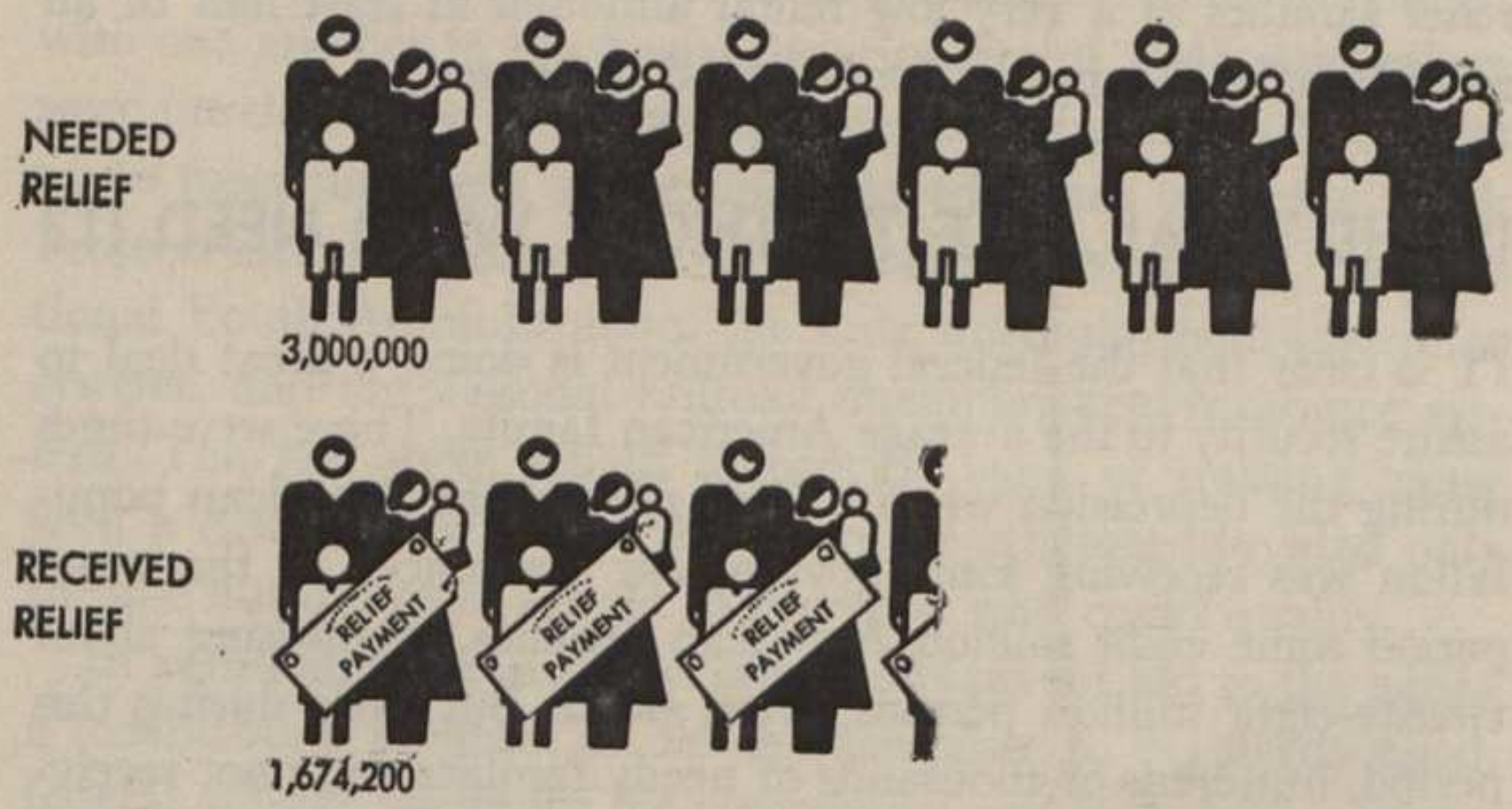
IT is clear that the federal government is doing a great deal to assure security to the average American family. There were times during the depression when a large part of the American population was receiving some government assistance. At the worst period some eight million American families, comprising about twenty-eight million persons, were aided. But even during this period, hundreds of thousands of needy families were not receiving aid, and the assistance given to other tens of thousands was far below their real need.

The Extent of Unmet Need

It is evident that a great many families and individuals in need have not and are not being helped by our existing social-security measures. But it is not easy to say how far we are falling short of the mark. The National Resources Planning Board estimated that in 1935–36 about 5,800,000 city families were not receiving enough income to provide even an "emergency" level of living. Of this group approximately 2,800,000 received relief of some kind during the year, and 3,000,000 received no assistance whatsoever. In January, 1940 the Social Security Board estimated that if all states had the same standards as the best

four or five states more than 3,000,000 families and single persons would be receiving relief instead of the 1,674,000 who were being helped at that time. In general, the greatest amount of unmet need was found to exist in the Southern states, among Negroes and among persons who move from one state to another or even move about within a state.

