

# WAGE REPORTS MUST BE RIGHT

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GEORGE was all the name he had at the warehouse where he had worked as a trucker for 3 weeks in 1937. Nobody had asked him where he came from or whether he had a social security account number. He couldn't have told anybody where he was going next; he didn't know.

George had always been enough of a name. He'd been a "boomer" since 1930 when his old job folded up. Since then he had worked on half a dozen building construction jobs as a laborer, a couple of road jobs, two short jobs filling in at his old trade of mechanic, and one job as a dishwasher. He'd roamed three States to find those. But a "boomer" didn't have anything to hope for. Why identify a "boomer"?

George had noticed that his employer was deducting a penny from each dollar of his pay. The employer was matching these deductions with money of his own and mailing these joint social security contributions to the collector of internal revenue. But it did not occur to either him or his employer that George had a personal stake in being identified. The employer did not give the social security account number a thought until the day he made out the wage reports. He did not think much about it then. He just wrote in, "George—\$54." After all, he'd paid the tax, hadn't he?

The story of George is not an isolated case. It epitomizes a very real problem of wage reporting in the early days of the Federal old-age insurance program. In the Southwest there were thousands of Tonys and Miguels and Pedros who went from job to job without ever using their real names. In the South there were Rube and Buck and Typhena, and, of course, Dummy, who is already famous in the Bureau of Old-Age and Survivors Insurance; on request for further identification his employer explained that Dummy was deaf and dumb. In New England there were Emile, Simone, Patrick, and Brigit; in New York, Aaron and Concetta and Tony; in Wisconsin, Hilda and Gudrun. And there were just plain Bill and Joe in half the towns in America.

How to credit wages to one of these names, especially when it came in without a social security

account number, was only one of the problems the staff of the Social Security Board has had to solve. Your grocer would have the same problem if you sent him \$30 and simply said, "Please credit." To be credited, you have to identify yourself.

There were other problems. For example, there were the employers who reported, "20 employees—\$200," or "Many casuals—\$1,165.31." Less frank employers credited unidentified pay rolls under fictitious names to make their books balance. In 1937 there were the employers whose lawyers advised them not to pay, assured them that the whole social security program would be declared unconstitutional. And there were the Bill Smiths and Joe Browns who just forgot to show their employers their social security account numbers and who therefore could not be distinguished from hundreds of other men of the same name. Cases like these brought 7.4 million wage items<sup>1</sup> into the Baltimore office of the Social Security Board out of the total of 73.9 million for the year 1937, the first year wage and pay-roll taxes were collected. They brought another 4.1 million out of the total of 114.7 million received for 1938.

These wage items had to be identified if every worker's family was to receive the protection he and his employer were paying for. Every 6 months in 1937, every 3 months since, each employer in covered industry must report to the Board the wages paid to each employee. These wages are credited on the individual ledger sheets in the central accounting files at Baltimore, just as a private insurance company would credit the amount of premium payments. A worker may change jobs a dozen times in a single reporting period and so have as many as a dozen wage items for each period. But, since benefit rights will be eventually determined on the basis of the average monthly wage, as computed from the

<sup>1</sup> These items are incomplete, that is, they lack an account number or both account number and name. (Except as otherwise noted it is the incomplete items with which this paper deals.) Also in temporary suspense are incorrect items, in which digits of the account number are transposed, the name and number show a discrepancy (often as the result of change of name through marriage), or some other error of detail occurs. These incorrect items are usually corrected through accounting-operations facilities and are easily verified, since they ordinarily imply no lack of correct identification of worker by employer. Of 8.0 million such items for 1937 and 1938, 7.6 million were promptly identified and credited.

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recorded wages, the level of his benefits will depend on every single item being credited. To ensure such credit to the proper account the employer had to identify each wage item by social security account number as well as by name. There might be thousands of John Browns, but there would be a different social security account number for each.

