FUTURE DIRECTIONS IN SOCIAL SECURITY

HEARING

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FUTURE DIRECTIONS IN SOCIAL SECURITY

THURSDAY, OCTOBER 23, 1975

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to recess, at 9:30 a.m., in room 318, Russell Office Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, Hartke, Stafford, and Domenici.

Also present: William E. Oriol, staff director; David A. Affeldt, chief counsel; Dorothy McCamman, consultant; Deborah Kilmer, professional staff member; Margaret Fayé and Gerald Yee, minority professional staff members; Patricia Oriol, chief clerk; Eugene Cummings, printing assistant; and Trina Hopper, assistant clerk.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The committee will please come to order.

Today the Committee on Aging continues its second day of hearings on "Women and Social Security: Adapting to a New Era."

Yesterday the committee heard from witnesses who represented a wide range of viewpoints. But they were in general agreement that social security protection needs to be improved for women and their families. Several proposals were discussed in detail, including:

(1) Extending social security coverage for homemakers who have little prospect for gainful employment, especially after a long-term detachment from the labor force;

(2) Allowing working couples to combine their earnings up to the maximum wage base for purposes of computing their benefits;

(3) Eliminating the substantial recent work test to qualify for disability benefits;

(4) Providing a heavier weighting in the wage replacement formula to allow higher benefits for low-income wage earners; and

(5) Reducing the duration-of-marriage requirement from 20 to 15 years for a divorced spouse to qualify for benefits on the spouse's earnings record. One of our witnesses—former Congresswoman Griffiths—felt that a reduction, however, could possibly provide a bonanza for a married woman who really had not lost a means of support because of the divorce.

Yesterday's witnesses were not content with recommending changes to perfect the social security system; they also challenged fundamental concepts underlying the program. I think that this is a healthy sign because social security needs to be reviewed periodically to assure it is responsive to changing conditions. We must also assure that it is built upon sound policy and equity considerations.

SYSTEM HAS BEEN RESILIENT

Throughout its 40-year history, social security has clearly demonstrated a capability to adjust to changing social, economic, and other circumstances.

But as the committee's task force has pointed out, social security protection needs to be strengthened in a number of areas for women and their families. I know that today's witnesses will also have much to contribute.

Before hearing from our first witness this morning—Commissioner Cardwell—I would like to express the committee's appreciation for the technical assistance provided by the Social Security Administration. The task force has informed me that your technicians were generous with their time and expertise in the development of the working paper.

And now we shall hear from Commissioner Cardwell.

STATEMENT OF HON. JAMES B. CARDWELL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY JOHN A. SNEE, ACTING ASSISTANT COMMISSIONER FOR PROGRAM EVALUATION AND PLANNING; MARY ROSS, DIRECTOR, DIVISION OF RETIREMENT AND SURVIVORS BENEFITS; AND PATIENCE LAURIAT, OFFICE OF RESEARCH AND STATISTICS

Commissioner CARDWELL. Thank you, Mr. Chairman.

I would like the committee's permission to ask Mr. John Snee, Acting Assistant Commissioner for Program Evaluation and Planning, and Mary Ross, who is a member of his staff, to join me at the witness table.

Mr. Chairman, we are pleased that your committee is examining the topic of women and social security. We have observed with a great deal of interest the work of the Task Force on Women and Social Security and are grateful for the opportunity to join with the committee in a discussion of the task force's working paper and related matters.

Many of us in the Social Security Administration and the Department of Health, Education, and Welfare have also been giving attention to the matter of women and social security, as did the recent Social Security Advisory Council. I depart at this moment, Mr. Chairman, to thank you for your kind remarks about the Social Security Administration staff. I have found them to be extremely helpful in my experience.

Since we are complimenting each other, I would certainly compliment the committee for showing a timely sensitivity to the changing attitude of our society toward women and the fact that a number of features of the present Social Security Act are not consistent with such changing attitudes. As the task force pointed out in its working paper, the social security system can, as a result of this interest, once again demonstrate the system's capacity to recognize and respond to changing values and needs of our society.

Our reading of the working paper prepared by the task force tells us that, with few exceptions, this group of distinguished citizens has accounted for most of the major features of the law that need to be examined in any effort to correct unequal treatment of men and women.

With your permission, Mr. Chairman, we think it might be useful, for purposes of putting these various features in perspective, if we classified these features of the act into two broad categories, as follows:

First, those provisions that contain specific gender-based references for the sole and deliberate purpose of treating men and women differently.

And second, those provisions that, although not gender based, have at least the indirect effect of treating males and females differently because of socioeconomic circumstances that occur outside of the law.

Let me first discuss the gender-based provisions that treat men and women differently. Generally, we find these provisions much easier to deal with.

First, because they literally specify men versus women, they are easy to identify within the act itself.

Next, the Supreme Court has set the stage for a review of specific gender-based provisions in the act through its decision in the case of *Weinberger* v. *Wiesenfeld.*

Finally, even if the courts were not now saying that public policy that deliberately treats women differently than men is unconstitutional, I believe today's public attitudes about the need for equal treatment of men and women would have led us to identify and to try to correct these provisions.

Ten Gender-Based Provisions

We find 10 provisions in the law to be specifically gender based and deliberately designed for the purpose of treating men differently than women. With your permission, I will review them one by one:

(1) Benefits are provided for aged divorced wives and aged or disabled surviving divorced widows, but not for men in similar circumstances.

(2) Benefits are provided for young wives and mothers who have in their care a child who is under age 18, or disabled, and who is entitled to benefits, but not for husbands and certain fathers in similar circumstances.

(3) A widow may obtain benefits on a deceased husband's earnings record if she is not married at the time she applies for widow's benefits, but a widower cannot get such benefits if he has remarried and the second marriage has terminated.

(4) Wives' and widows' benefits are available under the transitionally insured status amendment enacted in 1965, but no such benefits are provided for husbands and widowers.

(5) Whenever both members of a couple are receiving special age 72 payments, the amount of the payments is not divided equally between the two; the husband receives a full benefit and the wife's benefit is equal to one-half the husband's benefit.

(6) When a childhood-disability beneficiary or disability insurance beneficiary who is married to a social security dependent or survivor beneficiary ceases to be disabled, the benefits of the spouse may or may not be terminated, depending on the sex of the disabled beneficiary.

(7) One provision used to determine an illegitimate child's status for purposes of entitlement to child's insurance benefits is written in such a way that it could apply only to the child's father.

(8) Under present law, a widow can waive payment of a Federal benefit attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for, or the amount of, a social security benefit, but a widower cannot.

(9) In States which have community property statutes, the income from a business operated by a husband and wife is deemed, for purposes of crediting such income for social security, to belong to the husband unless the wife exercises substantially all of the management and control of the business.

(10) Finally, a husband's or widower's benefit is paid only if he can prove his dependency on his wife; a wife or widow is presumed dependent on her husband.

Most Provisions Could Be Implemented

We believe we should attempt to correct all 10 of these provisions. We believe that we should be able to correct the first nine without incurring significant additional cost, without adding to the administrative complexity of the program, or, for that matter, affecting large numbers of people. This is not the case with respect to the 10th item: the dependency test for husbands and widowers. In this case, although we have no question but that a correction should be made, the question of how to do it is, in our opinion, a fairly difficult one to resolve. Before explaining why we believe this to be so, let me describe the provision as it now stands and how it came into the law in the first place.

As a general proposition, it has been the intent of the act to provide a dependent's or survivor's benefit for the purpose of replacing support lost by a worker's dependents when the worker retires, becomes disabled, or dies. When dependent's and survivor's benefits were first provided under social security in 1939, the law provided that a worker's wife or widow was to be presumed to be dependent on the worker.

No benefits were provided for the husbands or widowers of workers—even if they were dependent on their wives. When such benefits were provided in 1950, the Congress indicated that dependency of a man on his wife could not be presumed and included a provision in the law requiring such men to prove their dependency in order to be eligible for a dependent's or survivor's benefit.

I would add a footnote at this point: This has turned out to be one of the most complex of the administrative tasks we have been asked to perform.

This difference is the primary issue in any attempt to provide equal rights for men and women under the act.

Equalizing the Dependency Requirement

Let me now turn to the possible ways of making the dependency requirement in the law the same for men and women.

One obvious possibility is to drop, as the task force recommends, the requirement that men must prove their dependency on their wives and to presume men to be dependent in the same way that women are now so presumed.

Under such a change in the law, about half a million men—mostly nondependent men—would be potentially eligible for dependent's or

survivor's benefits based on their wives' earnings. A substantial number of these men would have worked in noncovered employment, such as Federal or State civil service, and, as a result, would have earned pensions of their own based on their noncovered earnings.

Also, an independently wealthy man whose wife worked under social security could become entitled to benefits under such a proposal. Of course, most men work in covered employment and would not receive dependent's or survivor's benefits because they would be receiving higher social security benefits based on their own covered work.

In short, this would produce a windfall that, in our judgment, should, if at all possible, be avoided. We find this to be a shortcoming in the task force recommendation as it now stands. On the other hand, I would note that this same windfall situation has always existed for women in like circumstances who automatically became eligible for a benefit because of the presumptive dependency feature of present law. Thus, if we attempt to avoid the windfall for men, we should, in the name of equal rights at least, also consider eliminating the windfall that has previously accrued to women.

Dependency Questioned

Another way of looking at this alternative is to question whether a presumption that men are often dependent on their wives for support is really valid—at least within the society generally. Frankly, we do not have enough information to answer that question fully, but the information that is available to us suggests that most of the men who would become eligible are not truly dependent on their wives.

Finally, choosing this alternative would require a considerable additional expenditure—about one-half billion dollars in the first year alone—at a time when social security already faces serious financing difficulties.

Let's now turn to the other alternative solution to the dependency problem that is most often considered; that is, a change in the law to require that all spouses—husbands and wives, widows and widowers—prove their dependency. This approach would, of course, provide equal rights for men and women under the law. This also would be entirely in line with the basic purpose and intent of the act to pay dependent's and survivor's benefits wherever dependency actually exists.

Although this might appear to be a straightforward alternative, it also turns out to pose problems. Under such a change, many women who, under present law, would receive benefits in the future, would not, under this change, be eligible. A concern of a different order, but one which we think important, is that this alternative is likely to prove to be both complex and costly to administer. Requiring that we apply a test of dependency to millions of men and women each year would increase our overall administrative costs. I do not have to tell this committee of the problems that the Social Security Administration has encountered during recent years as a result of the steady accretion in administrative workloads and costs. We are, at this moment, examining a range of legislative changes—not confined to equal rights for men and women—that might be made in order to streamline and simplify the administrative complexities of the entire

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social security system. A choice of this particular alternative would appear to run counter to that objective.

In summary, Mr. Chairman, we share the concern of the committee and of the task force that this particular feature of the present law should be modified in order to avoid its obvious inconsistent treatment of men and women. But, at the same time, we believe more thought needs to be given to other possible solutions to the problem. We are in the midst of such deliberations at this moment. For example, we are examining the no-dependency-test alternative, the one recommended by the task force, to see if it could be modified to avoid the windfall situation that I described. This needs to be examined in terms of how many people it affects as well as its administrative feasibility. We will, of course, advise you of the results of our efforts.

Socioeconomic Factors: "A Host of Stereotypes"

Let us turn now to those provisions that, although not gender based, result in different treatment because of socioeconomic circumstances. Here, Mr. Chairman, one finds a host of provisions in the act which make no distinctions as to sex, race, or social and economic condition, but which impact on various segments of society in different ways. They tend to mirror the real differences, fair or unfair, that do exist in society. Poor people are treated differently than middle-class and wealthy people; blacks and other minorities are treated differently than whites and the majority; workers are treated differently than nonworkers; and, finally, women are treated differently than men.

Looking back at the history of this act, and, for that matter, the Internal Revenue Code and other laws that are so important to our society, we find that they were most certainly designed around a host of stereotypes of the worker, the family, the breadwinner, the male, and the female as they existed at the time these laws were put on the books. Even at the time of enactment, as Martha Griffiths has pointed out, many of these stereotypes may not have matched reality, and the changes in society that have occurred since then may have taken them even further from reality.

On the other hand, while we are capable of appreciating and being sensitive that some of our stereotypes are out of line with what really exists, we can also appreciate the difficulty inherent in any effort to make corrections and adjustments. When one examines the provisions of the Social Security Act for this purpose, this difficulty invariably comes to the surface.

It can be argued that several features of the act are based on the stereotype that men are the principal wage earners in any family unit and that the "normal role" of women is that of housewife and mother. The act, therefore, can be viewed as penalizing, at least to some degree, departures from this stereotype in that it reduces or, in some cases, denies benefits to persons who do not have a continuous wage history over a full working lifetime.

Examples of this pointed out in the task force report are the requirement that, in order to obtain disability benefits, one must have recently worked in covered employment, and that the number of years of low or zero earnings which can be dropped out in computing average wages on which a social security benefit is based are limited to five.

Since many women work and then drop out of the labor force for a number of years to raise a family, as this committee well knows, these provisions tend to disadvantage them in comparison with men.

On the other hand, efforts to modify the act in order to make the treatment of women more favorable generally will, at the same time, result in more favorable treatment for an even larger number of men—there are more men in the work force. In other words, as already stated and as the task force working paper points out, it is inherently difficult to attempt to correct socioeconomic imbalances by modifications to the Social Security Act. Mr. Chairman, it is very much like pushing a pillow—you push it in one place, and it pops up in another.

Further, Mr. Chairman, adoption of these two particular proposals would increase program costs by more than $1 billion annually.

Let us talk a moment about problems relating to the working wife versus the nonworking wife.

An oft-heard complaint is one made by working wives. They contend that a married woman worker's social security contribution is wasted because she is not able to receive both her own benefit as a worker and the regular dependent's or survivor's benefit available to nonworking wives or widows. Another manifestation of this problem is that, in certain cases, a working married couple may receive less in benefits than a single-breadwinner couple with the same total earnings.

Married Women May Feel Unfairly Treated

Looked at in a certain light, it is easy to see how married women workers might feel they are being treated unfairly under social security when they observe that their nonworking married sisters are eligible for a benefit without having paid into the system. Under this situation, many married women question why they are not eligible for a two-tier benefit: the regular wife's benefit, plus their own directly earned benefit.

The solutions to the working-wife problem that are usually put forward would pay a married woman worker her own retirement benefit plus part or all of the wife's or widow's benefit. However, the task force suggests a different solution. It recommended both a 12½-percent benefit increase for all workers—including working wives, of course—and a reduction in the regular spouse's benefit to one-third of the worker's primary insurance amount—compared to the current rate of one-half. This recommendation would have a long-range cost of about 1.9 percent of taxable payroll, under the present decoupled system, and would cost more than $9 billion in the first year alone.

Turning now to the treatment of men who reached age 62 before 1975, the 1972 Amendments to the Social Security Act included a change that was designed to correct a situation wherein men were being treated differently than women. Previously, a woman with the same work history as a man could receive more favorable treatment. The 1972 amendments corrected this prospectively for men who reached age 62 in 1975 or later. The task force recommends that this change be extended to everybody who reached age 62 prior to 1975. It is estimated that over 14 million people would be affected by this particular recommendation. Needless to say, this would be an extremely expensive change, as well, with a cost of around $2 billion

for the first year. We would question the advisability of paying this price at this time to correct a past anomaly in the law.

With regard to task force proposals that would generally liberalize coverage and/or benefits, we would make one last comment. While the task force recommendations would correct many of the 10 gender-based anomalies in the act described earlier in this statement, they also go beyond that and tend to generally liberalize benefits and/or coverage for both men and women. In other words, many of the cost implications of the task force recommendations could be either constrained or eliminated by restricting the changes to those literally required to eliminate distinctions between men and women.

We think it is also fair to observe that one or two of the proposals to liberalize the program have, at best, a tenuous relationship to the issue of men versus women under the Social Security Act. An example of this is the proposal that an occupational definition of disability for workers age 55 and older should be established, on the ground that many women would be affected.

Mr. Chairman, we would not want our last two comments about the working paper to imply criticism of the overall task force effort. To the contrary, we believe that it represents a service well performed and that it certainly provides a sound foundation for the development of improvements in the social security program.