AVAILABILITY OF GENERAL RELIEF (JANUARY 1940)



Each symbol represents 500,000 families and single persons

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Eligibility

One reason for this inadequacy lay in the strict terms of eligibility. The states differ in the length of residence that they require before providing public assistance. Aliens were barred from the W.P.A., the N.Y.A., and the C.C.C., and, in some states, from general relief. In most states men and women have to be 65 to get old-age assistance, but in a few the limit is 60. Youths under 18 were excluded from the benefits of the N.Y.A. Only employable persons were eligible for the W.P.A. or C.C.C., and

only persons who earn more than a specified amount in certain kinds of jobs are eligible for old-age or unemployment insurance.

Eligibility is not, however, the whole story. There are many persons who were eligible and in need, but who did not receive aid for one reason or another. Not all of the government provisions listed above were in operation everywhere. Frequently, money has been lacking to give the assistance for which provision has been made by law. From time to time persons supported by one or another of the security programs have been denied aid because money was temporarily lacking.

General Relief Spotty

Supposedly, general relief exists to fill such gaps in the wider social-security program. But general relief has been extremely spotty. There are still some sections of the country in which there is no provision for local general relief. And where relief grants are adequate, many needy persons may be barred by unduly strict eligibility requirements. This is particularly true of aliens, farmers, and persons without a legal residence. Residence requirements are particularly tricky. A person has to live three years in Chicago, for example, to qualify for relief, and persons who move around within a radius of forty miles from nearby Wisconsin or Indiana in search of work may find that they have lost their right to relief. Some states have special provision for care of transients, but there is a strong tendency to care for the "home folks" first.

Special Demobilization Needs

There is also need for special provision for the men demobilized from the Army and Navy after the war. We must not be content this time, as the Resources Board points out, to give each man $60 in cash and a ticket home. Steps will have to be taken to protect the rights of service men under our social-insurance system—particularly with respect to unemployment insurance—not only those who were previously protected but also the millions of service men who have never qualified for protection under the Social Security Act.

HOW GOOD A LIVING IS PROVIDED BY PUBLIC AID?

WHO of us have not heard stories from time to time about families who were "living in luxury on relief"? Admittedly, the needy who get public assistance are much better off than many who do not. But the level of living of the families on relief—far from being luxurious—has been found to be startlingly low. A survey by the National Resources Planning Board of fifty-nine cities of 25,000 or more population revealed that in none of the cities was the relief grant sufficient to maintain a family on an "emergency" level of living. Nor was this all. In thirteen cities the grants were more than 50 per cent below the amount needed. And in two cities the relief allowance was less than *one-fifth* of the "emergency" level. In five cities the total relief grant plus the food distributed under the food stamp plan was less than the amount required for food alone in the "emergency" budget.

Actually, the situation was even worse than it appears. For the "emergency" level used in this survey is itself much too low to maintain a family in health. The "emergency" budget is only about 72 per cent of the "maintenance" budget worked out by the Division of Social Research of the Works Progress Administration. And even at the "maintenance" level, there is no telephone or automobile, and only enough insurance is allowed to cover the costs of burial. Only the simplest kind of food is included, and the allowance for clothing is small. At the "emergency" level, a considerable amount of experience and intelligence is required to obtain enough food for the amount of money budgeted for this purpose. There is no provision for a radio or even a newspaper. Recreation is limited to one movie a month. If a family buys a newspaper, attends more than one movie, or has any expenditure out of the ordinary, it must go short on food.

Cost of Low Standards

People can live for years on less than the "emergency" budget. But this does not mean that these people are actually getting

RANGE OF AVERAGE MONTHLY PUBLIC AID PAYMENTS

(JUNE 1940)



$7.38

NAT. YOUTH ADMINISTRATION
(STUDENT PROJECT)



$25.60

NAT. YOUTH ADMINISTRATION
(OUT OF SCHOOL PROJECTS)



$21.90

OLD AGE INSURANCE
(INDIVIDUAL)



$23.90

GENERAL RELIEF
(PER CASE)



$45.15

UNEMPLOYMENT COMPENSATION
(INDIVIDUAL)



$58.02

WORK PROJECTS ADMINISTRATION
(INDIVIDUAL)



$66.25

CIVILIAN CONSERVATION CORPS
(INDIVIDUAL)

Each symbol represents 5 dollars

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along satisfactorily. The effects of lack of food, medical care, and other essentials do not show up right away. But they do show up. The National Health Survey found, for example, that there was six times as much tuberculosis among relief families as among families with incomes of $3,000 a year. Among relief families in the South there was ten times as much. The same contrast existed with nearly all kinds of disease. Families on relief had proportionately 47 per cent more acute illnesses and 87 per cent more chronic illnesses than families in the better-to-do class.

