

111679

12988

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

U.S. Income Security System Needs Leadership, Policy, And Effective Management

The costs of income security programs have soared by 250 percent over the past 10 years, making them the largest part of the Federal budget. These programs come under constant criticism for being too profuse, inequitable, inefficient, difficult to manage, and discouraging individuals from working. Taken together, these multibillion-dollar tax and transfer programs affect every American's present and future well-being. For these reasons, GAO formed a task force to study the income security system.

The income security system lacks overall leadership. Because of the system's far-reaching social impacts, deeply rooted difficulties, and projected future cost growth, the time has come to fill the leadership void and bring about changes in its policymaking, management, and evaluation. GAO believes such changes can best be brought about through an independent, national body, such as a National Income Security Commission, dedicated to helping the Congress and executive branch meet their program responsibilities.



111679



008809

HRD-80-33
FEBRUARY 29, 1980

...

...

...

...

...

...

...



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-190400

To the President of the Senate and the
Speaker of the House of Representatives

^{GAO}
Our income security task force has made an extensive study of the U.S. income security system because of wide-spread concern about the system's cost and effectiveness. This report recommends ways to improve management and oversight of the system's programs and activities.

Copies of this report are being sent to the Chairman, Council of Economic Advisers; the Director, Office of Management and Budget; the heads of Federal departments and agencies responsible for administering the major income security programs; and the 53 State and territorial Governors and the Mayor of the District of Columbia. Copies are also being sent to each Member of Congress and to the chairmen of income security-related congressional committees.

Comptroller General
of the United States

HEW AGC00022
Labor 09
Trans 29
VA 16
HUD 23
OMB 27

DLG 4002



D I G E S T

The United States finds itself today with a bewildering array of income security programs spread across Federal, State, and local jurisdictions. This multibillion-dollar tax and transfer network has evolved largely since 1935, when the United States began instituting a wide range of programs to help individuals and families not able or expected to support themselves through work. Paralleling the Nation's great economic growth and social change, the system has grown to where what once was viewed as "charitableness" now has become to many Americans a sense of "guaranteed right" to their income security.

Over the past 10 years, Federal income security spending has grown by nearly 250 percent to become the largest part of the budget. Although there is no generally accepted definition or program count, the 37 officially labeled income security and related programs in the 1979 Federal budget cost about \$215 billion. This was about 43 percent of the President's \$500 billion budget, far exceeding the 22 percent for defense (not counting military retirement). Income security tax expenditures--resulting from provisions of the income tax system which allow retention of income which otherwise would be taken through taxes--totaled about \$30 billion.

State and local programs usually supplement Federal programs or provide assistance to persons not eligible for Federal aid. Along with private sector and charitable activities, these programs account for billions of dollars in additional expenditures.

Today, the system virtually guarantees all basic needs (food, clothing, shelter) for some, and some basic needs for all. Individually the programs serve worthwhile, necessary goals, and collectively they have done a great deal to prevent or eliminate poverty and lessen tax burdens for millions of Americans.

Yet there is widespread unhappiness with the system. Critics agree the programs are too profuse, too complex, and seem unmanageable. There remain unmet needs, inequities, inefficiencies, strong work disincentives, and questions about the Nation's continuing ability to meet income security needs and stay within acceptable spending levels.

NEED FOR COMPREHENSIVE NATIONAL INCOME SECURITY POLICY

There is no single philosophy of American income security but rather an array of philosophies and goals reflecting the various programs built up over the years. The United States now needs to set forth a coherent national income security policy covering the demographic groups comprising the American population.

Income security traditions, which essentially began during America's colonial period, were based on a spirit of "rugged individualism," reliance on the family, and a strong work ethic. (See p. 5.) Significantly, the Great Depression increased awareness that need, dependency, and income "insecurity" can come about through no fault of the individual and through factors beyond the individual's control. (See p. 6.)

Since 1935, the system--particularly in the Federal Government--has expanded substantially, but in a fragmented, incremental way. Old programs have been liberalized and new and specialized programs have been enacted. (See pp. 7 to 9.)

DISAGREEMENT ABOUT SYSTEM
DEFINITION, GOALS, AND DIRECTION

The logical first step toward a national income security policy is to define the programs and activities that make up the system. Today, there is no agreement about what the income security system is, what it should do, or what it includes. Those who consider income security to be welfare only count five Federal programs. Those who use a broader definition categorize more than 150 programs as income security. Depending on which definition is used, program costs range from \$30 billion to \$266 billion, or from 6 to 53 percent of the 1979 Federal budget.

For working purposes only, GAO defined income security as:

The whole of government (and non-government) programs and policies aimed at insuring that basic consumption needs are satisfied for all not fully able or not expected to satisfy such needs for themselves through current employment.
(See p. 17.)

Four types of programs are included in GAO's definition:

- Public and private insurance (transfer payments and related tax expenditures).
- Public assistance (cash and in-kind benefits and related tax expenditures).
- Public service employment (jobs, training, and related tax expenditures).
- Market intervention or regulation.
(See pp. 18 to 23.)

"SYSTEMS VIEW" NEEDED

A "systems view" should be substituted for the existing fragmented "program-by-program focus."



Reform efforts cannot be measured for the extent of their improvement over existing programs.

The reliability of traditional indices, such as the official poverty line, is questionable. Living costs cannot be measured State by State, much less by municipalities within the States. (See pp. 33, 50, 51, and 61.)

At the program level, information is not consistent and is not readily available to compare programs. At the operating level, the 1974 Privacy Act and 1976 Tax Reform Act have made exchanges of information difficult and sometimes untimely. (See pp. 51 and 52.)

NEED TO RECONCILE CONFLICTING VIEWS AND SPECIAL INTERESTS

Because the income security system affects virtually all individuals and sectors of the U.S. economy, the number of individual, special, and public interests to be considered and reconciled on any major reform initiative is extensive. Even the most criticized features of the system benefit some people, so every proposal for change will encounter some opposition. (See pp. 54 to 57.)

Ways must be found to bring together and more effectively reconcile the diverse and conflicting views about needed changes to the income security system.

SYSTEM NEEDS CENTRAL LEADERSHIP

The lack of central leadership for income security programs underlies the problems discussed in this report and has undermined congressional and executive branch attempts to deal with them. Attempts over the past 10 years to fill the leadership void--including the creation of various oversight commissions--have been and continue to be well intended, but limited.



At a minimum, the body's goals and functions should include the following:

- Toward the goal of developing a universal system definition, study the programs and their origins, goals, and effects and analyze their growth patterns, trends, and interrelationships.
- Toward the goal of developing a national income security policy, bring together views about income security purposes, trends, needs, and constraints; study the results of, and coordinate, social experiments; conduct experiments where appropriate; and prepare alternative policy propositions.
- Toward the goal of institutionalizing a "systems view" of the programs, establish centralized, continuing policy formulation, systems analysis and cross-program research and review capabilities and provide direct assistance to the Congress and the executive branch in carrying out their planning, appropriation, management, and evaluation responsibilities.
- Toward the goal of simplifying the system, using, whenever practicable, data available to and collected by the agencies, begin the process of (1) developing continuing long-term data bases and (2) standardizing and otherwise improving program definitions, data formats and reporting requirements, general statistical indices, and analytical models.
- Toward the goal of increasing understanding of major proposed system changes, analyze such proposals, prepare system impact statements about them, and develop alternative proposals.
- Toward the goal of broadening perspectives about the system, study the applicability to our system of lessons learned from older foreign income security systems.

Today, the system virtually guarantees all basic needs (food, clothing, shelter) for some, and some basic needs for all. Individually the programs serve worthwhile, necessary goals, and collectively they have done a great deal to prevent or eliminate poverty and lessen tax burdens for millions of Americans.

Yet there is widespread unhappiness with the system. Critics agree the programs are too profuse, too complex, and seem unmanageable. There remain unmet needs, inequities, inefficiencies, strong work disincentives, and questions about the Nation's continuing ability to meet income security needs and stay within acceptable spending levels.

NEED FOR COMPREHENSIVE NATIONAL INCOME SECURITY POLICY

There is no single philosophy of American income security but rather an array of philosophies and goals reflecting the various programs built up over the years. The United States now needs to set forth a coherent national income security policy covering the demographic groups comprising the American population.

Income security traditions, which essentially began during America's colonial period, were based on a spirit of "rugged individualism," reliance on the family, and a strong work ethic. (See p. 5.) Significantly, the Great Depression increased awareness that need, dependency, and income "insecurity" can come about through no fault of the individual and through factors beyond the individual's control. (See p. 6.)

Since 1935, the system--particularly in the Federal Government--has expanded substantially, but in a fragmented, incremental way. Old programs have been liberalized and new and specialized programs have been enacted. (See pp. 7 to 9.)

C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 U.S. INCOME SECURITY SYSTEM--PURPOSE, HISTORY, CONCERNS ABOUT THE FUTURE	1
The system today	1
Historical background	5
Drive for system reform	9
Purpose and scope of study	11
2 FUNDAMENTAL DISAGREEMENT ABOUT INCOME SECURITY DEFINITION, POLICY, GOALS, AND DIRECTION	13
What is income security?--a wide range of views	13
Need for consensus about system makeup	16
3 CONSEQUENCES OF PROGRAM-BY-PROGRAM FOCUS--MOVE TOWARD SYSTEMS VIEW	28
Lack of "systems view"--recurring criticisms and problems	28
The root causes	41
4 NEEDED--NATIONAL INCOME SECURITY BODY FOR TOTAL SYSTEM LEADERSHIP AND POLICY DIRECTION	53
Obstacles to change	54
Federal attempts to establish leader- ship and address program problems	57
A recentralization of income security leadership is inevitable	66
5 CONCLUSIONS AND RECOMMENDATIONS	68
Conclusions	68
Recommendation to the Congress	71
Recommendation to the President	73
APPENDIX	
I U.S. income security programs and related tax expenditures (Special Analyses of the Budget), fiscal year 1979	74

Over the past 10 years, system studies have repeatedly documented income security program problems. Certain observations recur:

- The programs contribute to common goals, often serve the same individuals, and interact substantially with one another.
- There is a failure to view income security programs as a coherent whole or system within a well-defined policy framework.
- The fragmented and uncoordinated nature of the system complicates policymaking, management, and evaluation.
- The comprehensive knowledge and information needed to evaluate the system do not exist.

Despite such findings, each program or set of related programs continues to be managed as a single entity with little deliberate planning of the relationship of the programs to one another. This situation seems rooted in the

- many forms the benefits take and many ways of delivering and financing them (see p. 42);
- uncoordinated sprawl of management responsibilities across a network of Federal, State, local, and private jurisdictions (see p. 43);
- variations among program features (eligibility requirements, benefit levels, etc.) (see p. 48); and
- lack of information about the programs and their social and economic consequences (see p. 50).

DATA AND MEASUREMENT PROBLEMS

Because of data and measurement deficiencies, there is no way now to determine who is getting how much, how often, with what degree of accuracy, and by what measure of social or economic need.

CHAPTER 1

U.S. INCOME SECURITY SYSTEM--

PURPOSE, HISTORY, CONCERNS ABOUT THE FUTURE

In the United States, most individuals and families secure their well-being with income earned through work. Those unable to support themselves have traditionally depended on families and friends and--to some degree--on the government for assistance.

Over the past 40 years, however, the government has taken on a leadership role in providing and insuring income security for all. Americans increasingly have been made aware that need, dependency, and income insecurity can come about through no fault of the individual and by factors (old age, disability, absence or death of the breadwinner, or job layoff) beyond the control of the individual.

Throughout the 1970s, public attention has been focused on the need to improve the efficiency and effectiveness of income security programs. More recently, public concern has mounted over the high costs of public services, as shown by the popular support of California's 1978 Proposition 13 and continuing support for a constitutional amendment to limit Federal spending.

THE SYSTEM TODAY

Today, the United States finds itself with a broad, diverse, and yet highly interrelated set of income security programs and tax policies spread across Federal, State, and local jurisdictions. Although there is no generally accepted definition or count of income security programs (see ch. 2), the programs provide income (cash or in-kind) or assure some level of income for those in need or seeking to become self-sufficient, or they protect workers against earnings losses. Income security tax policies--referred to as tax expenditures--allow retention of income which otherwise would be taken through income taxes. Appendix I lists income security programs and tax expenditures which the Office of Management and Budget (OMB) included in its special analyses of the Federal budget.

At the Federal level, there are 37 officially labeled income security and related programs administered by many different departments and agencies and presided over by different congressional committees. In fiscal year 1979,

Looking ahead, the line of least resistance will be to continue developing and managing income security programs along the same lines as in the past. GAO believes that this course is unwise socially and economically and should not be continued. (See pp. 66 and 67.)

The best way to provide leadership and to bring about needed changes in the system's policymaking, management, and evaluation is through an independent, national body, dedicated to helping the Congress and executive branch meet their program responsibilities. This is not to be construed as suggesting a single program, a single agency, or a single congressional committee to replace all others.

RECOMMENDATION TO THE CONGRESS

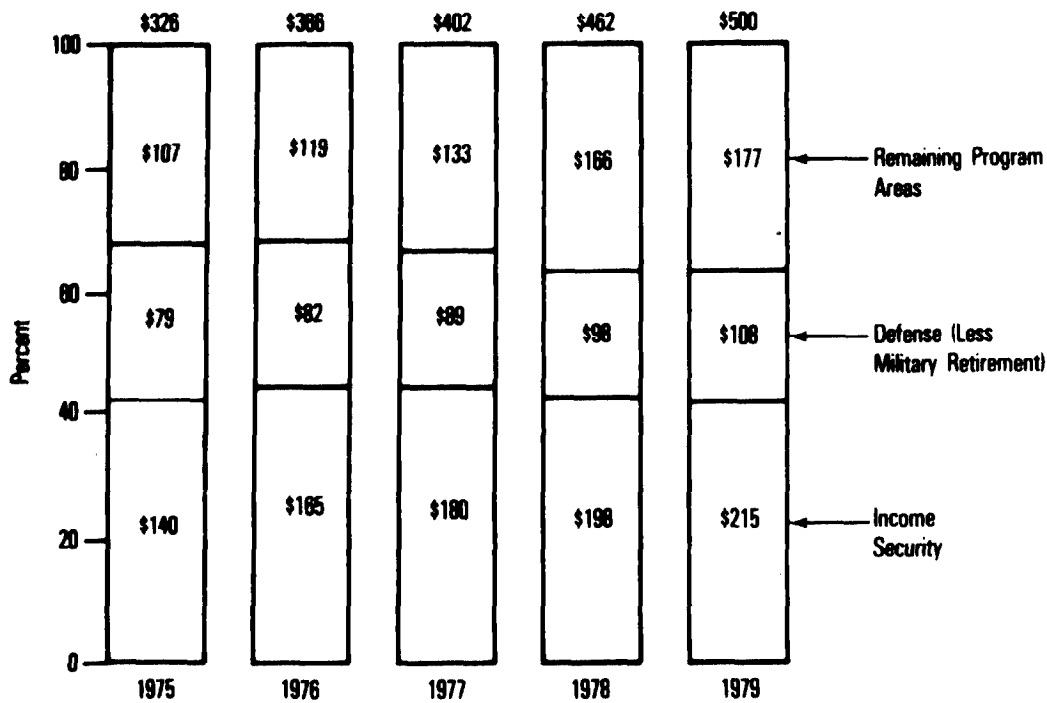
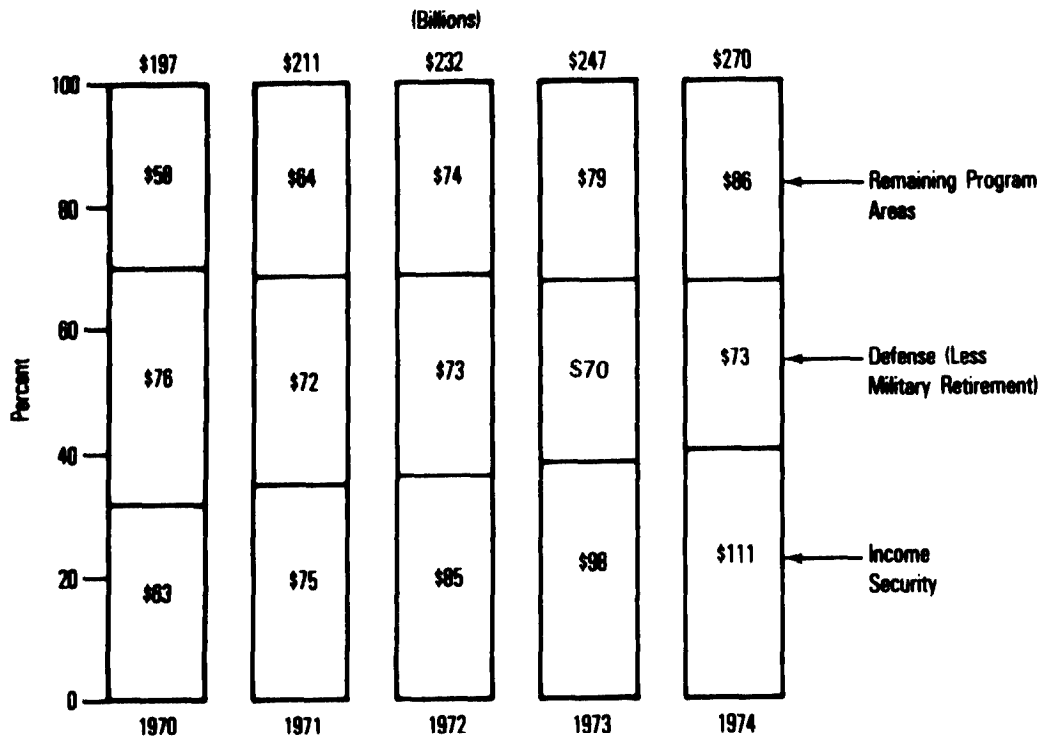
The Congress should enact legislation to establish a national body, such as a National Income Security Commission, to provide central system leadership.

In developing such legislation, the Congress should determine--with the assistance of the executive branch and other experts and affected organizations--the body's (1) most appropriate organizational form, structure, and location, (2) authorities and jurisdiction, (3) membership, staff, and tenure, and (4) specific goals, duties, and functions.

GAO suggests that the Congress in its deliberations consider constituting the body as an independent entity. It should serve in an overall advisory capacity to the Congress and the executive branch, with specific responsibility for standardizing program data and reporting requirements, conducting and promoting research, and similar duties. Its membership should be broad, representing government and private organizations and groups.

The body should have a long-term, continuing charter, subject to periodic evaluation by the Congress.

**TABLE I. FEDERAL INCOME SECURITY GROWTH RELATIVE
TO DEFENSE AND REMAINING PROGRAM AREAS
FISCAL YEARS 1970-1979**



- Toward the goal of correcting immediate problems or otherwise hedging against predictable future problems, recommend, whenever appropriate, legislative and regulatory changes to the Congress and executive branch.
- Toward the goal of safeguarding the system's financial stability and insuring its cost effectiveness, develop and apply cost-effectiveness measures to current programs, study alternative financing and benefit delivery approaches, and recommend, as appropriate, alternative programs and systems.

While the legislation is being developed, the Congress should establish select Senate and House committees or a joint committee to begin working toward the goals outlined above. These committees would serve as focal points for recommendations from the newly legislated body, to receive its proposals and refer them with recommended actions to the appropriate legislative committees. (See pp. 71 to 73.)

RECOMMENDATION TO THE PRESIDENT

While the recommended legislation is being developed, the President should direct the Office of Management and Budget and other executive agencies to begin working toward the goals outlined above.

If legislation is enacted, the President should direct that points of coordination be established for the income security body at appropriate levels within each affected executive agency. (See p. 73.)

There are other Federal programs and activities, which, although not classified as such, directly affect individual and family income security. Examples of these are legal and social (foster child, aged care) services, job creation and training activities, and certain labor regulations, such as minimum wage laws, which augment recipient incomes, help those able to work to find jobs, or guarantee a minimum income for workers.

Typically, State and local programs supplement the Federal programs or provide assistance to persons not eligible for Federal aid. In fiscal year 1977 State and local public assistance payments totaled \$15 billion. In addition, State and local governments now operate more than 3,000 employee pension systems. Sixty percent of the State and local employees also participate in the Federal social security system.

There are many private sector income security activities. These include corporate and labor union administered health, welfare, and pension plans, as well as income protection insurance plans. In addition, there are thousands of charitable organizations in the United States that provide assistance to those in need.