It should not be assumed that tax delinquency and faulty wage reporting were unexpected problems. When any new tax program is established, the Bureau of Internal Revenue finds that it must go through a period of vigorous education of taxpayers, follow-up of delinquents, and, ultimately, vigorous enforcement. Today personal income tax delinquency is reduced to a negligible total, so now it can be told that early delinquency and inaccuracy were higher than officials of that Bureau like to remember.<sup>2</sup> Expected or not, delinquency was a serious problem for Federal social insurance for three reasons:

(1) Social security taxes, as distinguished from most other taxes, are levied to pay specific benefits to the workers in whose names they are paid. On whatever valid legal and constitutional distinctions the lawyers may insist, the contributions are constructively similar to private insurance premiums, so far as those who pay them are concerned. Thus, unless wage items could be credited to the proper account, workers and employers would be paying for more protection than they were receiving.

(2) The wage-record formula for relating benefits to individual earnings, and hence to regional differences in income levels, and to employer-employee contributions might break down. For, if reported wages did not reflect these differences accurately, reliance could not be placed upon wage records either by the Board or by the general public.

(3) Large segments of the public are not prone to recognize the problem of management or to accept methodical administrative solutions. These groups might be persuaded to seek a political panacea and to forsake the social insurance principle altogether. Any friction in the operating mechanism of the Federal social insurance program would be hailed as evidence of alleged failure by those who wish to substitute some alternative plan.

<sup>2</sup> Extensive statistical studies of such problems are not made by the Bureau of Internal Revenue. Estimates of delinquency cannot be cited, but they suggest that the pay-roll tax problem was not unique in kind or size.

## Why Incomplete Reporting?

These were among the issues presented to the Board by poor reporting by employers. Today current reporting is well in hand. Only a fraction of 1 percent of the total amount of reported wages remain in suspense. These unposted wage items are still being identified, and the accuracy of the records is being improved from day to day. The problem occupies, however, so interesting a historical chapter in the development of the Federal insurance program that it seems well to review its development. How did it arise? When was it first recognized? How did the Bureau of Old-Age and Survivors Insurance meet the challenge? What was the significance of suspended accounts to wage earners and potential beneficiaries? What is the present status of the wage accounts? And what is the future of the problem in the administration of old-age and survivors insurance?

It should be clear from the illustrations cited that incomplete items originate, not in the accounting operations, but in the failure of employers to report wage items completely and accurately. This failure may arise because the employer failed to obtain the worker's account number or because he failed to give it accurately in his wage report. In the early period of reporting, the employer's failure to obtain the social security account number was due in many cases to the fact that the worker had not obtained a social security card. The following tabulation shows the progress made in reducing incompletely reported items received at each reporting period:

Period ended—	Percent
July 31, 1937.....	11.7
Dec. 31, 1937.....	8.3
Mar. 31, 1938.....	3.8
June 30, 1938.....	3.8
Sept. 30, 1938.....	3.0
Dec. 31, 1938.....	3.3
Mar. 31, 1939.....	3.0
June 30, 1939.....	1.9
Sept. 30, 1939.....	2.1
Dec. 31, 1939.....	1.7
Mar. 31, 1940.....	<sup>1</sup> 1.1

<sup>1</sup> Based on posting of 28.9 million of 29.6 million items received.

What were the reasons for so high a percentage of incomplete reports in the first years of operation? Many small employers had probably never

before kept records or filed Federal tax returns of any type. They had little information about the act and little or no experience which would help them to interpret the fine-print instructions on the back of the tax forms or information which would persuade them of the importance of the reports. Cooperation between employer and employee could not be expected, for there was little understanding of the dividends in the form of larger benefits that the individual account holder would receive from a full and accurate report. Some industries were careless about employee records. The high percentage of incomplete wage reports in 1937 was probably further increased by the procedure under which employers paid taxes monthly but made wage reports only twice a year.

Opposition shielded itself behind a pending United States Supreme Court decision. The first wage report was due on July 31, 1937, only a little more than 2 months after the May decision of the Supreme Court, which declared the act constitutional. The Court decision came months or weeks after many workers who should have received wage credits had left their employers without means of tracing them. Many employers, who for conscientious or political reasons believed the act would be declared unconstitutional, failed to keep reports of early 1937 pay rolls, while others paid their taxes under protest and advised the workers who were to be the beneficiaries of the system to file for account numbers under protest. In the second reporting period of 1937 this attitude continued on the part of some employers who were slow to grasp the significance of the Supreme Court's decision.

