

ADMINISTERING OLD-AGE INSURANCE

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Administrators of social legislation are confronted with a special responsibility. Like other public servants, they must carry, on behalf both of the legislators who enacted the measure and the men and women for whose protection it is designed, the duties specifically allocated to them by law. In addition to those duties, however, they have a less tangible but no less real responsibility to their predecessors and contemporaries who worked to establish the program they are administering.

After students and scientists and idealists first observe social needs and make proposals to meet them, many years usually elapse before there is a sufficiently wide understanding of the goal to make legislation feasible. Once a law is on the statute books, another critical step must be taken: Its provisions must be translated into smoothly functioning operation through the collaboration of the administrators and the public. It is a truism that no law is better than its administration. Good administration, moreover, requires understanding of the spirit of the law as well as its letter. In performing the duties delegated to them by the Congress and State legislatures, social security administrators must keep faith not only with the millions for whom the Social Security Act is provided but also with the leaders whose social objectives are now recognized in the act's provisions.

From the beginning it was recognized that the provision of old-age annuities for some 30 to 40 million men and women was clearly a new function of proportions never before attempted by the Federal Government. Administratively, old-age insurance loomed up as the leviathan of the Social Security Act. Administration of the unemployment compensation and public-assistance provisions of the act is shared by the Federal Government with the several State governments. This sharing in itself raises problems, but it also distributes difficulties. The administration of old-age insurance is a responsibility assumed by the Federal Government alone.

In unemployment compensation the need for frequent use of current records adds administra-

tive complexities which do not invade the field of old-age insurance. In public assistance the case work technique in dealing with human relationships necessitates individual treatment to a greater degree than is necessary in old-age insurance. The fact that the administrators of unemployment compensation and public assistance are dealing with the laws of 51 separate jurisdictions, which vary greatly both as to coverage and requirements, makes it possible to lay down administrative policies of only the most general character. The more complex problems relating to individual States must be considered separately and decided for each State. Though consideration of State laws enters into one aspect of old-age insurance, administration of this program is comparatively simple. Most of its problems arise from its size.

The task of administering old-age insurance may be divided into three major parts: the maintenance of employee wage records, the development and adjudication of claims for benefits, and the provision of field services to employers and employees throughout the country that they may understand their rights and obligations.

The establishment and maintenance of individual wage records under the old-age insurance program has often been called the biggest bookkeeping job in the world. When it is realized that the earnings of some 30 million workers are now reported regularly to the Social Security Board and must be entered to the individual accounts, there can be no doubt that this term is properly applied. All other operations in connection with the administration of the old-age insurance program are of similar proportions. As time goes on, this job will become even larger; each year upwards of 500,000 new workers will be added to the pay rolls of employers, and accounts must be set up for them.

Behind this tremendous job of account keeping lay many months of planning and preparatory work before the first wage reports could be handled. The first step was that of devising a method of identifying each individual wage earner covered by title II of the Social Security Act and connecting him unfailingly with his wages as reported

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by his employer so that there would be a complete and accurate record when the time came to figure the benefit to which he was entitled by virtue of his wages from covered employment. Mere names and addresses would not suffice in such a program as this. Thousands of workers have the same name. Over a period of years addresses would be of little or no value as a means of identifying an individual. Photographs and handwriting also would fail to serve as a satisfactory identification after the usual interval between the time when a man takes his first job and that at which he attains retirement age.

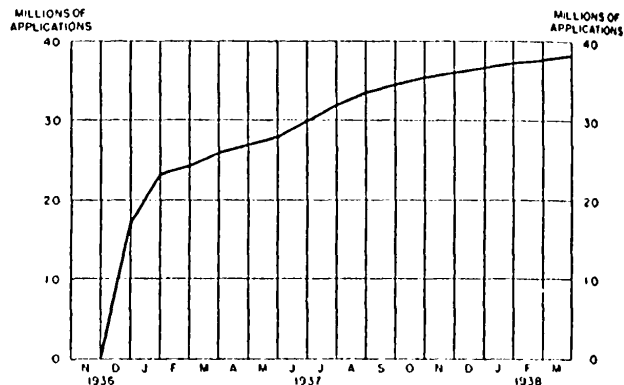
Other means of positive identification were necessary. Finally it was decided to assign a numbered account to each covered individual and to obtain such personal information for permanent association with this account number as would serve to identify him at any time. This information, which is supplied by the worker when he applies for an account number, is as follows: name and address, employer's name and address at time of filing application, age, date of birth, place of birth, father's full name, mother's maiden name, sex, color, and signature.