HISTORICAL BACKGROUND

American income security programs have evolved over time to meet changing economic conditions, social attitudes, and the essential income needs of families and individuals. Like many other countries, America has followed an incremental approach in extending aid, never viewing all groups as being equally in need or equally deserving of aid. As a result, there is no single philosophy of American income security, but rather an array of philosophies and goals that reflect the various programs developed over the years.

The income security traditions, which essentially began during America's colonial period, were based on a spirit of "rugged individualism," reliance on the family, and a strong work ethic. These traditions affected early attitudes about income support for the needy and tended to equate human need with personal failure.

During the colonial period, the family was the first line of defense against income insecurity. Following English Poor Law traditions, persons could be made legally responsible for the support of their relatives. Needy persons without family resources looked to neighbors, friends, private charity, or local government for aid.

		<u>Page</u>
APPENDIX		
II	Alternative definitions of income security	78
III	GAO reports on income security-related programs, January 1, 1975-December 31, 1979	85
IV	Income security reform initiatives of the 1970s	122
V	Congressional committees responsible for planning, authorization, appropriation, and evaluation of income security programs	138
VI	Federal departments and agencies responsible for managing income security programs	144
VII	GAO's meetings with selected experts and consultants	147

ABBREVIATIONS

AFDC	aid to families with dependent children
CETA	Comprehensive Employment and Training Act
ERISA	Employee Retirement Income Security Act
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
NCSW	National Conference on Social Welfare
OMB	Office of Management and Budget
SSA	Social Security Administration
SSI	supplemental security income
VA	Veterans Administration
WIN	work incentive program

In 1935, as a long-term solution, the Social Security Act was passed. The act, modeled after European social welfare systems, set up a broad but not comprehensive system of public insurance. It was based on three principles. First, all able-bodied persons should work. Second, workers should be insured against risks (old age, etc.) to income security. Third, those who could not work (aged, blind) or who should not work (women raising children alone) should receive assistance based on need.

The act provided for old-age pensions to be financed by payroll deductions and provided Federal aid for three forms of locally administered public assistance--old-age assistance, AFDC, and aid to the blind. The act also provided for the establishment of State unemployment insurance programs.

Also in 1935 the Railroad Retirement Act was passed, providing retirement and disability benefits for railroad workers. Railroad workers were excluded from social security coverage. In 1938 the Railroad Unemployment Insurance Act was passed. Later that year the Fair Labor Standards Act took effect, setting minimum standards for wages, work hours, and child labor, and applied to work associated with goods and services in interstate commerce. By this time, 25 States had enacted minimum wage laws.

In summary, the Great Depression was marked by a vast expansion of the income security system, an increase in its complexity, and the Federal Government's entrance into the public assistance field. Growth was most pronounced at the Federal level, yet the States' roles also increased. The decision to create a Federal-State partnership in many programs rather than uniform national programs increased the complexity of the overall system.

Since the Great Depression, the system has expanded substantially. Many new programs--many outside of the social security system--have been added, and benefit levels and coverage under existing programs have been broadened. The social security system adopted many redistributive (or welfare) features and was expanded in 1939 to include certain dependents and survivors. It was later broadened to include other family members.

In 1946 the Employment Act was passed, making "full employment" a primary goal of U.S. national economic policy. Economic growth and monetary and fiscal policies were to assure an ample supply of jobs for the able bodied.

these programs cost about \$215 billion, about 43 percent of the President's total \$500 billion budget, far exceeding the 22 percent for defense (not counting military retirement costs). The programs provided benefits to about 183 million recipients (this figure is duplicative to the extent that persons participate in more than one program).

Over the past 10 years, outlays for Federal income security programs have increased by almost 250 percent and have become an increasingly larger part of the budget. During the same period, defense outlays have risen by only 46 percent, but have decreased as a percentage of the total budget. (See table I.)

The Federal programs can be fit into two categories: insurance-based programs (about 82 percent of the 1979 income security budget) and public assistance or "welfare" programs (about 18 percent). Insurance-based programs benefit persons and their families who have contributed or on whose behalf contributions have been made--usually through payroll deductions--to the program's support, and benefits are paid without regard to the income or wealth of the family unit to which the recipient belongs. Examples are the social security retirement program and the unemployment insurance program. Certain of these programs (Federal civilian and military retirement programs, for example) are staff pension programs, and their benefits may be viewed as a form of deferred wages. In contrast, public assistance programs condition benefits on a test of need and not on any prior tax payments or contributions. Examples are the aid to families with dependent children (AFDC) and food stamp programs.

Insurance-based programs have accounted for the major income security increases over the past 10 years. (See table II.) Increases across all programs have been attributed in large measure to three causes: (1) inflation and wage growth related benefit increases, (2) unemployment-related caseload increases, and (3) the maturing of social security and other retirement systems established 40 to 50 years ago.

Related to the two categories of programs are tax expenditures selectively classified by OMB for Federal budget purposes as income security. These are special provisions of the income tax system (such as the special exemptions for old age and blindness and the exclusion from taxable income of social security benefits) that improve the incomes of individuals and families and have the effect of direct Federal payments. Income security tax expenditures in 1979 amounted to about \$30 billion.

unsuccessful employment and training programs started during the 1960s. As unemployment persisted in the mid-1970s, CETA became a focal point for new approaches to employing the disadvantaged, the underemployed, and those formerly on welfare.

In 1974 the supplemental security income (SSI) program was implemented to replace the federally assisted, State-run aged, blind, and disabled programs. The new program, which provides those groups a uniform annual minimum income, is one sign of the evolutionary reform process now underway in the income security system. Two other signs are the mid-1974 nationwide implementation of the food stamp program and the 1974 enactment of the Employee Retirement Income Security Act (ERISA). The food stamp program is now the only major income security program serving virtually all needy groups and, in effect, is a guaranteed (in-kind) income for low-income persons. ERISA established minimum national standards for private retirement plans to protect pensioner interests and insure the solvency of plans.

Since 1975, social security benefits have risen automatically with cost-of-living increases to protect recipients against the effects of inflation. In 1977 there were unsuccessful attempts made to tie minimum wage rates to the cost of living. Instead, legislation was passed to increase the rates in fixed increments through 1981.

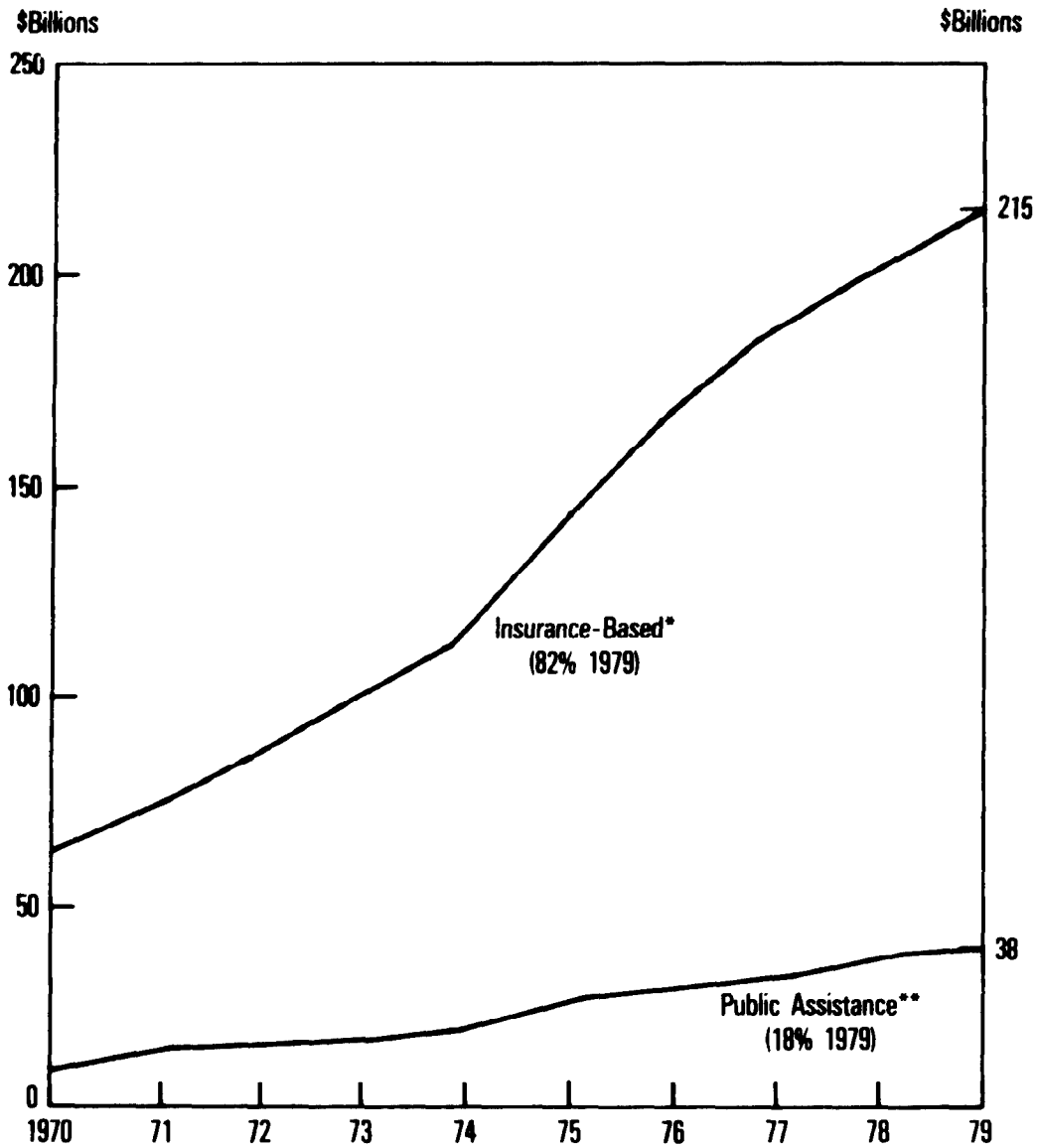
DRIVE FOR SYSTEM REFORM

American generosity toward the poor and concern for individual income security has paralleled the country's great economic growth and social change. In effect, what once was viewed as "charitableness" now has become to many Americans a sense of "quaranteed right" to income security.

The income security system now can be described as guaranteeing all basic needs for some, and some basic needs for all (by basic needs, we mean food, clothing, shelter, and other such subsistence needs). Despite this, there is widespread unhappiness with the system. During the past 10 years, many complaints have been voiced and numerous efforts made to reform the complex of programs.

Beginning with President Johnson's Commission on Income Maintenance Programs in 1968, each administration has undertaken studies and drafted proposals to reform American income security--especially the welfare portion.

**TABLE II. FEDERAL INCOME
SECURITY BUDGET BY INSURANCE-BASED
AND PUBLIC ASSISTANCE CATEGORIES
FISCAL YEARS 1970-1979**



*Includes programs such as social security, unemployment insurance, Federal civilian and military retirement and disability, railroad retirement and disability, and veterans' compensation.

**Includes programs such as AFDC, SSI, medicaid, food stamps, subsidized housing, and pensions for needy veterans.

- Job creation and training programs largely have been ineffective in reducing unemployment and welfare rolls, have been mismanaged, and have sometimes been mistargeted.
- Tax expenditures complicate the income tax system, generally make it difficult to understand and administer, and create inequities for low- and lower-middle-income taxpayers.
- Rules and regulations governing public assistance programs are overly cumbersome. Administrative costs, fraud, and error rates are too high.

System problems are discussed in chapter 3.

PURPOSE AND SCOPE OF STUDY

In addition to our customary audits and reviews of particular aspects of income security programs, we established a task force to study the subject area more comprehensively. Over the years, we have produced numerous reports in this area and have made many recommendations to improve the efficiency, economy, and effectiveness of the programs. (See app. III for a list of reports issued since 1975.)

The purpose of the study was to develop a useful perspective for the system. This is needed, in our view, in order to (1) better understand the interrelatedness of individual programs and sets of programs, (2) identify the trends and forces that shape and change the programs, and (3) frame the current debate about system problems and reform options so that they might be understood more sharply and analyzed more coherently. Specifically, the study was to address the following broad question:

- What steps may be needed, first, to achieve a better, more complete understanding of the U.S. income security system and, second, to consider and set forth goals toward which the system might be guided in some deliberate, rational, and orderly way?

The task force reviewed (and selectively drew factual and analytical data from) the extensive available literature on income security and individual programs. Emphasis was given to the Federal income security programs and activities. The task force interviewed congressional and executive branch officials, interest group representatives, academicians, and State and local officials in California and Washington. It gathered program data with questionnaires completed by GAO

Aid was dispensed at the local level (county, township) in various ways, including cash payments to those taking in poor boarders, direct payments or tax reductions for the poor, sale to the poor of commodities at below market prices, and the operation of work houses.

Between the American Revolution and the Great Depression, the income security system, and American society in general, became more complex. While family, charity, and local public relief accounted for most of the aid for the needy, other forms--involving all levels of government--were introduced. These included veterans' benefits, workmen's compensation, State old-age pensions, and public retirement systems. Thus, the shift in emphasis from reliance on the family in a rural setting to government assistance began with the growth of industrialized cities.

With respect to conditions existing right before the Great Depression, several points are worth highlighting:

- Although Federal and State government had become involved with income security, it still was largely a matter of family and local responsibility.
- Most government assistance, especially local public relief, was stigmatizing.
- Although workmen's compensation had been enacted, public insurance against other risks had not yet gained favor.
- For persons not qualifying for veterans' or civil service old-age and disability benefits, workmen's compensation, or State old-age aid (10 States), the only answer was local public assistance.

Unemployment peaked at almost 15 million persons (about 29 percent of the work force) in March 1933 and averaged 18 percent for the decade of the 1930s. The Great Depression brought misery to millions, and the American income security system--inadequate to deal with a major economic crisis--was reexamined.

Reforms came, but not immediately. Between 1933 and 1939, the Federal Government took several stop-gap measures, including work creation programs administered by the Federal Emergency Relief Administration, the Work Progress Administration, the Civilian Conservation Corps, and other Federal agencies.

CHAPTER 2

FUNDAMENTAL DISAGREEMENT ABOUT INCOME SECURITY DEFINITION, POLICY, GOALS, AND DIRECTION

Today, each person in the United States is affected by income security policies and programs designed to assist in obtaining basic living needs. The numerous programs contribute to common goals, often serve the same individuals, and interact a great deal with one another.

Yet, the phrase "income security" means many different things to different people. Views differ widely about which programs constitute the income security system and about its purposes, functions, effects, and groups served. In our view, the lack of consensus is due to (1) the fragmented way the programs were established and continue to evolve, (2) the multitude and interrelatedness of programs serving various population groups, and (3) the absence of an overall income security policy.

We believe it is time for the United States to lay down a coherent national income security policy covering the demographic groups that make up the American population. The first step in this process is to define the programs and activities which comprise the system and which should be considered for Federal budgetary and system management purposes as income security programs.

WHAT IS INCOME SECURITY?-- A WIDE RANGE OF VIEWS

There is general disagreement about the definition of the income security system and about the programs and activities to be included within the definition. Recent studies and attempts to define the area have not gained widespread acceptance.

The programs variously are referred to as "income security," "income maintenance," "income transfer," "income distribution," "welfare," "social welfare," "social insurance," and so on. The labels preserve distinctions among the programs--among their individual goals and particular categorical differences. Yet they complicate understanding both the system and proposals to change it and its parts. This is because, when used inconsistently, the categorical labels variously include certain programs and exclude others.

During the early 1950s, the number of private employee pension programs grew from 2,000 to 8,000. In 1950 federally aided, State-administered public assistance for the totally disabled was introduced. In 1956 disabled workers were covered under the social security system, and women were allowed to receive old-age benefits at age 62.

The 1960s was a period in America of high employment and economic growth. It was widely believed that every American could be assured a job, a minimum standard of living, an adequate diet, decent and safe housing, and sufficient health care. President Johnson's "War on Poverty" was waged by greatly expanding social security benefits and public assistance programs and by establishing new and specialized programs for the poor.

In 1961 States were permitted to extend aid--with Federal participation--to AFDC families with an unemployed father and to foster homes. In 1964 the food stamp program was enacted to reduce hunger and malnutrition among the poor. Hospital and medical insurance (medicare) was added to the social security system and extended to persons over age 65 (in 1965) or disabled (in 1972). Medicaid was set up to provide such coverage for the poor.

There were other specialized programs enacted. In 1967 a work incentive program (WIN) was started to enable AFDC recipients to become self-supporting. WIN provided monetary work incentives, training, counseling, child care, and employment services. Other categories of programs established during the 1960s included school feeding (Department of Agriculture), housing and rental subsidies (Department of Housing and Urban Development), employment and training (Department of Labor), and educational assistance (Department of Health, Education, and Welfare (HEW)).

During the 1970s, inflation, unemployment (highest since the depression), and widespread interest in program reforms reshaped income security and intensified the drive for increased Government-sponsored income security. The insurance-based programs continued to become more "needs" than "insurance" based, and public assistance benefits were extended to higher income families.

In 1970-71 and 1974-75, unemployment insurance benefits were greatly expanded and extended to persons whose jobs were not covered by unemployment insurance laws. In 1973 the Comprehensive Employment and Training Act (CETA) was passed, consolidating many of the fragmented and largely

The Subcommittee counted 62 Federal programs as income security programs. It included most of the programs in OMB's income security functional area, but added selected health (comprehensive health services), education (basic educational opportunity grants), employment and training (youth employment), and social services programs not counted by OMB. Using the Subcommittee's definition, Federal income security programs cost about \$231 billion--about 46 percent of the 1979 budget.

In 1976 the National Conference on Social Welfare (NCSW) 1--under contract from HEW--studied the income security area. The purpose of the study was to define the system and develop policy principles for it. NCSW included most of the programs included by the Subcommittee on Fiscal Policy (welfare, public insurance, and some health, education, employment, and social service programs) but added others, including Federal employees' health benefits and public service employment. Also, NCSW added to OMB's count of Federal income security tax expenditures such exclusions as charitable contributions, homeowner's mortgage interest and property taxes, State and local taxes, and medical expenses.

Using NCSW's definition, 1979 Federal income security program costs were about \$266 billion--about 53 percent of the budget--and income security-related tax expenditures resulted in the loss of tax revenues of about \$101 billion--more than three times the official OMB estimate.

To date, the largest income security program count was made by the Institute for Socioeconomic Studies. 2/ The Institute defined income security to include all governmental transfer programs and regulations that maintain or supplement individual incomes and added to the income security definitions described above Federal programs that provide loans, credit, guarantees, or insurance (not otherwise available or available at less favorable terms in the private sector). The additional program categories included disaster

1/NCSW is a "voluntary organization of over 5,000 individuals and 1,000 national, State, and local agencies whose purpose is to provide information and education for policy development and practice."

2/The Institute is a nonprofit foundation with broad research interests relating to the quality of life, social motivation, and poverty. A principal focus of its work has been welfare reform.

In 1971-74 the Congress authorized a broad-based system study by the Subcommittee on Fiscal Policy of the Joint Economic Committee. Numerous public and private interest groups, including the National Governors' Association, National Association of Counties, National Conference on Social Welfare, Chamber of Commerce of the United States, and Institute for Socioeconomic Studies, recommended proposals for change during the 1970s. (Major reform proposals of the decade are summarized in app. IV.)

As a result of these efforts, public knowledge and general perceptions about the system have increased greatly. Few now disagree with the need for some reform, although there is widespread disagreement about solutions. However, despite the efforts and the many resources expended to study and improve income security programs, criticisms and public dissatisfaction persist, and the drive for system reform continues.

Income security program issues have been analyzed and documented repeatedly in the various studies. Generally, they are:

- The programs are costly, fragmented, and complex.
- Some persons qualify for benefits under several programs, while others in need qualify for little or nothing.
- Incentives to work are suppressed because of high effective marginal tax rates on earnings, caused by the loss of program benefits.
- Social insurance programs have taken on "welfare" features. Many staff pension plans are poorly financed because their actuarial methods are inadequate, especially during periods of high inflation. Some may need future general revenue support.
- Minimum wage laws may tend to be inflationary, may push up all wages, and may create (1) hardships for some businesses and (2) unemployment, especially among the young.
- Disability insurance programs use widely varying eligibility standards and criteria; this encourages abuse, high costs, and withdrawal from productive employment.