Cooperation Needed To Eliminate Discrimination

We would close, Mr. Chairman, by expressing our desire to work with this committee and the Congress generally in the solution of this problem. Frankly, Mr. Chairman, at this moment, while we are working on the matter of women and social security, we must, at the same time, be at least equally concerned about the system's capacity to maintain its financial integrity.

It is my opinion that we have the capacity both to solve the financing problems and to make the changes necessary to end the problems of sex discrimination in the act, and that we will indeed do just that.

That concludes my remarks. We would be glad to try to answer any questions you might have.

Senator Church. First of all, I want to welcome Senator Stafford.

Senator Stafford. Thank you, Mr. Chairman.

Senator Church. Would it be a fair assumption that your paper says that those changes that would end the explicit forms of discrimination between the sexes that presently exist in the act, which will cost no money, will be recommended by the Social Security Administration, but that those changes which will cost money will not be recommended?

Commissioner Cardwell. No, sir, I do not think that is a fair summary.

Senator Church. Well, if it is not fair, let me ask you—you went through 10. You said the first 9 will not cost you money, but the 10th would, and you said the task force's recommendations would be too costly.

You looked at several alternatives which were too costly, or otherwise would be objectionable, and you said that matter would be studied further. Then you examined the task force recommendations, and they

were all too costly, and then you commended the task force for its work.

Commissioner CARDWELL. It is my purpose to point out to the committee, and the Congress generally, the difficulties that we are bound to have if we attempt to solve this problem by adding significant costs to the program.

We do not mean to say by any means that we would not stand behind changes in this area that have cost implications. We would like to examine each and every one to be certain that we are doing our best to constrain costs.

Of the 10 gender-based items I cited, it is our opinion that 9 of those would not have significant cost implications, and it is our view—and I must say it is the Social Security Administration's view and not the administration's view as a whole since these items are still under review by the administration—that we would not have any problem about moving on them quickly.

When you get to the dependency test, it is clear if we do not move, the courts will move for us. But there we point out that there are some serious cost implications, depending on how one deals with the various alternatives. We are not prepared at this moment to take a specific stand on either one of the two alternatives. We would like time to look at the variations of the first alternative.

On the other recommendations, not having to do with equal rights or the dependency definition, but rather with the indirect effects of certain provisions of the law, we are trying to point out to the committee that the particular solutions in the task force recommendations, while probably very sound, often have very, very significant cost implications.

DEPENDENCY PROVISION EXPENSIVE

To return to the equal rights issues, the task force recommendation on dependency—the 10th point—is extremely expensive. It has an effect on a large number of people who would get dependent's or survivors' benefits. We are trying to point out, as constructively as we know how, that to take that turn would incur a significant cost. At the same time we do not want to appear to be in a position of opposing any proposal that has any cost; that is not our position at all.

Senator CHURCH. Well, with reference to the item 10 of the gender-based discrimination that now exists in the law, you speak of the significant additional costs that would be incurred if a presumption of dependency were made in the case of the male survivor comparable to the presumption of dependency for the female survivor. In the committee's work and in the task force examination of this proposal, the task force found that the cost of the proposal would be relatively low—an increase of about 0.05 percent of taxable payroll on employers and 0.05 percent on employees—the reasons being that most widowers or husbands would receive a higher benefit as a worker than as a dependent.

Do these figures of the task force correspond to your figures?

Commissioner CARDWELL. I think they mentioned about $450 million as a first-year cost and our figures are about the same. It is a matter of interpretation of terms. It is relatively low when one looks at the entire deficit of the social security system.

It is low compared to the cost of some of the other task force recommendations. It is a price we may have to pay. We are saying we think it is possible to devise—and we are not sure of this—a variation of that particular choice, that might eliminate at least a significant part of that cost, and might also avoid the windfall problems I referred to earlier.

We are not attempting to criticize subjectively the recommendations. Rather we are here to discuss them with you, and round out consideration of the choices.

We may come before you at a future time after full consideration and say that the task force's recommendation is probably the best way to go. I am not prepared to do that today and, in fact, I would like to examine this other alternative we have in mind.

Senator CHURCH. I agree with you that windfall benefits should be avoided.

Commissioner CARDWELL. Of course that is a relative matter also. Not everybody agrees as to what a windfall is.

Senator CHURCH. I know, but we have had a good deal of windfall costs associated with this system.

Commissioner CARDWELL. I think so.

Senator CHURCH. And they are very hard to justify.

Commissioner CARDWELL. I agree.

"WINDFALLS" MUST BE AVOIDED

Senator CHURCH. And I do believe that any changes in the system that substantially produce more windfalls are changes that need to be avoided.

People who are already securing adequate retirement incomes do not need changes in the social security system that will further add to their well-being. The changes that are most desperately needed ought to go to the people who are struggling to get by on minimum retirement income and are confined only to the social security system.

Commissioner CARDWELL. They should receive our first priority.

Senator CHURCH. Yes; they should, and frequently they do not.

Commissioner CARDWELL. Correct.

Senator CHURCH. So I do concur with you in that regard.

One other question I would like to take up with you at this time is the problem that you just referred to as an aside, and you spoke of the decoupling problem.

Commissioner CARDWELL. Yes, sir.

Senator CHURCH. I would suspect that nothing is being done about that. I assume that some work has gone forward, but it does not seem to be surfacing in the Congress and I do not sense any forward movement and legislative movement. Can you tell me what is being done or how you propose to do something?

Commissioner CARDWELL. I would be pleased to try to do that. There are two major efforts underway. One within the Congress and one within the executive branch.

The Senate Finance Committee and the House Ways and Means Committee are working with the Library of Congress, and they have commissioned a panel of distinguished economists and actuaries who are examining alternative decoupling plans.

Decoupling proves to offer a broad range of choices in public policymaking. I also believe, as an observer, that the staff of these two committees, and probably the members as well, are concerned that we got into this problem without realizing it. I think there is a tendency now for everybody to be very careful and to be very thorough in looking at the alternatives.

That group is cooperating with the Social Security Administration in the development of the data base that would be used for their analysis. That is a very active process that is going on and people are working continuously, and have been for some time.

This group, as I understand it, when they began their work last summer, had in mind it would take a year to finish the kind of careful analysis they will need.

The second effort is going on within the executive branch and involves the Social Security Administration as the driving force, but it will also involve the Secretary of the Department of Health, Education, and Welfare, and the Domestic Council.

Very frankly, we have given ourselves a different time frame. We do not believe public policymakers should have to wait a year for a choice, and we are trying to come up with recommendations in a shorter time frame.

Alternatives Will Be Presented

We are doing that by concentrating on a limited number of alternatives, and we will be presenting to the Domestic Council alternatives for possible inclusion in the administration's 1976—fiscal year 1977—legislative program.

It is my opinion, and I feel rather strongly about this, that this is the most important step to be taken in social security, and that it should be taken as quickly as possible. We recognize that it really will not do very much to solve the short-term financing problem; in fact, it has little effect on that at all. It will, though, provide a base upon which we can then think through future changes in social security.

Until we do this, we really do not know what our future costs will be, and so I think it is very important.

Senator Church. I would say in the long run, it is absolutely vital, and the more quickly we correct this mistake, which no one intended to make in the first place and which, I think, neither the Social Security Administration nor the Congress foresaw—the longer we wait, the more difficult it is going to become.

Commissioner Cardwell. We should not fault ourselves too much for having made a mistake. What really happened was that the estimates, which were made by the most reasonable and experienced people working in that field, and which were based on past experience and reasonable assumptions about future trends in population and the economy, turned out to be wrong.

The system designed then was based on what we all agreed were accurate projections of how it would behave, but two very significant changes—economic and demographic—occurred that could not have been foreseen.

Senator Church. Do you have any information on the number or proportion of women who contribute to social security but receive

no benefit based on their contribution, either because they failed to achieve insured status or are entitled to higher benefits as a wife?

Mr. SNEE. Mr. Chairman, we simply do not keep records in a way that would allow us to easily determine how many people make contributions but receive no benefits.

Senator CHURCH. Why don't you keep those records? Are they too speculative?

Commissioner CARDWELL. Yes, sir. It does not follow the natural flow of the recordkeeping that is required to carry out the law.

The question that has been on my mind for some time is how good an estimate one could develop by some sort of statistical sample or analysis. I do not want to promise too much, but we would at least look at that possibility.

Senator CHURCH. We were of the understanding that you had a special investigation of this particular question underway.

Commissioner CARDWELL. I might ask Ms. Lauriat; she may have an answer for that.

RECORD SYSTEM NOT GEARED TO MARITAL STATUS

Ms. LAURIAT. Thank you, sir. The recordkeeping system in the Social Security Administration is presently geared to individual earnings records, and it is not readily adaptable to indicate if a worker is married or single, or to connect the earnings records of a two-worker couple before retirement.

It might be possible to match the earnings records of men who recently retired with the earnings records of their entitled wives to find out what the wives' earnings are relative to their husbands'.

As part of larger studies that are now underway or in the planning stages, estimates of the number of women who have made contributions but who are not eligible for primary benefits will be developed. When such studies are completed, we will be happy to make the results available to the committee.

Senator CHURCH. Yesterday Congresswoman Abzug said her bill which she has introduced allows both members of the working couple to combine their earnings for the purpose of calculating their social security benefits. What is your reaction to that proposal?

Mr. SNEE. Mr. Chairman, that is a proposal that has been considered a number of times. It was considered by the 1971 Advisory Council, as well as the recent Advisory Council and the task force of this committee, and in each case the proposal was not recommended. It has also been considered by both the House Ways and Means Committee and the Senate Finance Committee.

It is a very complicated proposal to try to equate the working couple with a single-breadwinner family. While it could be done, the proposal has some costs and it would be complicated to administer. I realize too, sir, that there is strong argument for the proposal, but I think, as the Commissioner pointed out a minute ago, it is like a pillow—if you push here, you get another lump there.

In this case, you might be creating an anomaly whereby two unmarried individuals living together would be treated as single persons, but a working married couple would be permitted to combine their earn-

ings. You also increase the advantages that married people already have over single people.

Commissioner CARDWELL. Mr. Chairman, this subject has come up many times. It was looked into by the 1975 Advisory Council, and it is a very complicated subject. It looks very simple on the surface.

It might be helpful if we would draft a little statement for your record, describing the various consequences of that choice, and in that way we would, perhaps, try to point out why the people who have looked at it in the past have consistently tended to reject it.

While the House did, in 1971, get it into a bill, in the final analysis the proposal has always been rejected.

Senator CHURCH. Well, I think if you could give us an outline of that kind, it might be very helpful.

[The following information was subsequently received by the committee:]

STATEMENT CONCERNING "COMBINED EARNINGS" PROPOSALS

Under present law it is possible for a working couple to be paid less in total retirement benefits than another couple where only one member of the couple worked and had the same earnings as the working couple. Various proposals have been made which would provide for an alternative method for computing the benefits of a married couple based on their combined earnings if the total of the benefits would exceed the benefits payable under present law. Under these proposals, married working couples would always get at least as much in benefits as single-earner couples with comparable covered earnings.

CONSIDERATIONS

1. While combined earnings proposals would treat working couples the same as couples where only one member works, such proposals would also treat them more favorably than two single workers with the same amount of earnings as the working couple.

2. Under present law, the value of the protection afforded a married worker, whether or not the spouse works, is greater than that of a single worker, since a wife is always guaranteed a benefit that is at least equal to one-half of her husband's benefit amount. Combined earnings proposals would further increase the extent to which the value of protection afforded married workers exceeds that of single workers.

3. Proposals that would permit combining of earnings for *all* married working couples would substantially increase the cost of the program. The cost could be held down by limiting the applicability of the proposal—for example, limiting the change to couples having at least 20 years of coverage under social security after marriage as in the provision included in H.R. 1 as reported out by the Committee on Ways and Means in May 1971 and passed by the House of Representatives. However, proposals of limited application would likely be viewed as inequitable by those couples not benefiting from the change and would be subject to repeated costly modifications.

4. The increased cost of paying higher benefits to working couples would have to be met by contributions from all covered workers, including single workers, who would derive no additional protection from the change and who, because they do not have dependents who could become entitled to benefits, are already getting less for their contributions than are married workers.

5. Combined earnings proposals introduce additional administrative complexities. For example, a third earnings record would have to be constructed and maintained for the working couple (in addition to the earnings record of each spouse) in order to combine the earnings in each year and compute a benefit.

6. Recent Advisory Councils on Social Security have studied, but have not recommended, combined earnings proposals.

(a) The 1971 Advisory Council on Social Security stated:

"Various proposals have been made under which increased benefits for a working couple would be paid based on their combined earnings. The

proposed changes, while correcting some inequities in present law, would create other inequities. . . . The Council believes that the additional cost of the program attendant on any such proposals would be very difficult to justify in light of the foregoing considerations. Therefore, the Council endorses present law relating to the treatment of married working women under social security."

(b) The 1975 Advisory Council on Social Security stated:

"The Council does not endorse the principle of providing benefits based on a married couple's combined earnings. A basic rationale for such proposals is that couples who have paid similar contributions should get similar benefits. However, in an earnings-related social insurance system, such as social security, benefits are not directly proportional to contributions. Further, the Council notes that there is a point beyond which it is difficult to justify adding complex exceptions to the social security law in the interest of providing benefits in direct relation to contributions for special groups."

Senator CHURCH. It has always concerned me that we have failed to cope adequately with the poverty problem through the social security system, despite its tremendous coverage. It seems to be one of the conspicuous failures—really unconscionable failures—and now we try to deal with it by administering supplementary payments through the SSI program, which has been an administrative catastrophe.

It has been recommended that the present formula which tends to give higher retirement benefits to the lower income group should be bent further in that direction so that the retirement income level for the lower income group is increased.

Would not such a change in the present social security laws result in the entitlement that would help some to reduce this whole poverty problem at the lower level of the income scale?

Commissioner CARDWELL. Of course, if we add to the weighting of the formula for the lower income worker, it will increase the benefits for such workers, and they are the people who are, most likely, at or below the poverty level.

Senator CHURCH. What is wrong with that?

TOTAL INCOME MAINTENANCE UNINTENDED

Commissioner CARDWELL. There are a number of problems with this type of approach. This, too, was looked at by the last Advisory Council. I think one of the biggest problems is that we, as a Government and as a society, have gone off in several directions at one time.

The founding group behind social security did not conceive social security as a total income maintenance program for the purpose of assuring the avoidance of poverty. Rather, they conceptualized it as a program that would be one tier of a multiple-tier income maintenance system, and they assumed that the private sector, through private pensions and private savings from investment, would provide a second tier.

That has not happened for a great many people, obviously. The Social Security Act recognized this by providing for public assistance that was to fill gaps. The most recent effort has been to convert the aged, blind, and disabled portion of public assistance to SSI.

I would, with your permission, like to say that it has not been a catastrophe. Do not believe everything you read in the papers.

Senator CHURCH. I do not believe everything I read in the newspapers, but I do believe what I hear from the people of my State. I hear from a lot of them, and I can tell you it has been a real headache.

Commissioner CARDWELL. It has been a headache and it has been difficult, but I believe it can be made to work.

EARLY SSI: "AN ADMINISTRATIVE CATASTROPHE

Senator CHURCH. I hope so. I would say, in my judgment, the early phases of this program have represented an administrative catastrophe, and the enormous miscalculations and the overpayments that have gone on in this are unprecedented—$1 billion in overpayment.

Commissioner CARDWELL. They are not unprecedented.

Senator CHURCH. If they are not unprecedented, there is something awfully wrong with the Federal bureaucracy.

Commissioner CARDWELL. What people have not realized was the extent to which means-tested programs with all of their variances must be fine tuned.

The States learned this a long time ago. They had the same programs and if you look at the States' record after 40 years they had exactly the same error rates that we had for the first 18 months.

We think we can improve. I honestly believe we can do the whole program much better, and in the future we will continue to try to do better.

Senator CHURCH. We are going to have to see some statistical evidence of improvement.