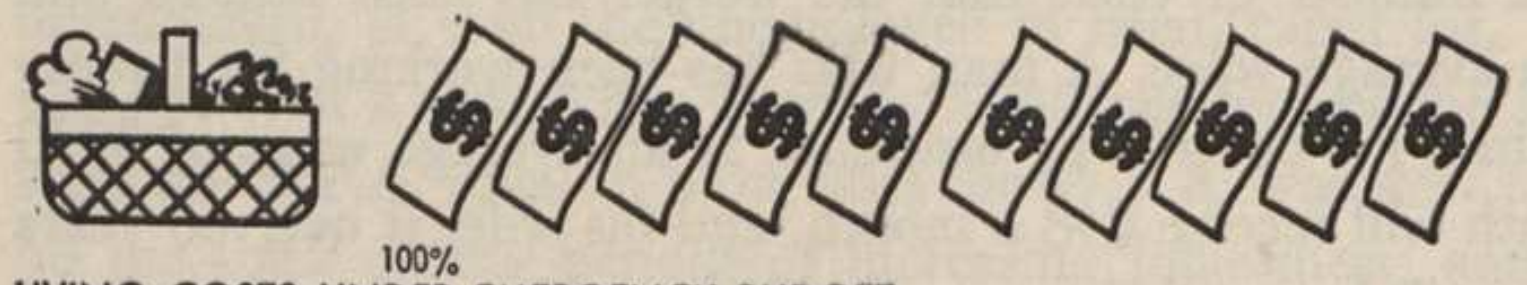
Federal Work Programs

The average W.P.A. worker's family was perhaps a little better off than the average family on relief. Wages on the W.P.A. varied from $31.20 a month for unskilled workers in the South to $94.90 for professional and technical workers in the large cities of the North. As there were all sizes of families to be supported on these wages, it is obvious that there were tremendous differences in the level of living of these families. A study of thirty cities indicated that the wages of the skilled and professional W.P.A. workers were above the "emergency" level, but that the workers with intermediate skills did not receive enough to provide an "emergency" level of living, and that unskilled workers received only from two-thirds to three-fourths enough to reach this level. Although some W.P.A. families had other sources of income, the amount of such income was found to be small. Only very large families were likely to receive additional help from the local relief agencies.

Grants for Aged, Blind, and Dependent Children

Less is known about the degree to which the allowances to the aged, the blind, and dependent children meet needs. But since these allowances are very low in some states—$7.57 a month per aged person in Arkansas, for example—it is clear that many of the persons in this group are fully as badly off as those who are on relief.

HOW WPA WORKERS' WAGES COMPARED WITH LIVING COSTS UNDER AN "EMERGENCY" BUDGET



100%

LIVING COSTS UNDER EMERGENCY BUDGET



67.9%

UNSKILLED WORKERS



85.5%

INTERMEDIATE WORKERS



111.0%

SKILLED WORKERS



116.8%

PROFESSIONAL & TECHNICAL

Each symbol represents 10 per cent of money required for an emergency" budget

(Full black bills represent money actually received)

(BASED ON A STUDY OF WPA WORKERS IN 30 CITIES, JUNE 15, 1940)

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Old-Age Insurance

The benefits paid under the old-age insurance plan depend on the number of years that the worker has been insured and on his average wage. A man who has been working for twenty years in a job covered by insurance at an average wage of $250 a month will receive $48 a month, and his wife, if over 65 years of age, will be entitled to another $24, making a total benefit of $72 a month. This seems to be plenty. But since the plan has been in operation only a few years and average wages are noways near $250, the actual benefit is far below this level. To date, the average benefit has been about $22 a month. Eligible wives average about $12 a month. There is considerable doubt whether these sums are enough. A person whose wages have been low, and who thus, presumably, has been unable to save for his old age, is likely to receive a smaller benefit than a person who has had relative security in his working years.

Unemployment Insurance

A similar situation exists in unemployment insurance. Workers with high wages draw the highest benefits while those with low wages get the smallest benefits and are most likely to be disqualified altogether. A father of a large family who is unemployed gets no more than a single man. In 1940 about 45 per cent of those receiving jobless benefits got less than $10 a week, and only 32 per cent received as much as $14 a week. Most of the jobless were ineligible for benefits.

PUBLIC WORKS: BOONDOGGLE OR SUCCESS?

The W.P.A.

The government's public-works program has probably been criticized more than any other part of the social-security program. It is not easy to say how justified these criticisms are. The W.P.A. was a tremendous undertaking. It is doubtful whether any other country has ever been as successful in developing a public-works program on as large a scale. At its peak some

3,300,000 workers were employed, and during the five years between the summer of 1935 and that of 1940 some 7,800,000 different persons were employed. Yet at no time were all of the unemployed, or even the unemployed in need, cared for. There was not even a time when as many as 40 per cent of the jobless were on W.P.A. rolls. In most cases the W.P.A. was slow to take up the slack during periods of increasing joblessness; and during periods of business improvement the number of men on its rolls declined more rapidly than new jobs opened up in private industry. Although the W.P.A. was supposed to provide work for all of the unemployed that were in need, it never came even close to its goal. Estimates indicate that between 1938 and 1941 there was a group numbering from 600,000 to 1,300,000 eligible persons who were denied employment on W.P.A. projects. The jobs were passed out on a first-come first-served basis. No serious attempt was made to ration the jobs by a system of rotation of work.