The income security system now serves many purposes--as many purposes as there are individual programs. The purposes include access to basic income, goods, and services; insurance against catastrophic loss or interruption of earnings; opportunities for self-sufficiency, advancement, achievement; promotion of social stability; correction for unequal opportunity; redistribution of income because of income inequality; provision of fiscal and countercyclical stability during periods of recession; and others. The programs overlap, however, and the same individuals and families benefit from a number of programs simultaneously.

As already discussed, alternative program counts show the plausible range of system definitions and suggest the difficulties presented for budgeting and system management purposes. In our view, agreement about the definition of the income security system is needed in order to:

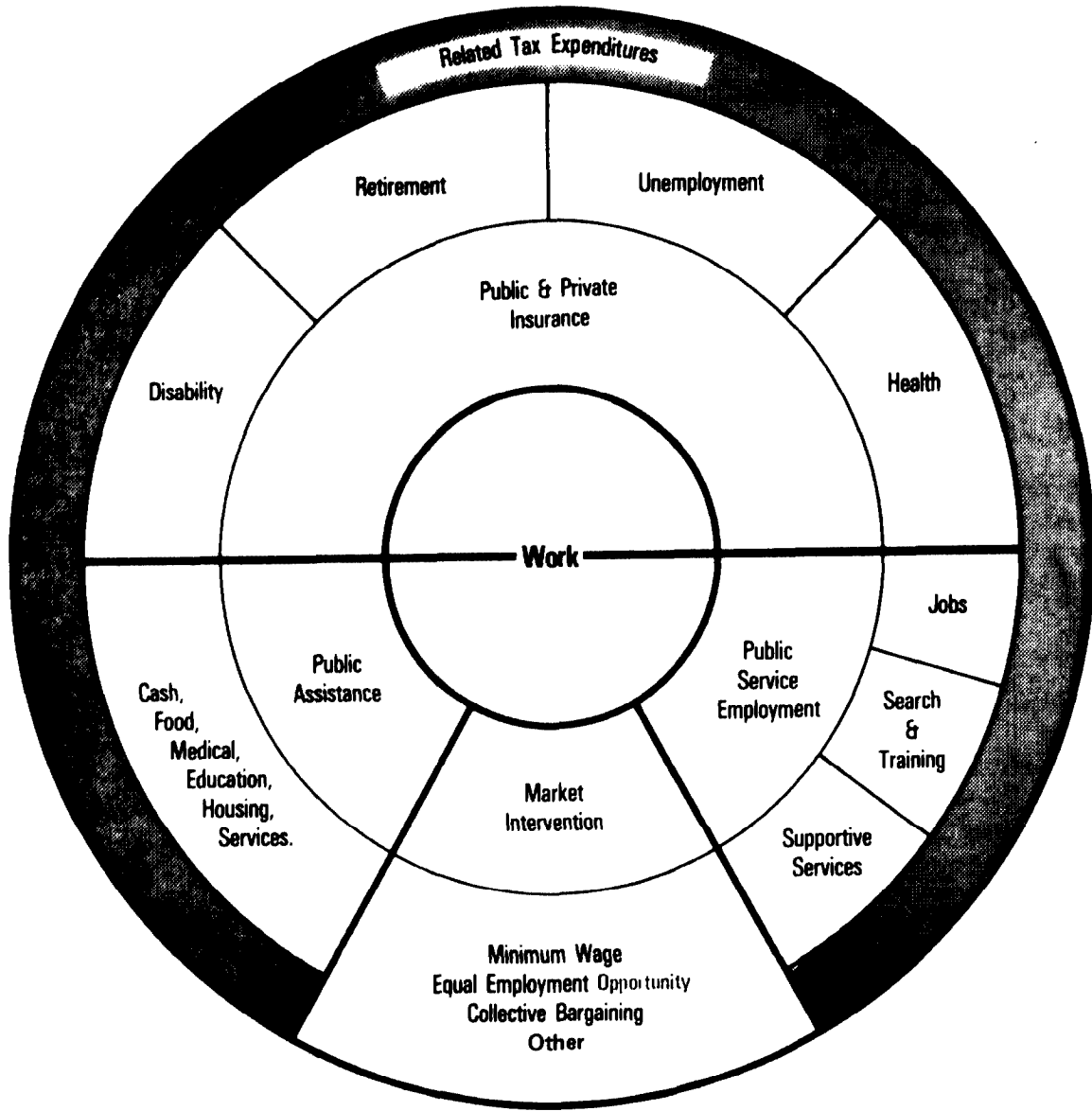
- Provide Federal, State, and local policymakers with a uniform, practical frame of reference for the income security area.
- Promote accurate planning, management, accounting, and oversight of the total Federal resources--both outlays and revenues--dedicated to the income security area.
- Facilitate identifying system inefficiencies and duplication among the programs both in their goals and administration.
- Raise the level of congressional and executive debate about system alternatives by clearly identifying all programs that might be replaced or serve as alternative financing sources.
- Build public confidence and understanding by reducing confusion about which programs fit and work together to serve overall income security system goals.

GAO's perception of the system

Notwithstanding its many purposes, in our view, the system can be defined for general policy purposes as follows.

It is the whole of government (and nongovernment) programs and policies aimed at insuring that basic consumption needs are satisfied for all not fully able or not expected to satisfy such needs for themselves through current employment.

audit site staffs and held meetings (see app. VII) with income security experts and consultants. In addition, the task force followed closely the proposed 1977 and 1978 welfare reform legislation and developed a report on President Carter's welfare reform bill ("Review of the Better Jobs and Income Bill" (HRD-78-110, May 23, 1978)).



For many, "welfare" and "income security" are now synonymous. (Public assistance programs also are commonly referred to as "welfare.") The core welfare programs generally include AFDC, SSI, medicaid, food stamps, public housing, and the State-run general assistance, general relief, and emergency assistance programs. Using this definition, fiscal year 1979 Federal income security expenditures alone were about \$30 billion.

OMB's definition of income security--which has expanded over the years--is broader than the popular notion of welfare. In its 1979 "Special Analyses, Budget of the United States Government," OMB defines income security programs as those which:

"* * * maintain or supplement the income of persons and families whose capacity for self-support is reduced by old age, disability, illness, unemployment, poverty or death of the primary wage earner."

Programs classified by OMB as income security include public assistance (the core welfare programs plus others, such as child nutrition and veterans' pensions) and insurance-based programs, such as social security, railroad workers' and the major Federal employee retirement and disability programs, and unemployment insurance. Tax expenditures classified by OMB as income security include the extra personal exemption for aged persons; the exclusion from taxable income of social security benefits, unemployment compensation, welfare benefits, and contributions to private (self-employed and employer) pension plans; and tax credits for the elderly and low-income workers.

By OMB's definition, the 37 Federal income security programs cost about \$215 billion, about 43 percent of the total 1979 budget. OMB estimated that income security tax expenditures would result in the loss of about \$30 billion in tax receipts.

For its 3-year (1971-74) study of the income security area, the Joint Economic Committee's Subcommittee on Fiscal Policy defined income security to include Federal, State, and local government programs that primarily maintain or supplement income through cash or in-kind benefits. Tax expenditures were excluded. Although the Subcommittee recognized the existence of some nongovernmental programs (retirement, medical care, etc.), these programs also were excluded.

	Federal program (note a)		Related Federal tax ex- penditures (note a)
	<u>Costs</u>	<u>Recipients</u>	
	(billions)	(millions)	(billions)
Old age, survivors, disability, and health insurance (social security)	\$130.4	57.7	\$6.3
Federal civilian and military retirement and disability	21.8	3.4	-
Unemployment insurance	<u>b/10.8</u>	8.9	1.1
Workmen's compensation	<u>c/.2</u>	1.3	1.0
Veterans' compensation for service-connected disability and death	6.5	3.2	.8
Railroad retirement and unemployment and sickness insurance	<u>4.2</u>	<u>1.0</u>	<u>.3</u>
Total	<u>\$173.9</u>	<u>75.5</u>	<u>\$9.5</u>

a/1979 estimates.

b/Figure represents total Federal program costs, including \$9.7 billion Federal share of Federal-State unemployment insurance program. The Federal-State programs were estimated in 1977 to cost about \$14.3 billion.

c/Figure represents Federal employee costs. State programs were estimated in 1977 to involve about \$7 billion annual transfers.

In 1979, 75 percent of the direct Federal expenditures for major insurance-based programs were social security payments to retired and disabled workers and their dependents. These payments, combined with the other major public and private insurance programs (including billions in related tax expenditures), protect the vast majority of American workers and their families against the loss of income due to separation from the work force.

Public assistance

Programs included within this component provide some minimum income level for individuals and families not receiving sufficient income from all other sources (including

relief, economic opportunity, and production subsidies for farmers. The Institute, however, did not include many of the educational and medical programs counted by NCSW.

In its "An Inventory of Federal Income Transfer Programs," the Institute listed 154 programs which in 1979 cost about \$251 billion--about 50 percent of the budget. Tax expenditures listed by the Institute resulted in the loss of about \$42 billion in 1979 tax receipts.

The following table summarizes these five alternative counts of the income security programs. Appendix II provides a breakdown of the programs included by the various definers.

Various income security <u>definitions</u>	Number of <u>programs</u>	<u>Estimated 1979</u>	
		<u>Outlays</u>	<u>Tax expenditures</u>
		(billions)	
Welfare	5	\$ 30	\$ -
OMB	37	215	30
Joint Economic Committee	62	231	-
NCSW	150	266	101
The Institute for Socioeconomic Studies	154	251	42

The total program costs and counts are not precise. Some programs included by the definers may no longer exist, may have been combined with or replaced by other programs, or may have been subdivided by the definer and then counted as more than one program.

NEED FOR CONSENSUS ABOUT SYSTEM MAKEUP

As conceived initially, with the 1935 Social Security Act, income security programs were to serve discrete population groups or categories (e.g., the able-bodied expected to work, women--primarily widows--raising children alone, or the blind). Those expected to work were to be insured against the loss of earnings. Those unable or not expected to work, generally speaking, were to be directly provided their basic needs. But as the public became aware of additional groups in need or likely to be in need, more and more programs sequentially were added.

activities work through the labor market and do not involve the payment of benefits or tax expenditures. Included among market intervention activities are minimum wage laws, collective bargaining, antidiscrimination, and occupational safety and health activities.

The minimum wage is intended to provide some minimum income level for persons in the labor market. It, in particular, has a substantial impact on individual and family earnings. In 1977 about 3 million workers received the minimum wage of \$2.30 per hour. By 1981, an estimated 5 million workers will receive a minimum wage of \$3.35 per hour. Today, over 90 percent of the work force is covered by Federal or conforming State minimum wage laws.

Public service employment

Public service employment is often viewed as a complement to, or substitute for, the direct provision of aid through public assistance programs. Public service employment is temporary in nature and is typically aimed at three target groups--(1) those considered "unemployable" in the regular labor market, (2) those considered "hard to employ" (ex-offenders, school dropouts) but who have potential to compete in the market, and (3) those temporarily unemployed due to cyclical changes in the market.

The major public service employment and related activities are provided under titles II and VI of the Comprehensive Employment and Training Act of 1973, as amended. In fiscal year 1979 an estimated \$6 billion was expended to employ about 725,000 persons in local public services.

Public service employees or their employers can benefit from a number of tax expenditures. These include earned income tax credit, credit for child and dependent care expenses, targeted jobs credit, employer credit for hiring WIN participants, and other credits and allowances normally available to all taxpayers.

Interaction among income security programs

Little is known about the combined incidence of all income security programs, although information about the characteristics of beneficiaries and the amount and types of benefits they receive is essential to income security policymaking and management. The lack of such information means that legislatures and administering agencies plan and evaluate in isolation, resulting in an uncoordinated set of

This definition recognizes four important policy points:

1. Employment income should be the first, most important component of income security for most Americans.
2. The expectation--which we view as fundamental to our social and economic systems--that during their productive years, able-bodied individuals will take necessary steps to support themselves and their families with employment income.
3. The recognition that few individuals over their lifetimes will be able to satisfy their living needs solely through employment income.
4. Income security efforts--although various, multifaceted, and inclusive of government as well as non-government programs and policies--converge in a common goal of insuring minimum living needs for all.

Our intent is not to develop a precise, finite income security system definition or to attempt to catalogue under such a definition all applicable programs and activities. Much work already has been undertaken, and more importantly, we view this as a public policy matter, deserving high-level attention and needing broad-based consensus. Rather, we worked toward a definitional framework--a working perspective--for the system, which we propose as a necessary first step.

We recognize that, in its broadest sense, income security can be defined to include hundreds of programs and activities, accounting for all possible sources of individual and family disposable income (even inheritances, interest on savings, etc.). In the interests of a manageable first cut, however, we believe the system can be viewed as having four functional components. The term "functional" is used here to suggest that each program or activity belonging or able to be classified within a component should serve the same general purpose (have the same effects) as the other members of the component.

The four functional components are (1) public and private insurance (transfer payments and related tax expenditures), (2) public assistance (cash and in-kind benefits and related tax expenditures), (3) public service employment (jobs, training, and related tax expenditures), and (4) market intervention or regulation activities. The following chart illustrates our view of the system and its major parts.

- 60 to 70 percent of all benefiting households were receiving aid from more than one program;
- many households also had earned income during the year;
- among the households receiving benefits, there were 144 unique combinations of the nine benefit categories and even more combinations of individual benefit programs; and
- households receiving aid from five or more programs, on the average, had total incomes above the Federal poverty standard, yet some of these still had incomes below the poverty standard.

The study was limited by certain factors, such as its sample size, particular pertinence to low-income areas, and absence of data about tax expenditures. Yet, the study virtually pioneered in documenting and analyzing the extent to which income security programs overlap. Unfortunately, such a critical system study has not been repeated by the Federal Government, although income security programs have greatly increased since its conduct.

An illustration of program interrelatedness and coverage

Although current information about the full range of income security benefits flowing to American households is not available, various aspects of program coverage and interaction can be illustrated by considering events that may occur during a person's lifetime. The illustration is not intended to cover all possible events or the full range of programs--no single illustration could. Rather, it is intended to demonstrate the coverage and interrelatedness of some of the major programs in some of the more common situations.

Consider John and Mary and their two young children, who live in a high unemployment area. John had a 12-year public high school education and could have gone on to college, possibly receiving a basic educational opportunity grant. Instead, he completed 2 years of military service, sustaining an injury for which he receives a small monthly annuity from the veterans' compensation for service-connected disabilities program. Should he elect college now, he can attend under the GI Bill.

We believe that, by defining the parts of the system in a functional (e.g., retirement programs and tax policies) way rather than a categorical (e.g., Federal retiree and social security retiree) way, the contribution of individual income security programs and program groups can be studied in relation to major system objectives. How adequate, for example, is the income now provided for most American workers in their old age? Policy questions such as this are discussed further in chapter 3.

Public and private insurance

Public insurance refers to government (Federal, State, or local) insurance-based income security programs. Private insurance refers to nongovernment (corporate, labor union, or individual) insurance-based income security programs.

Certain government programs, such as social security and unemployment compensation, provide broad, near-universal coverages and commonly are called "social insurance" programs. Contrasted with these, for example, are government staff pension programs--covering Federal, State, and local employees--where the governments function as individual employers. Such plans are similar in their principles and objectives to private sector staff pension plans.

In our view, the distinguishing characteristics of public and private insurance programs are that eligibility is based upon previous work or service; benefits are triggered by particular events, such as unemployment, illness, disability, retirement, or death; and benefits usually are related to previous earnings. As a result, the receipt of benefits tends to be viewed as an "earned right."

The six major Federal insurance-based income security programs in the United States are:

guaranteed the same pay and promotional opportunities as regularly employed persons doing similar work. His fringe benefits would include vacation, sick leave, group life insurance, hospitalization, unemployment and retirement insurance, uniforms, and work tools. He also would be assisted in searching for other public and private sector employment.

When he is 65 and retired, after having contributed to the social security program through payroll taxes for a specified length of time, John will begin receiving social security retirement benefits. Because he was a low-wage, married worker, social security will replace proportionately more of his wages than higher wage workers. He will receive added benefits for his spouse and dependents. He also may receive, depending on such factors as the State in which he lives, a supplemental cash benefit from the supplemental security income program and a host of social services financed under title XX of the Social Security Act. For Federal income tax purposes, he will be allowed two additional \$750 exemptions--old-age (65) exemptions for himself and his wife--to help offset any taxable income he may have and a possible additional credit for the elderly. His social security and any supplemental or social service benefits would not be taxable.

In his old age, if John becomes an invalid, medicare may pay part of his nursing home costs. Because he was a veteran, he may be eligible for Veterans Administration (VA) hospital benefits and for VA burial benefits and perhaps a burial marker stone when he dies.

In particular, no two of the income security programs benefiting the illustrative family are the same in their legislated purposes or in Federal, State, or local roles and responsibilities. The programs differ in benefit levels, in the form and ways benefits are delivered, and in the ways used to measure the family's need and determine its eligibility.

Overall, there is no clear, uniform theme underlying the programs, no unifying system definition or central management focus for them, and little information about their effects on individuals and families in the United States. Yet, collectively the programs insure John and family during their lifetimes against virtually all risks to their income security and assure them some undefined measure of their basic living needs.

public and private insurance sources). The distinguishing characteristics of these programs are that eligibility generally is tested based on need (income, assets, etc.) and benefits are provided in various forms, including cash, food, housing, and so on. The nine major public assistance programs in the United States are:

	Estimated 1979	
	<u>Federal costs</u>	<u>Recipients</u>
	(billions)	(millions)
Medicaid	\$12.0	21.4
AFDC	5.7	11.0
SSI	4.8	3.8
Food stamps	5.4	18.0
Veterans' pensions for non-service-connected disabilities	3.3	2.3
Housing assistance	3.5	8.5
Basic educational opportunity grants	1.9	2.2
Social services	2.6	4.5
Related tax expenditures (including earned income tax credit)	<u>1.5</u>	<u>-</u>
Total	<u>\$40.7</u>	<u>71.7</u>

State-run general assistance programs provide aid (an estimated \$1.3 billion in fiscal year 1977) to persons ineligible for or receiving insufficient aid from the Federal programs.

For the most part, these programs provide benefits only to persons falling within certain categories, such as the aged, children, and the disabled. One exception is food stamps, which are available to nearly all low-income persons.

The earned income tax credit, established in 1975, is an important addition to the Federal battery of public assistance programs. It made more evident the close relationship between tax and benefit programs and specifically provided low-wage workers with a direct earnings-related mechanism for reducing their income and payroll tax burdens.

Market intervention

Government is involved in a host of enforcement and standard-setting activities aimed at protecting the compensation of working Americans. Characteristically, these

In 1969:

"It is possible to assure basic economic security for all Americans within the framework of existing political and economic institutions. It is time to construct a system which will provide that security.

"* * * Existing income maintenance programs have been broadened, but their structure * * * has severe flaws that prevent it from reaching all of the poor effectively."

Report of the President's Commission on Income Maintenance Programs, "Poverty Amid Plenty: The American Paradox."

In 1974:

"Instead of forming a coordinated network in pursuit of well-defined goals, our Federal, State and local income maintenance programs are an assortment of fragmented efforts that distribute income to various persons for various purposes, sometimes on conflicting terms, and with unforeseen effects.

"Unless programs are simplified and rationalized into a universal system, the troublesome problems of benefit inequities, inadequacies, work disincentives, program overlays, and administrative complexity will continue to grow worse."

Subcommittee on Fiscal Policy, Joint Economic Committee, "Income Security for Americans: Recommendations of the Public Welfare Study."

In 1975:

"What is needed, however, is not the addition of some new program, or the expansion of existing ones, but a major overhaul designed to streamline and simplify the entire system. The major inequities and distortions of the existing system are the predictable and unavoidable outcomes of an effort to coordinate hundreds of policies * * *."

Edgar K. Browning, "Redistribution and the Welfare System."

programs and the possible inefficient use of public funds. Problems stemming from program interaction and multiple program participation are discussed in chapter 3.

Multiple program participation by individuals and families occurs for three reasons. First, an individual's current income--which might include social security benefits or veterans' compensation--might be low enough to qualify him or her for public assistance benefits, such as food stamps or public housing. Second, individuals benefiting from one program, such as AFDC, automatically may be entitled to benefits under other programs, such as medicaid and social services. Third, when benefit entitlement depends upon having met a set of prior conditions, such as social security entitlement, an individual may also meet or have met the eligibility conditions for other programs, such as Federal employee retirement.