### ***Preventive Action Taken***

Incomplete reporting was not merely expected; it was anticipated. Steps to prevent it were taken in advance of the first reporting date. In May 1937 the Bureau's Accounting Operations Division in Baltimore, after a conference with Washington officials, set up facilities for handling incomplete items as they arose. Officials journeyed to employers' meetings to discuss the importance of identifying each wage item with an account number. In June 1937 the Commissioner of Internal Revenue instructed collectors to insert in the envelopes with the blank forms sent out for the first employer reports the following notice: "To Employers: Under Treasury Regulations,

the employee is required to report his account number to his employer."<sup>4</sup> In July further instructions from the Commissioner to the collectors of internal revenue admonished them to "examine the Form SS-2a, . . . as to completeness, that is, see that the employee's account number, name, and amount of taxable wages and the period covered are entered thereon."<sup>5</sup> In the issuance of both these instructions officials of the Social Security Board collaborated.

In August 1937, as the Bureau of Internal Revenue was perusing the first reports, it noted the frequent absence of employee account numbers and instructed collectors to require each employer so reporting to fill out a new form completing the information which he had failed to file in the first place.<sup>6</sup> Supplementary instructions in August advised the collectors to accept the word "unknown" in lieu of the employee's account number only when the employer had exercised reasonable diligence in attempting to obtain that number. Procedures were set up to clear reporting information between the Social Security Board and the Bureau of Internal Revenue, and these procedures were strengthened from time to time to meet new needs. A study of the type of errors arising was made by the Bureau of Old-Age and Survivors Insurance and forwarded to the Bureau of Internal Revenue for its further guidance in dealing with the problem at the time of collection. The Commissioner of Internal Revenue, in September 1937, outlined to the collectors procedures to be followed for improving wage reports.<sup>7</sup>

It has seemed worth while to summarize the early steps for two reasons. They indicate, in the first place, the promptness with which the problem was met. In the second place, they suggest the extent to which incomplete reports were associated with tardy and delinquent tax returns; many employers at that time were so uncertain as to the procedure that they waited for the visit of the deputy collector before filing returns at all. They indicate also the dual nature of the problem.

There is first of all the problem of collecting the taxes, which is the primary objective of the Bureau of Internal Revenue and which under a new tax program always presents a not inconsiderable difficulty. To cope with tardiness and

<sup>4</sup> A&C Mimeograph Coll. No. 4607, June 1, 1937.

<sup>5</sup> A&C Mimeograph Coll. No. 4630, July 22, 1937.

<sup>6</sup> A&C Mimeograph Coll. No. 4638, Aug. 10, 1937.

<sup>7</sup> A&C Mimeograph Coll. No. 4663, Sept. 28, 1937.

delinquency in tax payment the Bureau of Internal Revenue has developed its own techniques. These involve, successively, announcement, follow-up, penalty, and finally criminal prosecution. The old-age and survivors insurance contributions involve an additional problem of obtaining wage reports to serve as a basis for accruing credits toward future benefits. While the Social Security Board has the power of subpoena on its own authority to obtain this information, that power would not be easily administrable until the great bulk of the reports were coming in with regularity. It is a power to be used against the willful or the incorrigible. With a large number of small employers whose incomplete reporting was due to lack of understanding or with large employers whose incomplete reports were only occasional, the first device which sound management would adopt to meet the problem would obviously be education.

It would thus seem that the Bureau of Internal Revenue and the Social Security Board must inevitably set up different priorities of interest and of method. The Bureau of Internal Revenue has as its first responsibility the collection of taxes, which can be done completely and accurately without any record of account numbers. Obviously, the tax can be paid in full without this information, and the traditional job of the collector is done when the tax is paid. His books balance; the rest of the problem belongs to the insurance agency. He has no primary concern with the public-relations problem inherent in the establishment of a social security policy. When taxes are not paid properly, he can inflict penalties, inhibited only by his own experienced judgment as to their probable effectiveness.