Maintaining Skills and Work Habits

The W.P.A. had as one of its main purposes the maintaining of the skills and work habits of the unemployed. Experience has shown that after some months of idleness even the best worker begins to lose his skill and even his ability to work. So far as possible, the W.P.A. attempted to assign its workers to jobs that were similar to their regular work in order to conserve their skills. In this it was only partly successful. Workers in the building trades and a small number of white collar and professional workers were able to get W.P.A. jobs that made use of their skills. But from two-thirds to three-fourths of all the W.P.A. workers were assigned to unskilled tasks regardless of previous experience. This should not be surprising in view of the handicaps under which the agency operated. Under the law the W.P.A. was prevented from engaging in work that competed directly with private business, and it was further prohibited from doing work that might benefit private interests. Limitations of this sort, while politically necessary, severely restricted the kinds of work that could be carried out.

Although the public-works programs did not keep all of the unemployed from becoming bitter or apathetic, or from losing their self-respect, most observers are convinced that work relief is less demoralizing than direct relief. The federal relief projects appear to have been more satisfactory from this point of view than the local projects, which, on the whole, were found to "have been of little real value to the workers or to the communities."

Youth Programs

The fact that so many youths were unemployed was one of the most serious problems of the depression. Many of these jobless young people had never had regular work; most of them had never had a chance to learn a skill. The government tried to meet this problem by three separate programs. These included the Civilian Conservation Corps, the National Youth Administration's out-of-school work program, and the N.Y.A. student work program. In addition, some young people received assistance through the W.P.A. and other agencies. The C.C.C. employed more than two and a quarter million between 1933 and the middle of 1940, while the two N.Y.A. programs assisted another two and a half million. As was the case with adults, there were never openings for all of the unemployed young people in need of work.

All of these programs enjoyed considerable success. But the Resources Planning Board found that education and training—apart from the restricted kind of training available on the job—was largely neglected by the C.C.C., and that there had been no realistic attempt to find out just how much aid the C.C.C. experience gave to the workers after leaving camp in search of a job. The Board also questioned the emphasis which the N.Y.A. placed on professional and clerical projects, pointing out that this emphasis may have made it more difficult for the N.Y.A. workers to adapt themselves to private employment. The student-aid projects were found to have been highly useful to the schools and local communities, but there was some question as to whether the projects had been as wisely chosen as they might have been in the interest of developing the students. None of the programs

were notably successful in what might well have been their main task—the training of young people for jobs. This was particularly serious because the depression prevented millions of young people from getting the kind of training in private jobs that they would normally get.

What Public Works Have Produced

In considering what we have received for the billions spent for security, we should not forget the many constructive achievements of the public-works programs. Thousands of public buildings have been erected or modernized; tens of thousands of miles of highways and streets were improved; many conservation and flood-control projects were completed; thousands of gymnasiums, bathhouses, stadiums, swimming pools, athletic fields, parks, and playgrounds were built or brought up to date. The art, music, and theater projects brought enjoyment and richer lives to tens of thousands of persons. The N.Y.A. has made it possible for thousands of high school, college, and graduate students to continue their education and at the same time perform a wide variety of useful tasks in clerical, research, laboratory, and recreational work. Education has also been helped directly by adult, literacy, and naturalization classes, by vocational training, and by the establishment of preschool nurseries. All of these many activities added to the wealth of the country.

PUBLIC SPENDING AND RECOVERY

INADEQUATE though they may have been in many respects, the public-aid activities described on the previous pages have cost the American taxpayer a pretty penny. The total cost for the 1930's was in the neighborhood of 26 billion dollars. In the fiscal year ending June 30, 1932 only $200,000,000 was spent for relief; in the year ending June 30, 1940 nearly four and a half billion was spent for public assistance of one type or another. This includes money spent by local, state, and federal governments. In 1940 the federal government contributed slightly

GOVERNMENTAL EXPENDITURES FOR PUBLIC ASSISTANCE





FISCAL YEAR	FEDERAL	STATE-LOCAL
1932	$4,411,000	$203,151,000
1933	$383,115,000	$356,366,000
1934	$2,007,363,000	$537,390,000
1935	$2,382,358,000	$635,929,000
1936	$2,310,199,000	$781,820,000
1937	$2,535,007,000	$981,425,000
1938	$2,252,517,000	$1,383,034,000
1939	$3,091,120,000	$1,854,745,000
1940	$2,558,348,000	$1,896,797,000

Each symbol represents 500 million dollars

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more than half of the total; earlier the proportion had been as high as three-fourths.

This vast expenditure is usually justified on humanitarian grounds. There can be no doubt that millions of American families are healthier, more self-reliant, and more useful members of our wartime society because of government aid during the depression years. But it is important also to discover whether this spending hastened or retarded economic recovery. For the answer to this question is of great significance in planning for the postwar period.