Regarding the third point, for example, in 1979 15.4 million retired workers received pensions under the social security system. Some of these recipients also received benefits under the railroad retirement system. About 41 percent of railroad worker retirees are beneficiaries under the social security system. (See p. 37.) A total of 865,000 persons were primary beneficiaries of the Federal civil service retirement system in 1979. Finally, about 44 percent of civil service retirees also received social security benefits.

In 1973 the Fiscal Policy Subcommittee of the Joint Economic Committee reported on the extent of multiple program participation in six low-income areas of the country. ^{1/} The study analyzed data we collected from the records of 100 programs covering the following benefit categories: (1) public assistance, (2) social security cash aid, (3) veterans' cash aid, (4) other cash aid, (5) food benefits, (6) health care, (7) housing, (8) education and manpower, and (9) other in-kind aid. Among the study's findings were that

--10 to 25 percent of households receiving aid (1,059 in sample) were benefiting from 5 or more programs, and some were benefiting from as many as 11;

^{1/}Studies in Public Welfare, Paper No. 6, "How Public Welfare Benefits Are Distributed in Low Income Areas," March 26, 1973.

In 1977:

"This lack of policy is a result of, and reinforces, a pattern of fragmented responsibility for income security programs in the Congress. Because of this fragmentation, it is difficult to develop a policy that broadly directs the flow of income security funds * * *."

Commission on Federal Paperwork, "Administrative Reform in Welfare."

In 1978:

"* * * There is general agreement that the existing system of overlapping and often redundant programs, which contain inherent work disincentives and inefficiencies, requires improvement.

"* * * Unfortunately, comprehensive knowledge of the existing system has been lacking."

The Institute for Socioeconomic Studies, "An Inventory of Federal Income Transfer Programs, Fiscal Year 1977."

Some of the more persistent program criticisms and problems--which in varying ways motivated the above studies--are that: (1) costs and caseloads have increased rapidly, (2) benefits and coverage are inadequate because many remain below the official poverty line, (3) the programs create work disincentives and efforts to encourage work have been ineffective, and (4) the insurance-based programs have taken on welfare features and may need future general revenue support.

Cost and adequacy

Concern about rising income security program costs started during the mid-1960s, and centered on the AFDC program. This program's payment levels are established by the States, and the Federal Government pays about 55 percent of program costs. From 1965 to 1975, Federal costs tripled, increasing from \$1.7 billion to \$5 billion. During the late 1960s, critics labeled it a "welfare crisis," and numerous studies were initiated.

Mary is not employed, but John works full time at the Federal minimum wage (which guarantees his earning \$2.90 per hour or \$6,032 per year). He and his employer pay social security taxes on his wages, which, when he retires or if he becomes disabled, will partially replace his lost earnings. His employer, on his behalf, also pays taxes to the State workmen's compensation and unemployment insurance programs, to protect him against income loss due to work-related injuries, medical expenditures, or his involuntary unemployment.

John is subject to Federal income taxes on his wages. But his monthly veterans' annuity is not taxable, nor, in the event he received them, would workmen's disability or unemployment insurance (discussed further on p. 137) benefits be taxable. To compute his 1978 Federal taxable income, he is allowed \$3,000 (\$750 for himself and each dependent) in offsetting personal exemptions and another \$3,200 for the uniform standard deduction. Against his actual tax liability, he is allowed to offset \$140 (\$35 per dependent) in nonrefundable tax credits and another (\$400 maximum) refundable earned income tax credit. He will receive a tax refund for the amount of the refundable credit that exceeds his tax liability. The refundable credit's purpose is to reduce for low-wage earners the burden of social security payroll taxes.

If John is laid off, he likely will qualify to receive unemployment insurance benefits. In 11 States, he would receive additional unemployment insurance dependents' allowances. If these benefits run out, or are inadequate, in 26 States he also may qualify for aid to families with dependent children-unemployed fathers program benefits (assuming John and Mary had not accumulated assets). In other States, he may qualify for State general assistance or general relief. As AFDC-unemployed fathers recipients, John's family automatically would be eligible for medicaid, and may be eligible for food stamps and free school breakfasts, lunches, and milk for the children.

The family could move to a public housing project. If Mary became pregnant and had certain nutritional difficulties, she could receive additional food from the Federal women, infant, and children program.

While unemployed and receiving public assistance, John could obtain a public service job--assuming such CETA projects are available in his area--by applying to the Federal WIN program or through his State employment service. As a CETA trainee, John can develop new work skills. He would be

Complicating the AFDC adequacy question was that recipients were eligible for in-kind benefits, such as food stamps, medicaid, and school lunches. In view of the sharp growth of in-kind transfers over the decade, as well as the extent of multiprogram participation demonstrated by the Griffiths study (discussed in ch. 2), it became clear that the adequacy question could not be restricted solely to an analysis of AFDC's benefit structure. Rather, benefits from all programs flowing to a particular low-income household would have to be totaled and then compared with some adequacy standard for that household.

First, however, data about the actual distribution of in-kind benefits were, and still are, not readily available. Second, there remains wide-ranging disagreement about the definition of poverty.

The official poverty measure now in use records only cash payments (such as social security, unemployment insurance, SSI, and AFDC) and not the value of in-kind benefits received. As a result, the annual reported U.S. poverty population--as the Congressional Budget Office reported in January 1977--may be overstated significantly. The official poor family count in 1976, for example, was 11 million. If their in-kind benefits had been recorded, however, the 11 million poor family count would have been reduced to a roughly estimated 5.4 million families--a 50-percent improvement over the official poverty measure.

The official poverty measure itself, however, may not represent an adequate living standard. The measure is based on the premise that a typical poor family spends one-third of its income for food, so the measure generally is derived by multiplying by three the Agriculture Department's "economy diet." In our report 1/ on President Carter's welfare reform proposal--which would have based payment levels on official poverty lines--we questioned whether the benefit adequacy question had been dealt with sufficiently. We reported:

"What minimum subsistence aid, for example, is needed now by individuals and families of given sizes to pace rising living standards and costs? What needs--food, shelter, clothing, health, transportation, legal, social, or other needs--should be taken into account in establishing the basic benefit levels?"

1/"Review of the Better Jobs and Income Bill" (HRD-78-110, May 23, 1978).

CHAPTER 3

CONSEQUENCES OF PROGRAM-BY-PROGRAM

FOCUS--MOVE TOWARD SYSTEMS VIEW

During the 1970s, the United States devoted considerable time and resources to income security program studies. Critics agree that the programs are too profuse, too complex, and seem unmanageable. There remain unmet needs, inequities, inefficiencies, strong work disincentives, and questions about the country's continuing ability to afford the costly programs.

Such program consequences, in our view, largely result from several management-related causes. First, each income security program or set of related programs continues to be managed as a single entity, with little deliberate planning of the relationship of the programs to one another. Second is the complicating variety of methods used both to deliver and finance benefits in their many, diverse forms (cash, in-kind, jobs, tax breaks, etc.). Third is the lack of data needed for planning and managing the combined effects of the programs. Last is the absence of central oversight and leadership for the income security system (discussed further in ch. 4).

We believe that a "systems view" must be substituted for the existing fragmented "program-by-program focus." Essential to this is the need for consistent program data and reporting to enable an understanding of the net effects of the system, as well as the likely fiscal and social consequences of proposed changes to it.

LACK OF "SYSTEMS VIEW"-- RECURRING CRITICISMS AND PROBLEMS

Over the past 10 years, an abundance of information has been developed detailing problems with various aspects of income security programs. Our purpose is not to discuss each program or to review all of the criticisms--the problems are well documented. Rather, our intent is to describe the emerging system perspective which has resulted largely from the various studies and reform efforts and to discuss some of the more persistent criticisms and problems within this perspective.

financial incentive to work. In 1962 and 1968, Social Security Act amendments reduced the AFDC tax rate to about 67 percent and created the WIN program targeted at welfare recipients. Employables were required to register for Labor Department-sponsored work and training programs, and day care services were provided.

President Nixon's first administration assessed the existing efforts to convert welfare recipients into workers as a "colossal failure." His Family Assistance Plan (FAP)--a guaranteed annual income with a 50-percent marginal tax rate on earnings--was proposed as a permanent replacement for the AFDC and SSI programs (then the State-run aid to the aged, blind, and disabled programs). Also proposed were stronger work registration requirements and increased job training activities.

During the 1970 Senate hearings on FAP, the work disincentive controversy expanded significantly. Senators Williams and Long demonstrated that FAP recipients also would receive in-kind assistance--food stamps, medicaid, and public housing--and that earned income would result in their losing more than just the FAP benefit. A Chicago mother of three would have suffered a net loss of about \$20 by earning about \$5,560. At this earnings level, she would have lost her FAP payment and her food stamp and medicaid eligibility and would have been liable for payroll and income taxes.

FAP was defeated, and debate shifted to the work disincentive effects of "cumulative benefit loss rates" under several programs serving the same household. For multiple program participants, the rates are partially additive or cumulative and can approach or exceed 100 percent. Combined AFDC and food stamp recipients, for example, which now total about 2 million families, can have tax rates on their earnings approaching 77 percent. Families benefiting from more programs have higher tax rates and more incentive, critics argue, not to leave the welfare rolls and work.

Part of the marginal tax rate problems and the long-standing interest in reducing work disincentives for welfare recipients is the question of how recipients actually behave in response to such incentives. A number of social experiments have been conducted to test the work response of recipients under a variety of guaranteed benefit levels, tax rates, and supportive services. The earliest of these--the New Jersey Income Maintenance Experiment conducted during the late 1960s--showed no dramatic reduction in work effort among employed males and some work reduction for women employed in

In 1975:

"A significant part of the problem is that major programs have unnecessary defects that pose threats to the ultimate viability of the income maintenance system as it now exists and to the proper functioning of the entire economy. In short, as they now are structured, the U.S. income maintenance (cash benefits) programs are both threatened and themselves also constitute a threat to economic productivity and price stability."

Dr. Michael S. March, Professor of Public Affairs, University of Colorado, at the Annual Meeting of the Association for Social Economics, Dallas Texas.

In 1976:

"* * * Income maintenance program benefits and the taxes that finance them are of a magnitude today that their impact on decisions relating to work, savings, production, and investment cannot reasonably be ignored."

Chamber of Commerce of the United States, "High Employment and Income Maintenance Policy: A Report of the Council on Trends and Perspective."

In 1977:

"Just as there are interrelationships among welfare programs, there is significant interdependence among the different sectors of our economic system. The need for welfare programs depends critically upon the success of employment, private savings, and social insurance in meeting basic income needs."

"* * * In fact, some who are interested in reforming welfare do not advocate many changes in actual welfare programs, but rather suggest alterations in our social insurance programs to reduce the need for means-tested programs."

Office of Income Security Policy, Assistant Secretary for Planning and Evaluation, HEW, "Briefing Paper Number One, Welfare Reform Analysis Series."

contended that the minimum wage adversely affects workers because employers' costs increase--through expanded coverage and periodic higher minimum wages--resulting in unemployment. Hardest hit, according to 1970s studies, are teenagers because they earn low wages and are less skilled and experienced than the labor force as a whole. The minimum wage, therefore, may actually push workers onto the welfare rolls and fail to achieve its employment incentive goals; it should, therefore, be viewed with such consequences in mind.

The bill's proposed expansion of the earned income tax credit focused attention on use of the tax system for distributing work-related income security benefits. The process by which the Treasury takes in and disburses (refunds) cash payments to families is well established, avoids the stigma normally associated with welfare payments, and minimizes government interference into private lives. Opponents argued that expanding the earned income tax credit would further complicate the already overburdened system and that the credit, by benefiting more families with relatively higher earnings, would sorely add to the present high tax burden borne by middle income taxpayers.

In short, the work disincentive issue has far-reaching income security system implications. Clearly, work, welfare, and other income security programs overlap and are complementary, so that programs (such as minimum wage laws, income and payroll taxes, unemployment insurance, social security, and public service jobs) must all be viewed as parts of the income security system and be analyzed collectively for their effects on the work incentive issue.

Public insurance financing

During the 1970s, the financial stability of various insurance-based programs has become a major national concern. Much of the concern has focused on the social security and unemployment compensation programs, as well as on particular industry-targeted programs, such as the railroad retirement program.

The Federal railroad retirement program is the equivalent of social security plus industry-financed benefits for retired and disabled railroad employees, their dependents, and their survivors. The railroad industry was exempted from social security coverage by the 1935 Railroad Retirement Act, although railroad employees could separately qualify for and receive benefits under both programs. In 1979, for example, about 41 percent of railroad retirees were beneficiaries under both systems.

Within the broader context of overall income security system growth (which later studies pointed out), the AFDC cost growth issue lost much of its singular significance. From 1965 to 1975, for example, Federal income security outlays increased over 400 percent. The largest portion was not public assistance or welfare costs, but insurance-based program costs, which to a significant extent, also benefit the low-income population. Of the 1976 public insurance expenditures, for instance, about one-third went to the Nation's poorest families--the primary target of welfare programs.

In addition, of the public assistance cost increases over the 10-year period, the largest fraction was not for AFDC or other cash aid programs (such as SSI), but for in-kind programs (such as medicaid, food stamps, housing, educational grants, social services, and employment and training). In-kind assistance for low-income families mushroomed during the period, resulting in a dramatic change in the structure of welfare. AFDC accounted for less than 2 percent of total public assistance cost increases.

What had happened, in part because of conscious policy choices, uncontrollable growth factors, and inflation, was the emergence of a large and growing national redistribution effort. But the growth was hodgepodge and uncoordinated; it was not undertaken within any coherent and consistent policy framework. Besides in-kind welfare programs, growth largely was due to unemployment insurance cost increases (because of early 1970 high unemployment), the retirement of social security workers and Federal civil servants employed during the 1940s, and sharp increases in social security benefit levels.

Yet despite such expenditure increases, the incidence of poverty in the United States--as reported yearly by the Census Bureau--failed to measurably decrease. The 1966, 1971, and 1975 poverty populations, for instance, were reported to be 28.5 million persons (14.7 percent of total population), 25.6 million (12.5 percent), and 25.9 million (12.3 percent), respectively. Such statistics fueled criticisms of the inadequacy of the country's primary cash welfare program--AFDC. Critics pointed to the program's meager payment levels, which varied greatly, and still do, from State to State. In 1974, for example, average monthly AFDC payments varied from \$14.32 per person and \$50.48 per family in the lowest benefit paying States, to \$90.83 and \$315.35 in the highest States. Critics argued for uniform national levels and a larger Federal role in financing the program. Today, this issue remains at the center of the welfare reform movement.

In our view, the fundamental problem is that the appropriate roles of the social security system and other pension and retirement systems in providing an adequate retirement income have never clearly been set forth. There is no overall national retirement policy, and the various systems, for the most part, are planned and managed independently. Some workers pyramid social security, military, private and public pension benefits, while gaps in coverage occur for others. Apparent attempts to fill the pension gaps and provide an adequate retirement income under social security have served to strain its financial reserves and to highlight the need for a "systems view" of existing retirement programs.

The original idea was that social security would provide a minimum income for most retired workers and that private pensions would become a major retirement income source. Today, however, fewer than half the workers are covered by private plans, and projections are that most will not be covered until the 1990s. Although the numbers of private plans increased during the 1940s and 1950s, growth slowed considerably during the 1960s. Concern about their equity, management, and financial stability led to the enactment of ERISA to (1) regulate private pension funds, (2) insure against fund terminations, and (3) work toward providing adequate retirement incomes. But, since ERISA's passage, new concern has arisen about the small numbers of newly started plans and the increasing numbers of terminated plans. To help stem this, the Congress has proposed lessening some of ERISA's compliance costs and burdens and encouraging--through measures such as tax credits--future private pension plan growth.

In view of the private pension system's protracted growth, and in the absence of a broader, more integral approach in the retirement area, social security will apparently be relied on as a major income source for most retirees for at least the next 20 years. For short-run support, the Congress in 1977 enacted periodic tax rate increases and increases in the taxable wage base. Under this legislation, the total (employee and employer) payroll tax rate will increase from 11.7 percent in 1977 to 14.3 percent by 1986, and the wage base will rise from \$16,500 to a projected \$40,200 by 1986. These increases have been severely criticized as too costly for employees and employers. As a result, the Congress has considered rescinding the approved 1980s tax hikes while alternative financing arrangements can be considered.

"The official poverty lines * * * are questionable measures of basic living needs. These lines largely are extrapolated from 1955 and 1961 studies of household food consumption patterns and food budgets and may not accurately depict current needs and living standards."

In our view, study and analysis of the income security cost growth and payment adequacy questions have served to highlight the need for a "systems view" of the programs, and the existing gaps in data needed to assess such matters as (1) the extent of multiple program participation, (2) the distribution of program benefits, and (3) the differences in living costs among States and among localities within the States.

Work disincentives

That income security payments create disincentives to work has been of historical concern in this country, serving to keep public assistance at bare subsistence levels before the 1960s. The simplest interpretation of the presumption underlying this concern is that the higher (and more adequate) the dole, the greater is the recipients' incentive not to work or, at least, not to increase earnings from present work.

Today, work versus income security payments is viewed--far more realistically than a decade ago--as a broad, complex issue. This view has come about through increased knowledge of the interrelatedness of income security programs, experiments with various work incentive techniques, changes in the makeup of the employment sector, and experiences with high unemployment during the 1970s.

For example, during the 1960s, the work incentive question focused on the AFDC program. Originally, this program was mostly for widows who had children and who were considered unemployable. During the 1960s, attitudes changed about the appropriateness of requiring women to work. In 1961 AFDC was extended to families where an unemployed father was present. Two-thirds of the AFDC caseload were husband-abandoned or never-married women with dependent children. Also, women in unprecedented numbers were entering the work force.

Work disincentive criticisms centered on the fact that AFDC benefits were reduced \$1 for each \$1 of earnings. Critics argued that, because recipients were faced with a 100-percent marginal tax rate on earnings, they had no

marginal tax rates (income and payroll taxes) that workers pay today on their earned income, as well as work-related expenses they incur. Fourth, by reducing the marginal income gain that an unemployed person receives when he or she returns to work, the unemployment compensation program and other program benefits received during unemployment may significantly extend the duration and increase the incidence of unemployment.

These considerations--and the unemployment compensation program's financial dilemma--have elicited a host of alternative proposals for reducing unemployment incentives and increasing employment. These include reducing income security benefits for the unemployed or reducing unemployment compensation benefits by such other income, increasing public service employment and training, subsidizing private hiring through tax policy, developing special youth employment programs, and modifying various payroll taxes, such as social security and unemployment insurance taxes.

- - - -

In summary, certain observations recur.

1. The income security programs have broad impacts on and interdependencies with other parts of the economic system.
2. Contributing significantly to income security program problems is their failure to be viewed--within a well-defined policy framework--as a coherent whole or system.
3. The fragmented and uncoordinated nature of the system seriously complicates policymaking, management, and evaluation.
4. Comprehensive knowledge and data needed to evaluate the system simply do not exist.

THE ROOT CAUSES

Why is the income security system so difficult to understand? Why are the programs continually criticized as complex, administratively inefficient, and error ridden? Why is the system so difficult to plan and manage--in view of the widespread, high-level attention it has received from government, academic, and special and public interest groups?

low-paying jobs. Because of the study's group size and duration, the results were controversial and led to further experimentation.

Results released in 1978 of decade-long experiments in Seattle and Denver showed conflicting findings. These generally were that a guaranteed income would cause some recipients to significantly reduce their work efforts and might also cause marital breakups. The study results--which are still under review--reinforced (1) criticisms of the quality of jobs available to welfare recipients and (2) questions about whether the policy focus should be on guaranteeing reasonably well-paying jobs and training, rather than singularly focusing on program design features, such as basic benefit levels and marginal tax rates.

WIN experience, for example, changed early optimism about the program's ability to reduce AFDC caseloads and expenditures to skepticism. Limited employability, which, in the first place, brought most to the AFDC rolls, is a barrier to their leaving the rolls. WIN evaluators--including GAO and the Labor Department--generally have agreed that the program's net effects are marginal. Experiences under CETA also have shown limited gains in providing public service jobs for welfare recipients and low-income workers. Reasons found for this are their low skill and education levels as compared with other job applicants and limitations in the numbers of available, suitable CETA jobs.