The Social Security Board, on the other hand, has under the law a primary interest in the completeness and accuracy of the wage statements; the time and manner of collecting the taxes is not within its province. It has an interest in good relations with the public. The attitude of the workers and employers who make the contributions is the measure of current cooperation and thus a factor in the long-range stability of the system.

If one looks only at these different primary interests of the two agencies, it is not the conflicts but the cooperation achieved in meeting the problem as a common one that seems most sig-

nificant. But difference in primary responsibility tells only half the story. A very large proportion of delinquent or tardy returns also show incomplete items on the wage reports. Carelessness in time and detail seem common to the same individuals, and the group of employers to whom the Bureau of Internal Revenue must direct its efforts to bring tax payments up to date proved to be much the same group which saddled the Social Security Board with incomplete wage reports. This important fact led to vigorous, early action by the Commissioner of Internal Revenue, as described, and to increased interagency cooperation on the persistently delinquent employers.

### *Attacking the Backlog*

In October 1937, when the Accounting Operations Division started to punch wage cards from the employers' reports, the first concrete evidence of the extent of incompleteness was provided. By October 23 the first sorting operation had been performed, and wage cards without the account numbers had been segregated for further identification. Meanwhile telegraphic instructions had been sent to field-office managers outlining procedures by which they could assist the collectors of internal revenue in a common assault on the significant problem of incomplete reporting. On December 18, 1937, when a ledger-control section was set up to handle all items reported without account numbers, the relative proportion of such items for the first reporting period became fully known. On December 31, 1937, within 2 weeks after the scope of the problem was known, the Social Security Board authorized the recruitment of additional personnel for the Accounting Operations Division to be specially trained for identifying incompletely reported items and verifying wage reports received from collectors' offices.

It would not seem useful to review in detail the weekly and monthly efforts in the years 1938-39 to reduce the number of incompletely reported wage items. Enough has been said to indicate that the problem—a familiar one with any new tax program—was anticipated by action before its occurrence, and that the administrative needs for its further solution were met by the Social Security Board within a fortnight after the facts became fully known and a full month before the second reports were due.

The year 1938 saw the Social Security Board's new unit for attacking the backlog of incomplete reports in vigorous operation. Its work was reviewed from time to time by special studies to reveal the progress being made. These studies explored the problem in terms of the size of the items, the types of errors, the industrial and geographic distribution of incomplete reports, and the relative success of alternative methods of identifying suspense items. At directors' and regional conferences and in the training work, the responsibilities of field personnel in informing employers and workers of their rights and duties under the social security system were emphasized. On November 29, 1938, the Director of the Bureau of Old-Age and Survivors Insurance made a comprehensive report to the Chairman of the Board on the status of incompletely reported items received by the Accounting Operations Division. He described the extensive clerical unit "presently engaged for their full time in the identification of these items" and said that this force "will remain at this task until all identifiable items are reinstated . . . . Approximately 60 percent of these items will be identified by the several checks made in Baltimore; an additional but unknown proportion of these items are identified by field investigation."

The program for the first 6 months of 1939 called for further additional field personnel. Both in the training period and in later work, this personnel concentrated on following up employers who had filed wage reports without account numbers.

In the field, as in Baltimore, effort was concentrated upon the larger items, particularly those above \$100, inasmuch as the larger items would have a greater effect on the future benefits payable. In February 1939 detailed procedures were outlined, and the Director announced to the regional representatives that the general distribution to field offices of incompletely reported items would begin in March. Such items were distributed in March 1939 together with improved procedures and forms for handling the problem; instructions stated that existing backlogs should be the first consideration of field offices. By April 1939 further improvement in the accounting system, which was substantially ahead of its production schedule, permitted increased attention to clearing up such items in Baltimore.