Security vs. "Nature's Cure"

Those who argue that public aid is a hindrance to recovery base their case on a special theory regarding the cause of the depression. They insist that the depression resulted from wage rates that were too rigid and that relief and unemployment insurance made things worse because they helped to keep wages up. They argue that it would have been better for the country to take its medicine so that recovery might come normally.

It is probably true that public aid did serve to support wages. But it is doubtful whether the social and economic structure could have stood as drastic a "cure" as these critics propose. Unrest and discontent were already serious in many parts of the country. The fact that many sharp wage cuts occurred between 1929 and 1932 without bringing about any improvement in the general economic situation suggests that further cuts would only have deepened the crisis. Even those who favored a policy of wage cuts will usually admit that business confidence is important for recovery. And on this point it is clear that the government's public-aid program indirectly created business opportunities of great value.

There is a great deal of evidence that the government expenditures speeded recovery by stimulating purchasing power and thus indirectly aiding business. All forms of public aid, except the distribution of food, put money into the hands of relatively poor people. This is important from the standpoint

of purchasing power. For studies show that the poor spend their money more quickly than any other group on the necessities of life. About the only money that is not spent immediately is the comparatively small amount that is used to pay off old debts.

Why Was Recovery So Slow?

Since the government spent such vast sums, you may ask why recovery was not hastened much more than it was? For though the period covered by the Resources Board study—1935 to 1940—was a period in which business improved, recovery was gradual with several disheartening setbacks. One rather obvious reason why the spending of twenty-six billion had no more effect than it did was the fact that much of the money spent was merely taken out of one poor man's pocket to help another. To the extent that relief consisted merely of robbing Peter to pay Paul, there was no increase in buying power. The Resources Board estimates that slightly more than half of the total public-aid expenditures were paid for by taxation and slightly less than half by borrowed money.

Borrowing vs. Taxation

Generally speaking, public aid that is paid for out of borrowed funds adds to the purchasing power of the poorest portion of the population. The nation's money income is increased and the increase is found entirely in the lowest income group. But even the amount that was borrowed did not represent a clear gain in purchasing power. For much of this expenditure was offset by debt retirement and curtailed public works by the various states. And there were so many ups and downs in public expenditures that business in making its plans could never count on sustained buying power.

When relief and social security are paid for by taxes, there is no increase in income. But there may be a useful redistribution of buying power. This depends on the *kind* of taxes that are used. Although all the money that is raised in taxes comes out of someone's pocket, the effect on buying power will depend on

whose pocket. If the families receiving relief—or others just as poor—pay out the same amount in taxes as they receive in relief, there is no gain whatsoever. But if, on the other hand, the taxes are collected from persons who would otherwise not have spent all of the money, there is a net gain in buying power.

A careful survey by the National Resources Planning Board shows that the tax burden for public aid falls most heavily on families with incomes of less than $1,000 a year. Six per cent of the total income of this group went for taxes to support relief and security measures. Only 5 per cent of the income of families in the $2,000 to $5,000 bracket went for such taxes, and slightly less than 6 per cent of incomes of the above $5,000 group. This makes it clear that public aid has not brought about a sharp redistribution of the national income. The largest share of the cost of security has actually been borne by low- and moderate-income groups, who paid out a greater part of their small incomes for this purpose than did the wealthier classes.

This rather startling fact is due to two things. (1) Up to 1936 many of the states paid for relief by sales taxes, a levy which falls most heavily on the lower-income groups. (2) Since 1937 unemployment and old-age insurance have been financed exclusively by payroll taxes—which again fall chiefly on the low-income groups.

The use of the payroll tax to support our unemployment-insurance program has not worked out as was expected. When it was adopted it was hoped that the use of a changeable tax, depending upon the amount of unemployment a firm has, would encourage firms to try to avoid unemployment. But the experience of the past few years has indicated that the tax had little or no effect on employers' job policies while in some cases the reduction in tax rates may have endangered the solvency of state unemployment-insurance funds.

Moreover, the whole idea of relying on special taxes to support unemployment insurance has its disadvantages. The income from such taxes is likely to rise when the needs are least and fall when the needs are greatest. To avoid this difficulty a system of reserves was established to be drawn on in bad times. But as

long as each state has a separate reserve fund, the state with the greatest unemployment will tend to have the least funds. This defeats one of the main purposes of unemployment insurance which is to spread the risk as broadly as possible. That this danger is a real one is shown by the fact that in 1941 three states would have been unable to continue unemployment benefits if the law had not required two years of tax collection before the start of benefit payments.

Administration

At present the administration of our social-security system is extremely complicated. There are no less than thirteen different public-aid programs in which the federal government participates. General relief is wholly a state and local responsibility, and workmen's compensation is controlled by the states alone. This intricate system emphasizes a different kind of need in each program and has grown to a point where it would be most difficult to unscramble it. Some overlapping and some friction between agencies are inevitable. But certain changes can be made which would cut down greatly the present difficulties and make for greater fairness and efficiency.