President Carter's proposed "Better Jobs And Income Act" largely was in response to welfare's work disincentive consequences and high unemployment. The bill was a complex, unprecedented blend of financial incentives aimed at dividing the general population into (1) those expected to work and (2) those not expected to work. For the former group, cash assistance, minimum wage paying public service jobs, training, earned income tax credits, and planned income tax reforms were combined into a comprehensive income security/work incentive package. In effect, the bill--drawing on lessons learned during the 1970s--recognized the broad program interrelationships bearing on the work versus income security transfer payment question. Most criticisms of it were directed at the bill's building blocks, such as minimum wage laws and public service jobs, which, when viewed separately, have had questionable successes.

The minimum wage, in theory, is a work incentive program directed at guaranteeing a base wage for all employed in covered work sectors. Increasingly, however, critics have

malnutrition among low-income families, but their net effect is to augment recipient incomes. Public service jobs clearly and most directly support the American work ethic, but their net effect also is to augment incomes.

In a systems context, therefore, the existence of food stamps reduces the need for cash aid, as the existence of public service jobs should reduce the need for food stamps and cash aid. For management control and administrative efficiency, the various benefit forms should be coherent, and their aggregate net effects should be planned.

Income security programs are also financed in several different ways. Public and private insurance programs are funded, for the most part, either through payroll deductions or through employer and employee contributions, which essentially establishes the contributive work-attachment nature of these programs. Public assistance programs are financed from general revenues, most of which are personal income taxes, which promotes the welfare or dole nature of these programs.

This financing distinction clearly is eroding because of increased public insurance-based program benefits and coverage, public insurance and public assistance program overlaps and multiple program participation, and the serious inclination toward general revenue support for financially troubled programs (such as social security and unemployment insurance).

In a systems context, the various financing methods represent alternative policy choices. They place tax and financing burdens on various demographic groups and economic sectors. Their respective abilities to finance transfer programs are not unlimited and each must be weighed--as is now the trend--within the context of total system revenue needs.

Fragmented and uncoordinated management roles and administrative structures

The complexity of the income security system is inherent in the very structure of the Federal congressional committee system and executive branch. The situation is exacerbated by the large number of State and local--county and municipal--government units which share program policymaking, funding, and administrative roles. The following table summarizes the various layers of operating jurisdictions.

Before 1974 such dual benefits could have exceeded what retirees would have earned had all their earnings been credited to one or the other program. In order to curb the financial drain this was causing, in 1974 the Railroad Retirement Act amendments more closely integrated the two systems to eliminate the dual benefit advantage for future employees. The act preserved this advantage for certain then-current workers and retirees, but provided that their "windfall" benefits would be funded from general revenues (at least, as was projected, to the year 2000).

But the railroad retirement system still faces financial problems. The first problem results from errors in estimating long-range "windfall" benefit costs, which, to resolve, will require either increased annual appropriations or extended general revenue support beyond the year 2000. The second problem results from rising benefit levels tied directly to cost-of-living increases, which likely will require additional financing, decreased future benefits, or both, or even further integration with the social security system.

Today, social security itself faces two distinct financial problems--one long- and one short-range. The long-range problem has to do with earlier retirements, increased longevity, and the "baby boom" that followed World War II, which in turn has been followed by today's so called "birth dearth." Social security is a pay-as-you-go system, so that workers actually support those in retirement, and future workers will support current workers when they retire. But, after the turn of this century, when the baby boom generation starts to retire, the ratio of workers to retirees in society may fall--from 5.3 to 1 in 1975 to a projected 3.5 to 1 in 2025. In other words, fewer workers would support more retirees and likely would do so at a far higher cost in relation to payroll costs than is now the case. The system, in short, could be under severe financial pressure.

The short-range problem--the fact that benefit payments are outrunning taxes--is not caused by birthrates. In 1972, to keep up with inflation and assure an adequate income for retirees, legislation was passed to automatically increase benefits when the cost-of-living increased. To offset the higher benefit costs, the law provided that the maximum taxable wage level also would automatically increase when average wages increased. But, because of the twin pressures of inflation on prices and recession on wages since then, benefit hikes outpaced revenues, and the system has been in a deficit status since 1975. Continuation of this condition would eventually cause bankruptcy.

jurisdictionally are restricted to their own areas of responsibility. This scenario is generally applicable to all income security programs.

At the State level, responsibilities similarly are dispersed among legislative committees and subcommittees and administering agencies. The management structures, however, vary among the States. The two fundamental categories into which State income security operations can be classified are State-supervised, State-administered systems (such as Washington) and State-supervised, county-administered systems (such as California). Under the first category, policies and regulations are established by the States, and programs are administered by State employees in State and county offices. Programs are funded from State-generated revenues. Under the second category, policies and regulations are set by the State, but programs are carried out by county employees. Funding is shared by the State and county governments--with their more limited revenue bases. In this respect, Proposition 13 was originated in California, where counties, through property taxes, share a high proportion of total State income security costs.

Within the States, public assistance programs are administered through a single welfare department, while other programs--such as unemployment insurance and State veterans' services--usually are administered by separate State departments (employment security and veterans' affairs, for example). These agencies translate Federal laws and regulations and State laws into detailed operating rules and regulations to guide State and local program implementers. As a result, the lowest level intake center supervisors and workers are faced with volumes of intricate program guidelines and directives. In practice, administrative inefficiency and error are very high.

In July 1978, for example, President Carter's Reorganization Project (discussed further in ch. 4) reported:

"* * * Programs, such as Supplemental Security Income, Food Stamps, Aid to Families with Dependent Children, and Medicare, all have their own eligibility criteria and normally have their own administrations. * * *

"The staffs of the several different program offices must review every item of information provided by the client, verify numerous items and calculate whether or not the client is

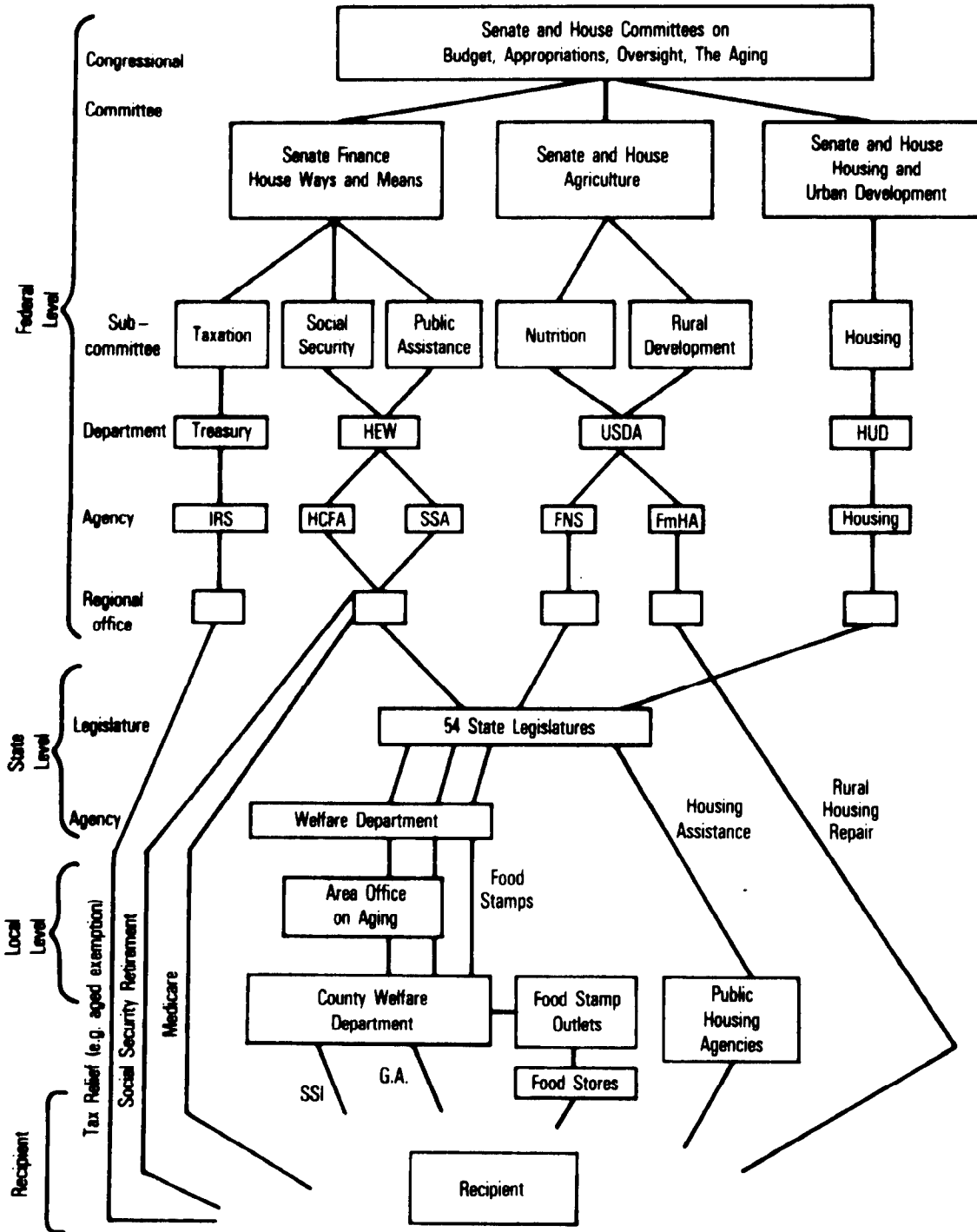
In response to this, the administration is studying possibilities of restructuring the entire social security system. Under study is the use of general revenues to finance at least part of the system, a rollback of future benefits and tax increases, offsetting social security tax hikes by cuts in personal income taxes, and mandatory participation by Federal and State employees. Some argue, however, that public employees should not be forced into the social security system and that an ERISA-type protection is needed for them. In addition, under study are such questions as (1) what is the best retirement age, (2) what is an appropriate earnings replacement in retirement, (3) how should benefits be balanced against inflation, and (4) who should bear the primary retirement cost burden?

In a similar way, the Federal-State unemployment insurance program underwent serious financial stress during the prolonged high unemployment periods of the 1970s. From 1970 to 1977, \$74 billion was paid in benefits; in 1977 alone, an estimated 10 million recipients received about \$12.5 billion. In attempts to maintain program effectiveness, the Congress on several occasions extended benefits well beyond the base 26-week compensation period to as many as 65 weeks of unemployment. Consequently, by July 1978, 21 States had borrowed \$5.4 billion from the Federal Government to keep their funds solvent, and about \$13 billion has been borrowed from general revenues to replenish the now depleted Federal Unemployment Trust Fund.

It is increasingly clear that expanding unemployment insurance benefits--without considering the effects on employers and other available income security programs--may increase the rate and duration of unemployment. Furthermore, current unemployment differs greatly from that of the 1930s--when male household heads were predominate among the labor force (see p. 51)--and cannot universally be viewed as a hardship for displaced workers.

First, there now are a large number of multiple wage earner families; this has both reduced the proportion of unemployed male primary earners, and increased chances that a spouse's (husband or wife) or teenager's earnings will help support the family while the primary earner(s) is unemployed. Second, aid--besides unemployment compensation--is now available through other greatly expanded income security programs, such as food stamps, social security and other retirement income, veterans' pensions, union supplements, and other programs. Third, unemployment benefits replace a significant percentage of net weekly earnings, because of the high

**ILLUSTRATIVE MANAGEMENT NETWORKS FOR
SOCIAL SECURITY RETIREMENT, MEDICARE, SSI, FOOD STAMPS, HOUSING,
STATE GENERAL ASSISTANCE, TAX EXPENDITURES — SERVING THE ELDERLY**



There are several basic causes. First are the many forms benefits take, and the divergent approaches used to both deliver and finance them. Second is the uncoordinated sprawl of management responsibilities across a network of Federal, State, and local governments. Third is the lack of adequate data about the programs and their social and economic consequences.

Diversity of benefit forms and mechanisms

The following illustrates the various income security benefit forms and financing methods.

Financing Methods

Taxes:

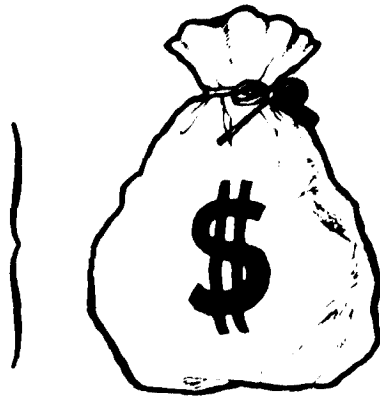
Personal Income

Payroll

Property

Beneficiary Contributions

Private Donations



Benefit Forms

— Cash & In-Kind Payments

— Public Service Jobs

— Tax Expenditures

— Market Regulation

As shown, benefits may be cash, in-kind (e.g., housing, medical), jobs, tax expenditures, or market regulations. The various benefit forms reflect the functional responsibility areas of program designers and implementers. In effect, these benefit forms constitute ad-hoc policy choices, intentionally directed toward reinforcing various social ends and values and, in the process, inducing desired recipient behavior. Food stamps, for example, are intended to reduce

Basic benefit level--The minimum benefit or payment guaranteed to an eligible unit having no (countable) income. As discussed, benefits vary in their forms and amounts depending on such factors as family size, place of residence, and recipient employability. Questions of benefit adequacy center on the basic benefit level and are complicated by multiple program participation.

Marginal tax or benefit reduction rate--The rate which determines how much a transfer payment will decrease as earnings increase. Such benefit decreases act as taxes on earnings, and can influence the recipients' financial incentive to work, invest, and save. Because most recipients benefit from more than one program, these rates are additive, can be excessively high, and can present strong financial disincentives to work.

Breakeven income level--The level of countable income at which a recipient unit is no longer eligible for benefits. The higher this level, the more costly the program. Simplistically, a program with a \$5,000 basic benefit and a 50-percent benefit reduction rate would mean that at \$10,000 countable income, a family no longer would receive benefits, or would "break even" under the program.

Countable income--The measure of income used to determine program eligibility. When several programs serve the same family, at issue is how each program should treat income derived from the others, and whether certain deductions--such as work expenses--should be allowed in determining countable income for eligibility purposes.

Filing unit--The person or persons (family, household) defined administratively as eligible to apply for the receipt of benefits. Problems arise when filing units overlap due to multiprogram participation. Housing assistance, for example, treats all living under one roof as a filing unit. AFDC uses the family or subfamilies within a larger family. Unemployment insurance, for the most part, uses the individual as a filing unit. Changing (expanding, decreasing) a program's filing unit grossly affects its costs and the distribution of its benefits.

Accounting period--The period of time over which a filing unit's countable income is measured to determine program eligibility and payment levels. The Federal personal income tax, for example, is based upon a 12-month

Federal level

Congressional committees and subcommittees	119
Departments and agencies	17

State level (note a)

Legislatures	54
Departments of welfare	54
Other departments	(b)

Local level

County welfare offices	1,500
Food stamp outlets	13,000
CETA prime sponsors	450
Local housing authorities	2,500

a/"State" includes the 50 States, the District of Columbia, and the territories of Guam, Puerto Rico, and the Virgin Islands.

b/Includes State departments and agencies, other than the main welfare department, which are responsible for administering specific programs. Exact department and agency names and program management structures vary from State to State.

At the Federal level alone, 119 of the total 306 congressional committees and subcommittees have policymaking, fiscal, and oversight responsibilities for income security programs. (See app. V.) Ten of the 12 cabinet departments (and more than 25 operating groups within the 10 departments) and at least 7 independent agencies administer income security programs. (See app. VI.) Each operates within the limits of its own jurisdiction; according to its own priorities, procedures, and timetables; and largely without regard to actions taken or under consideration by the others. Policymaking is uncoordinated, and planning for program interactions is obstructed by the division of responsibilities.

AFDC families, for example, normally are eligible for food stamps, but changes to the food stamp program, including changes to the payment levels, are considered by the Senate and House Agricultural Committees, but not by the Senate Finance and House Ways and Means Committees, which have jurisdiction over the AFDC program. Also, these programs are carried out by different agencies--Agriculture and HEW--which

"* * * Existing data sources are inadequate to support a geographic analysis by family type with additional categorization by income level and expenditure class."

More specifically, the study concluded the following about the Family Budget series and the Consumer Price Index.

"The cities in the Family Budget series are grouped by regions, but the cost of living in the cities cannot be construed as being typical of living costs in the region.

"The Consumer Price Index is frequently but incorrectly cited to show geographic variations in prices * * * an adequate analysis would require additional collection of price data and the prior completion of significant analytical studies supporting the construction of a poverty-level market basket."

The well-known official unemployment index--which has far-reaching implications for income security programs--may no longer be a reliable measure of unemployment. Developed during the 1930s, the index was designed to measure unemployment among male household heads, who then were predominate in the labor force. Today they constitute only two-fifths of it. The other three-fifths are (1) women, mostly "dependents," holding second jobs, many of which are part time, (2) officially retired persons seeking earnings levels which will not endanger their social security pensions, (3) young adults without family responsibilities seeking intermittent employment to optimize their incomes with unemployment insurance benefits, (4) welfare recipients registered for work so as to remain eligible for welfare, and (5) full-time students available for minimal part-time work.

Faced with alarming high rates of unemployment, yet all time high numbers of employed persons, the Labor Department has been pressed to develop an unemployment index more reflective of today's heterogenous labor force and more useful for policymaking and program planning purposes.

At the income security program level, data are not consistent from program to program and are not readily available for cross-comparison purposes. This is because program features differ. Standardized program definitions do not exist, goals and objectives overlap, and are not cohesive and well defined, and the need for such data has not--until recent years--been considered important for policymaking and management purposes.

eligible for the service applied for. This process is lengthy, time consuming, often results in errors and is satisfactory to neither the agency nor client."

It is most difficult to depict comprehensively the complexity of this management network. By focusing on selected programs serving a particular population group, however, such complexity can be suggested. The chart on the following page illustrates the multifaceted bureaucracy through which some of the many available program benefits flow just to the elderly.

An aged individual or couple conceivably can participate in each of the programs simultaneously. They would deal with four Federal departments, six Federal agencies, and a multitude of State and local administrators. Rules, procedures, forms, and enrollment requirements will differ significantly. Of course, these are but several of the many programs available for the elderly. Some of those not included in the chart are Federal and State retirement, railroad retirement, veterans' pensions, private pensions, and a wide range of social service programs. Different committees and agencies, but the same complex networks, exist for the other discrete population groups, such as youths, the disabled, the unemployed, the working poor, and mothers with young children.

Almost incomprehensible diversity exists among income security programs in the roles played by the different levels of government. For example:

--Social security, the largest income security program, is fully managed by the Federal Government. Coverage, benefit payment rates, and funding methods and levels are determined at the national level (by HEW's Social Security Administration (SSA)) and do not vary from State to State, except that benefits generally are related to wage histories, which do vary from area to area.

--The Federal-State unemployment insurance program, although in effect mandated by the Social Security Act, is carried out by the States. Basic benefit levels, based on a percentage of past wages, are determined by the States. Supplemental benefit payments, which were federally mandated during 1970s periods of high unemployment, were funded, in part or wholly, by the Federal Government. The Federal Government reimburses the States for 100 percent of their program administration costs.

CHAPTER 4

NEEDED--NATIONAL INCOME SECURITY BODY

FOR TOTAL SYSTEM LEADERSHIP AND POLICY DIRECTION

The U.S. income security system is entering an important period in its history. Today, it is among the most important domestic issues. Fiscal pressures have built up and added intensity to reform battles begun a decade ago.

Despite widespread growing concern that the system may be intensifying income insecurity--the very problem it was developed to solve--the programs seem frozen in frustration and controversy. Numerous pressure groups and entrenched interests, spawned by the loosely governed, jerry-built system, strongly but selectively advocate and resist proposed changes to their programs. Reform efforts predictably result in confusion about their proposals; produce little in the way of long-range goals, guidance, or order; and end in political stalemates.

In our view, the U.S. income security system lacks overall leadership. Clearly, this fundamental deficiency underlies the major problems discussed in this report and has undermined congressional and executive branch attempts to address and correct the problems. Attempts to fill the leadership void, including the creation of various oversight commissions for major program areas, are well intended, yet fractional and limited.

We believe that, because of the income security system's (1) far reaching social impacts, (2) deeply rooted difficulties, and (3) projected future cost growth, the time has come to bring about fundamental changes in our policy, management, and evaluative approaches to it. This is not to be construed as suggesting a single program, a single agency, or a single congressional committee to replace all others. Rather, we believe the United States can best bring about such changes through an independent, national body--such as a National Commission on Income Security--dedicated to assisting the Congress and the executive branch in carrying out their program responsibilities.

Looking ahead, the line of least resistance for the Nation will be to continue developing and managing income security programs along the same lines followed in the past. But this course is socially and economically dangerous and, in our view, cannot safely be continued.