With amendments to the Social Security Act imminent in August, the Bureau Director again outlined the progress which had been made and set the stage for a final attack before claims payments would begin. Regional representatives reported at the end of August that identification of incomplete wage items would be virtually complete on or before December 1, 1939. The Commissioner of Internal Revenue in a memorandum to the collectors said, "More than 2½ years have elapsed since the date when Title VIII of the Social Security Act became effective, and it is believed only reasonable to consider that the tax payer has had sufficient time to become familiar with the regulations requiring the maintenance by them of adequate payroll records, and the preparation and submission of complete, correct wage reports." Thus, the clarification of the act through the amendments gave the signal that the time for a final clean-up had come. Then, presumably, would come the use of legal powers of penalty, subpoena, and prosecution.

New personnel made possible as the result of the deficiency appropriations following the amendments was assigned in the fall of 1939 to the field to prepare for the claims load that would arise as the result of the amendments. The date for the first payment of claims was only 4 months away. This additional personnel received its baptism in the field offices by working with employers on the identification of wage items. During those last 4 months from August through November 3.5 million items with a total value of \$456.1 million were identified. The December 1 dead line was achieved. The staff turned its energies in December, as it would for many months to come, to the imminent human application of its wage records and procedures. There were claimants to be interviewed, claimants who had rights to benefits in January.

### *Increased Public Understanding*

The essence of drama is the effort of the man "behind the eight ball" to extricate himself. The hero of every thriller fights his way endlessly out of predicaments that seem hopeless to his audience. The 2-year battle of the backlog provided that kind of drama. Bad reporting constituted a trial for the recordkeeping system. Would it, could it, be reduced to routine, or would events indicate a switch to a stamp-book system or the abandon-

ment of the insurance contribution principle for general taxation? Despite the fact that the book-keeping, financial, and actuarial operations concerned with private insurance probably bulk much larger per account, many up to that time had doubted the long-range administrability of wage recordkeeping as a social insurance device. The successful attack on the backlog of millions of unidentified items was one step in demonstrating the workability of the system.

Moreover, the battle of the backlog tends to obscure the more vital trend which was taking place in social security wage reporting. It would be useless to correct past errors if new ones continued to be made. And current reporting was improving at a gratifying rate, as is shown on page 11. The field officer—whether a deputy collector or a field-office representative of the Social Security Board—was accomplishing a double purpose. He was identifying past wage items improperly reported, and he was also educating the individual employer in the procedures and requirements of the system. There was every valid reason for assuming that this effort would bear fruit in constantly increasing completeness at the time later wage reports were made.

At the same time the Informational Service of the Board was organizing special material directed to employer groups. The Director of the Bureau of Old-Age and Survivors Insurance emphasized the vital public-relations responsibility of the field-office managers and urged that they spend up to one-third of their time in educational activity to increase the understanding and cooperation of workers and employers with the system. The educational campaign was intended to bring a permanent improvement in current and future wage reporting and thereby to reduce incomplete reports to a minimum.<sup>8</sup> The progressive decline of incomplete reporting indicates that the objective is being achieved.

It was recognized that many missing account numbers might be due to the failure of workers to present their social security cards or to have such cards in the early days of the system. A part of

<sup>8</sup> There is no way to estimate what the irreducible minimum may be. In every system some such difficulty occurs. Large private insurance companies maintain extensive staffs to seek lost beneficiaries. Unclaimed savings-bank deposits similarly indicate the fallibility of the possessive instinct. The loss of stamp books under foreign contributory systems has been reported as high as 2 or 3 percent. To date the wage record stands out as the system with the smallest margin of loss.

the educational campaign publicized the relation of account numbers to wage records and, hence, to benefits. It utilized the trade-union press, the general press, the services of employers through their personnel-training programs, and the promotional activities of labor-union officers. It sought to acquaint workers with the character of their accounts which are, in effect, a personal insurance policy or, after the amendments, a family insurance policy.