The present complicated system of administration is very confusing to persons who want to apply for public assistance. They often do not know to which agency they should go, or how to find out where to go. Employers are irritated by having to file several tax returns when one should be sufficient, and state administrators find it confusing to deal with a number of federal agencies which often do not seem to know what one another are doing. Perhaps the most satisfactory unit for administration is a region containing several states. But in administering social security, such regions have not been used as much as they might have been. Or what is worse, different agencies have divided the country differently, thus making regional planning impossible. The region is particularly useful as the administrative unit because it would permit adjustments in public-aid payments in accordance with regional differences in the cost of living.

BASIC SECURITY POLICIES

ON the basis of its study, the National Resources Planning Board concludes that public-aid problems are likely to be with us for some time to come. It believes that the government should "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." The need for security, the Board points out, arises partly from personal, physical, and mental defects, but also from "imperfections" in the operation of our national economy. Because these imperfections exist, the government must accept "a broad responsibility for so conducting its policies to offset the wastes . . . of uncoordinated private enterprise."

The Board proposes a six-point program to achieve this goal. It declares that:

1. Every measure aiming at the prevention of economic insecurity must be prosecuted to the full.

2. The government should provide work for adults who are willing and able to work if private industry is unable to do so.

3. Appropriate measures should be provided to equip young persons beyond the compulsory school-attendance age to assume the full responsibilities of citizenship.

4. So far as possible, basic minimum security should be extended through social insurance.

5. A comprehensive underpinning by means of a general public-assistance system, providing aid on the basis of need, must be established to complete the framework of protection against economic insecurity.

6. Social services which are essential for the health, welfare, and efficiency of the whole population should be extended as widely and rapidly as possible.

Unified Social Insurance

The Social Security Board is somewhat more sweeping with regard to social insurance. It advocates "a unified comprehensive system of contributory social insurance which would cover all the major hazards to which workers are subjected—old age, disability, hospitalization, unemployment, and death." It recommends that social insurance be extended to all employees and to all self-employed persons.

RECOMMENDATIONS

BUILDING on its six general principles, the National Resources Planning Board worked out a series of concrete recommendations for strengthening our system of social security. The more important of these recommendations follow.

Preventive Policies

First of all, the National Resources Planning Board stresses the desirability of the government's adopting financial and economic policies designed to prevent depressions and low living standards. It recommends the extension of the minimum-wage idea to support and maintain buying power; it suggests that an effort be made to develop regional plans such as the T.V.A. for backward or depressed areas throughout the country; and it asks that plans be drawn up for moving people from areas where opportunities are few to areas of greater opportunity.

Size of Payments

For those unprovided for by these positive measures, the N.R.P.B. declares that the long-run objective of social insurance and relief is "to provide a standard of living that is not too widely at variance with what we like to think of as the 'American standard.'" In practical terms, this means that security payments should make it possible for every American family to reach at least the "emergency plane of living." But it would

clearly be unwise for the federal government to try to set up a single dollar-and-cents standard for security payments for the United States as a whole. Conditions vary widely in different parts of the country, and for many years to come we may have to recognize these differences in our security grants. Although an attempt should be made to raise living standards in the areas which fall below the national average, this cannot be done by relief and security measures alone. Any large-scale attempt to bring about higher standards of living through government work and relief policy would interfere with local business and create an opposition that might destroy the entire social-security program. Security payments, however, may be increased considerably before they come close to the minimum wage level set in the federal Fair Labor Standards Act.

The fact that living costs differ in various parts of the country is often used as an excuse for the present wide variations in security payments. In some instances it might be wise to recognize these regional differences by adjusting security payments by region—somewhat as was done by the W.P.A.—but treating everyone the same within each region.

Public Works

To make sure that everyone who is willing and able to work shall have a job, the Board advocated the setting up of a permanent federal-works agency. This agency would have charge of all work programs for adults and should have enough leeway to adapt its policies to changing situations. The work programs should take into account the occupations of the unemployed as well as the needs of the communities for construction work and social services. Rates of pay, conditions of employment, and hours of work should be the same on public work as in comparable private employment, and the workers should be made to work just as hard and just as efficiently as if they were on private jobs.

To make sure that public-works jobs go to those who really need them, the Board suggests that jobs be open only to (1) persons who normally work full time, (2) who have been unemployed for some time, and (3) who are not eligible for unemployment

compensation. Special work projects are recommended for farmers and farm workers during slack seasons. No one should be forced to undergo an investigation of his private financial affairs to get a job on a public-works project, but a man's ability to do the job should be taken into account along with his need for work. Further study should be given to the possibility of useful work projects for persons who are handicapped or disabled.

The Board also stresses the need for programs of vocational education and re-education for the men demobilized by the Army and Navy so as to prepare them for jobs in industry.