- In the AFDC program, States, subject to Federal regulations, determine eligibility and payment levels. Federal matching grants are made to State welfare agencies to assist in helping needy families and to cover 50 percent of the State's administrative costs.
- The SSI program is federally funded and administered. The States may, and in cases must, supplement the basic benefit. At their option, State supplements may be administered by the Federal Government.
- Under the food stamp program, eligibility and benefit payment standards are national. States are responsible for the certification of applicants and the issuance of the food stamps. The food stamps may be issued through local welfare offices, banks, or other designated outlets and may be used as cash at stores to purchase any food or food product for home consumption. The Federal Government funds 100 percent of the program benefits and its administrative costs and 50 percent of the State administrative costs.
- CETA, including public service employment and training, programs are provided to unemployed, underemployed, and disadvantaged persons. Programs targeted to certain designated groups (e.g., Indians) are under national direction, while others are administered by prime sponsors, which generally are State and local governments. Benefits and administrative costs are funded by Federal grants to the prime sponsors.
- General assistance programs, administered and funded by State and/or local governments, provide assistance to individuals and families not eligible for a Federal categorical program.

The technical features of these programs also vary and are unique, because they were designed and continue to be modified by different legislative and administrative groups. Efforts to reform public assistance programs, for example, primarily address their benefit delivery systems. This is because there are certain technical features which, although conceptually common among these programs, in practice differ from program to program, causing significant planning, administrative, and evaluative problems. Briefly, the features and their implications are as follows:

- Pressures to reduce inequities by expanding coverage and to ensure that current recipients are not made worse off by alternative programs have resulted in proposals which cost more than existing programs. Higher costs make apparently ironic the characterization of such proposals as reforms.
- Because data are not available to determine their full consequences, claims about the proposals are difficult to dispute or substantiate. Political rhetoric and emotion often substitute for evidence when the consequences of measures are indeterminable.
- Over the past 10 years--coinciding with increasing knowledge about program interrelationships--public assistance reform proposals have included more and more income security programs. As a consequence, more and more special interest groups have been drawn into the increasingly complex public assistance reform arena.

Today, the science of reforming income security programs is really the art of coalescing support or at least compromising the major differences among the numerous competing interest groups that, along with the programs, have evolved and proliferated over the years. Veterans, for example, have been aided since the Nation's early history. During the Depression years, the groups in the United States that had the most public sympathy were helped first. The first such groups were the aged, for whom social security was established, children, for whom AFDC was created, and the blind and unemployed. Later came the disabled and other selected groups.

Over time, an entrenched clientele has developed for each new income security program. Its sponsors--legislators, designers, administrators--and beneficiaries tend to safeguard and perpetuate the activity, to ensure that funds are earmarked for the purposes they desire, and to resist changes thought unfavorable to the program. Numerous pressure groups, acting for well-defined interests in such areas as veterans' pensions, social security, welfare, employment and training, and so on, profoundly influence program policies, management, and proposals for changing the programs.

The following groups, for example, were among those that closely followed, actively participated in, and significantly influenced decisions about President Carter's Better Jobs and Income Bill.

retrospective accounting period. Varying accounting periods are used under current programs, which greatly complicates administration when several programs serve the same household.

Data and measurement problems

Aggravated by its sprawling management and administrative structure, there are severe flaws in the data needed to effectively plan, manage, and evaluate the income security system. Policymakers and evaluators are unable to understand the net effects of the system and the consequences of changes to it. There simply is no way now to accurately determine who is getting how much, how often, with what degree of accuracy, and by what measure of economic or social need. Efforts to reform the programs, consequently, cannot be measured for the extent of their improvement over existing programs. At best, after analysis, reform proposals become technical and political risks.

As discussed earlier, because census data underreport the actual amounts of income security transfers to poverty groups, progress in reducing poverty in this country has been, and is being, underestimated. The unreliability of data about local employment conditions makes it difficult to decide to which geographic areas public service job funds should be allocated. The unavailability of inter- and intra-State and local cost-of-living data makes it extremely difficult to plan and measure the adequacy of income security program benefits.

In 1976, for example, HEW reported the results of its congressionally mandated study of the measures of poverty and general income distribution. HEW examined major data sources, such as the Bureau of Labor Statistics Family Budget series, the 1960 and 1970 Decennial Censuses of Housing, the 1960-61 and the 1972-73 Consumer Expenditure Surveys, the Current Population Surveys, and the Consumer Price Index, and previous studies on the subject. HEW's 1976 report, "The Measure of Poverty," concluded that:

"None of these existing data sources is of sufficient size and quality to support the kind of detailed analysis that would be required to establish valid geographic equivalences.

A key, and altogether too often overlooked, reality is that the income security system affects virtually all individuals and sectors of the U.S. economy; thus, the number of individual, special, and public interests to be considered and reconciled on any major reform initiative is extensive. Because there are those now who benefit from even the most criticized features of the system, every change proposal--regardless of its purpose and merit--will arouse some opposition.

Critical issues, therefore, are (1) can the diverse views about needed system changes be brought together and reconciled and (2) what approaches would help facilitate this?

FEDERAL ATTEMPTS TO ESTABLISH LEADERSHIP AND ADDRESS PROGRAM PROBLEMS

During the past 10 years, the Congress and the executive branch have attempted to provide some policy leadership and to address various management and measurement problems associated with the diffused income security programs. The initiatives, in our view, reflect the following:

- A recognized lack of policy leadership and central direction in the program areas addressed by the initiatives.
- A lack of basic program data and the unreliability of general income statistics and indices needed for policymaking and program evaluation.
- An awareness that changes to individual programs can create unintended consequences for other programs and other parts of the economy.
- A heightened interest in improving economy, efficiency, and effectiveness in government.
- A trend toward creating "commissions" in order to engage subject area experts, centralize problem analysis and evaluation, and provide a mechanism for synthesizing and balancing numerous conflicting interests.

Although well intended, the income security improvement initiatives have been and continue to be fractional and limited to particular programs or program categories. Other initiatives address functional problems, such as excessive paperwork and inefficiency, which are not restricted

At the operating level, two Federal laws--the 1974 Privacy Act and 1976 Tax Reform Act--restrict the use of income security program recipient data. For example, although the Privacy Act has not prohibited exchange of information among certain SSA programs, it has made such exchanges difficult and, in cases, untimely. The Tax Reform Act has restricted the use of individual tax information, so that SSA has had difficulty obtaining such information to verify the incomes of SSI applicants. Both acts, as a result, have decreased SSA's ability to reduce fraud, abuse, and program errors.

- - - -

In summary, a fundamental reorientation of income security program planning, management, and data collection seems needed. Such a major shift can come about only through the establishment of central leadership and oversight for the system. Currently, this does not exist.

In July 1972 the Commission, in essence, recommended:

- Broader coverage of employees and of work-related injuries and diseases.
- Higher benefit payments.
- Provision of sufficient medical care and rehabilitation services.
- Improved safety and healthfulness of the workplace.
- A more effective benefit and service delivery system.

It recommended also that the President appoint a follow-on commission to more thoroughly study the area and to give the States technical assistance.

Rather than a commission, the President appointed an Interdepartmental Workers' Compensation Task Force with members from Labor, HEW, Commerce, the Federal Insurance Administration, OMB, and the Council of Economic Advisors. The Task Force's policy group validated the findings of the original Commission and in January 1977 recommended increased Federal financial and technical aid for the States to improve their programs. The Task Force was terminated and responsibility for further consideration of its recommendations was assigned to the Workers' Compensation Programs Office, Employment Standards Administration, Department of Labor.

These efforts have given impetus to the improvement by the States of their workmen's compensation laws and to the introduction in the Congress of legislation to federalize the programs. But, today no State program fully meets the standards suggested by the Commission and the Task Force, and congressional and Presidential support has never been sufficient to pass the suggested Federal legislation.

National Commission for Employment Policy

The Commission (originally the National Commission for Manpower Policy) was established by CETA and was extended indefinitely by the 1978 CETA amendments. Its purpose is to study broad issues relating to policy, design, coordination, and administration of employment, training, and related programs.

OBSTACLES TO CHANGE

The 1970s can be categorized as a period of intense interest in income security system reforms. Although the reform movement has produced little in the way of change, it has resulted in some agreement about what is wrong with the programs. Another by-product is the emergence and increasing influence--to near predominance in the public assistance area--of special interest groups that advocate changes favoring their interests and strongly resist changes thought unfavorable to them.

As a result, there is no consensus about how to correct the problems, but there has been an increased awareness of the many obstacles to designing acceptable corrective measures. First, for example, are the hard policy trade-offs that must be decided in the design of system alternatives. Second is the inability to fully determine the consequences of major changes. Third are the difficult compromises that must be brought about among numerous competing and entrenched interests.

These obstacles are reflected in the following observations we have drawn about the major 1970s public assistance or welfare reform proposals (see app. IV):

- Because of the continuing tendency among reformers to propose some new program to the virtual abandonment of existing programs thought defective, the proposals have generated fear and resistance among affected groups.
- Largely in response to the lack of system policy, the proposals have been built on numerous, unilateral policy choices by their designers. Such choices involve benefit levels, delivery and financing approaches, eligible populations, Federal and State funding and administering relationships, existing programs to be replaced, and so on.
- Because many reform goals (such as adequate benefits and coverage) conflict with others (such as minimum costs and work incentives), numerous policy trade-offs must be decided. There has been an inability to gain popular agreement about the appropriate mix and weights to be assigned to various goals.

It studied paperwork problems in many Federal programs, including public assistance programs. In its report on these programs--"Administrative Reform in Welfare," dated June 10, 1977--the Commission recommended using a single application form for the six programs studied (AFDC, SSI, medicaid, food stamps, section 8 housing assistance, and social services) in order to streamline and simplify them. It estimated savings of more than \$1 billion annually in administrative and program costs, and it recommended the gradual expansion of the single application approach to other income security programs.

The Commission also concluded that centralized policy leadership would be needed to effectively cope with paperwork problems. It recommended that such responsibility be placed in a new cabinet-level Department of Administration, a unit of OMB, an independent commission, or some other appropriate organization.

The Commission's recommendations have not been adopted.

National Commission on Employment and Unemployment Statistics

The Commission was established by the 1976 Emergency Jobs Programs Extension Act. Its purpose was to assess whether the procedures, concepts, and methods used for collecting, analyzing, and presenting labor force statistics are sufficient for measuring employment and unemployment and predicting their trends.

A key problem cited by the Congress in the act was that:

"* * * the current method of data collection and the form of its presentation, at national, regional, and subregional levels, may not fully reflect unemployment and employment trends, and may produce incomplete and, therefore, misleading conclusions, thus impairing the validity and utility of this critical economic indicator."

The Commission was authorized nine members to be appointed by the President, with seven members broadly representing labor, business and finance, education and training, economics and statistics, and State and local government and two from the general public. In addition, there were a number of advisory members, including congressional committee representatives, the Labor and Commerce Secretaries, the OMB and Census Bureau Directors, and the Council of Economic Advisors and Commission for Employment Policy Chairmen.

- National Governors' Association.
- National Association of Social Workers.
- National Urban League.
- AFL-CIO.
- American Federation of State, County, and Municipal Employees.
- American Conservative Union.
- Heritage Foundation.
- Urban Institute.
- National Conference of State Legislators.
- National Association of Counties.
- Congressional Black Caucus.
- Chamber of Commerce of the United States.
- National Council of State Public Welfare Administrators.
- National Council of Local Public Welfare Administrators.
- Center on Social Welfare Policy and Law.
- Unemployed Workers Organizing Committee.
- Federal Council on the Aging.
- United Auto Workers.
- American Enterprise Institute.
- Child Welfare League.
- Council of State Governments.
- League of Women Voters.
- Mathematica Policy Research, Inc.
- Council on Social Work Education.
- Council on National Priorities and Resources.
- Coalition of Northeast Governors.
- NAACP.
- National Association of State Budget Officers.
- National Council of Churches.
- National Council of Jewish Women.
- National Urban Coalition.
- National Women's Political Caucus.
- Stanford Research Institute.
- Food Research and Action Center.
- Gray Panthers.
- National Welfare Rights Organization.
- U.S. Catholic Conference.
- American Public Welfare Association.
- National League of Cities-U.S. Conference of Mayors.
- The Brookings Institution.
- Institute for Research on Poverty.

The failure to attract sufficient support from such groups contributed significantly to the bill's failure and to the generation of numerous alternative proposals.

One of the project studies focused on HEW's, Labor's, Housing and Urban Development's, and VA's use of automatic data processing technology in administering their income security programs. The study concluded that the technology was not being effectively applied to the various programs because they lack uniform goals, standards, definitions, and data.

It recommended, therefore, that the President establish an Office of Assistant to the Secretary for Information Quality within each affected agency. The Office would focus on information management, recommend policy, and facilitate intra- and inter-departmental communication.

These recommendations are being incorporated into an overall report on the use of automatic data processing in government. The report has not yet been issued.

Minimum Wage Study Commission

The 3-year Commission was established by the 1977 Fair Labor Standards Act amendments. Its purpose is to study such issues as the employment and inflation effects of the minimum wage, the potential economic consequences of indexing the minimum wage, and the employment effects of providing a wage differential for youths, the handicapped, and the aged.

The Commission has eight members appointed by the Secretaries of HEW, Labor, Agriculture, and Commerce.

The Commission has not yet completed its work.

OMB Federal Assistance Program Study

The 2-year study was mandated by the 1978 Federal Grant and Cooperative Agreement Act. Its purpose is to develop a better understanding of alternative means of implementing Federal assistance programs and to determine the feasibility of developing a comprehensive system of guidance for Federal assistance programs.

Specifically, the study is to include:

- Detailed descriptions of alternative means of implementing Federal assistance programs and of the circumstances in which each appears to be the most desirable.

exclusively to income security programs. While some of the initiatives--such as the Presidential Commission on Retirement Policy--cover a wide range of issues within their program categories, none is sufficiently comprehensive to address the major income security system defects.

A discussion of some of the major initiatives follows. We are not attempting to exhaustively describe each initiative, because of the extensive detail this would involve and because most are still underway. Rather, we will briefly sketch their purposes, key features, and pertinent recommendations.

The President's Commission on Income Maintenance Programs

The Commission was established by the President in January 1968 to (1) study the income needs of poor Americans, (2) evaluate the adequacy of income maintenance programs, and (3) recommend a new cash aid program. The 17-member Commission included representatives from State and local governments, business, labor, and education.

In November 1969 the Commission proposed a universal cash supplement program to replace the AFDC program and to be financed and administered by the Federal Government. It also recommended that a permanent, independent review commission be established to:

- Periodically reevaluate the adequacy of the new program's benefits.
- Determine ways to improve the program's operating effectiveness.
- Report annually to the Congress and the President on the operation of the program and any needed changes.

The Commission's proposals were not adopted.

National Commission on State Workmen's Compensation Laws

The Commission was established by the Occupational Safety and Health Act of 1970 to (1) evaluate State workmen's compensation laws and (2) determine whether the diverse State-run programs provided an adequate, prompt, and equitable system of workmen's compensation.

system all Federal, State, and local government employees and all nonprofit organization employees not covered now by the system.

Spouses' Benefit Equity Study Group--The HEW Secretary is overseeing a study of possible social security changes needed to guarantee that women, as well as men, are treated equitably under the program.

President's Commission on Pension Policy--(See below.)

The groups are expected to report beginning late in 1979.

President's Commission on Pension Policy

The Commission was established by the President in 1978. It is the first Presidential commission on retirement policy, and its scope and purpose--as they specifically bear on retirement programs--are broad based. Its purpose is to develop a national policy and to evaluate present and future problems relating to the (1) adequacy of current retirement program coverage, (2) financing of public and private retirement, survivor, and disability plans, and (3) interrelationships among the numerous plans.

Under study are:

- Abuses of retirement programs.
- Relationship of pension funds to capital formation.
- Program effects on the redistribution of income.
- Equity of tax treatment of contributions to funds.
- Coverage of women and minorities.
- Problems associated with unfunded liabilities.

The Commission also may explore more philosophical questions, such as what percentage of the gross national product can be set aside for pensions without hurting the economy and how much of that should be from social security and how much from the private sector.

The Commission's work is underway.

The Commission has 15 members, including the Labor and HEW Secretaries, the VA Administrator, the Equal Employment Opportunity Commission Chairman, the Community Services Administration Director, a National Advisory Council on Vocational Education representative, and 9 Presidential appointees covering labor, industry, commerce, education, State and local government, program participants, and the general public.

The Commission's functions include:

- Identifying national employment goals and needs and assessing whether employment and training, public assistance, employment-related tax policies, and other such programs and policies are a consistent, integrated, and coordinated approach to meeting such goals and needs.
- Evaluating the effectiveness of federally assisted employment and training programs.
- Studying and recommending how the Nation can attain full employment, focusing on segments of the labor force that traditionally have experienced high rates of unemployment.
- Evaluating the relationships among CETA programs and
 - (1) other employment and training programs and
 - (2) related public assistance programs.

The Commission reports annually to the Congress and the President on selected and recurring employment policy problems, and it has issued many other reports on a wide variety of issues. The Commission has recommended the establishment of separate commissions to study issues regarding employment and unemployment statistics (see p. 61) and the unemployment insurance system (see p. 62).

Commission on Federal Paperwork

The Commission (now terminated) was created in December 1974. Its purpose was to study the costs and paperwork burdens resulting from Federal laws, rules and regulations, policies, and procedures. The Commission had 14 members, including Members of Congress, officials of the executive branch, the Comptroller General of the United States, officials of State and local government, and representatives of small business, labor, and other groups.

In our view, continuation of these trends inevitably will lead to a recognition of the need for central system leadership. We believe, however, that the time to establish an overall income security body is now and that the primary goals of such a body should include (1) developing a system definition, (2) developing a national income security policy, (3) institutionalizing a "systems view" of the programs, (4) standardizing program definitions, data, and reporting requirements, (5) increasing understanding of major change proposals, (6) acting to correct immediate problems or otherwise hedging against predictable future problems, and (7) safeguarding the system's financial stability and insuring its cost effectiveness. (See app. VII for suggested, particular issues to be addressed.)

The body's design features--its scope, location, configuration, membership, and tenure--will be controversial, and best should be determined, in our view, by the Congress, assisted by the executive branch. Nevertheless, we believe the body should have sufficient authority and resources to undertake a fundamental, comprehensive, and coordinated re-assessment of the system. The present program-by-program approach should not prevail; the income security system should be provided with central policy leadership and direction.

The Commission's final report made 88 separate change recommendations, which would cost an estimated \$34 million a year to put into effect. Among them were to enlarge the monthly household survey upon which national unemployment figures are based, to improve Federal sampling techniques and State and local statistics-gathering, to count armed services members along with civilians as job holders, and to publish a new annual report about the actual economic hardship imposed on American families by different levels of unemployment.

A Department of Labor task force reportedly will review the recommendations before referring them to the President and the Congress.

National Commission on Unemployment Compensation

The Commission was established by the 1976 Unemployment Compensation Amendments. Its purpose is to study Federal-State unemployment insurance laws and programs, assess their long-range needs, and recommend appropriate changes. Under study are:

- The adequacy of current program coverage, benefit payments, and financing.
- The relationship of unemployment compensation to the economy, focusing on long-range financing requirements and alternatives.
- The relationship among unemployment compensation programs and employment and training programs, other insurance-based programs, and income maintenance programs.

The Commission was authorized 13 members--3 appointed by the President of the Senate, 3 by the Speaker of the House, and 7 by the President--broadly representing labor, industry, small business, and Federal, State, and local government.

The Commission has not yet completed its work.

President's Reorganization Project

In March 1977 President Carter initiated a project to reorganize various aspects of the Federal bureaucracy. The project's general purpose is to make the Federal Government more effective and efficient.

assistance (cash and in-kind benefits and related tax expenditures), (3) public service employment (jobs, training, and related tax expenditures), and (4) market intervention or regulation activities.

We believe the logical first step toward a national income security policy is to define the programs and activities that compose the system. This is needed to (1) provide Federal, State, and local policymakers with a common frame of reference for the system, (2) promote accurate planning, management, accounting, and oversight of total system resources, (3) facilitate identifying system inefficiencies and duplication, (4) raise the level of debate about system alternatives, and (5) build public confidence and understanding by reducing confusion about the system and its goals.