A basic part of this education on the significance of the wage account related to the wage statements. The fact that such statements would be provided annually by the Board upon request was made known through all the channels listed above. In New York City street-car cards, which urged workers to send wage inquiries to the Board, brought a heavy response. Four results were expected from the wage-inquiry publicity: that the workers who had been most careless with their account numbers would be the first to inquire, and thus the inquiries would lead to the identification of suspended items; that the availability of wage statements and the invitation of the Board to ask for them would constitute evidence of the Board's confidence in its own records; that the process of inquiry would educate workers on the importance of their accounts; and that workers who received correct reports (and these were more than 92 percent of all reports forwarded) would constitute the best witnesses as to the accuracy of the accounts.

Workers were apparently not concerned about their accounts. Despite widespread publicity only about 400,000 requests have been made in 3 years, or less than 1 percent of those who have wages to their credit.

### *Significance of the Suspended Items*

As noted earlier, the attack on the backlog of incomplete items was directed first against those of larger amounts. The incomplete items have been consistently smaller in amount than the average wage item reported to the Board. For reports tabulated for the first year, for example, the average wage item was \$385.45; the average incomplete item was \$106.18. For the second year the average item was \$231.97, the average incomplete item \$89.30. More than one-fourth of all incomplete items for 1937-38 were for amounts of less than \$10, approximately 60 percent for less than

\$50, and nearly three-fourths for amounts less than \$75. As items are identified, the average value of the remaining items further declines, and the aggregate value of such items goes down proportionately more rapidly than their number.

These facts should be emphasized because it has been sometimes charged that the unidentified accounts jeopardized the benefits due potential claimants. The figures indicate that three-fifths of the suspense items would be too small to create a quarter of coverage without the addition of other wages.

The effect of suspended items on benefits due an account holder could be judged, of course, only by comparing the benefit due at the normal date of retirement without crediting the suspended item and with such item properly credited. It is not assumed that the effect of the items not yet identified would be necessarily the same as the effect of items already identified. Small random samplings from time to time have revealed no cases where eligibility was acquired as the result of the reinstatement of suspended items. In more than 90 percent of the cases sampled the effect of reinstatement was to increase the potential primary benefit from  $\frac{1}{2}$  cent to 40 cents a month. Among the suspended items were many which represented earnings above \$3,000 a year. Since most of the remaining unidentified items are much smaller in value than those already reinstated, it may reasonably be assumed that their net effect would be even smaller. To date more than \$50 million have been paid out in benefits on the basis of the wage records, without loss to any claimant. Nevertheless, each item, representing as it does a credit to an account holder, remains an object for the Bureau's concern and attention. The integrity of the accounts rather than the monetary value remains the objective of the Bureau in attacking the backlog of smaller items.

### ***Criticism Short-Lived***

The volume and value of the accountable receipts and the incomplete and incorrect items included in such receipts are summarized on page 62. There is no need, therefore, at this point to interpret the current statistics on wage accounts. But what the public thinks of a public enterprise is often an equally significant index of its success.

The flare-up of publicity about unidentified items was more short-lived than most of the staff

which has worked with this problem may realize. The first story alleging weakness in the wage accounts appeared on September 19, 1939. That first story and its subsequent versions alleged: (1) that the problem originated in experiments which had been made with the bookkeeping system; (2) that the problem had been virtually unrecognized and undealt with until after reorganization in the late summer of 1939; and (3) that the benefits of many account holders had been jeopardized by the inability of the Board to identify and credit wage items. This story was promptly picked up by many who had alternative old-age pension schemes and employed to attack the contributory basis of old-age and survivors insurance. It was seized upon by others who sincerely did not know that it was erroneous. It was capitalized upon by a few, who made their own statistical interpretations; thus items and accounts were repeatedly confused. One former public official divided the 9 million items which he had heard were in suspense into the 36 million account holders whom he had heard had wages credited to their accounts and reached the conclusion that the Social Security Board could not identify one-fourth of all the people on its rolls! One columnist confused the wages reported with taxes paid and thus achieved a 98-percent inaccuracy.