Commissioner CARDWELL. I think there will be. I think that such evidence is now becoming available. Progress is slow, but I think it is steady. We feel we can show some improvement.

Senator CHURCH. Well, since the SSI program does operate on a means test which, as you say, results in greater administrative problems—and did so when the States administered it—and you have had the same experience with it in establishing it——

Commissioner CARDWELL. We have had other difficulties as well.

Senator CHURCH. Yes. What I am getting at is, if these difficulties are inherent in a means-test type of program, since in the end the Government is paying this out of one pocket or another, why would not we be better off to change the formula so that at the lower level you get a higher entitlement as a regular part of social security benefit, and thus reduce the amount of money and the numbers of people involved in the SSI program?

Commissioner CARDWELL. That is one partial solution to the poverty problem.

You have to bear in mind that social security covers younger people as well. One of the things you run into at the moment is that many people believe that we should go beyond that, and that we should reform the entire income maintenance system for the very reason you cite: we pay out of multiple pockets, and why not pay it out of one or two? I personally think, generally, that is the way in which we ought to try to move.

I am not sure, though, that if I had a choice I would try to move for all income maintenance for all age groups through some different

system. I would try to sharpen the social security system as an earned right pension system.

What we have now in social security is that the system is being tugged in two directions. Many expect it to provide general income maintenance under the insurance concept, but without a means test and without regard to contributions to the system, many people criticize it—in fact you have criticized it—for its failure to meet that expectation. Then on the other side, there are the criticisms from workers who often express concern about the rising tax that social security, per se, imposes. They say: "One of the reasons you require so much tax of me is that you are using it as a general income maintenance system." And so you go back and forth, and we have something that now helps neither interest.

So I guess my advice, as an individual who has worked on these programs and on these problems, and who does care, is that we really ought to look at the whole income maintenance attitude and all income maintenance systems.

Expectations May Exceed Resources

We have checks and balances built into public assistance—direct accountability—so it is those things that account for the overpayments. It is not stupidity and incompetence of the bureaucracy. It is just that we have created such tremendous expectations which cannot be easily fulfilled, and in time they tend to work against each other. So income maintenance reform is, in my judgment, where we ought to head. I feel that in time we can come forward with something.

Senator Church. Well, it is a problem that we certainly have not yet satisfactorily solved.

Commissioner Cardwell. Absolutely.

Senator Church. And I hope that you will come forward with some proposals for the Congress to consider.

Commissioner Cardwell. I certainly hope we do.

Senator Church. Well, I have no further questions. I want to thank you very much.

Commissioner Cardwell. We thank you for the opportunity. We wish you well in your efforts, and we hope we can help.

Senator Church. Our next witness is the Honorable Arthur S. Flemming, Chairman of the U.S. Commission on Civil Rights. Dr. Flemming is an old friend of this committee, and one of the outstanding authorities in this whole field.

Dr. Flemming, I hope that you will excuse me. I have another problem of presiding over another committee that I must attend to. The conflict came up in a most unfortunate way, but it is expected that Senator Pell will be coming to take my place. He is apparently a little late.

There may be a gap between my going and his coming, so Ms. Dorothy McCamman will preside during that period. But I present my apologies in that I do have to go.

Dr. Flemming. I fully understand.

Senator Church. You may proceed.

STATEMENT OF HON. ARTHUR S. FLEMMING,[1] CHAIRMAN, U.S. COMMISSION ON CIVIL RIGHTS

Dr. FLEMMING. Mr. Chairman, it is certainly a pleasure for me to be here today in my capacity as Chairman of the U.S. Commission on Civil Rights. Accompanying me today is Ms. Lucy R. Edwards, Assistant General Counsel of the Commission staff.

Like Commissioner Cardwell, I want to commend the members and staff of the committee for arranging for these hearings, and by so doing, showing what you yourselves called for in your report; namely, a "timely, sensitive concern relative to issues of special importance to women."

Few issues, surely, can be of more significance to women than the social security system, which impacts on such a large percentage of women in our Nation and is the foundation of economic security for millions of older women.

Since the jurisdiction of the Commission on Civil Rights was extended in 1972 to cover sex discrimination, the Commission has been involved in several activities that I feel will be of interest to this committee.

First, we made a series of recommendations on changes in the social security system in a report entitled: "Toward Eliminating Sex-Based Differentials in the Social Security System," which was transmitted by the members of the Commission to the 1974 Advisory Council on Social Security. These recommendations parallel those that were developed by the Task Force on Women and Social Security. Only in one instance did the Commission identify an issue not dealt with by the task force. The Commission recommended that the earnings test that is currently required for surviving spouses under 65 with children be eliminated. There were other areas of minor difference. In some instances we did not fully comment on one or more of the recommendations.

In the interest of time, I will submit for the record a detailed comparison of each task force recommendation with the related Commission recommendation or reaction.[2] These social security reforms are critical if sex-based discrimination is to be eliminated.

However, there is another area, identified in a series of public hearings on "Women and Poverty" that the Commission held in Chicago, that must be dealt with if inequities facing women in retirement are to be fully considered. This is the area of employment discrimination.

In its Chicago hearings, the Commission found that older women have the lowest annual median income of any age or sex group—$1,899 a year, about half what men in that same age group receive—and that a higher percentage of older women receive cash public assistance than men. Women who had worked had lower average social security benefits than men—only 75 to 80 percent of the man's benefit—and received lower payments or no payments in pension systems. These conditions, as your task force has very effectively pointed out, are oftentimes the direct result of discriminatory practices in employment. Lower salaries, limited promotion opportunities, noncontinuous years of

[1] Also Commissioner, U.S. Administration on Aging.
[2] See p. 1748.

service to raise children, or for other reasons, all result, as the task force has recognized, in lower coverage under retirement systems—or in no coverage at all.

Women's Equality Progress Inadequate

Employment discrimination against women was further underlined by a recent study of our Commission on the implementation of title VII of the Civil Rights Act and the Equal Pay Act of 1963. Our findings, which were transmitted to the President and the Congress on July 15 of this year, showed that some progress has been made toward equal employment opportunity, as far as women are concerned, but that the rate of progress has been inadequate, and that the major problems of systemic discrimination continue to adversely affect women as well as minorities.

The study also showed that the Federal effort to end this discrimination has been hampered by lack of overall leadership and direction and a failure to develop effective compliance programs.

Unless effective compliance programs are developed under title VII and the Equal Pay Act of 1963, millions of women and members of minority groups will be forced to live on inadequate incomes in their retirement years no matter what improvements are made in retirement systems.

Only by a concerted effort in both of these directions—reforms of the social security system and elimination of employment discrimination—can the status of women in our society truly be improved.

Ms. McCamman [presiding]. Thank you, Dr. Flemming.

I think it is no accident that the Task Force on Women and Social Security report closely parallels that document which the Commission prepared. It was most useful to us. We could not have possibly done our job in the limited time we had, had we not had the base from which we started.

Dr. Flemming. I appreciate that very much.

Ms. McCamman. I understand you have another engagement. We have some questions, but we also have not had a chance to study your detailed point-by-point comparison. Would it be agreeable with you if we submitted these questions in writing?

Dr. Flemming. I would be very happy to have you do that, and then I will be glad to answer them. Also, we would be very happy to comment on any remarks you have to our analysis of the task force recommendations, in the light of the Commission report.

Ms. McCamman. I think we can mutually benefit each other.

Dr. Flemming. Thank you.

[Subsequent to the hearing, Dr. Flemming supplied the committee with the following:]

Response of the U.S. Commission on Civil Rights to Recommendations of the Task Force on Women and Social Security as Presented in the Working Paper "Women and Social Security: Adapting to a New Era" [1]

Task Force Recommendation No. 1.—That the dependency test for father's benefits (including a divorced surviving father) for a father with a child in his care be removed.

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[1] For task force reaction to U.S. Commission on Civil Rights recommendations, see appendix, p. 1785.

The Commission is in complete support of this recommendation. In its December 1974 report to the Advisory Council on Social Security, the Commission recommended (p. 8 of the CRC report) that the dependency test for father's benefits be removed and supported provisions in legislation that was introduced in the 93d Congress by Congresswoman Martha Griffiths that would have increased present provisions for mothers and surviving divorced mothers, and added a father's benefit equal to three-fourth's of the primary insurance amount due to the wage earner if the survivor has in his or her care a child entitled to child's insurance benefits.

It is suggested that consideration once again be given to these provisions in the development of proposed legislation to implement this recommendation, and that such legislation include a provision entitling a surviving divorced husband to benefits under the same conditions as the surviving divorced wife—the third recommendation of the task force.

However, the Commission raises objection to the arguments that are offered in the task force's report in opposition to the recommendation (p. 23). In arguing that it is "desirable to offer a woman the choice of caring for children, but that this is unnecessary for a man," and that "the customary and predominant role of the father is not that of a homemaker but that of the family breadwinner," the task force is itself making sex-based differentials that are without foundation. These should be removed from the report.

Task Force Recommendation No. 2—That the dependency requirement for husband's or widower's benefits be eliminated.

The Commission made the same recommendation in its report (pp. 39 and 45), which urged that identical requirements be placed on men applying for husband's or widower's benefits as are on women applying for wives' or widows' benefits. If this were done, the husband or widower should be assumed to be eligible for dependents' benefits unless his own social security benefit as a worker was higher than his benefit as a husband or a widower. This recommendation was also recently made by the Social Services and Welfare Subcommittee of the HEW Secretary's Advisory Committee on the Rights and Responsibilities of Women.

If surviving spouse benefits were broadened, the approach of applying the dependency test to both wives and husbands and widows and widowers would satisfy the Commission's objections to this sex-based differential in the Social Security Act. However, since it is not contemplated that a spouse or surviving spouse could be eligible for both his or her own benefits as a worker and a surviving spouse benefit, the dependency test would only be applicable in most cases to a person who would be supplemented up to the level of benefits for which the spouse was eligible. Therefore, the Commission, as did the task force, recommended total elimination of the dependency test.

Task Force Recommendation No. 3—That divorced husband's benefits be provided.

This recommendation is also fully supported by the Commission The total absence of this benefit is clearly discriminatory, and the Commission recommended in its report that this obvious sex differential in the Social Security Act be remedied. If the benefit is not equalized legislatively, the Commission believes it is quite likely to be equalized by the courts on equal protection grounds (pp. 11 and 45 of the CRC report).

Task Force Recommendation No. 4—That an age 62 computation point be established for benefits applicable for men born before 1913.

The Civil Rights Commission supports this recommendation not only because of its impact on older women, since the older married woman or widow receives a lower benefit if her husband was born prior to 1913, but also because it results in what was cited in the Commission's report (p. 13) as "a significant, continuing sex-based difference in treatment." In order to correct this inequity, the Commission recommends that Congress make retroactive the 1972 Amendments to the Social Security Act, which prevented future inequities because of the age computation point by lowering the computation point to age 62 for both men and women. The Commission recognizes, as did the task force, that the cost of giving these men parity with women would initially be high (by your calculation, $1.9 billion in the first year), but because this cost would eventually be reduced to zero, and because it results in extreme sex-based difference in treatment, the amendment should be made.

Task Force Recommendation No. 5—That the substantial recent current work test (generally 20 out of 40 quarters) to qualify for disability insurance should be eliminated.

In its report (pp. 23 and 24), the Commission recommended eliminating the work requirement for disability, primarily because the requirement falls so heavily on women wage earners. In addition, it noted that similar recommendations have also been made by a number of social security experts and advisory bodies, including the 1971 Advisory Council on Social Security. However, given the estimates of the task force on the cost of the proposal ($106 billion in calendar year 1977), it is recommended that the task force review this issue to determine whether other changes could be made, such as modifying the definition of disability or developing another test or disability, that would be as effective as removal of the requirement of 20 quarters of work in the last 40 quarters but could be implemented at a lower cost.

Task Force Recommendation No. 6.—That an occupational definition of disability for workers aged 55 and above should be established.

The question of changing the definition of disability was not dealt with in the Civil Rights Commission report. However, this clearly is an issue, both for social security and supplemental security income recipients, that should receive careful consideration.

Task Force Recommendation No. 7.—That disabled widows, disabled surviving divorced wives, disabled widowers, and disabled surviving divorced husbands should be eligible for social security without regard to age, and their benefits should not be subject to an actuarial reduction.

The Commission endorses this recommendation, which was also recommended by the 1971 Advisory Council on Social Security. The Council recommended that disabled widows' and widowers' benefits be payable at any age, in the full amount that would have been payable to the spouse at age 65, and this position was supported in the Commission's report on social security (pp. 40 and 41).

Task Force Recommendation No. 8.—That benefits should be provided to disabled spouses of beneficiaries.

The Commission supports this recommendation, which was also endorsed in the recent report of the Social Services and Welfare Subcommittee of the HEW Secretary's Advisory Committee on the Rights and Responsibilities of Women, and was a recommendation of the 1971 Advisory Council on Social Security.

Task Force Recommendation No. 9.—That the definition of dependents should be extended to include close relatives living in the home.

The Commission has not taken a position on this recommendation, which would provide coverage for dependent relatives other than spouses, children, and dependent parents if they are living in the home.

Task Force Recommendation No. 10.—That the duration of marriage requirement should be reduced from 20 to 15 years for a divorced wife (or husband) to qualify for benefits on the basis of the spouse's earnings record, and the consecutive years requirement should be removed.

The Commission supports a reduction in the marriage duration requirement under social security. However, the Commission believes that regardless of how the required period of marriage is defined, it would be inherently inequitable to some spouses. Therefore, although a minimum number of years sufficient to presume the spouse had made an economic investment in the marriage would be acceptable—perhaps 5 years—the Commission would recommend a sliding scale to compute the amount of benefits payable to the divorced wife or husband of a marriage that lasted beyond the minimum.

Task Force Recommendation No. 11.—That in order to relate benefits to more current earnings, additional drop-out years should be allowed.

The Commission supports the recommendation that the 5-year dropout period that is currently allowed in the calculation of earnings be increased as the program matures (pp. 21 and 22 of the Commission report). In our own hearings on this question, this recommendation was made. An alternate way of minimizing absences from the labor force—calculating benefits based on the last 5 or 10 years prior to retirement—was also suggested. However, because of the cost of that proposal, the Commission was unable to recommend it.

Task Force Recommendation No. 12.—That the computation of primary benefits and wife's or husband's benefits should be adjusted to increase primary benefits for workers by approximately one-eighth and to reduce the proportion for spouses from one-half to one-third.

The Civil Rights Commission strongly supports elimination of the discrimination that married wage earners encounter because of their dual entitlement as dependents and wage earners, which is what this recommendation is directed toward. However, the Commission report (p. 14) identified three distinctly discriminatory situations that result from dual entitlement: first, a two-wage-earner family may pay more social security taxes on their combined income than one individual who makes the same income; second, if the combined earnings of a couple are not significantly above the maximum amount credited for benefit purposes, the working couple may be paid less in total retirement benefits than a one-earner couple with the same income; and third, the benefits of either the husband or the wife (depending on which earns more) are either worth nothing in terms of additional retirement benefits to the couple or are worth significantly less than an unmarried wage earner making the same income.

This recommendation addresses only the third of these areas of difficulty.

Therefore, while the Commission would support the recommendation of the task force, it is requested that consideration also be given to adoption of some system of tax rebates as part of the reform legislation to ameliorate the effects of discrimination against two-earner families. There was recognition by the task force of this problem, and it was discussed in the report (Earnings Record of Couples, p. 24), but no specific recommendation was made. In addition, it is recommended that there be a review of the impact on divorced persons of the recommendation to reduce a dependent's benefit to one-third rather than one-half and that the statement made in the discussion of the proposal (p. 24) that "the present ratio of 1½ times a worker's retirement benefit is said to overcompensate for the living costs of a couple as compared with a single person . . . (and that) . . . a ratio of 1⅓ is more reasonable" be revised for accuracy. Given the average level of retirement income under social security and the low-income level of older persons, as well as the high cost of living, this statement appears questionable.

Task Force Recommendation No. 13.—That the Social Security Act should be amended to eliminate separate references to men and women.