Programs for Youth

Special emphasis is placed on the need for helping young people who have completed their formal schooling but who have not yet taken their places in the job world. For those who would benefit by further schooling the N.R.P.B. recommends that educational grants be given by the federal government. These grants should be distributed by the school authorities and should not be used as an excuse for reducing the public-aid grants of families on relief. It is further suggested that school courses be revised so as to assure every student an opportunity for unpaid work outside the classroom. An expansion of the apprenticeship idea is also proposed so that the schools may do a better job of preparing students for special jobs. In addition to offering such specialized training, the schools should provide a broader kind of vocational training which stresses proper work habits and a general knowledge about various types of work.

Young people who have completed school and show no special ability to justify further formal education, and who are without jobs, should be employed on special youth projects at a fair wage. Emphasis should be placed on training, the development of habits of work, and learning how to use a number of kinds of tools. Special attention should also be paid to health needs. The youth projects should be open only to young people under 21 years of age, except under unusual circumstances, and should be conducted in close cooperation with the schools. They should not be limited to young people in need, though their family's

circumstances will have to be taken into account in helping young people to plan for their future jobs.

Unemployment Insurance

Since our present unemployment-insurance system has failed to meet the needs of more than a small part of the unemployed —and even this to a varying degree—the Board recommends a complete overhauling of the present system. It would replace today's fifty-one different systems by a single national system. It would abandon the idea of "rating" employers for tax purposes and would make the payroll tax uniform throughout the country. And it would extend the benefits of unemployment insurance to seamen and the employees of small firms and nonprofit corporations. It also suggested that thought be given to ways of including domestic and farm workers. In this connection the possibility of creating a separate system of unemployment insurance for agricultural workers—with its own eligibility, benefit, and contribution arrangements—was mentioned.

With a view to giving more adequate protection to the unemployed, the Board proposes to pay benefits for twenty-six weeks and to make this length of payment the same for all eligible workers. Above the basic benefit, dependents' allowances might be paid so as to make sure that the benefits are large enough to meet family needs. At the same time, eligibility rules should be revised so as to admit only workers whose work records show they want to work and so that they will be entitled to benefits that are high enough for full support.

In its *Development Report for 1942* the N.R.P.B. urged special plans to meet the needs of demobilized service men, war workers, and their families. It is suggested that the protection of unemployment and old-age insurance be extended to all service men regardless of whether they were protected before the war and that a dismissal wage, paid in instalments, be considered for demobilized war workers. The Board pointed out, however, that this latter suggestion would be unnecessary if unemployment insurance is broadened sufficiently to cover both former service men and former war workers.

Old-Age and Survivor's Insurance

Fewer changes were suggested for old-age and survivor's insurance, but, in general, they follow along the same lines as those recommended for unemployment insurance. Employees of nonprofit corporations should be given the same protection as other employees. Other groups of workers should be protected as rapidly as possible. An effort should be made to revise the scale of benefits and the eligibility requirements so that low-paid workers may receive more satisfactory benefits upon retirement. Periods of sickness and unemployment should not be allowed to reduce the size of anyone's benefits. Steps should be taken to see that the government as well as the individual worker or his employer bears some of the costs of old-age insurance.

Disability Insurance

To meet one of the chief gaps in our social-security provisions, the Board urges "the development of social-insurance measures to assure at least partial replacement of income loss during periods of temporary and permanent disablement or illness." No details were given as to how this new type of insurance should be set up or how it would operate.

Medical Care

The question of ways to meet the heavy costs of medical care was given careful consideration. It was recognized that health insurance was opposed by groups within the medical profession. Nevertheless, it was held that some provision must be made for meeting the health needs of the American people, and that "the Federal Government should stimulate, assist, or undertake constructive action to provide such care for the millions of our people whose need cannot be fully met from their own resources." This program should be concerned chiefly with removal of the heavy burdens of medical costs from the millions of people who do not receive public assistance and yet do not have enough resources to protect themselves against the insecurity caused by illness.

As a specific step in this direction, the Social Security Board

has recommended that insurance against the expenses of hospital costs be part of the federal social-security system, while the bill introduced into Congress on June 3, 1943, by Senators Wagner of New York and Murray of Montana and Representative Dingell of Michigan, with the backing of the Social Security Board, provides insurance to cover the costs of medical and hospital care, together with insurance against loss of income through illness or temporary or permanent disability. This change is significant since the Wagner-Murray-Dingell bill follows the N.R.P.B. recommendations in most matters, except that it excludes public works and youth measures.

Other Social Services

In addition to medical care, the Board felt that there were other social services that should be developed on a permanent basis. To make sure that all children are able to profit from their educational opportunities, it recommended that free lunches be provided for all school children. Although not all children need such lunches, many of them do, and the providing of lunches for all would prevent the children of poorer families from being treated as paupers by their more fortunate schoolmates. Similarly, state and local child-welfare services should be expanded with the assistance of the federal government so as to be available everywhere.