3. A "systems view" does not exist for overall management purposes.

Over the past 10 years, system studies have repeatedly documented income security program problems, such as rapidly increasing costs and caseloads, inadequate benefits and coverage, work disincentives, and the financial instability of public and private insurance programs. Certain observations recur.

First is that the programs contribute to common goals, often serve the same individuals, interact substantially with one another, and have broad impacts on and interdependencies with other parts of the economic system. Second is that contributing significantly to program problems is their failure to be viewed--within a well-defined policy framework--as a coherent whole or system. Third is that the uncoordinated sprawl of management responsibilities across a network of Federal, State, and local governments--and the variety of methods used both to deliver and finance benefits in their diverse forms--seriously complicates policymaking, management, and evaluation.

Despite such findings, each income security program or set of related programs continues to be planned and managed as a single entity, with little deliberate planning of the relationship of the programs to one another. We believe that a "systems view" must be substituted for the existing fragmented "program-by-program focus."

--Detailed descriptions of the basic characteristics of a comprehensive system of guidance for Federal assistance programs.

Work on the study is underway.

National Commission on Social Security

The Commission was created by the 1977 Social Security Amendments. Its purpose is to investigate, study, and review the old-age, survivors, and disability insurance programs and the health insurance programs established by the Social Security Act. Under study are:

- Actuarial valuations of the social security programs using alternative demographic and economic assumptions.
- Economic effects of certain modifications to the programs.
- Economic consequences of various methods of financing the programs (including substituting a value-added tax for the payroll tax).
- Methods of measuring replacement ratios and benefit adequacy.
- Integration of social security with private retirement programs.
- Development of a special price index for the elderly.

The Commission is authorized nine members--five appointed by the President and two each appointed by the Speaker of the House and the President of the Senate.

A number of other groups have been formed to study the social security and related retirement systems. Among them are:

Quadrennial Advisory Council on Social Security--
Established every 4 years to study the program and report to the Congress, the Council is appointed by the HEW Secretary.

Universal Coverage Study Group--The HEW Secretary, in consultation with the Treasury Secretary and the OMB and Office of Personnel Management Directors, is studying the feasibility of bringing into the social security

- Toward the goal of broadening perspectives about the system, study the applicability to our system of lessons learned from--what, for the most part, are older and more established--foreign income security systems.
- Toward the goal of correcting immediate problems or otherwise hedging against predictable future problems, recommend, whenever appropriate, legislative and regulatory changes to the Congress and executive branch.
- Toward the goal of safeguarding the system's financial stability and insuring its cost effectiveness, develop and apply cost-effectiveness measures to current programs, study alternative financing and benefit delivery approaches, and recommend, as appropriate, alternative programs and systems.

While the legislation is being developed, the Congress should establish select Senate and House committees or a joint committee to begin working toward the goals outlined above. Such committees would serve as focal points for recommendations from the newly legislated body, to receive its proposals and refer them with recommended actions to the appropriate legislative committees.

RECOMMENDATION TO THE PRESIDENT

While the recommended legislation is being developed, the President should direct OMB and other affected executive agencies to begin working toward the goals outlined above. If legislation is enacted, the President should direct the establishment of points of coordination for the income security body at appropriate levels within each affected executive agency.

OMB Task Force on Waste and Fraud

President Carter announced the establishment of an OMB task force in December 1978. Its stated purpose is to study ways to streamline Federal program eligibility processes in a Government-wide effort to reduce fraud, waste, and error in the programs.

He also announced that HEW's Secretary has pledged to save \$1 billion in 1979 as a result of such efforts.

Task force work is underway.

- - - -

In summary, the drive for income security reforms, the introduction of specific change proposals, and various Federal efforts to establish program area leadership and policy direction likely will continue into the 1980s. Despite the merits and good intentions of these efforts, we seriously question their efficacy to remedy the deeply rooted system difficulties discussed in this report.

In our view, the critical issue, yet to be addressed, is how best to reduce system fragmentation and provide total system direction and central policy leadership. The question is how can we insure that needed changes to parts of the system are (1) consistent with total system needs and goals and (2) decided in the most deliberate, rational, and orderly way?

A RECENTRALIZATION OF INCOME SECURITY LEADERSHIP IS INEVITABLE

We believe the time has come to fill the leadership void that exists in the U.S. income security system. The Nation, in our view, must have an independent, national, authoritative body to routinely assist the Congress and the executive branch in carrying out their program planning, management, and evaluation responsibilities.

In 1935, when the Social Security Act was passed, income security system policy and management authority, for the most part, were vested in SSA. For many years, SSA was the focal point for the system, providing central leadership and policy direction. Today, program responsibilities are decentralized throughout numerous government departments and agencies. Various Federal efforts (also see app. IV) to improve the programs strongly indicate movement toward generally re-centralizing responsibility and control for them.

<u>Insurance-based programs (continued)</u>	<u>Estimated outlays</u>
	(millions)
Medical:	
Social security:	
Medicare--hospital insurance	\$20,543
Medicare--supplementary medical insurance	8,411
Medical care:	
Retired military	866
Retired Public Health Service officers	<u>9</u>
Total	<u>\$29,829</u>
Other:	
Veterans' life insurance	\$ 561
Other veterans' benefits	<u>216</u>
Total	<u>777</u>
Total insurance-based	<u>\$176,984</u>

Public assistance programs

Aid to families with dependent children	\$ 5,728
Supplemental security income	4,820
Medicaid	11,952
Food and nutrition:	
Food stamps	5,391
Child nutrition	3,343
Special milk	45
Elderly feeding	37
Other	41
Housing:	
Public housing	2,246
Rent and mortgage interest supplements	1,294
Veterans' and survivors' pensions	3,346
Assistance to refugees	111
General assistance to Indians	<u>58</u>
Total public assistance	<u>\$ 38,412</u>
Total income security	<u>\$215,396</u>

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

We see six primary barriers to effective management of the American income security system and to the design of acceptable system alternatives:

1. There is no comprehensive national income security policy.

The United States has followed an incremental approach in extending aid, never viewing all groups as being equally in need or equally deserving of aid. A consequence of this is that there is no single philosophy of American income security, but rather an array of philosophies and goals that reflect the various programs built up over the years. We believe the United States has approached a time when it should attempt to set forth a coherent national income security policy covering the demographic groups which make up the American population.

2. There is fundamental disagreement about the definition of the income security system and about the programs and activities that should be included within such a definition.

The lack of consensus is due largely to (1) the fragmented way the programs were established and continue to evolve, (2) the multitude and interrelatedness of programs serving various population groups, and (3) the absence of an overall income security policy.

Our intent is not to develop a precise system definition. Much work already has been done, and we view this as a public policy matter deserving high-level attention and needing broad-based consensus. In our opinion, however, the system can be defined as follows:

It is the whole of government (and nongovernment) programs and policies aimed at insuring that basic consumption needs are satisfied for all not fully able or not expected to satisfy such needs for themselves through current employment.

Within this definitional framework, we include four functional system components: (1) public and private insurance (transfer payments and related tax expenditures), (2) public

	Estimated revenue losses (note a)
	(millions)
<u>Related to public assistance programs</u>	
Exclusion of public assistance benefits	\$ <u>360</u>
<u>Other income security tax expenditures</u>	
Exclusion of:	
Employer contributions to and earnings of pension funds from employee's current taxable income:	
Employer plans	11,335
Plans for self-employed and others	1,920
Employee benefits:	
Premium on group term life insurance	955
Premium on accident and dis- ability insurance	80
Income of trusts to finance supplementary unemployment benefits	10
Interest on life insurance savings	2,225
Deductibility of casualty losses	395
Tax credit for low-income workers	<u>1,165</u>
Total other	<u>\$18,085</u>
Total tax expenditures	<u>\$29,715</u>

a/Aggregations of tax expenditures to estimate total revenue losses by program areas are not precise because of the interactions of the tax provisions. The total loss of revenues due to exclusions from taxable income, for example, is greater than the sum of the individual estimates because more persons would be pushed into taxpaying levels or into higher tax brackets if these provisions were deleted from the tax code.

ALTERNATIVE DEFINITIONS OF INCOME SECURITY

"Income security" means many things to many people. For many, income security is synonymous with "welfare" and includes AFDC, SSI, medicaid, food stamps, and public housing. For Federal budget purposes, OMB adds to the welfare count such programs as veterans' pensions; food and nutrition; and social insurance programs, including social security, Federal employee benefits, and veterans' compensation, as well as certain tax expenditures. Several studies during the 1970s--notably by the Joint Economic Committee (1974), the National Conference on Social Welfare (1976), and the Institute for Socioeconomic Studies (1978)--have greatly expanded the definition of income security. Federal programs and tax expenditures added by the definers are shown in the following schedule. Cost figures are based on the proposed Federal budget for fiscal year 1979.

These program counts and estimated costs are not precise, but are intended to illustrate expanding program counts resulting from the particular views of system definers. Imprecision results from the definer's use of various program titles, the lack of detail about programs or program parts counted, the exclusion of some programs as separate Federal budget line items, our attempt to update programs and costs in fiscal 1979 budget year figures, and the variety of approaches used to classify programs. These difficulties render any aggregate (or derivative) classification of the various program counts unreliable for purposes beyond illustration.

Income Security Programs

<u>"Welfare"</u>	Estimated <u>1979 costs</u> (billions)
AFDC	\$ 5.7
SSI	4.8
Medicaid	12.0
Food stamps	5.4
Public housing	<u>2.2</u>
 <u>5 programs</u>	 <u>\$30.1</u>

OMB

	Estimated <u>1979 costs</u> (billions)
Carryover	\$ 30.1
Public assistance:	
Veterans' and survivors' pensions	3.4
Food and nutrition	3.4
Housing	1.3
Assistance to refugees	.1
General assistance to Indians	.1
Insurance-based:	
Social security:	
Retirement	87.2
Disability	14.3
Medicare	28.9
Federal employee benefits:	
Civil service retirement and disability	12.0
Military retirement	11.0
Unemployment compensation	.7
Employee compensation	.2
Veterans' compensation for service- connected death and disability	6.5
Other veterans' benefits	.8
Railroad employees' retirement, disability, and unemployment	4.4
Special benefits to disabled coal miners	1.0
Unemployment compensation	<u>10.0</u>
<u>37 programs</u>	<u>\$215.4</u>

Joint Economic Committee

Carryover	\$215.4
Education:	
Student assistance:	
Basic education opportunity grant	1.9
GI Bill	2.3
Other	1.6
Occupational, vocational, and adult education programs	.8
Head start	.6
Health care:	
Comprehensive health services	2.3
Veterans' service-connected disabilities	1.1

Joint Economic Committee (continued)

	<u>Estimated 1979 costs</u>
	(billions)
Housing:	
Rural housing loans and grants	\$.1
Employment:	
WIN	.4
Programs for youth	1.1
Social services:	
Social and child welfare services	2.7
Legal services for the poor	<u>.2</u>
<u>62 programs</u>	<u>\$230.5</u>

National Conference on Social Welfare

Carryover	\$230.5
Education:	
Student assistance:	
Social security student grants	2.0
Guaranteed student loans	.7
Program support	3.8
Federal impact aid and emergency school aid	1.1
Other	1.0
Health care:	
Veterans' non-service-connected disabili- ties, facilities construction	4.6
Medical research	3.8
Federal employee benefits:	
Civilian (active and retired)	3.6
Military	4.1
Housing:	
Veterans	.1
Employment:	
Employment and training	2.3
Public service jobs	6.0
Other	.7
Employment services	.7
Social services:	
Special programs for aged	.2
Community services	.5
Indian social services	<u>.1</u>
<u>150 programs</u>	<u>\$265.8</u>

Institute for Socioeconomic Studies

	<u>Estimated 1979 costs</u>
	(billions)
Carryover	<u>a/\$245.2</u>
Housing:	
Low-income elderly or handicapped	.7
Housing rehabilitation loans	.1
Federal Housing Administration mortgage insurance	.5
Employment:	
Economic development assistance	.7
Other:	
Agricultural stabilization	2.0
Crime, riot, flood, and crop insurance	.2
Disaster assistance	.6
Emergency energy conservation services	.4
Other	<u>.1</u>
<u>154 programs</u>	<u>a/\$250.5</u>

a/Although the Institute's inventory was the largest, it did not include many of the costly educational, medical research, and Federal employee health care (active civilian and military personnel) programs--about \$20 billion--added to the previous counts by NCSW. Hence, its inventory's total cost was less than NCSW's.

Tax Expenditures

	Estimated 1979 revenue <u>losses</u>
	(billions)
<u>OMB</u>	
Related to insurance-based programs:	
Exclusion of:	
Social security benefits:	
For retired workers	\$ 4.7
For disabled workers	.6
For dependents and survivors	1.0
Railroad retirement benefits	.3
Workmen's compensation benefits	1.0
Veterans' pensions and compensation	.8
Unemployment insurance	1.1
Other	.2
Additional exemptions for the blind and persons over age 65	1.2
Tax credit for the elderly	.3
Related to public assistance:	
Exclusion of public assistance benefits	.4
Other:	
Exclusion of:	
Employer contributions to and earnings of pension funds from employee's taxable income	13.3
Employee benefits	1.0
Interest on life insurance savings	2.2
Deductibility of casualty losses	.4
Tax credit for low-income workers	<u>1.2</u>
<u>16 tax expenditures</u>	<u>\$29.7</u>

National Conference on Social WelfareEstimated 1979
revenue losses

(billions)

Carryover	\$ 29.7
Education, training, employment, and social services:	
Exclusion of:	
Fellowship and scholarship income	.3
Employee meals and lodging	.3
Parental exemption for students age 19 or older	.8
Credit for child and dependent care expenses	.6
Jobs credit	1.9
Investment credit for employee stock ownership plans	.3
Maximum tax on personal services income	.8
Deductibility of charitable contributions	7.3
Health:	
Exclusion of employer contributions for medical insurance premiums and medical care	7.2
Deductibility of medical expenses	2.7
Commerce and housing credit:	
Deferral of capital gains on home sales	1.0
Deductibility of:	
Mortgage interest on owner-occupied homes	5.5
Property taxes on owner-occupied homes	5.2
Interest on consumer credit	2.4
Exclusion of:	
Dividends	.5
Capital gains at death	9.0
Capital gains (other than farming, timber, iron ore, and coal)	8.5
Transportation:	
Deductibility of nonbusiness gasoline taxes	.8
Veterans' benefits and services:	
Exclusion of GI bill services	.2
General government:	
Credits and deductions for political contributions	.1
General purpose fiscal assistance:	
Exclusion of interest on State and local general purpose bond debt	6.0
Deductibility of nonbusiness State and local taxes	<u>9.5</u>
<u>38 tax expenditures</u>	<u>\$100.6</u>

Institute for Socioeconomic Studies

(The Institute included 28 tax expenditures, which, in 1979, would cost about \$42 billion. This count was greater than OMB's count (16 tax expenditures costing about \$30 billion), but less than NCSW's count (38 tax expenditures costing \$101 billion).)

GAO REPORTS ON INCOME SECURITY-RELATED PROGRAMSJANUARY 1, 1975-DECEMBER 31, 1979Table of Contents

<u>Category</u>	<u>Page</u>
Public Assistance Cash Programs	87
Social Security Retirement and Other Pension Programs	90
Social Security Disability and Other Compensation Programs	95
Employment and Training Programs	97
Food Programs	103
Housing Programs	106
Medical Services Programs	108
Education Programs	114
Social and Related Services Programs	115
Market Intervention Activities	118
Other Income Security-Related Programs	118



<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
<u>Public Assistance Cash Programs</u>		
Replacing missing supplemental security income checks--recipients waiting longer than necessary	HRD-78-28	Aug. 22, 1978
States should be fully reimbursed for interim assistance to supplemental security income recipients	HRD-77-145	May 15, 1977
Supplemental security income quality assurance system: an assessment of its problems and potential for reducing erroneous payments	HRD-77-126	May 23, 1977
Recipients of supplemental security income payments should be penalized for failing to comply with requirements to report changes in their income, resources, or other circumstances	HRD-78-118	May 22, 1978
Problems in recovering overpayments in the supplemental security income program	HRD-78-117	May 25, 1978
The law should be amended to change the basis for determining supplemental security income eligibility and benefit payment amounts	B-164031(4)	May 26, 1978
Should emergency assistance for needy families be continued? If so, program improvements are needed	HRD-78-65	Apr. 5, 1978
HEW needs to determine the extent of erroneous payments in the aid to families with dependent children program	HRD-78-87	Mar. 22, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Number of newly arrived aliens who receive supplemental security income needs to be reduced	HRD-78-50	Feb. 22, 1978
Impact of illegal aliens on public assistance programs: too little is known	GGD-78-20	Dec. 1, 1977
Legislation needed to improve program for reducing erroneous welfare payments	HRD-77-164	Aug. 1, 1977
Privacy issues and supplemental security income benefits	HRD-77-110	Nov. 15, 1977
Social Security Administration's procedures for allocating administrative costs to the supplemental security income program	HRD-78-12	Nov. 17, 1977
Problems in administering supplemental security income for the aged, blind, and disabled	MWD-76-73	June 11, 1976
Supplemental security income payment errors can be reduced	HRD-76-159	Nov. 18, 1976
Ineffective management of welfare cases costing millions	GGD-76-109	Dec. 28, 1976
Efforts made to locate and enroll potential recipients of the supplemental security income program for the aged, blind, and disabled	HRD-76-176	Dec. 6, 1976
Need to reduce public expenditures for newly arrived immigrants and correct inequity in current immigration law	GGD-75-107	July 15, 1975
Review of the Better Jobs and Income bill	HRD-78-110	May 23, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Wisconsin's aid to families with dependent children and child support enforcement program could be improved	HRD-78-130	June 22, 1978
The absence of some social security numbers and the existence of incorrect ones for aid to families with dependent children recipients could distort any statistical reporting	HRD-78-133	June 21, 1978
Identifying boarding homes housing the needy aged, blind, and disabled: a major step toward resolving a national problem	HRD-80-17	Nov. 19, 1979
The Social Security Administration needs to develop a structured and planned approach for managing and controlling the design, development, and modification of its supplemental security income computerized system	HRD-80-5	Oct. 16, 1979
Flaws in controls over the supplemental security income computerized system cause millions in erroneous payments	HRD-79-104	Aug. 9, 1979
Over a 3-year period the Social Security Administration did not collect \$48 million in overpayments or pay \$5 million in underpayments	HRD-79-89	July 2, 1979
Rehabilitating blind and disabled supplemental security income recipients: Federal role needs assessing	HRD-79-5	June 6, 1979

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
States should credit the Federal Government for its share of uncashed aid to families with dependent children checks	HRD-79-68	Apr. 5, 1979
Erroneous supplemental security income payments result from problems in processing changes in recipients' circumstances	HRD-79-4	Feb. 16, 1979
Welfare payments reduced: an improved method for detecting erroneous welfare payments	GGD-78-107	Feb. 5, 1979
Social Security should improve its collection of overpayments to supplemental security income recipients	HRD-79-21	Jan. 16, 1979
Duplicate payments for dependent children and improper application of earnings test under the student benefit program of the Social Security Administration	HRD-79-27	Dec. 22, 1978
In fiscal year 1977 the Social Security Administration made overpayments of about \$75 million	HRD-79-26	Dec. 11, 1978

Social Security Retirement and Other Pension Programs

The investment decisionmaking process in two New York public employee retirement plans	HRD-77-41	Feb. 16, 1977
The investment decisionmaking process in two New Jersey public employee retirement plans	HRD-77-12	Nov. 11, 1976
The investment decisionmaking process in two Georgia public employee retirement plans	HRD-77-21	Nov. 30, 1976