The Commission supports this recommendation. While it was not one of the specific recommendations made by the Commission, that report clearly addressed itself to removing sex-based discrimination existing in the system in other ways.

Other areas considered by the task force but on which no recommendation was made were:

(*a*) allowing remarriage of widows and widowers without loss of benefits;
(*b*) transitional benefits for widows or widowers; and
(*c*) coverage for services performed by homemakers.

Two of these are areas that were considered by the Commission.

With respect to transitional benefits for widows or widowers, the Commission recommends to the task force, and has recommended to the 1974 Advisory Council on Social Security, that there be considered an "adjustment" period of perhaps 6 months during which benefits would be paid surviving dependent childless spouses to train them for entry or re-entry into the labor market. In addition to cash benefits, training under the manpower programs or the Office of Education could be offered the surviving spouse in this predicament.

Although it probably would not solve the problem of the older dependent spouse because of the age discrimination that exists in the job market, this proposal would certainly be more supportable than one which would give surviving spouse benefits at any age, and it might assist childless surviving spouses to achieve self-support within some reasonable period of time. The dependency test should be retained for the special transition benefit since surviving spouses who are already self-supporting do not need assistance in entering the labor force.

With respect to social security coverage for persons who work in the home, the Commission recognizes the complexity involved in developing a system of coverage, but urges that an in-depth study be made which can be used as a basis for recommendations on specific action. This problem should be addressed at the same time that the issue of dual entitlement is dealt with; both areas critically need to be acted on.

Earnings test for surviving spouses under age 65 with children.—In its study on social security, the Commission identified one issue that was not identified by the task force—the earnings test for surviving spouses under age 65 with

children (p. 41 of the Commission's report). Almost 40 percent of the widows drawing social security benefits get a reduced amount because of the earnings test. The Commission believes that, especially in the case of the surviving spouse, who has the responsibility for raising children and for being the sole support of the family unit, the earnings test ought not be applied to widow's or widower's benefits based on the earnings record of the deceased spouse. We urge that such a recommendation be incorporated in the task force report.

ADDENDUM ON COMMISSION'S RECOMMENDATION ON COVERAGE OF HOMEMAKERS

At the time of the Commission's study, it was recommended that an approach be taken which would combine elements of the Fraser plan presented at the Commission's hearings in June 1974 by Mrs. Arvonne Fraser, and the Griffiths-Jordan proposal that was being considered in Congress at that time.[1] The elements of these plans were:

Fraser:

1. Benefits determined on the basis of needs and earnings;
2. Elimination of the concept of dependency for adults;
3. Compulsory coverage for the spouse at home, either by giving each of the married persons filing joint income tax returns 75 percent of earnings credits individual social security coverage, or, where married persons both had incomes outside the home, giving each of them credit for 50 percent of the total income of a couple up to two times the maximum earnings for an individual.
4. Full coverage of the homemaker for disability as a result of the contribution system;
5. Provision for a "constant attendant allowance" to be paid to people who care for others in the home, but are not related to them by marriage (an alternative to institutionalization);

Jordan-Griffiths:

1. Treating homemakers as self-employed persons for tax purposes; and
2. Making all low-income workers ($4,000 or less) eligible for a tax credit equal to 10 percent of their wages.

Ms. McCAMMAN. Our next witness is Margaret Long Arnold, Ph. D., chairperson, Subcommittee on Aging and Aged Women, National Commission on Observance of International Women's Year, and past president of the General Federation of Women's Clubs. We will also hear from Arvonne Fraser, legislative chairperson and past president of the Women's Equity Action League—WEAL, and from Inabel Lindsay, Ph. D., former dean of the School of Social Work at Howard University and a trustee for the National Urban League.

STATEMENT OF DR. MARGARET LONG ARNOLD, CHAIRPERSON, SUBCOMMITTEE ON AGING AND AGED WOMEN, NATIONAL COMMISSION ON OBSERVANCE OF INTERNATIONAL WOMEN'S YEAR, AND PAST PRESIDENT, GENERAL FEDERATION OF WOMEN'S CLUBS

Dr. ARNOLD. Thank you, Madam Chairwoman.

I am Margaret Long Arnold, past and honorary president of the General Federation of Women's Clubs, and first chairman of N.H. Committee on the Problems of the Aging. Today I come to you as Chairman of the Subcommittee on Aging for the International Women's Year Commission.

The year 1975 was proclaimed as "International Women's Year"—IMY—by the United Nations General Assembly in 1972. A World

[1] U.S. Commission on Civil Rights, Women and Poverty hearing, Chicago, Ill., June 19, 1974.

Conference in Mexico City, June 19 to July 2, had 1,300 people attending from 130 nations. The U.S. delegation to the Conference was appointed by Secretary of State Henry Kissinger.

Concurrently, a nongovernmental forum, the Tribune, took place. The Tribune was open to all interested people and focused on the IWY themes of equality development and peace. Five thousand people attended the Tribune.

A world plan of action was adopted unanimously by the World Conference delegates. It provided guidelines for national governments and regional and international bodies to accelerate women's full participation in economic, social, and cultural life.

The National Commission on the Observance of International Women's Year established by President Ford on January 9, 1975, and appointed on April 2, is our vehicle for a continued focus on IWY as it relates to women in the United States. The Commission is composed of 35 members from the private sector and four Members of Congress. The National Commission is divided into 13 committees covering special areas to achieve equal opportunities for women. Recommendations for action will be made but this is not an action group. Data is being collected for review and appraisal in support of recommendations to be made for recognizing women. A report will be presented to the President in 1976. Hopefully, some of the recommendations in the report will become the basis for action by organizations concerned with the status of women.

EMPLOYMENT DISCRIMINATION AFFECTS RETIREMENT INCOME

The Executive order says that the International Women's Year is dedicated "to seeing that the highest potential of each human being is achieved."

My concern for the economic status of the older woman makes me aware of discrimination against women in hiring and pay scales which result in lower lifetime earnings and lower retirement income for women who are self-supporting.

Both public and private retirement income systems seem to assume that women will fall into one of two clear-cut categories: that is, that they will be totally dependent or totally self-supporting. The truth is that the economic situation for women tends to change frequently as changes in the family structure change.

The number of households headed by women has increased sharply—almost twice as many in the past 10 years. Because women live longer than men, about one-third of all widows are less than 65 years old. The economic status of the single woman must be given greater consideration.

From the latest figures available, the largest percentage of income received by women in 1973 consisted of wages and salaries. For persons 14 years of age and older receiving income, the median for women was $2,800, compared to $8,059 for men. Of employees earning $10,000 or more in 1973, only 14 percent were women compared with 58 percent of men with such incomes; only 2 percent full-time employed women had jobs paying $15,000 or more. Of the female-headed families, 57 percent had salaries below the poverty level, a much larger percentage—15 percent—than male-headed families.

Ethnic minority women are disproportionately employed in low-income occupations due in part to cultural and linguistic barriers. Economic parity is truly nonexistent. Women employed year round, full time earn $3 for every $5 earned by men, netting women 59 percent of men's income.

Since social security benefits are the major source of income from the Government for the large majority of the aged, inequalities in the system for women are given priority for study.

The Social Security Administration was established in 1935 as a long-range social insurance program. Benefits were to replace earnings lost because of retirement in old age. Now it is a much broader social program. Social security cash benefits and medicare programs cover the rich, the poor, the middle class—irrespective of race, color, creed, or sex. Yet, in 1974, 2.3 million elderly women had incomes below the poverty level. The poor represented 18 percent of the noninstitutionalized elderly women and one-third of the 5 million women who lived alone or with nonrelatives.

Changes in Procedures Outlined

To make the system more responsive to the needs of women, we believe that changes must be made in the social security procedures. Our recommendations for change by the Subcommittee on Aging include:

(1) Change in the method of computing requirement income;

(2) Liberalization or removal of limits on the earning of persons age 65–72;

(3) Removal of inequities relating to benefits to working wives and dependent wives upon retirement;

(4) Removal of inequities in benefits to two-earner families at retirement:

(5) Medicare: Expansion of the medicare system to include prescription drugs, hearing aids, eyeglasses, and eye and dental care; and elimination of monthly payments by beneficiaries for physicians services—part B—and the combination of this plan with hospital insurance—part A;

(6) Indexing of past covered earnings for widows.

We particularly wish to commend the Senate Special Committee on Aging for recognizing in their deliberations the problems of older women.

I am grateful for your willingness to listen. Thank you for your time and interest.

Ms. McCamman. Thank you, Dr. Arnold.

You recommend that there should be a change in the method of computing retirement income. Does your Subcommittee on Aging have any specific proposal for what these changes would entail?

Dr. Arnold. Because we represent a large group, our recommendations appear to be quite generalized; and they are.

I would say that our concern is primarily for changing the system to the point that the working woman is given greater consideration in computing—looking forward to adding her income, whether she is married or not married. That the single woman be given the opportunity to have a second look— at the economic situation of the single

woman. If she has worked, that her income be recognized as well as that of her husband. She should not have to rely upon social security benefits as it relates to her husband, when she becomes a widow.

Ms. McCAMMAN. Do you have any channel whereby you might look at our task force proposals to see how they meet your general objectives?

Dr. ARNOLD. They do meet our objectives. They are exactly what we had hoped for, and would serve as a basis. We would concur with them based on our study up to the present time, which is of a cursory nature. We certainly endorse and are enthusiastic about your proposal.

Ms. McCAMMAN. Thank you.

Dr. ARNOLD. Thank you.

Ms. McCAMMAN. Our next witness is Ms. Arvonne Fraser, legislative chairperson and past president of the Women's Equity Action League—WEAL.

Welcome to the committee, Ms. Fraser.

STATEMENT OF ARVONNE S. FRASER, LEGISLATIVE CHAIRPERSON AND PAST PRESIDENT, WOMEN'S EQUITY ACTION LEAGUE

Ms. FRASER. Thank you, Madam Chairwoman. I am presenting our viewpoint from the homemaker's point of view.

I can agree with the individual recommendations of the task force, but essentially I think the problem is that the homemaker problem is not addressed adequately. But before I go into that, I want to emphasize that a woman who is a homemaker today, or this year, may be a working woman tomorrow, next week, et cetera. We cannot really talk about these two categories of women because I do not think they exist, as finite categories. The other thing I want to say is that because I have been traveling, I do not have a printed statement, but I will submit one within the next couple of days.

The task force report bothers me a great deal, because it purports to be on women and social security but concentrates really in its recommendations on benefits to men, and proposes that we cut benefits to spouses. I think that does not address the poverty problem among aged women at all. In fact, it will exacerbate it.

The report points out that the average monthly social security payment for women is $180 and $225 for men. It then goes on to say this is not the fault of the social security system—that is accurate—but of the economy, which pays women less and because women have interrupted work records. I agree with that.

In this report, there are two basic ideas: First, the definition of work is that which is paid for, and, therefore, housework does not qualify as work. That is a real problem, and a very basic problem, when you are talking about women and social security.

"HOUSEWIVES . . . HAVE NO EARNINGS"

Second, the system is essentially earnings based and housewives, it is assumed, have no earnings, at least under social security. Under the income tax, we have another philosophy, but I will come to that later.

In the proposal that comes out here, it is essentially said that we will not change the earnings base concept, but we feel perfectly free to

change the dependency concept. This reminds me of a heads-I-win-tails-you-lose idea.

It is, unfortunately, what happens in this society too often. If I sound a little radical, I am becoming it over this whole problem of the way we treat married wives. It is that, when the marriage breaks up, the men take the money and the women take the children. That, unfortunately, does not quite work.

I think the social security system's credibility is already strained over the financing problem, and I am afraid this report among women—or at least among housewives—will strain it even further. I happen to be an ardent supporter of social security, so I am deeply concerned about this. If housewives are told they are going to get less, and their husands more, this is not likely to increase their support for social security.

Let me then go on to what I really think ought to be done in trying to consider this whole question of marriage in the social security system.

Marriage is not looked on as an earnings record under social security. You can qualify through your husband, either by being married to him for 20 years or being married to him at a certain time that benefits are computed, and I think that is what gets us into trouble.

I believe very strongly that, among other things, marriage is an economic contract, and ought to be treated as such. We file that contract when we file the Federal income tax statement. We have an option when we are married of filing jointly or separately, and when taking either option, certain consequences follow.

I would like to see that same system built into the social security system. We already have attached a self-employment social security system to the filing of the income tax. I think that creates no administrative problem. On the filing of our income tax forms we give the names of spouses, their social security numbers, and the W-2 forms include covered earnings, so I do not think we would be adding a great deal to the problem administratively.

I have been working with my husband and his office on this social security problem for about 3 years, and I have had a couple of different ideas. We finally come down to the one I outlined, that couples filing jointly—if they choose that option and want to get that tax credit—then the consequence follows that each in their own social security account would be credited with 50 percent of the combined earnings in covered employment of two spouses, or 75 percent of the higher of the two individual yearly incomes in covered employment.

More Equity Needed for Couples

The reason for that 50 or 75 percent is to build some equity into the system. The 50 percent would be for married couples, where both worked and where they both earned about the same amount—or at least one earned more than 50 percent of the other. The reason I divide by 2 is to take care of the inequity of women generally earning less than men, so when you come out of the system you have a pretty good record. Hopefully one that is fairly equal—husband and wife—so they finally get about the same benefits.

The 75 percent is about what happens now upon retirement, and that would be for those in which one of them had either no earnings or a very small amount. Like the income tax the decision would be annual, and there, I think, is the crux of it.

What we need is portability in social security—that it not be determined at some point in time, depending upon your marital relationship or your parental relationship. Essentially, as I said, the 75 percent split is what happens when benefits are computed for husband and wife. What I really propose is that this be done annually rather than at one point in time. But it is possible that in order to maintain or create equity in a system, and not award what I call marriage prizes, the earnings ceiling may have to be adjusted for married couples. In other words, one married couple gets the 75 percent in order that they are paying an equivalent to the married couple of the 50-percent split—the two that are working.

That is a very quick rundown of what we propose, and it really is a contrast to all of the other proposals. Our plan recognizes that one day a woman may be housewife, and another day a working woman, and vice versa. One day a man may not be working in covered employment, and his wife may very well be working.

Obviously, in thinking about this, the big group that falls into this latter category is the federally employed, some State employees, and some locally employed. That is why I figure you have got the problem of raising the earnings ceiling.

In short, I think the social security problem is getting equity between married people and single people. It is so complex it almost boggles the mind; but I think we have to keep working at it. I commend this task force. It has done an excellent job.

I only say it has not gone far enough in recognizing that marriage is an economic contact, and that women are not just dependents.

Thank you very much.

I will be glad to answer questions.

Ms. McCamman. Thank you, Ms. Fraser.

Problems in Including Homemaker Services

Now, your proposal avoids many of the problems that the task force identified when it reluctantly concluded they could not propose social security coverage for housewives.

These were, for instance: If a monetary value is to be placed on homemaker services, how should the value be determined? Who pays the cost? What if the homemaker is also a wage earner? What if husband and wife share homemaker tasks? When does the homemaker retire under your proposal?

Ms. Fraser. When the marriage ceases, or when she goes back to work.

Ms. McCamman. In order to qualify for retirement benefits, how would that work?

Ms. Fraser. At age 62 or 65, like anybody else.

Ms. McCamman. But we have an earnings test for the other people. Does she qualify automatically at 65, even though she is still performing her homemaker tasks?

Ms. FRASER. Yes, I think so, because what you are doing is, year by year, you are building a record, so that she has a record just like, say, her husband.

Ms. McCAMMAN. But if you treat her like her husband, the social security system would not provide benefits until after she ceased to provide the services.

Mr. FRASER. This one is not based on services. This is based on earnings—earnings which are presumed and divided by 2.

Ms. McCAMMAN. Then you would not pay them until their earnings stopped. You would use the same earnings test?

Ms. FRASER. Yes.

Ms. McCAMMAN. But she would have to wait until her husband retired; is that correct?

Ms. FRASER. No; because she is on her own. You see, the thing is that in year one she may be a married working woman. In year two, she may be a housewife. In year 10, she may be whatever. Each year she is building up her record, through the earnings of herself and of her husband—divided by 2.