The Board warned against the direct distribution of surplus commodities as a substitute for cash payments and suggested that such commodities be distributed only through the stamp plan. To prevent families on relief from being favored at the expense of the families of men with regular jobs, the stamp plan should be made available not only to the recipients of public aid but to the entire low-income population.

Public Assistance

The need for general relief to fill in the gaps left by social security and public works is clearly recognized. In order to assure high standards for relief, it is felt that the federal government should support the general relief program in the same

way as it does the old-age and other special assistance programs. To eliminate unfairness in the distribution of relief, the Board would require all states receiving federal funds to establish certain standards. They would not be permitted to deny assistance to anyone because of race, sex, marriage status, job, or failure to live within the state for more than a year. For the sake of fairness the cost of assistance to persons with less than a year's residence in a state would be paid for wholly by the federal government, provided the state undertook to see they were treated no better and no worse than persons who met the one-year residence requirement.

Several improvements in the special public-aid programs were also suggested. An increase in the allowances for dependent children was proposed so as to put this kind of aid on the same footing as aid to the aged and blind. Moreover, a special payment for the mothers of dependent children was urged. To help the poorer states bring their standards up to those of the well-to-do states, the Board urged that all federal grants to states for social security be based, not on the idea of "matching" the state's contribution, but on the financial capacity of the states. Thus the poorer states would get proportionately more federal aid than the wealthier ones. The states, in turn, would be required to pass the money on to the counties and towns on the same basis.

Administration

The Board recommends that the Federal Security Agency be made into an executive department and its head be given the rank of Cabinet member. In addition, it suggests the creation of a permanent national advisory body to advise the President, the Congress, and the country as a whole on the operation of social-security programs and policies. Similar advisory bodies, composed of representatives of public and private agencies and of the public, should be established in the various states. Greater efforts should be made "to bridge the gap between administrators and the public by increased efforts . . . to inform the public of the purposes, achievements, and limitations of public-aid programs; by citizen participation in policy making and . . .

administration; and by more effective use of private welfare agencies."

The Resources Board also suggests that the administration of all of the public-assistance programs operating within a locality should be in the hands of a single agency; and that there should be a central information office in every community capable of giving needed information to applicants and of directing them to the public or private agency best suited to meet their needs. It proposes that the United States Employment Service have charge of handling applicants for the government work and training programs, and that it have funds at its disposal to make advances to workers for the purchase of tools, for necessary railroad fares and moving expenses, and for training allowances to workers in approved training courses.

COMPARISON WITH BRITISH BEVERIDGE PLAN

AS was pointed out earlier, the National Resources Planning Board Report has frequently been called the "American Beveridge Plan" because its purpose is essentially the same as that of the famous British program for security "from the cradle to the grave." There are, however, more differences than similarities. In contrast to the Beveridge plan, the N.R.P.B. report carries no provisions for health insurance, for a children's allowance, for insurance covering the special needs of married women, for the loss of livelihood of business men, professional men, and persons not gainfully employed, or for the elimination of workmen's compensation. No attempt is made to insure the entire population, or to coordinate benefits for unemployment, sickness, disability, and old age so that a person would receive approximately the same benefit regardless of the *cause* of his need. The Wagner-Murray-Dingell bill, with provisions for health and hospital insurance and in its unified public-assistance program, is in several respects closer to the Beveridge plan.

On the other hand, the N.R.P.B. program is broader than the Wagner-Murray-Dingell bill or the Beveridge plan in several

important respects. Neither Wagner nor Beveridge makes any provision for public works, for a special youth program, or for school grants. Presumably these matters will be dealt with independently. Meanwhile, it is significant that the main emphasis in the N.R.P.B. program is on work. The idea that every man who wants to work and is capable of working shall have a job underlies the entire plan. This is a fundamentally different approach from the British approach. The British have got away from charity by emphasizing *insurance* and the pooling of risks in dealing with insecurity. The American program emphasizes the insurance idea for industrial workers and others where it can be applied easily. But in dealing with the threat of postwar unemployment, our planning authorities have emphasized *jobs* and constructive work rather than any form of cash help. Furthermore, the American policy of linking insurance benefits to wages, in contrast to the British system of equal benefits and equal contributions for all, has been adopted because of a desire to give the American worker every incentive to seek advancement.

There are, however, interesting parallels between the two plans. Both the American and British plans contain suggestions for government assistance in providing minimum security for everyone. Both plans call for a strengthening of public-health work, for free lunches for school children, and a development of public housing for low-income families. Both recognize that the poor themselves cannot possibly pay all of the cost of protection against such personal disasters as unemployment, sickness, disability, old age, and early death. The causes of these disasters are largely social, not personal, and society as a whole will benefit both by providing protection against such disasters and in cushioning their economic effects. For this reason both the British and American plans would place an increasing part of the cost of security on the general taxpayer while continuing to place part of the cost directly on the groups benefiting most by the security provisions. Thus, although the history of American and British attempts to ease the burdens of insecurity are markedly different, the postwar programs of the two countries appear to be moving in much the same direction.

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