What has been presented here shows that these attacks would not meet the test of facts. The original news story came more than a year and a half after the administrative action to attack the problem had been taken and was printed at about the time the ultimate reduction of the backlog was in sight. Thus, its alleged chronology was wrong in two respects: (1) its statement of when the problem was discovered, and (2) its statement of when and how attack was made upon the problem. Its statement of the effect of suspense items upon the rights of potential claimants was also in error. These stories did not last long. From the middle of December 1939, 3 months after the first one appeared, until August 1940 only one story and one editorial on the subject have been noted. Throughout the primary campaigns in the spring of 1940, only one candidate, an ultimately unsuccessful one, seized on the allegations as an instrument to attack the administration.

The fact that the allegations did not result in

any increase in the number of requests for individual wage statements suggests that these stories caused no real concern among account holders. Indeed, when the stories first appeared, the Board intensified its campaign among workers and urged them to request wage statements. It considered such invitation the most powerful evidence of its own faith in the reliability of its records. Evidently workers thought so too, for relatively few sent inquiries.

The stories had, however, one useful result. They stimulated an objective interest in the problem on the part of the congressional appropriations subcommittee which deals with the Social Security Board appropriation. The subcommittee asked thoroughgoing questions and requested evidence about wage records. The ranking minority member of the subcommittee visited the Bureau of Old-Age and Survivors Insurance in Washington and made an intensive survey of the work in Baltimore. As a result of these investigations, the committee included in its report to Congress a statement of its findings.<sup>9</sup> The committee commented "that some confusion exists with respect to the so-called John Doe items" and carefully distinguished between "individuals" and "items." It reviewed the figures and pointed out how few the suspended items were in relation to the total. It summed up its opinion as follows:

It should be made clear that the reason for the suspension of these items is not through a failure on the part of the Board's administrative machinery, but is due to negligence on the part of the employer in not properly keeping a record and correctly making out his report . . .

The Committee can see nothing in this picture that is deserving of any adverse criticism—on the contrary, considering the novelty and magnitude of the program that was undertaken, it would seem quite remarkable that such a small percentage of the total tax collection is still in suspense. It should be pointed out also that the amount of tax thus in suspense is being reduced from day to day as the Board is able to establish the identity of individual items.

### *The System Finds Acceptance*

The future of the wage records appears sound, if one is to accept the evidence of the successful attack upon the backlog, the progressive reduction of the current level of incomplete reports, the confidence of account holders as expressed by the

<sup>9</sup> H. Rept. 1822, 76th Cong., 3d sess., p. 20.

small volume of inquiries, and the findings of investigators. The future administrative problems would seem relatively routine in contrast to those of initial establishment.

It has been found, for example, that more than 90 percent of the incomplete reports now received by the Board come from less than 25 percent of the covered industries. These industries present special problems which require different approaches. Some of these industries present problems of labor turn-over, some of establishment turn-over. Others consist of many small units without much industry-wide organization. In a few one finds relatively low educational levels or a large number of workers unfamiliar with the English language. Informational work is today being concentrated on these industries. For this purpose the cooperation of the trade associations which represent the interest of the employers in these fields is being enlisted.

In the approach to both employers and workers, emphasis is being put upon the "value-received" character of the social security contributions. It is pointed out that the interest of employers and employees in the stability of the system is comparable to the interest of concerns in private retirement and group insurance programs. Work with the small group of industries, from which most incomplete reports are received, indicates a probable final change which has taken place in the character of the problem. It is now a problem that consists of specialized attack on specific difficulties with specific groups rather than of mass education or general interest. The wage-record system has proved itself and has been effective. No broader statement of its established position might be set down in conclusion than the words of Representative Engel, ranking minority member of the appropriations subcommittee, who investigated the operations of the Bureau. He said on the floor of the House of Representatives on March 21, 1940:<sup>10</sup>

I went through the offices, visiting every nook and corner, examining the files, records, and methods of doing business. I was in every building, including the Baltimore office. I said then and I say now that they have an efficient organization. I think the Baltimore office is operating as efficiently as it would be were it a private insurance company. I believe the same can be said more or less of the entire Board's operation.

<sup>10</sup> *Congressional Record*, Vol. 86, No. 57 (Mar. 21, 1940), p. 4040.