Ms. McCAMMAN. But for other people covered by the social security system, retirement benefits are not paid until earnings are reduced?

Ms. FRASER. Right.

Ms. McCAMMAN. So in her instance—let us take the one in which she has an earnings record, she is insured, but she goes on performing her homemaking services, and her husband goes on working. Does she get the benefit?

Ms. FRASER. It is not based on homemaking services. It is based on marriage. I think that is where we have got to think differently, because that is the way the system is built.

I realize this is very troublesome, but it is the only way I can see it working.

EXAMPLE OF DUAL COVERAGE

Let's take an example. This year, my husband and I earn—I am earning $2,000—together we are earning $12,000, for he is earning $10,000. Because I am earning less than 50 percent of what he is, I come under the 75 percent split. So this year on our two records I get $7,500 and he gets $7,500. Then we get coverage, and we are not worried whether I am a good housekeeper or a sloppy one, because that is not worried about by anybody else in any other system. So long as I have earnings, I am just like the steelworker out here. That is the kind of system I am saying we have to have. We have to treat marriage as a form of employment, I guess, or of self-employment. Then I know that some people are going to say: "Then you have to pay in." But we are already paying in, you see. That is why you have to raise the earnings limitation to $15,000, as we are paying in for two people.

I have thought about this for 3 years.

Ms. McCAMMAN. Another question. Under what is called the Fraser plan, there is a provision called the constant attendant allowance. Do you consider that to be the same as the task force recommendation for liberalization to include close relatives living in the home?

Ms. FRASER. Yes.

Ms. McCAMMAN. And although your proposal does not include the necessity for putting a monetary value on the homemaker services, maybe you would give us your views on certain recent estimates that have been made of the value of the homemaker's services, specifically the Social Security Administration report which we included in our task force report, that estimated the value of the work done by the homemaker to be approximately $4,700 annually. Yesterday Congresswoman Abzug informed the committee that the Chase Manhattan Bank valued the homemaker at approximately $8,300.

Ms. FRASER. I think it depends on whether you pay time-and-a-half or double time after 8 hours a day in computing this. I am very serious about that, because a lot of people—the amount I remember was $5,200—said: "I will take it if I can work 8 hours a day, have weekends off, and paid vacations."

You see, I think that is the whole problem. Housework and child care are not like other employment. Trying to compute it is just virtually impossible.

Ms. McCAMMAN. You have to conclude it is priceless.

Senator Domenici has just come in, so I will turn the chair over to the Senator.

Senator DOMENICI [presiding]. I am going to turn it back to you very quickly, because you are doing such a superb job.

Thank you for recognizing me. I apologize for being so late and I hope the participants understand that this is a very difficult day for the Senators. Probably there are four different substantial markups occurring, which all end months and months of legislation. It is the final crunch. We had one on highways that just concluded. I am sure some of the other Senators are in that kind of meeting.

I am going to let Dorothy continue the chairmanship, but I do have a statement that summarizes my views with reference to our changing times—and certainly the changing role of women as part of our society—indicating that I wholeheartedly support the concept that we had better get this phase of our law in tune with reality. This is really the problem that we are confronted with.

I will have my statement made a part of the record, and since there is no one here that can object, that will be done.

I do want to ask you about the constant attendant allowance versus the liberalizing definition of dependents to include close relatives. Could you just elaborate a little bit about that for me?

Ms. FRASER. There are a few people in society who can take care of others without pay—who are not related by marriage, or at least as spouses—and the question then comes: How do they qualify under the system?

I have forgotten, but I guess you would have to give them a wage, or compute a wage, or impute one on which to base their earnings—and ultimately their benefit. Like a spouse, the person may do this for a few years of their life, and be in covered employment at other times in their life.

These are the people who get dropped out of the system because they are not spouses.

Senator DOMENICI. I have no further questions.

[The statement of Senator Domenici follows:]

STATEMENT BY SENATOR PETE V. DOMENICI

I am pleased to be here today, and I congratulate the committee for scheduling the hearings on possible changes to the Social Security Act. The social security law is based on outmoded assumptions which can have the effect of discrimination on the basis of sex. I am sure that no evil intent was involved when the social security system was devised in the mid-1930's. Indeed, if every male and every female in the United States was part of a marital unit in which the man was the breadwinner for the family and the woman was a full-time housewife and sometimes mother, the Social Security Act would probably not have an unfair effect on either men or women.

However, the social security system seems to be based on a concept of the male as breadwinner and the female as dependent wife or widow, an assumption which does not reflect reality. Today, 22 percent of all households are headed by women, an increase of 46 percent in 10 years. These women are living alone, supporting relatives, or acting as heads of 13 percent of the families in this Nation. More than 35 million women are in the labor force and they represent nearly two-fifths of all workers. Yet the Social Security Act appears ignorant that millions of women are working and are economically independent.

On March 19, 1975, the U.S. Supreme Court, in a unanimous decision, struck down as unconstitutional a provision in the social security law which provided a difference in treatment on the basis of sex. The provision of benefits to the widow of an insured person and to the couple's children in her care, but not to the surviving spouse and children of a female insured by social security, was ruled unconstitutional in *Weinberger* v. *Wiesenfeld*. It was insightful to me to read the testimony presented yesterday by Mr. Wiesenfeld, the defendant in this milestone case. The Court in this instance ruled that the distinction in the law was based on an "archaic and overbroad" generalization, not allowable under the Constitution, that the earnings of male workers are vital to their families' support, while the earnings of female workers do not significantly contribute to the support of the family.

Some Problems Left Unanswered

The task force has done an excellent job pinpointing other gender-based distinctions which still exist in the social security law, such as benefits provided for a divorced spouse, and surviving spouse of a man insured by social security—but not of a woman who has paid into the system. Furthermore, it is obviously discriminatory when an insured man—but not a woman—retires, dies, or becomes disabled. His spouse may receive benefits whether or not she is dependent upon him, but a man must have been dependent on her for at least one-half of his support to receive benefits in similar circumstances based on his wife's social security insurance.

Obviously, it is not only the woman insured by social security who suffers from a difference in treatment: it is also her husband and family. In the laws of our land, there should be reflected no special advantage for either men or women. The women who pay into the social security system—and their families—should get full worth for the dollars they have contributed to this important social insurance program.

I am pleased to be part of these hearings, and I am hopeful that responsible and reflective legislation is a result of these efforts. Thank you.

Ms. McCAMMAN [presiding]. I believe our committee staff member, Ms. Kilmer, has a question.

Ms. KILMER. I would like to ask one simple question, and that is: When is Congressman Fraser going to introduce his proposal?

Ms. FRASER. We are aiming for February 1.

The social security bill is very complicated. Changing this has many ramifications, a number of which I have not gone into here but will in the statement when we send it over to you.

We are working on it with the legislative counsel on the other side, and my aim is that I think we will be able to get it over to you as soon as possible.

Ms. KILMER. Thank you very much.

[The prepared statement of Ms. Fraser follows:]

PREPARED STATEMENT OF ARVONNE S. FRASER

I am pleased to be asked to be part of the panel commenting on the working paper prepared by the Task Force on Women and Social Security of your Special Committee on Aging.

I am here to try to represent the homemaker's point of view and give you some of my thoughts. Let me emphasize that while the individual recommendations of the working paper are good and the discussion or working paper excellent, I cannot agree with the document as a whole, because it simply neglects to address adequately the problems of women who are housewives or homemakers and mothers.

Let me also emphasize that to put women into finite categories like "nonworking" housewife v. married working woman is both misleading and inaccurate. Today's housewife is tomorrow's working woman and vice versa. Women move in and out of the work force, in and out of covered employment.

Let me also emphasize that bringing equity to individuals and families in this enormously complex system called social security is no mean task. There are conflicting interests with the married v. the single person, the divorced, the widowed, the worker, and the homemaker. Adjusting all these interests and trying to come out with a system fair to everybody is probably an impossible task. We can only aim at it.

Therefore, understanding that I am speaking especially from the homemakers point of view, and understanding that a homemaker is probably also a worker who has at some time in the past and will at some time in the future be paying into the system as a covered worker, let me comment:

(1) I am aghast that a report that purports to be on women and social security concentrates on benefits to men and proposes that we cut benefits to spouses.

(2) Though the report points out that the average monthly social security payment for women is $180 and the average for men $225, it goes on to say that this is not the fault of the social security system but of the economy which pays women less and results in women having interrupted work records. This, it seems to me, is a cop-out. This should be the concern of a task force of the Special Committee on Aging if that task force is concerned about older women who are poor. Our society encourages women to drop out of the labor force to take care of children but then punishes her for it.

(3) One of the problems of the social security system is that two basic ideas—which may be incompatible—run through the system. The first is that the definition of work is an occupation for which one is paid. The social security system is earnings based. Therefore, since the homemaker or housewife doesn't get paid for her work, she has no earnings and is outside the system. Except that the system is also deeply engrossed with the concept of dependency and of the housewife being dependent and receiving benefits on the basis of that dependency.

(4) It seems clear, from the working paper, that experts are perfectly willing to change dependency concepts and benefits but are unwilling to change the earnings based concept or to include homemaking in any way as earnings re-

lated, except indirectly through dependency. (This reminds me of the old "heads I win, tails you lose" proposal.)

(5) I am an ardent supporter of our U.S. social security system, even while I criticize it. I would only refer to Wilbur Cohen's superb statement in a booklet entitled: "No Longer Young: The Old Woman in America," published by the Institute of Gerontology at the University of Michigan-Wayne State this year in which he stated that social security "keeps some 10 to 15 million persons out of poverty" and then goes on:

"The social security program is much more than a retirement program. It is the largest life insurance program, the largest disability insurance program, the largest health insurance program, as well as the largest retirement program in the Nation."

HOUSEWIVES MAY FEEL SHORTED

But today the social security system is under grave attack. Its credibility as a future retirement system is strained. I fear this attack may gain converts among women—both working women and housewives working inside the home. Housewives, especially, will get the distinct impression from this working paper that they are going to get less under the system and their husbands more under the recommendations in this paper. This is not likely to build increased support for social security among women.

(6) But what does seem to be enshrined in the system is marriage—marriage, not as a way to build an earnings record but as an endurance test or a relationship at a particular point in time which directly affects women's social security claims or benefits. If one can last through marriage with a covered worker for 20 years, it's possible to have a claim on benefits even after divorce. Or, if one is married at the point in time at which something happens—death, disability, or retirement—then the benefits may be paid.

(7) What does not seem to be recognized is the possibility that marriage is an economic contract between two people and that social security records can be built on the basis of that contract. The fact is that social security is based on that concept but only at a point in time when benefits are to be computed, not on a year-to-year basis. This is a very arbitrary provision in the whole system. What we need is portability in social security.

My husband and I have been thinking about this problem—the problem of portability in social security—for a long time. We have rejected the idea of an imputed wage or salary for homemakers services. We have also rejected our earlier idea of giving married couples an option of plan A or plan B. We believe the system must be universally applicable to all married couples and should be fair to both married and single workers. We don't believe in what we call "marriage prizes" when married couples can collect more than single individuals. We also believe the system must take into account the differing lifestyles and workstyles of people today. Our bill will apply, we hope, equally to men and women and still be fair to both the married working woman, the housewife, and the single person. We hope it builds new flexibility into the system without being unduly expensive. We realize the Social Security Administration has no records on how many adult women have ever paid into the system; nor is there any data on these women as a percent of the total adult population, the work force, or as adult beneficiaries.

It is with these inequities and the experiences of many women in mind that we addressed ourselves to the problem of women and social security. Our bill—the Fraser bill—which we are calling the "Equity in Social Security for Individuals and Families Act," has as its basic idea the assuring of the maximum number of adults their own social security record built up and maintained throughout their working lives on which they and their dependents collect benefits.

We recognize that women, especially, move in and out of the paid labor force. We further recognize that men often have had to prove dependency to collect on their wives' social security record while women are assumed to be dependent. We also recognize that two big groups of adults are not now covered by social security—Federal Government workers and housewives. Under the Fraser bill individual members of both groups could build up a record of coverage through spouses working in covered employment.

This is possible because the Fraser bill is based on the Federal joint income tax's income splitting and is tied to that system through the annual filing of

income tax returns just as the self-employment social security tax already is. The system is also based on the idea that marriage is a contract between equals and that individuals declare their marriage contract when they file their income taxes. Married persons have a choice of filing as "married, filing jointly" or "married, filing separately." If they file jointly they are splitting their income and sharing equally and receive something of a tax break. If they file separately they are not sharing income and are taxed at different rates.

TAX FILINGS USED TO COMPUTE ADJUSTMENT

Under the Fraser bill, a social security decision follows the income tax decision and adjustments on social security records would be made from income tax filings. The W-2 forms currently attached to income tax forms give all the social security information necessary and income tax forms contain both the names and social security numbers of both spouses in a marriage. Thus, no great new system is required to be installed.

In order to give each individual in a marriage current credit for earnings and quarters of coverage, couples filing jointly would each be credited, each in their own account, with the higher of: 50 percent of the combined earnings in covered employment of the two spouses; or 75 percent of the higher of the two individual yearly incomes in covered employment.

Like the income tax, the decision would be annual, covering the full year and each partner in the marriage would be credited with the number of quarters worked in covered employment by either or both of them up to a maximum of four quarters for the year.

Essentially, the 75 percent split is what happens today when benefits are computed for husband and wife. Upon retirement a husband receives 100 percent of his primary insurance amount and a wife's benefit is 50 percent of his PIA. The Fraser plan simply makes this computation annually and applies half or 75 percent to each spouse's record rather than making the computation when benefits are applied for. Thus this computation method should not be costly to the social security system.

If the husband and wife earn close to the same amount, each will be credited with 50 percent of their combined earnings. The reason for this is that generally women's earnings are less than men's and that if each kept only their own earnings women would almost always come out lower. When—and if—women's earnings equal men's, the 50 percent will still be fair and equitable.

It is possible that, in order to maintain or create equity in the system, the earnings ceilings may have to be adjusted for married couples.

It should also be remembered that wages earned by a worker not in covered employment do not count in this system. However, the noncovered worker could maintain or build on his or her own social security earnings record through the spouse's earnings in covered employment. For example, a $10,000 a year government worker whose spouse earns $10,000 a year in covered employment would be credited with 75 percent of $10,000—or $7,500—not the $10,000 he or she would have been credited with (50 percent of $20,000) if both their salaries were in covered employment.

Finally, it should be remembered that workers today do not have static work records. One year a couple may both be working in covered employment, full-time, throughout the year. Another year one may be unemployed while the other is employed. They may divorce and remarry others. Or one partner in the marriage may be supporting both while one is a student. Later they may switch roles. All these changes currently affect benefit computations, often adversely for one of the partners in the marriage.

Benefit changes contemplated under the Fraser bill are as follows:

(1) Children would be allowed to receive benefits based on both parents' social security accounts. Currently they can only benefit from one parent's record. This, however, would affect only a small number of children and cost the system very little.

(2) Housewives would be covered by disability insurance. Currently, if a housewife is disabled, the family suffers a huge loss and burden and there is no compensation. This, too, would cost the system little but would benefit individual families enormously.

(3) Dependency requirements for spouses would be removed and survivor's benefits reduced for spouses when all spouses have their own coverage. To do

otherwise would be to establish marriage penalties and prizes and risk increased attack by single groups.

After the system was adequately established, survivor's benefits for spouses would be limited to a lump-sum death benefit payable to the spouse and equal to 1 or 2 years' retirement benefits. It is possible single persons should be allowed to name a beneficiary for this purpose also.

(4) For the spouse at home over 50 years old who becomes the displaced homemaker mentioned frequently by Tish Sommers of the NOW Task Force on Older Women, survivors' benefits may be paid until that spouse can qualify in her own right. Such benefits then become the basis for the individual coverage and record maintenance of the spouse until she can collect on her own record. For example, a housewife widowed at age 55 with no dependent children could collect survivors' benefits on her husband's record and use those benefits as her earnings in maintaining her own record until she reached 62 or 65 and retired.