After a widespread educational program, the assignment of an account number to each individual worker in covered employment was begun in November 1936. With the helpful cooperation of the Post Office Department, which distributed and collected the initial group of applications for account numbers, nearly 26 million applications were received and approximately as many account numbers assigned during the first 4 months of this campaign. In addition, more than 2.6 million identification numbers were assigned to employers. By the end of March 1938, applications for account numbers totaled more than 38 million. They are still coming in at the rate of about a half million a month. Some individuals have applied for more than one account number, but sample studies indicate that duplicate account numbers have been issued to not more than 3 or 4 percent of the applicants.

While employee account numbers and employer identification numbers were being assigned by the post offices and the field offices of the Social Security Board, records of all such assignments were sent to the Baltimore office of the Bureau of Old-Age Insurance where they were carefully checked and arranged in files. At the same time methods and procedures were developed for keeping the accounts. Before the first reports on wages were received, approximately 35 million ledger accounts

had been established and were ready for posting the amounts of wages reported by employers.

Chart I.—Number of applications for employee account numbers received in Baltimore, cumulative to the end of each month. November 1936–March 1938



The volume of wage reports coming in is somewhat greater than was at first expected. This is due, in some measure at least, to the fact that in certain types of employment individual workers are engaged by several employers during the course of a reporting period. Since a report must be made by each employer for whom an individual worked during the reporting period, the number of wage reports necessarily is greatly increased by cases of this kind. In addition, there are many persons who are engaged in covered employment occasionally or for part of the year, such as students who have week-end jobs in drug stores or agricultural workers who take jobs for the winter in factories or shops. Since they count toward benefits, wages received by these workers in covered employment must be recorded, even though they are received only sporadically or in small amounts. It is expected that, by July 1, it will be possible to inform individuals of the exact amounts of wages credited to their accounts for the calendar year 1937. The availability of such information will play an important role in maintaining the confidence of employees in the old-age insurance program. Knowledge that an exact amount has actually been entered as evidence of their potential claims to benefits should serve to dispel the doubts of skeptics. Possession of this information will also make it easy for employees to check errors or delinquencies in the reporting of their wage payments.

The recordkeeping system, now well established and smoothly operating, is almost wholly me-

chanical. The various subsidiary operations which make possible the efficient maintenance of the accounts (the creation of checking devices, of indexes, and so forth) are also carried out mechanically. The machines handle the record-keeping work with amazing speed and accuracy; it is doubtful whether the system would be workable without them. Wage reports are being received regularly, the data reported are being transferred to punch cards and are entered by mechanical means on the ledger accounts of individual wage earners. These entries, or postings, are now being made at the rate of approximately 3 million per week. From the start there were those who predicted that the task of maintaining records of earnings of many million workers was impossible. The answer, however, is quite clear—*the records are being maintained*. Recent estimates indicate that the expense of maintaining each individual account is less than 25 cents a year.

All wage information which is recorded to individual employee accounts first passes through the hands of the collectors of internal revenue, and all taxes to be paid under title VIII of the Social Security Act are collected by these officials. The responsibility of collecting these taxes lies solely with the Bureau of Internal Revenue, and with this responsibility goes the duty of making decisions as to whether a particular establishment or individual is covered by the taxing provisions of the act: whether certain specified jobs and income are, in fact, "employment" and "wages" under the terms of the act. The Social Security Board, however, decides who is eligible for benefits under title II of the act. Thus it can readily be seen that a very close cooperative arrangement must exist between these two Federal agencies.

Accustomed as it is to collecting large sums of money in taxes, the Bureau of Internal Revenue found collection of social security taxes, involving approximately \$500 million a year, no small task. The forms upon which employers make their tax and wage information returns are of simple design, much simpler than the regular income tax forms. However, the heads of many small concerns formerly unaccustomed to making reports to any agency have found difficulty in preparing these returns. Similarly, other employers who never before have been faced with the problem of keeping accurate records of the wages paid to their workers found difficulty. Yet in general social security returns have been as accurate and satis-

factory as those of most other new tax programs. Moreover there has been a steady improvement in accuracy and promptness in submitting the returns. Two months after the close of the first reporting period only 4.5 million reports of wages paid to individual employees had been received. Two months after the close of the second reporting period, however, 35 million such reports were on file.

The tax and information report forms have now been further simplified, and additional improvements in reporting are expected. Until the first quarter of 1938, taxes were required to be paid monthly, and summary information returns were to be filed semiannually. Now the two returns are combined in one form which is required only quarterly, thus greatly simplifying the reporting problems for employers. Since tax returns and wage reports will now be shown on the same form, they will ordinarily agree, and correspondence with employers to reconcile differences in tax and information returns will be greatly reduced.