Temporary Dual Computations

We are still working through the transition period mechanisms to be used in changing from the old husband-dependent-wife system to this new system. There will probably have to be a hold-harmless period or perhaps a period in which dual computations will be made and the higher of the two used. Neither of these mechanisms would be new to the social security system; both have precedents.

We do not pretend that this plan is perfect. With such a complicated system as we have now built up under social security we know there are many inequities. We know we have not addressed all of them. However, we are hopeful that this plan will stimulate thoughtful consideration and look toward equitable solutions.

All of us age. We are tomorrow's senior citizens, a fact that comes as a shock. Each one of us must prepare for that inevitable time when we will no longer be earning income. For most of us, social security will be the base of our support. Pension plans and savings will be supplements.

American women are ready to bear their fair share of responsibility for their old age. They want to plan ahead; they want to know that their economic contribution to society is recognized as an individual contribution and not that of a dependent who collects benefits at the mercy of others.

Currently the social security system is under grave attack. I fear that attack will be joined by many women unless inequities in the system are addressed forthrightly.

Thank you for the opportunity to present this statement and I shall be pleased to try to answer any questions you may have.

Ms. McCammAN. Our next witness is Dr. Inabel Lindsay, who is the former dean of the School of Social Work, Howard University, and former trustee of the National Urban League.

STATEMENT OF DR. INABEL LINDSAY, FORMER DEAN, SCHOOL OF SOCIAL WORK, HOWARD UNIVERSITY, AND FORMER TRUSTEE, NATIONAL URBAN LEAGUE

Dr. LINDSAY. Thank you, Madam Chairwoman.

I appreciate the opportunity to participate in this discussion of the task force's report on Women and Social Security.

I also have an apology for not having a prepared document to offer, but I too have been on the road attending other conferences.

There is one small correction I would like to make. I have been retired for 8 years and there have been four deans since I have left Howard University, so I prefer the title that I am dean emeritus to establish my claim to a bit of longevity.

The task force is certainly to be complimented for accomplishing its task in so short a time and producing an excellent analysis of the

major aspects of the social security program as they affect older women.

It is understandable that time limitations prevented the exploration of the programs as they affect selected groups of women. I am especially concerned that time was not available to consider in depth the problems of older nonwhite minority groups of women, particularly black women.

I shall confine my comments, therefore, largely to parts 3 and 4 of your report, and shall attempt only to assess some of the legislative proposals, task force recommendations, and suggested goals, as to their potential impact on nonwhite older women. Because the nonwhite category is composed of approximately 90 percent black, these remarks will relate largely to black older women.

The sufferings of ethnic and racial minorities are generally very well known, and their specific problems have been well documented from time to time.

Poverty Twice as Great Among Elderly Negroes

The likelihood of poverty in old age is twice as great for elderly Negroes as for majority-group older citizens.

Problems other than poverty also have been underscored for blacks. Deprivation in food, shelter, education, health services, inferior opportunities to earn a livelihood have been noted by the chairman of the Senate Special Committee on Aging in other reports published by the committee.

The female of the nonwhite minority, many of whom must assume family leadership, is more disadvantaged than the male. Dr. Arnold commented on that point. For example, in 1969, with income at the $4,000 to $5,000 annual level—at that time approximating the poverty level—4 percent of the black males averaged this much annual income, with only 1 percent of the females receiving annual income at that amount.

Even the more favorable mortality rate of females over males among blacks reflects the fact that many females must assume the role of head of the family earlier than white women left widowed, and such assumed role is usually without adequate support.

These differentials and other inadequacies led me to consider the report of the task force in three broad categories; namely, those recommendations which would generally liberalize benefits; those which would affect eligibility for benefits; and those which would alter disability status.

In each of these, I reviewed the recommendations from the standpoint of the woman of minority group identification, primarily the older black woman.

I included recommendations 1 through 5, and recommendation 14, as related primarily to liberalization of benefits.

The expansion of the dependency requirements to males—husbands and widowers—without proof that the female wage earner had contributed at least half of his support would, of course, guarantee greater equity between the sexes.

In addition, it would encourage nonwhite males, more often than not confined to menial labor and other nonstable types of jobs, to maintain their families intact, without "farming out" minor children to relatives already in marginal poverty, or deserting the family.

The same argument could be made for divorced husbands, and for the provision of father's insurance benefits.

In addition, the generally smaller benefit entitlement of minority women wage earners, because of employment in low-paid occupations and noncovered work, would provide very small benefits. But these together with limited incomes of black wage earners, might again lead to the maintenance of a family—impossible without the small supplement.

Again, proposal No. 4—to provide additional benefits for working spouses, whether achieved through legislative proposal A or B—would help black families maintain a more adequate level of living than many are able to do at present.

Wages Lower for Black Wives

There are proportionately larger numbers of black working wives than white, and their wages are proportionately lower.

In addition, the protections afforded the working wife which are not available to nonworking wives are an invaluable aid to the family of marginal income to prevent their sinking to or below the poverty level. Perhaps the most significant proposal for nonwhite working women in the category of liberalization of benefits is that for the payment of benefits on the basis of combined earnings of husband and wife.

The benefit to lower income blacks is obvious. Not only is the combined income of husband and wife apt to lower, and hence afford reduced benefits, but often employment has been unstable and yielding benefits at minimal levels; and there is evidence that the size of the family is apt to be slightly larger, which means that there is less income to support more people.

In the recommendations, arbitrarily included, some primarily focused on proposals for change in eligibility: the age of 62; eligibility of spouses; the remarriage of widows; and additional dropout days. These may be interpreted as providing incidental benefits for nonwhites though very obviously will benefit whites more.

Recommendations 15 and 16 in this category perhaps offer most direct help to nonwhite female beneficiaries.

If services performed by homemakers could be credited, it would make it possible for many poor and near poor mothers, especially blacks, to give better parental attention to their children and their homes.

The liberalized definition of "dependent relatives" living in the home as proposed would make possible the still frequently observed extended family pattern in many black homes. Other ethnic groups, including Puerto Ricans, Asians, and Indian families, which often tend to depend heavily on relatives for care of children and help in homemaking, would benefit.

Recommendations 10, 11, 12, and 13, relating to improved definitions or administrative procedures regarding disability status, would be a significant step forward toward equal status for women.

Higher incidence of poverty and employment in hazardous occupations does cause and can account for more illness, with much of it going untreated among the black beneficiaries.

I am not at all sure that an "occupational definition" of disability would correct this situation for black women in domestic service.

Modifications Need in Definition of Disability

Further modifications in the definitions of disability will have to be made before these proposals have substantial impact on older nonwhite women.

Definitions which take into account such social factors as poverty, ignorance, traditional reliance on home remedies or folk medicines, et cetera, will have to be devised, and adequate medical services within reach of the poor and the near poor will have to become a reality.

Nevertheless, improvement in disability definitions and status will improve the lot of many women and can perhaps lead the way to ultimate means of reaching the presently unreachable.

In setting forth its goals, the task force has been both idealistic and practical. For the immediate future, realistic steps have been proposed which would be of great help to women of all ages; however, the long-range goal of achieving equity for all women is certainly not within sight, without serious consideration of ways to correct the inequities bearing heavily on all nonwhite beneficiaries, especially the elderly black women.

A recent article in the April 1975 Social Security bulletin suggests that things are getting a bit better for the younger generation. It reported that at the end of 1973 blacks received overall cash benefits in about the same proportion as whites—12 percent as compared to 14 percent—but among the population aged 65 and older, "only 80 percent of the blacks, compared with 92 percent of the whites, were receiving cash benefits."

Heroic means are needed rather than a "bandaid" approach if true equity is to be achieved in the foreseeable future.

One means worthy of consideration, but not suggested in the task force report, is reform of the total tax structure to convert the social security tax from a regressive to a progressive pattern of taxation.

Thank you, Madam Chairwoman.

Ms. McCamman. Senator Hartke is now our chairman.

Dr. Lindsay. I realize, of course, that the social security system cannot take the initiative in reforming the tax structure, but this is a recommendation which would benefit the social security program.

Ms. McCamman. Thank you. Dr. Lindsay.

Senator Hartke [presiding]. I want to say, on behalf of the committee, that I want to thank the panel for the testimony today, and we are going to proceed now to the next witness.

We do thank you very much.

Our next witness is an old expert in this field—Mr. Robert M. Ball. I am glad to see that you are continuing your policy of being concerned about the problems of the aged.

STATEMENT OF HON. ROBERT M. BALL, FORMER COMMISSIONER OF SOCIAL SECURITY, AND SENIOR SCHOLAR, INSTITUTE OF MEDICINE, NATIONAL ACADEMY OF SCIENCES

Mr. Ball. Senator, I think this task force that the committee has commissioned, and this series of hearings, are very important.

I do have a short statement here, and with your permission, I would like to have it made a part of the record.

Senator Hartke. The entire statement will be made a part of the record, and you can proceed to tell us what we need to know in your own delightful fashion.

Mr. Ball. I would like to make a few points, Mr. Chairman, and then I think it would be more productive to spend what time I have with you in response to your questions and concerns. This is particularly appropriate because I am in such complete agreement with the recommendations of the task force. The analysis seems excellent to me and I support the recommendations. The problem is one of selecting priorities.

I would like to see all of the recommendations enacted into law. The difficulty, of course, is that taken together they would be quite expensive. In terms of priorities, it seems to me the first one is to eliminate all sex-based differences, and this is not an expensive undertaking.

There are large dollar costs for a year or two for one or two of these proposals, but as a part of the contribution rate in social security, even altogether, the cost is relatively minor.

Courts May Move If Legislation Is Not Forthcoming

Therefore, it seems to me that the Congress might move rapidly on this particular problem and have the provisions apply evenly across the country. Otherwise, it now is becoming clear that the courts will be making these decisions anyhow. Then you may have uneven application for a time—jurisdiction by jurisdiction—until there is across-the-board legislation to clear up all the discriminatory provisions.

I do, Mr. Chairman, want to emphasize that the most important sex-based differences in the provisions of social security have already been eliminated, a very large number of them as a result of the persistent and skillful efforts of Mrs. Griffiths who was a witness here yesterday. What remains is very important, symbolically, it seems to me, but except for one provision, does not have a great deal of practical effect in terms of the number of people involved, or the costs involved. These changes should be done and done quickly.

Now, the other point I would like to stress is that after making male and female workers equal in all respects under the law, we would still be left with too many elderly retired working women—single women—who have their benefits based on their own earnings, who would be receiving benefits that are much too low—in many instances below the

poverty level—and many elderly widows who would still be receiving benefits that are much too low. I would diagnose the problem of the system in relation to its treatment of women in three parts.

One, the outright discriminatory features against one or the other of the sexes. For example, men do not receive benefits as divorced husbands as the divorced wife does, and the benefit computation for benefits that flow from a man's wage record, if he is already elderly, is not as favorable as for a woman earning the same wage.

You are familiar with the latter fact—the old problem of computing benefits up to age 62 for women and 65 for men. This was solved in 1972 for the future, but not for the past. These outright discriminations can be cured quite easily.

Two, how do we improve the system where there is the greatest need? The greatest need is among elderly single women who have worked and also among widows. Three, there is the question of just and fair treatment, the basic equity issue. Here it seems to me that the system is unfair to the single woman and to the married couple when both work, as compared to the treatment of a couple where only one person works.

The task force, I was very pleased to see, endorsed the proposal that I made a few months ago. This proposal was directed at both paying more where the need is greatest and the equity issue.

Benefit Increase for Working Couple Suggested

I would obviously not reduce the benefits that have been promised to the couple where only one works, but I would propose that the benefits for the couple where both work be increased. I would do this by changing the ratio of the worker's benefit to the spouse's benefit, and at the same time increasing the worker's benefit. Very specifically, what the task force has endorsed is an increase of 12½ percent in all workers' benefits—that increases the relationship of benefits to wages and to contributions—and at the same time reduces the proportion that the spouse's benefit bears to the worker's benefit. Instead of one-half of the worker's benefit, as it is now, if you made the spouse's benefit one-third, you would come out the same for the couple where only one person worked. A 12½-percent increase in the worker's benefit, but down from a half to a third for the spouse. You would come out just the same, but what you have done is considerably increased benefits of elderly retired women workers and men too, but more so you have increased benefits for the elderly retired women workers and for widows where it is the biggest problem. This is expensive.

Senator HARTKE. How expensive?

Mr. BALL. I would say 1½ percent of payroll.

The Commissioner testified earlier that it was 1.9 percent of payroll, but the difference there is where you assume that the system will be changed to stabilize the replacement rate, the relationship of benefits to wages.

Everybody is agreed—the President, the congressional committees, you, and the task force working on how to do that—and so I am assuming that the system will be changed, so that for the long-range future, benefits will bear the same proportion of wages for those retiring later on as it does for people today, instead of the effects you can get under the present automatic provisions.

Once that is done, then the cost of this proposal is about 1½ percent of payroll rather than the almost 2 percent, so I assume that will be done.

Senator DOMENICI. Mr. Ball, when you change from 1½ to 1⅓, are you suggesting that literally they would still get the same by adjusting the rate?

Mr. BALL. Yes, for couples, unless only one person worked.

Senator DOMENICI. So we would not have a large vested constituency when that change occurs, if you do both at the same time?

Mr. BALL. That is correct. You would come out the same.

The 12½-percent increase for the worker balances the reduction of one-half to one-third for the spouse.

You remind me, though, of another point that I think is very important to stress. In a lot of these provisions under attack on equity grounds, it is no longer profitable to talk about whether women, as such, have a right to complain, or whether men, as such, have a right to complain.

If you assume the system will be cleansed so that women workers and men workers are treated exactly the same under law, then the equity comparison we will be looking at is the couple where both work versus the couple where only one works. And we will be comparing the single worker versus the couple.

Senator DOMENICI. Without regard to which sex?

SEX AS A DETERMINATION SHOULD BE DROPPED

Mr. BALL. Yes; I think that sex has to be dropped in the Social Security Act as a determinant of benefit rights. To illustrate this last point, we have all heard—you have in your mail, and I have in my previous position in my mail—many women complain that when they go to work, they pay social security contributions, but if they are married, they do not get full value for their contributions, because they would have, in any event, received protection as a wife or a widow based on their husband's earnings. Their argument is that their additional contributions do not buy full value.

Well, I am suggesting that same situation will exist in the future for a husband. A husband who is going to receive benefits without a test of dependency based on his wife's wage record either as a husband, a divorced husband, or as a widower—which I think should be done to provide equal treatment—is going to question whether he gets full value for the social security contributions that he makes. If he stayed home, he would get benefits anyway, as a husband, widower, et cetera. I believe our analysis has to assume that the law will provide equal treatment. Then we need to look at the problem in terms of where the needs are, and the equities between couples where both work and only one works, and between single workers and couples. Specific sex discrimination can and will be eliminated by the courts or by changes in the law.

Senator DOMENICI. But the women could say we ought to discriminate against the men for a while, because we did the reverse for a long time. If you have to balance some fund here, you might go on the women's side, and make the men have a little bit of less equity for a while.

Mr. BALL. I am a strong equal rights advocate. I think we ought to get the system so it treats people equally, and not start in the other direction.

Senator HARTKE. Can you do that for us? I mean in longevity, the women are outliving us 9 years now.

Mr. BALL. I do not think it is quite that long, Senator, but there is a very striking difference.

Senator HARTKE. I think the present up-to-date table shows 9 years.

Mr. BALL. You may be right.

Senator HARTKE. The statistician says a little over 7, but I am telling you the governmental statistics are so far behind that they have not caught the last year and a half. The medical authorities say it is a little over 9 years, and they are rapidly increasing.

I am not arguing about this. I talked to some of the doctors about this and I understand there is a cure, but I do not know it.

"ASSUMED WAGE" CREDITS FELT UNWORKABLE

Mr. BALL. Mr. Chairman, with your permission, I would like to comment on one or two of the proposals that are currently being made that were not recommended in the task force report.

As I said, I personally endorsed the entire range of recommendations of the task force, but there is one proposal that is being strongly advocated by others that I believe would be quite unworkable—it seems to me important to say that—and that is this proposal for giving assumed wage credits to a homemaker.