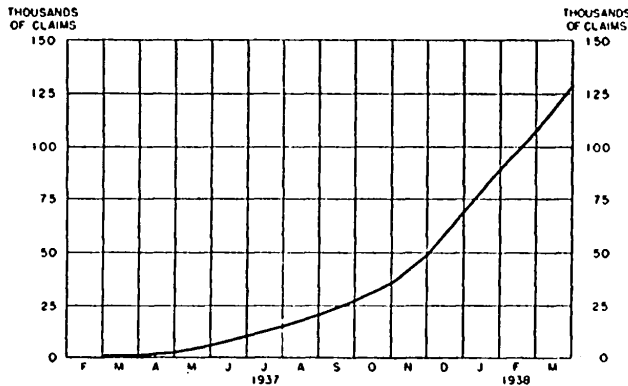
There are a few employers in industries covered by the act who have, as yet, made no returns at all. The percentage of these is small, and at first glance this delinquency would appear to be unimportant. In the case of ordinary tax collections a small percentage of delinquency might well be considered no problem at all. But in the case of taxes under title VIII of the Social Security Act, failure to pay taxes and make the required reports on wages paid might mean that the individual workers involved would risk losing a part of the old-age security which their Government has promised them. Consequently, every effort is being made to eliminate this delinquency as soon as possible.

In the final analysis, the prompt payment of old-age benefits in the proper amounts is the goal toward which all this recordkeeping leads. At present only lump-sum payments may be made. These are for comparatively small amounts as yet, since only a short period has elapsed during which workers have received wages which may be counted in determining the amounts of these payments. Though monthly benefits are not payable until 1942, plans are now being made to handle claims for such payments in an orderly, yet individual, manner.

By the end of March, 115,000 claims for lump-sum payments had been certified to the Treasury by the Social Security Board for amounts totaling almost \$3.5 million. Although the number of claims received in the Bureau is somewhat smaller than was anticipated on an actuarial basis, the

volume is growing steadily as the size of the benefits increases and as public understanding of the program broadens. During March, claims were certified at the rate of 810 per working day. Claims are being handled more expeditiously each week, as both applicants and field representatives are better instructed in the preparation of claims applications. Between January and March 1938,

Chart II.—Claims for lump-sum payments received in Washington, cumulative to the end of each month, February 1937–March 1938



the average time consumed in handling claims was reduced by almost 20 percent.

A general understanding of the nature and purposes of the law is essential to the successful administration of old-age insurance. Field offices are performing invaluable services to this end. Employees in 318 such offices are in touch daily with thousands of persons who are concerned with the program, explaining to employers their responsibilities under the act, helping employees to obtain their account numbers, and showing claimants for benefits how to execute the application forms required in order to obtain such benefits. Radio addresses, short talks before groups of all kinds, distribution of printed material of various types, and personal visits to employers by field representatives all tend to improve the administration of the old-age insurance program through better understanding by employers and employees as to what old-age insurance means to them and what they should do about it.

As a byproduct of its necessary operations, the records of the Bureau of Old-Age Insurance will in future provide a wealth of new sources of information regarding the working population of the United States. Data of inestimable value to students and administrators in many fields will be available. These include data bearing on

employment, pay rolls, annual and lifetime earnings in covered employment, and many others, including the concentration at one point of information regarding the causes of death among workers in various types of employment. Although these data will be available for statistical purposes, all information of a personal nature regarding an individual worker will remain confidential.

The task of recruiting and training personnel for the Bureau of Old-Age Insurance was a tremendous one. Thousands of operators were needed to handle recordkeeping machines. Adjudicators with some knowledge of law were required for adjudicating claims for old-age benefit payments. Three hundred field office managers, who would interpret this program to citizens throughout the entire country, had to be enlisted and educated as to the meaning and purpose of old-age insurance. As late as September 30, 1936, the total personnel of the Bureau numbered 164. On March 1, 1938—only 17 months later—the number of persons employed exceeded 7,500. This fact of itself represents a striking achievement, but an even more spectacular accomplishment was the training and education of this large number in an understanding of a new function of government and of the techniques essential to its performance. Moreover, although the magnitude of the task necessitated the integration of these thousands of men and women into an organization largely automatic in its processes, a merely routinized, machinelike operation would tend to lose sight of the interests of the individual whose security is at stake—for whom the organization functions. Constant vigilance must be exercised in order to overcome this tendency—to keep administrative officials continuously aware of the objectives of the old-age insurance program.

The administration of the old-age insurance program need no longer be discussed in terms of theory and conjecture. It can now be gauged against concrete results, actual accomplishments. While it is realized that not all the problems involved have been solved—indeed all have not yet been faced—definite evidence already is at hand that the program is workable. Existing processes are constantly being reviewed, however, in order to increase the efficiency and economy of operation, and periodic studies are undertaken to determine the extent to which the program is meeting the social needs envisaged by those who worked to establish old-age insurance.