I certainly sympathize with the motivation behind this recommendation, a motivation that is based on the idea that housework and homemaking is an economic contribution. Of course that is true, but it does not follow that it makes sense to attribute assumed wages for homemaking for social security purposes.

The proposal doesn't make sense, mainly, because the whole purpose of the social security payment is partly to make up for income that is lost at the time of retirement. Now the homemaker service continues throughout married life. You are not dealing with a loss at age 65 that can be compensated for by a cash payment. The homemaker over 65 continues to be a homemaker.

What you are dealing with in social security is a loss of earned income because people stop work. We need to stick to the idea of partially replacing this loss of earned income.

The task force report does a very good job, also, in stating the great practical difficulties in deciding how much to credit under this proposal. The average value of homemaking is no good as a basis for social security credits. Some people have very little in the way of a homemaker job; some people have many children, since reared; some people do the homemaking job while they also work outside the home. Do you add the two together? All these practical objections are well brought out in the task force report.

Senator HARTKE. Ms. McCamman, the chairwoman of the task force, has some questions, but let me ask you a question.

What you are really dealing with is the basic underlying philosophy in the present social security system, if you make that change, and I think it should be done.

I think we need—I am not opposed to some of these changes which could be done on a temporary basis. But if I understand the demographers correctly—Mr. Harvey Wheeler from the Center for Democratic Study has a study which is coming out. It is going to demonstrate what is happening in this last period of this 20th century with what we call work—either we will have to redefine "work" in its entirety, not only in the homemaker area but in a whole lot of other areas, or the whole social security system will be out of touch.

Let me clarify it. We are down now in the agricultural sector to the point where about 6 percent of our people are producing more food than most of us should eat. That factor could be reduced to an irreducible minimum of about 5 percent—5 percent of the work force. But in the industrial sector, 10 percent of the work force will be able to produce all of the material goods that we need.

Additional Burdens Caused by Unemployment

That leaves you with about 85 percent of the people out of what we call work today. I do not believe this administration, or this Congress, has addressed itself to the fact that a good third of the automobile workers are never going back to work again. They are just not going back to that job in the automobile plant. The UAW is not alert to that yet, but they had better catch onto it quickly. We are producing double the automobiles now with the present work force, so what will you do with these people?

You are going to have a group of people out there who will not be wage earners in the traditional sense.

We have extended unemployment benefits to these people; but as far as social security is concerned, they will be in a position where they add to the welfare rolls which will build up very rapidly.

This means by 1985 you will have people who thought they were going to draw social security but who will not draw it at all.

Mr. Ball. Mr. Chairman, I agree that there are dramatic changes taking place in the kinds of jobs that people will be doing. There are more and more people in service industries as compared to manufacturing.

However, I myself do not see a chronic problem of continuing large-scale unemployment on down the road. If that was the thrust of your remarks, I do not go along with it. But I do see, very much related to social security, one aspect of the population change you just touched on. It might deserve a little more discussion. In the next century there will be a tremendous increase in the proportion of older people in the population as compared to the people between the ages of 20 to 64. This is happening for a lot of reasons, but despite that, we will make the social security system work. It will work better if people over 65 have the opportunity to participate in the labor force to a greater extent than today.

Senator Hartke. How can they participate in this type of society on an organized basis when you have 8½ million people out of work now?

What do we say to these people? Do we say they can afford to work for less because their bargaining power is not as good, and their income is supplemented with social security?

I am for eliminating the earnings limitation. But does that get you back into another problem? As long as you have massive unemployment, are you really substituting Government financed workers, at the expense of the lower age group?

Mr. BALL. As long as you have massive unemployment, in general——

Senator HARTKE. There is 7 percent unemployment projected through 1978.

Mr. BALL. As long as that is the situation, measures to promote the labor force participation of older people are not going to work.

FORCED RETIREMENT MAY END

I think down the road we do not need to have 7 or 8 percent unemployment. In the next century, as we look to there being so many more older people as compared to people between the ages of 20 to 64, I think employers will be much more open to the idea of having people 66 and 67 continue to work, rather than having a compulsory retirement age of 65 as they do today. I hope that will be the trend. I think it is better for older people to have an opportunity to work.

Senator HARTKE. But as we come full circle, back to where we were in 1935, that is originally when the idea to force people to retire to open up the labor front for the younger people was conceived.

Mr. BALL. Well, in the 1930's there was, on the part of some people, a feeling that that was part of the purpose of social security. I never myself thought that was a valid objective of social security—to try to get older people out of the labor market. I thought it was better to think of it in terms of partly replacing the earnings that had been lost by those who retired.

Senator HARTKE. It may not have been part of the purpose, but that is what President Roosevelt said at the time.

Mr. BALL. I would like to see that reference.

Senator HARTKE. I will be glad to give you that statement. That is what he said when he signed the bill.

Mr. BALL. I know many people said that; that is true.

Senator DOMENICI. Mr. Chairman, if I may exchange views—I tend to disagree with you, and I do agree with Mr. Ball.

I think the unemployment is chronic, but there is no need for it to be.

In fact, it appears to me one of the reasons we moved so rapidly in the direction of producing so much, with so few, is directly tied to energy. It seems to me America did that because we were on an energy binge, so to speak.

I think that day is gone. I think there will be a move back to substituting people for things that use energy, and I think there are some people putting this theory into reality. I honestly believe that will occur. I think you will see, without knowing it, some real thrust toward "people energy," if it is reasonably available, and the balance sheet will show that it is going to be equal, or less expensive, than in moving with more energy for production and services.

Some people are wondering how we can push toward "people energy." It is because of reality; because we will not have the equivalent production for the price we have had during all of these years with low energy and we will have to use people for energy. I believe we

have a trauma that we have not worked out. We had a jump in energy costs, and we are going through that in terms of unemployment. I do believe the question we have is that there will be too few young people in terms of the conventional way of looking at a work force.

I think your analogy that we will have to do something to make sure that the older people have a chance to work and are put into the work force will come on us in the next 7 to 10 years. I think the reverse of what Senator Hartke is saying.

Senator HARTKE. Let me say it may be the reverse, but the pattern has been steadily in that direction.

Senator DOMENICI. I think the pattern is tied to energy.

DOLLAR SHORTAGES LIMITS BENEFITS

Senator HARTKE. All I can say, in most cases, I do not want to believe absolutely that history repeats itself, but it is a statistical fact which can hardly be denied that there are just not enough dollars out there to take care of everybody.

Mr. BALL. What I was going to suggest, Senator—it is really somewhat off the point of the main interest of this hearing—but what I am suggesting is that 25 or 30 years from now, under the population projections that most people are supporting, the 20-to-64-year-old age group comes to a halt in absolute numbers.

As the generation born in the baby boom after World War II begins to reach 65, you will have a very large number of people who will be drawing from social security as compared to those paying in.

I am saying under those circumstances—since there will be relatively fewer people 20 to 64—employers might be more willing to employ older people past 65.

Senator HARTKE. Now, just to give you a demonstration of how far some places have gone, Japan is now constructing the first completely automatic robot-controlled electronics plant. It will be in operation in 1980, and there will not be one single person working in that plant.

They will have a bunch of people monitoring computers and machines. That will be the entire job, and that is what I am saying to you when you are talking about putting these people to work. I do not know where they will work.

Mr. BALL. There are a lot of places that are undermanned in important services. Manpower is needed there.

Senator HARTKE. You mean in hospitals? I heard this word and I think the problem here is that before you start making all types of adjustments based on bringing more people into the work force, you ought to figure out what you will have them do.

If you will have them do menial tasks, and they will become the humanoids, that is a different proposition.

I am for eliminating the earnings test. Let me make that perfectly clear.

Mr. BALL. You have.

Senator HARTKE. Every year I get less enthused about enforced retirement, but the fact still remains, when you talk about bringing these people into the force, what will they be doing?

Is not that as much a concern, before you start to modify the social security system, to accommodate a change, which no one has really addressed themselves to?

Mr. BALL. I think you and I are in agreement that the sort of change which would presume a given wage for a homemaker, and contribute on that to establish a social security record, is an unwise change.

I think we are in agreement on the result. I think a much more possible change is the one that Ms. Fraser suggested, though I would not favor that proposal either. It does, however, meet a lot of the problems of direct crediting of wages for a homemaker. Her suggestion of a partnership where you combine cash earnings is possible, but I do not think it addresses itself to where the major problems are or to the major objections to social security now being made by working women.

INEQUALITY DUE TO LOWER EARNINGS

I think from the standpoint of the treatment of women, the main problems are the low benefits of the single women, the low benefits of widows, and the equity situation that arises, because when both couples work, whether it is the man or the woman we are talking about, the second worker does not get full value for his or her own contributions. To solve the equity question you need a closer relationship between the benefit and wages.

Senator HARTKE. Maybe I can state what I am concerned about. As a member of the Finance Committee, the problem of these matters which is paramount is how you are going to pay for them, but that is a legislative decision on how you are going to make the social security system work, and the Finance Committee to my knowledge has never addressed itself to the fundamental questions as to whether the social security system should have basic change.

Has it in the entire time you have been there? That is what I consider the importance of this committee. It should deal not in the technicalities of these minor adjustments which could be made, but which should be made.

I think the recommendations should come from here, but the broader question of aging, and how it fits into an industrialized society, which is certainly moving very rapidly out of being an industrialized society to a technological and scientific society; how do you deal with people, except to throw them into the junk heap, hide them behind some more of Lady Bird's billboards, and that takes care of them.

Mr. BALL. I agree, Mr. Chairman; this committee's jurisdiction to examine all of the questions of aging is a much broader one.

Senator HARTKE. All right.

Dorothy McCamman has some questions here.

Ms. MCCAMMAN. Senator Hartke suggested that I ask these questions, since he was not able to hear all of the other witnesses, and many of these questions relate to what the other witnesses said.

Yesterday, witnesses discussed the merits of either eliminating dependency requirements for husbands and widowers to qualify for benefits or to require wives and widows to prove dependency on their

husbands to receive benefits. Which approach would you prefer and why?

Mr. BALL. I would much prefer eliminating the dependency requirements for men.

It seems to me that one of the great strengths of the social security system is that it does not undertake, in large numbers of cases, to examine questions of income and resources. It pays benefits on the basis of presumptions that there has been a loss of earnings, a presumption that someone has suffered a loss because a spouse has stopped working, or a spouse has died. It would be a massive investigative task to look into the financial situation between all husbands and wives. This would be required if you were to go in the direction of requiring dependency tests in the case of all wives before they could receive benefits.

Ms. MCCAMMAN. Then you agree with the task force recommendation?

Mr. BALL. Yes.

REDUCTION IN MARRIAGE PERIOD REQUIREMENT

Ms. MCCAMMAN. The task force recommended the duration of marriage requirement be reduced from 20 years to 15 years. Yesterday, Congresswoman Abzug testified it should be reduced to 5 years. Former Congresswoman Griffiths recommended it remain 20 years.

What are your views on this time requirement?

Mr. BALL. I think the task force has come up with a practical, although limited, suggestion. It progresses in the right direction, but it is not a complete solution. You have a sharp borderline at any age. We are talking here, of course, about benefits for a divorced spouse.

Ms. MCCAMMAN. Right.

Mr. BALL. It does not strike one as being completely reasonable to have it on such an all-or-nothing basis at any age, but I have to say I have no better proposal to make than the present law, modified by a reduction in time as recommended by the task force. I would favor the 15 years.

Ms. MCCAMMAN. And eliminating the continuous requirement?

Mr. BALL. Yes.

Ms. MCCAMMAN. Thank you.

Differences of opinion were expressed yesterday concerning whether there should be a heavier weighting of the benefit formula in favor of a low-income person to make up for past injustices to them. What are your views on such a change?

Mr. BALL. The question of weighting in the social security benefit formula—how much you deviate from an exact relationship to past wages—has to be a matter of judgment between two somewhat conflicting objectives.

I favor a weighted benefit formula. It is now quite substantially weighted for people who earn under $650 a month. The earnings you get beyond $650 a month add to the benefit at roughly something over 20 percent of earnings. At lower wages the replacement is much closer, on the average, to around 50 percent.

The reason for the weighting is to give an advantage to low-paid people, to people who are disadvantaged in the labor market one way

or another, to those who are out of the labor force for periods of child rearing and so on, and this weighted formula helps these groups very much.

On the other hand, it is a matter of balance. If you push the weighting too far, the worker who gets average wages and above-average wages may come to feel he is being treated inequitably—that he is being required to pay for a social benefit for the low-wage earner that perhaps should come from other sources of financing.

My own feeling is that we have struck about the right balance in the recent formula. I would not favor still greater weighting of the social security benefit.

I think the risk is great that average paid people and above-average paid people would feel aggrieved. If we were going to have more weighting, I would argue, it ought to be done only if the moneys to pay for it came out of general revenue.

Ms. McCAMMAN. Thank you.

COMBINED EARNINGS COMPUTATION

Congresswoman Abzug referred to her bill, H.R. 4357, which allows both members of a working couple to combine their earnings for the purpose of calculating the social security benefits.

What is your reaction to this proposal?

Mr. BALL. I think there are better ways to accomplish the major objectives of that proposal. I prefer this proposal to a direct coverage of homemakers, but on the other hand, it is a very complicated provision. You have all sorts of difficulties. For instance, what happens on divorce and subsequent marriage? And you have the question of the effect of such a change. The effect of such a change is largely to give additional benefits to couples, and I do not really think that is where the great need is.

The great need for benefit improvement for women is for the single woman worker and the widow. The combined wage record is aimed primarily at improving benefits for couples. This does not result in the increased money flowing in the right direction from the standpoint of where the social need is.

Ms. McCAMMAN. Thank you.

As you know, the lump-sum death benefit for the widower or widow is equal to three times the worker's full benefit amount, but not more than $255. Some people have contended this amount is inadequate and needs to be updated—perhaps with a $500 or $750 maximum lump-sum payment. Would you favor the enactment of proposals to increase the $255 lump-sum death benefit? Since the women outlive the men, this is of particular interest to them.

Mr. BALL. Yes, I would. That provision is really very much out of date. Originally, the concept was that the lump sum would vary, by people's earnings, but with the $255 ceiling. That is the amount everybody now gets.

I was once opposed to increases in this lump sum, and I still would be opposed to large increases. It is possible that if you made the amount very high, the money would not so much help the beneficiary,

but go for more expensive funerals. But the $255 today is so far below what people have to pay for funerals that raising it to something like $500 or $600 does not seem to me to be at all dangerous.

Ms. McCAMMAN. A number of bills—for example, H.R. 4913—have been introduced to provide that a beneficiary of an insured worker who dies shall be entitled to a prorated benefit for the month of death of the insured worker. In addition, some proposals would provide that an individual's entitlement to retirement, disability, or survivor benefits shall continue through the month of his or her death. Would you support the enactment of such legislation?

Mr. BALL. I do not know that I have a strong feeling one way or the other on that.

A partial payment is a very complicated procedure. I would hate to ask the Social Security Administration to have to do anything that would so complicate their job. If you have to pay a different amount in the last month than you do in all of the other months—prorating it by days—I think you are striving for a kind of exactness of equity that is not worth the degree of administrative difficulty that would be caused.

TREATMENT OF DEPENDENTS

Ms. McCAMMAN. The task force recommends that the definition of "dependents" should be liberalized to include close relatives living in the home. Congresswoman Griffiths stated that "dependent close relatives never should have been given social security . . . if they need help, it should have been secured from welfare." What are your views on this subject?

Mr. BALL. Well, as a broad generalization, I would like to see a contributory social security system do as much of the job of maintaining income as can sensibly be attached to it.

Now, you cannot do everything through social security. You cannot, for instance, have the social security system be the system that pays benefits to people when there was never a wage in the first place. To provide insurance against loss of wages you have to have wages. The dependent should have, at least presumptively, been living on those wages and suffered a loss when the wage earner died, retired, or became disabled.

So I would oppose the general statement that you should not have had dependents benefits. I would oppose the idea of not having dependent benefits and taking care of them through a welfare system. Survivor benefits—the life insurance payments—are a very important part of social security, and the dependents benefits for a living wage earner are also a very important part of social security. This, however, does not mean I would be enthusiastic about the addition of other dependents benefits. You will remember, Mr. Chairman, we talked about this before in the Senate Finance Committee. The typical example is a sister who has maintained a home for an unmarried brother over a long period of time, and then he dies or retires. She is in somewhat the same position economically as someone having lost her source of support as a widow or wife, and the idea is you would include her as a dependent. There is logic in it and I would support the proposal, but I would give

it a very low priority. I am not sure that social security needs to pick up relatively small classes of additional beneficiaries, at least as an object of high priority.

Ms. McCAMMAN. I have no further questions.

Perhaps other members of the task force or Mrs. Fayé, a member of the minority staff, have a question? Thank you very much.

Senator HARTKE. Let me ask you, Bob, in the Social Security Administration, what comment, if any, do you have about the present staffing of it?

Mr. BALL. Senator, I am really not that closely in touch with the operation at the present time to have my opinion be of value.

I have a general impression that there was not an early enough recognition of the very large increase in staff that was needed for the supplemental security income program, but I am told that additions to staffing have been made recently, although under the guise of temporary employees. The staffing may now be at a reasonably adequate level, but I have to take this on say-so. I have no independent way of assessing it.

Senator HARTKE. What comment do you have about the recent wave of attacks that have been made on the social security system as going bankrupt?

Mr. BALL. That is just not so, and it is a disservice to elderly people for people to say so. It has caused a lot of fear. The money to pay benefits will certainly be provided.

I have received letters, and I am sure you have, from beneficiaries worrying about whether they are going to get their social security checks next year.

Senator HARTKE. That is right.

TEN-PERCENT DEFICIT IN SOCIAL SECURITY

Mr. BALL. I do not mean, Senator, that there is not a significant financing problem for social security. I would say that almost any way you look at it, over the next 25 years—whatever assumptions you use, whatever wage and price and other assumptions you use, whether you decouple the system or not and so on—you come out with a deficit of income of around 10 percent.

Now, that is not a staggering deficit. The 10-percent deficit can and will be met, one way or another. It is not the way I favor, but you could do it by a one-half of 1 percent increase in contributions on the employer, and one-half of 1 percent on the employee. I would prefer to raise the maximum earnings base. You could meet the problem for the next 35 to 40 years by increasing the maximum earnings base, beginning in 1977, to $24,000, and speeding up, somewhat, the contribution schedule in present law.

Senator HARTKE. Why not eliminate the earnings base entirely?

Mr. BALL. I think there is merit to that proposal on the employer side. I think you could well look at the entire employer payroll as the source of the social security contribution.

Senator HARTKE. The employer does not pay the tax. Uncle Sam pays that.

Mr. BALL. You mean as an offset or the corporation income tax?

Senator HARTKE. That is right.

Mr. BALL. The maximum rate now is what, 48 percent, something like that? The employers pay at least half of it.

Senator HARTKE. No, they do not. It is a complete wash-through. It is a cost of doing business.

Mr. BALL. Well, yes; in the sense that all labor costs are.

Senator HARTKE. That is right. All labor costs are deducted from gross income.

I mean, I understand that it is to the extent that there are profitable concerns, but it is a complete wash-through.

Mr. BALL. I think you have a good point in eliminating the base for employers.

TAXABLE BASE FOR HIGH INCOMES

Senator HARTKE. Why not for the employee? Why should a person like me making over $40,000 get special treatment, and not have that other part taxed like everybody else?

Mr. BALL. I think the reason has been—and we can discuss whether it is valid—that what you pay on social security, as you know, is what is credited for benefit purposes. The object has always been to make sure that even the person earning at the maximum amount is going to get reasonable value for his earmarked contribution for social security.

Now, if you are going to include all wages—say $75,000 for top executives or $100,000, et cetera—are you going to credit that for social security purposes and pay back such very large benefits?

Senator HARTKE. We do not have to pay back those very large benefits.

Mr. BALL. Then you are in the dilemma—or at least the issue—of whether you want to use social security contributions without, at the upper levels, giving people benefit credit for what they pay, so that they, in effect, do not get out of social security anywhere near the value of what they paid. That would be a change, but I think I would rather take some of the financing from a progressive income tax through a general revenue contribution.

Senator HARTKE. Why would you do that?

Mr. BALL. Just raising the wage base on workers——

Senator HARTKE. In other words, why then would not you advocate to make up this deficiency which will be in the private pension plans too? Private plans will have the same problem that the social security system has.

Mr. BALL. You are talking in regard——

Senator HARTKE. You said that is down the road, your projection of 10 percent deficiency, right?

Mr. BALL. I was speaking of a 10-percent average over the next 25 years, and I say that is not a major deficiency. That could be made up under traditional financing methods.

Senator HARTKE. But you said your suggestion was to increase the wage base?

Mr. BALL. Yes.

Senator HARTKE. Why not go ahead and take the advice of the advisory committee and take part of the deficiency from the general fund now?

Mr. BALL. You remember, the advisory council recommendation was to finance medicare from the general fund, and to take the contribution rate that is now going to medicare and put it into cash social security.

The problem I have with that is that if you are going to fully finance medicare out of general revenue—fully finance it—I would be greatly concerned that down the road somebody is going to be successful in saying: "Well, if general revenue is paying this, the care really ought to go only to people who cannot themselves pay for it." You would have transformed the system, by this method of financing, into a means-tested system.

Senator HARTKE. I am not for that.

Mr. BALL. I know you are not for it. But I am saying if it is financed from general revenue, there is no entitlement based on contributions. There are others who will say that if you are going to use general revenues exclusively, why not have it go only to those with low incomes. I think you need the contributory idea.

Senator HARTKE. Do you want to see general revenues used?

TRIPARTITE FUNDING SUGGESTED

Mr. BALL. In the long run, I would like to see the whole social security system—including medicare, cash benefits, and hopefully national health insurance—financed on a tripartite basis. I would keep the contributions and then, in addition, have general revenues pay part of the cost.

Senator HARTKE. One-third employer, one-third employee, one-third general revenue?

Mr. BALL. Yes.

Senator HARTKE. What is wrong with moving in this direction right now, what is the difficulty?

Mr. BALL. One difficulty is that there is such tremendous demand on general revenues.

Senator HARTKE. I can obviate that. Just put people to work, and you would have an $80 billion surplus this year?

Mr. BALL. There is tremendous demand on general revenues for other important social purposes, like national health insurance. When we get to that, a substantial part of it will have to come out of general revenue.

In the cash benefit area under social security, at least in the next 35 or 40 years, you can solve our financing problems without facing the big arguments, vetoes, et cetera, that you would get, in trying to solve that problem right now with general revenue.

Senator HARTKE. Let me have a clear cut answer. There is no question in your mind at this moment that the alarm which has been spread throughout this country about the danger of social security going broke is a myth?

Mr. BALL. Yes, Senator, but I would immediately want to add—it is a myth because I have confidence that the Congress will take steps to raise this additional 10 percent income. If nothing is done, then you would not have enough money.

Senator HARTKE. All right.

Does anybody else want to speak?

Thank you very much. I am glad to see you are keeping up on the situation.

It is good to see you.

Your prepared statement will be made a part of the record.

[The prepared statement of Mr. Ball follows:]

PREPARED STATEMENT OF ROBERT M. BALL

Mr. Chairman and members of the committee, my name is Robert Ball and I am now a senior scholar at the Institute of Medicine of the National Academy of Sciences. From April 1962 until March 1973 I was Commissioner of Social Security and prior to that served for approximately 20 years in various positions in the Social Security Administration and its predecessor organization, the Social Security Board. I am testifying today as an individual, and my opinions do not necessarily represent those of any organization with which I am associated.

I am pleased to be here today at the request of the committee to discuss with you the working paper prepared by the committee's Task Force on Women and Social Security. This is a subject of very major importance, and I want to congratulate the committee for appointing this task force and members of the task force for the high-quality working paper they have produced. I consider it a matter of the very highest priority in the area of social security legislation to make changes in the program which improve the treatment of women workers and widows under social security. Far too many working women are dissatisfied with their treatment under the social security program, and far too many widows and elderly retired women workers have incomes below the Government's established poverty level.

With the major improvements that have been made in social security in the last several years, particularly the major improvements establishing the automatic adjustment provisions of the 1972 legislation, the need in social security from here on is not so much for more across-the-board benefit increases—the program is now reasonably adequate for those retiring in the future for half or more of the beneficiaries—as it is for changes that would improve the fairness of the program and the adequacy of benefits for selected groups.

Mr. Chairman and members of the committee, I am not going to take up much of the committee's time with a prepared statement because my own recommendations closely parallel those of the task force.

I would like to emphasize simply that the removal of the remaining distinctions in the law based upon sex is not sufficient to provide adequate social security protection for women. Over the years most of the provisions of law which treat workers differently because of sex have been removed—several of them because of the skillful and persistent efforts of another witness before this committee, former Congresswoman Martha Griffiths. The remaining sex discrimination should, of course, be removed as the panel recommends. Their removal will benefit both men and women. But after their removal—if that is all that is done—there would still be too many retired elderly women workers and too many widows trying to get along on incomes below the poverty level. There would still, also, be large numbers of married women workers who felt that they were getting little or nothing for their social security contributions beyond what they could have received based on their husband's wage records and without their paying additional contributions as workers.

WORKING COUPLES PENALIZED

I am pleased, therefore, that the task force has endorsed a proposal that I made a few months ago that would address itself to the fundamental problem of the adequacy of payments and the fairness of the treatment of working couples. I should point out, Mr. Chairman, that once you assume that men workers and women workers will be treated exactly the same under social security, as I do, then it is proper to think in terms of discrimination not against wives who work, which is the way the problem is usually formulated, but discrimination against couples where both work as compared with couples where only one person works. I say this because if a husband becomes automatically eligible based on his wife's

wages, husbands, too, in the future can reason—as many wives do today—that they do not get full value for their social security contributions because they would have received a benefit as a husband or widower without the payment of additional contributions when they work.

In any event, under the proposal to which I refer, couples where only one person worked would continue to receive the same amount of total benefits as they would under present law, but I would accomplish this by an increase in the worker's benefit of 12½ percent and a reduction in the ratio of the spouse's benefit to the workers benefit, from one-half to one-third. Actually, 1⅓ times what a single person gets is closer to what an average couple needs for living expenses than is 1½.

If this change is made, the increase in benefits would go to unmarried wage earners, to widows, and to couples where both the husband and wife work. Thus, with one change we can accomplish several desirable objectives. We significantly improve benefits for those who tend to be the worse off—the retired single women workers and widows—and we improve benefits for couples where both work as compared with those couples where only one works. Admittedly, the change is expensive—about 1½ percent of payroll. The official estimate is 1.6 percent of payroll after the automatic provisions are changed to stabilize future replacement rates, a change which is considered desirable by just about all expert opinions in and out of Government. This cost is large enough that perhaps the change cannot be accomplished at one time, but needs to be approached gradually.

Such a move toward a closer relationship of benefit protection to wages does not, of course, solve all the problems raised by the task force beyond the correction of the specific sex discrimination features in present law. It does not, for example, address itself to the problem of the man or woman who is divorced after less than 20 years of marriage. I would support all of the recommendations of the task force, but as a matter of priority I would put emphasis first upon the removal of the remaining specific sex discrimination features and on the change in the ratio between the benefit going to the contributing worker and the benefit going to the spouse.

Mr. Chairman, this completes my prepared statement on the subject before the committee. Perhaps, I should say, in addition, that all improvement in the program, including the improvements that we are talking about today, depend upon raising additional funds for the social security program. Although one may have reasonable differences of opinion over the extent of any long-range actuarial imbalance that there may be in the program, when measured over the next 75 years as is done in the official estimates, it is quite clear that there is a shortfall of about 10 percent in the income that is needed over the next 25 years to cover benefit now promised. This deficit can be met by an increase in the maximum earnings base and by moving up the contribution rates scheduled in present law. It is not necessary to draw on any other sources of income or to increase contribution rates to a higher level than scheduled. Under the estimates used by the board of trustees in 1975, there would still remain a long-term actuarial imbalance of 2 percent of payroll after these changes were made and after the replacement rate was stabilized. But this imbalance occurs entirely, if at all, after the year 2010 and depends on such hard-to-predict factors as fertility rates, mortality rates, and the labor-force participation rates of older people and women under various labor market situations.

I would hesitate to recommend changes in social security that would increase the cost of the program when the official estimates already show an actuarial imbalance if it were not for the fact that the part of the deficit that we can be quite sure of—the part that will occur over the next 35 or 40 years—can be quite easily managed within the traditional approaches to social security financing. Whether it is necessary also, at this time, to make plans for fully financing the possibility of a remaining 2 percent of payroll deficit that occurs entirely, if at all, after 2010 is still an open question in my mind. In any event, it seems to me wise for this committee to shape up recommendations that would improve the effectiveness and fairness of the program so that people are aware of what can be done and for what cost at the time the Congress takes action to stabilize the replacement rate and provide for additional financing.

Senator HARTKE. The committee stands adjourned at this time.

[Whereupon, the committee was adjourned at 12:30 p.m.]

APPENDIX

PRELIMINARY REACTION TO THE RESPONSE[1] OF THE U.S. COMMISSION ON CIVIL RIGHTS TO RECOMMENDATIONS OF THE TASK FORCE ON "WOMEN AND SOCIAL SECURITY"; SUBMITTED BY THE TASK FORCE

The following are brief reactions that explain the position taken by the task force.

Task Force Recommendation No. 1: That the dependency test for father's benefits (including a divorced surviving father) for a father with a child in his care be removed.

The Commission, while completely supporting the recommendation, objects to including as arguments in opposition the statement that while it is desirable to offer a woman the choice of staying home and caring for the children or working, this choice is not necessary for a man, and that "while women are commonly both homemakers and wage earners, the customary and predominate role of the father is not that of a homemaker but, rather, that of the family breadwinner." It is suggested that both statements be removed from the report.

Throughout the working paper—in relation to both "pros" and "cons"—the task force did not intend to imply endorsement of the stated point of view. It merely attempted to include the varied points of view that had to be given consideration in arriving at the task force recommendation.

In any revision of the working paper, an attempt will be made to reword the first statement to make clear that this is not the task force's thinking. With reference to the second statement however, we do not think that "the task force is itself making sex-based differentials that are without foundation." Recognition of the dual role of the woman as both homemaker and wage earner, is in fact essential to many of the task force recommendations for changes in social security provisions that while not now differentiating by sex, could be better adapted to this dual role.

Task Force Recommendation No. 2: That the dependency requirement for husband's or widower's benefits be eliminated.

Both the Commission and the task force recommend complete elimination of the dependency requirement, rather than applying the test to both sexes. Would the Commission also recommend that there be an offset in the case of receipt of benefits from public retirement systems, thus avoiding so-called "windfalls"?

Task Force Recommendation No. 5: That the substantial recent current work test (generally 20 out of 40 quarters) to qualify for disability insurance should be eliminated.

The advance copy of the working paper that was sent to the Commission contained a most unfortunate typographical error: $106 billion, instead of $1.6 billion as the cost in calendar year 1977. The correct figure appears at the bottom of page 30 of the working paper.

Task Force Recommendation No. 12: That the computation of primary benefits and wife's or husband's benefits should be adjusted to increase primary benefits for workers by approximately one-eighth and to reduce the proportion for spouses from one-half to one-third.

The Commission's criticism that this recommendation addresses only one facet of the dual entitlement problem is well taken. This is an issue that will receive continued study along with the very knotty problem of social security coverage for homemakers.

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[1] See page 1748.

Earnings test for surviving spouses under age 65 with children (no recommendation by task force).

Would not this recommendation of the Commission be quite costly when combined with the recommendation for eliminating the dependency requirement for father's benefits? The working paper, while not addressing this question directly, points out on page 16: "The cost of removing these dependency requirements is low because in most cases the widowers or husbands would either be working at wages sufficiently high so that no benefits would be payable—assuming the retention of the present earnings test—or they would be eligible for benefits based on their own wage records which were as high or higher than those derived from the wife's wage records."