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
The investment decisionmaking process in two Colorado public employee retirement plans	HRD-77-30	Dec. 29, 1976
The investment decisionmaking process in two Michigan public employee retirement plans	HRD-77-31	Dec. 29, 1976
The investment decisionmaking process in two Virginia public employee retirement plans	HRD-77-32	Dec. 29, 1976
Alleged fraud in RCA's administration of its employees' retirement plan	PSAD-78-116	May 26, 1978
Effect of the Employee Retirement Income Security Act on the termination of single employer defined benefit pension plans	HRD-78-90	Apr. 27, 1978
Inconsistencies in retirement age: issues and implications	PAD-78-24	Apr. 17, 1978
Security procedures for Social Security Administration's central computer facility inadequate to protect social security records and property, and the privacy of American citizens	HRD-78-73	Feb. 21, 1978
Special retirement policy for Federal law enforcement and firefighter personnel needs reevaluation	FPCD-76-97	Feb. 24, 1976
Federal retirement systems: unrecognized costs, inadequate funding, inconsistent benefits	FPCD-77-48	Aug. 3, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Cost-of-living adjustments for new Federal retirees: more rational and less costly processes are needed	FPCD-78-2	Nov. 17, 1978
Contractor pension plan costs: more control could save Department of Defense millions	PSAD-77-100	May 19, 1977
The operations and financial needs of the United States Soldiers' and Airmen's Home	HRD-77-123	Aug. 1, 1977
Action being taken to prevent refundable payments of social security and Federal unemployment taxes by charitable organizations	GGD-76-102	Feb. 1, 1977
Performance of the Social Security Administration compared with that of private fiscal intermediaries in dealing with institutional providers of medicare services	MWD-76-7	Sept. 30, 1975
Social Security Administration needs to better manage the travel of its administrative law judges	MWD-76-18	Dec. 5, 1975
Financial problems confront the Federal old-age and survivors insurance and disability insurance trust funds	MWD-75-105	July 25, 1975
Laws protecting union members and their pension and welfare benefits should be better enforced	HRD-78-145	Sept. 28, 1978
Are pension beneficiaries harmed by large bank trust department sales of large common stock positions? The evidence	PAD-78-75	Oct. 19, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Liberal deposit requirements of States' social security contributions adversely affected trust funds	HRD-79-14	Dec. 18, 1978
Improvements needed in processing Civil Service retirement claims	FPCD-78-10	Jan. 30, 1978
Need for overall policy and coordinated management of Federal retirement systems	FPCD-78-49	Dec. 29, 1978
Procedures to safeguard social security beneficiary records can and should be improved	HRD-78-116	June 5, 1978
Additional IRS actions needed to make sure that individuals pay the correct social security tax	GGD-78-70	Aug. 15, 1978
The 20-year military retirement system needs reform	FPCD-77-81	Mar. 13, 1978
Minimum social security benefit: a windfall that should be eliminated	HRD-80-29	Dec. 10, 1979
Social Security should obtain and use State data to verify benefits for all its programs	HRD-80-4	Oct. 16, 1979
Investment policies, practices, and performance of Federal retirement systems	FPCD-79-17	Aug. 31, 1979
Funding of State and local government pension plans: a national problem	HRD-79-66	Aug. 30, 1979
Noncontributory social security wage credits for military service should be eliminated	FPCD-79-57	Aug. 8, 1979

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
It is difficult to evaluate suggested changes of individual retirement systems when there is no overall governing policy	FPCD-79-69	July 12, 1979
Railroad retirement program--how does it compare to other selected retirement programs?	HRD-79-41	June 8, 1979
Effects of the Employee Retirement Income Security Act on pension plans with fewer than 100 participants	HRD-79-56	Apr. 16, 1979
Budget authority estimates of the Civil Service, military services, and Foreign Service retirement systems are understated	FPCD-79-49	Apr. 11, 1979
Internal Revenue Service efforts and plans to enforce the Employee Retirement Income Security Act	HRD-79-55	Mar. 28, 1979
Social Security Administration should improve its recovery of overpayments made to retirement, survivors, and disability insurance beneficiaries	HRD-79-31	Jan. 17, 1979
Windfall benefits--dual payment of railroad retirement and social security benefits	HRD-79-33	Jan. 11, 1979
Comments on 10 bills proposed to amend the Railroad Retirement Act	HRD-79-23	Dec. 28, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
<u>Social Security Disability and Other Compensation Programs</u>		
Disability provisions of Federal and District of Columbia employee retirement systems need reform	FPCD-78-48	July 10, 1978
To provide proper compensation for hearing impairments, the Labor Department should change its criteria	HRD-78-67	June 1, 1978
Are Federal black lung benefit payments being correctly reduced by State workmen's compensation payments?	HRD-78-109	May 16, 1978
Improvements needed in the Social Security Administration's program of determining eligibility of disabled recipients of supplemental security income payments	HRD-78-97	Apr. 18, 1978
Compensating Micronesian World War II claims: controversial awards of claims and difficulties distributing payments	ID-77-62	Mar. 7, 1977
The Social Security Administration needs to improve its disability claims process	HRD-78-40	Feb. 16, 1978
Returning the mentally disabled to the community: Government needs to do more	HRD-76-152	Jan. 7, 1977
Summary of a report--returning the mentally disabled to the community: Government needs to do more	HRD-76-152A	Jan. 7, 1977
Operational and planning improvements needed in the Veterans Administration "domiciliary" program for the needy and disabled	HRD-77-69	Sept. 21, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Civil Service disability retirement: needed improvements	FPCD-76-61	Nov. 19, 1976
Improvements needed in administration of benefits program for injured workers under the Long-Shoremen's and Harbor Workers' Compensation Act	MWD-76-56	Jan. 12, 1976
Examination of allegations concerning administration of the black lung benefits program	MWD-76-72	Jan. 14, 1976
Improvements needed in rehabilitating social security disability insurance beneficiaries	MWD-76-66	May 13, 1976
The Social Security Administration should provide more management and leadership in determining who is eligible for disability benefits	HRD-76-105	Aug. 17, 1976
Certain disability provisions of Federal employee retirement programs	FPCD-76-13	Aug. 19, 1976
Improvements still needed in administering the Department of Labor's compensation benefits for injured Federal employees	HRD-78-119	Sept. 28, 1978
A plan for improving the disability determination process by bringing it under complete Federal management should be developed	HRD-78-146	Aug. 31, 1978
The Veterans Administration can reduce the time required to process veterans' and survivors' initial claims for benefits	HRD-79-25	Dec. 27, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Employee protection provisions of the Rail Act need change	CED-80-16	Dec. 5, 1979
Minimum benefit provision of the Civil Service disability retirement program should be changed	FPCD-80-26	Nov. 30, 1979
Indirect costs of the Social Security Administration's disability programs are excessive and should be reduced	HRD-80-23	Nov. 19, 1979
Controls over medical examinations necessary for Social Security to better determine disability	HRD-79-119	Oct. 9, 1979
Compensation for Federal employee injuries: it's time to rethink the rules	HRD-79-78	Aug. 22, 1979
Multiple problems with 1974 amendments to Federal Employees' Compensation Act	HRD-79-80	June 11, 1979
Labor Department is strengthening procedures to recover costs for Federal employees' injuries caused by third parties	HRD-79-36	May 9, 1979

Employment and Training Programs

Poor administration of the 1977 summer program for economically disadvantaged youth in New York City	HRD-78-123	July 26, 1978
Job training programs need more effective management	HRD-78-96	July 7, 1978
Adjustment assistance under the Trade Act of 1974 to Pennsylvania apparel workers often has been untimely and inaccurate	HRD-78-53	May 9, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Third party funding agreements: no longer appropriate for serving the handicapped through the vocational rehabilitation program	HRD-78-7	Apr. 4, 1978
Unemployment insurance--need to reduce unequal treatment of claimants and improve benefit payment controls and tax collections	HRD-78-1	Apr. 5, 1978
Information on the buildup in public service jobs	HRD-78-57	Mar. 6, 1978
Status of the HIRE program--Help Through Industry Retraining and Employment--to assist disabled veterans and Vietnam-era veterans obtain jobs	HRD-78-83	Mar. 9, 1978
Worker adjustment assistance under the Trade Act of 1974--problems in assisting auto workers	HRD-77-152	Jan. 11, 1978
Stronger controls needed over the Migrant and Seasonal Farmworkers Association programs in North Carolina	HRD-77-84	Sept. 8, 1977
Conflicting congressional policies: veterans preference and apportionment vs. equal employment opportunity	FPCD-77-61	Sept. 29, 1977
The Government Employees Training Act of 1958: a progress report	FPCD-77-66	Nov. 17, 1977
Payment problems in the summer youth employment program in New York City	HRD-77-18	Feb. 2, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Follow-up report on services to veterans in Delaware under title VI of the Comprehensive Employment and Training Act	HRD-77-16	Feb. 16, 1977
Employment programs in Buffalo and Erie County under the Comprehensive Employment and Training Act can be improved	HRD-77-24	Feb. 18, 1977
More benefits to jobless can be attained in public service employment	HRD-77-53	Apr. 7, 1977
Controls over vocational rehabilitation training services need improvement	HRD-76-167	May 5, 1977
The employment service-- problems and opportunities for improvement	HRD-76-169	Feb. 22, 1977
Property and fiscal management problems at the Maryland Job Corps Center	HRD-77-36	May 13, 1977
Information on the summer youth employment program	HRD-77-121	June 27, 1977
The labor surplus policy: is it effective in providing Government contracts to high unemployment areas and jobs for the disadvantaged?	PSAD-77-133	July 15, 1977
Certifying workers for adjustment assistance--the first year under the Trade Act	ID-77-28	May 31, 1977
Investigation into purchases from workshops for the blind and other severely handicapped	PSAD-76-118	Apr. 9, 1976
Relocating employees from San Pedro to Los Angeles	GGD-76-75	Mar. 1, 1976

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Planning, controlling, and propriety of training in region VIII	FPCD-76-31	Mar. 4, 1976
Public service employment in Delaware under title VI of the Comprehensive Employment and Training Act	MWD-76-61	Jan. 23, 1976
How Federal programs affect migrant and seasonal farmworkers in the Connecticut River valley	MWD-76-65	Feb. 27, 1976
Using Comprehensive Employment and Training Act funds to re-hire laid-off employees in Toledo, Ohio	MWD-76-84	Mar. 19, 1976
Formulating plans for comprehensive employment services-- a highly involved process	HRD-76-149	July 23, 1976
Administrative and financial management weaknesses in the Office of Youth Opportunity Services of the District of Columbia Government	GGD-76-92	Aug. 5, 1976
Public service employment in southwestern New York State	HRD-76-135	Sept. 2, 1976
Problems in the work incentives program in Los Angeles and San Diego	MWD-75-24	Jan. 29, 1975
Slow implementation of the revised work incentive program in New York City	MWD-75-41	Mar. 17, 1975
Funding of employment service and unemployment insurance activities	MWD-75-60	Apr. 16, 1975
Federal research grant activities at the University of Rochester	HRD-78-131	Sept. 5, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Status of \$500 million of budget authority for the Labor Department's Employment and Training Administration proposed for impoundment	OGC-79-1	Oct. 16, 1978
Proposed rescission of \$10.8 million of budget authority for the Labor Department's community service employment program for older Americans	OGC-79-2	Oct. 17, 1978
Worker adjustment assistance under the Trade Act of 1974 to New England workers has been primarily income maintenance	HRD-78-153	Oct. 31, 1978
The Federal Government's severance pay programs need reform	FPCD-78-68	Dec. 7, 1978
Much more could be done for veterans in employment and training programs	HRD-78-156	Dec. 29, 1978
The Labor Department should reconsider its approach to employment security automation	HRD-78-169	Dec. 28, 1978
The Bureau of Indian Affairs needs to determine how well its Indian training program is working and assist tribes in their training efforts	CED-78-46	Feb. 13, 1978
Federal employment of handicapped people	FPCD-78-40	July 6, 1978
Questionable need for some Department of Labor training programs	HRD-78-4	Apr. 10, 1978
Evaluation of comments on report on problems in filling job orders and placing job applications in Massachusetts	MWD-75-49	Jan. 23, 1975

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Impact on WIN program as a result of reduced appropriations	B-164031(3)	Feb. 19, 1975
Inquiry into possible misuse of Federal funds by the Ohio Bureau of Vocational Rehabilitation	B-164031(3)	Mar. 3, 1975
How to improve administration of the Federal employees' compensation benefits program	MWD-75-23	Mar. 13, 1975
Use of the Veterans Administration on-job training program	MWD-75-94	July 9, 1975
Progress and problems in allocating funds under titles I and II--Comprehensive Employment and Training Act	MWD-76-22	Jan. 2, 1976
Survey of VA vocational rehabilitation program		June 30, 1976
Activities of the Adjustment Assistance Coordinating Committee and certain aspects of H.R. 8442	ID-78-5	Dec. 5, 1977
Status of improving Cleveland's management of its employment and training programs	HRD-78-126	June 7, 1978
Indian employment and training programs authorized by CETA	HRD-79-28	Dec. 8, 1978
Firm adjustment assistance under the Trade Act of 1974-- income maintenance or successful adjustment	ID-78-53	Dec. 21, 1978
Moving participants from public service employment programs into unsubsidized jobs needs more attention	HRD-79-101	Oct. 12, 1979
Unemployment insurance-- inequities and work disincentives in the current system	HRD-79-79	Aug. 28, 1979

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Effect of Labor Department's resource allocation formula on efforts to place food stamp recipients in jobs	CED-79-79	Aug. 15, 1979
Reliable local unemployment estimates: a challenge for Federal and State cooperation	GGD-79-79	July 27, 1979
Job Corps should strengthen eligibility requirements and fully disclose performance	HRD-79-60	July 6, 1979
Federally assisted employment and training: a myriad of programs should be simplified	HRD-79-11	May 8, 1979
More effective Federal and State cash management would increase interest income of unemployment trust fund	FGMSD-79-20	Apr. 17, 1979
Administrative weaknesses in St. Louis' Comprehensive Employment and Training Act program	HRD-79-15	Mar. 2, 1979
More effective management is needed to improve the quality of the summer youth employment program	HRD-79-45	Feb. 20, 1979
Considerations for adjustment assistance under the 1974 Trade Act: a summary of techniques used in other countries	ID-78-43	Jan. 18, 1979

Food Programs

Summary of Department of Agriculture views on why the food stamp program, the child nutrition programs, and the special supplemental food programs are funded by "no-year" appropriations	PAD-78-46b	July 14, 1978
---	------------	---------------

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Federal domestic food assistance programs--a time for assessment and change	CED-78-113	June 13, 1978
The summer feeding program for children: reforms begun--many more urgently needed	CED-78-90	Mar. 31, 1978
Entitlement funding for the WIC program	CED-78-98	Apr. 13, 1978
Food stamp work requirements--ineffective paperwork or effective tool?	CED-78-60	Apr. 24, 1978
Problems persist in the Puerto Rico food stamp program, the Nation's largest	CED-78-84	Apr. 27, 1978
How good are school lunches?	CED-78-22	Feb. 3, 1978
Actions needed to improve the nutrition program for the elderly	HRD-78-58	Feb. 23, 1978
The impact of Federal commodity donation on the school lunch program	CED-77-32	Jan. 31, 1977
Information on Department of Agriculture claim against the Commonwealth of Puerto Rico	CED-77-40	Feb. 24, 1977
Testing alternative food stamp program identification requirements	CED-77-53	Apr. 1, 1977
The national school lunch program--is it working?	PAD-77-6	July 26, 1977
Summary of a report: the national school lunch program--is it working?	PAD-77-7	July 26, 1977
The summer feeding program--how to feed the children and stop program abuses	CED-77-59	Apr. 15, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Food stamp receipts--who's watching the money?	CED-77-76	June 15, 1977
Certain food aspects of the school lunch program in New York City	CED-77-89	June 15, 1977
The food stamp program--overissued benefits not recovered and fraud not punished	CED-77-112	July 18, 1977
Department of Agriculture and Puerto Rico controls over federally donated commodities	CED-77-120	Aug. 18, 1977
Supplement to Comptroller General's report to the Congress, "The food stamp program--overissued benefits not recovered and fraud not punished"	CED-77-112A	Aug. 31, 1977
Identification of food stamp issues	OSP-76-10	Jan. 28, 1976
GAO food stamp seminar: a transcript of the proceedings	OSP-76-12	Jan. 28, 1976
Processing applications for food stamps: how long does it take?	RED-76-74	Feb. 27, 1976
Student participation in the food stamp program at six selected universities	RED-76-105	Apr. 29, 1976
Operation of the emergency food and medical services program	HRD-76-112	Sept. 1, 1976
An appraisal of the special summer food service program for children	HRD-75-336	Feb. 14, 1975
Observations on the food stamp program	RED-75-342	Feb. 28, 1975

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Regulation of retailers authorized to accept food stamps should be strengthened	CED-78-183	Dec. 28, 1978
Recommended dietary allowances: more research and better food guides needed	CED-78-169	Nov. 30, 1978
Formulated grain-food products: proposed restrictions on use in school breakfast program should be reevaluated	CED-79-12	Dec. 26, 1978
The special supplemental food program for women, infants, and children (WIC)--how it can work better	CED-79-55	Feb. 27, 1979

Housing Programs

Substandard Indian housing increases despite Federal efforts--a change is needed	CED-78-63	Mar. 31, 1978
Section 236 rental housing: an assessment of HUD's comments on GAO's evaluations	PAD-78-62	Apr. 20, 1978
An assessment of the Department of Housing and Urban Development's experimental housing allowance program	CED-78-29	Mar. 8, 1978
The Department of Housing and Urban Development should determine the extent of construction problems in Government subsidized housing projects	CED-78-39	Feb. 14, 1978
Section 236 rental housing--an evaluation with lessons for the future	PAD-78-13	Jan. 10, 1978
Major changes are needed in the new leased-housing program	CED-77-19	Jan. 28, 1977

APPENDIX III

APPENDIX III

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Domestic housing and community development issues for planning	CED-77-102	July 20, 1977
A comparative analysis of subsidized housing costs	PAD-76-44	July 28, 1976
Elderly tenants housed out of turn and questionable contracting practices at the Chicago Housing Authority	CED-76-129	Aug. 6, 1976
Little accomplished in insuring that proper rents are charged under the section 236 rental assistance housing program	CED-76-146	Oct. 5, 1976
Construction problems with Country Club Estates, Merrimack, New Hampshire-- a section 235 housing project	CED-76-148	Oct. 20, 1976
Housing for the elderly-- factors which should be evaluated before deciding on low- or high-rise construction	RED-75-308	Jan. 9, 1975
Weaknesses in administration of the program to correct defects in housing insured under section 235 program	RED-75-340	Mar. 19, 1975
Comparative costs of Department of Housing and Urban Development's sections 8 and 236 rental housing programs	RED-75-349	Apr. 1, 1975
Leased-housing programs need improvements in management and operations	RED-75-380	July 11, 1975
Department of Housing and Urban Development should develop a plan to decentralize lower income housing	CED-78-181	Oct. 20, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Stronger Federal enforcements needed to uphold fair housing laws	CED-78-21	Feb. 2, 1978
Millions of dollars for rehabilitating housing can be used more effectively	CED-80-19	Dec. 7, 1979
Housing leased to lower income persons: better Federal guidance and management could improve quality	CED-80-7	Oct. 30, 1979
Older people living in public housing have worse conditions than those living in private housing	HRD-80-8	Oct. 15, 1979
HUD should establish controls preventing duplicate payments in its section 8 housing assistance program	CED-79-51	Mar. 1, 1979
Domestic housing and community development	CED-79-44	Feb. 5, 1979
Section 8 rental housing owners and operators could sell or convert their projects to condominiums and displace low and moderate income tenants	PSAD-79-43	Jan. 16, 1979

Medical Services Programs

Savings available by contracting for medicaid supplies and laboratory services	HRD-78-60	July 6, 1978
Are neighborhood health centers providing services efficiently and to the most needy?	HRD-77-124	June 20, 1978
Improvements are needed in VA's management of its fee-basis program	HRD-78-108	June 6, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Health care needs of veterans in Puerto Rico and the Virgin Islands should be assessed	HRD-78-84	Mar. 30, 1978
Inappropriate number of acute care beds planned by VA for new hospitals	HRD-78-102	May 17, 1978
Better coordination could improve the provision of Federal health care in Hawaii	HRD-78-99	May 22, 1978
Can health maintenance organizations be successful?-- an analysis of 14 federally qualified "HMOs"	HRD-78-125	June 30, 1978
How the Veterans Administration can increase the use of outpatient surgery and pre-admission testing programs	HRD-78-85	Apr. 4, 1978
Assessment of Group Health Incorporated's operations in carrying out its responsibilities under part B of the medicare program in Queen's County, New York	HRD-78-104	Apr. 11, 1978
Medical necessity of medicaid-funded therapeutic sterilizations	HRD-78-103	Apr. 14, 1978
Civil Service needs to improve claims review process under the Federal employees health benefits program	HRD-78-68	Mar. 14, 1978
Information on allegations about the Health Systems Agency for Los Angeles County, California	HRD-78-69	Feb. 24, 1978
Further improvements needed in investigations of medicaid fraud and abuse in Illinois	HRD-78-46	Mar. 10, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Home health--the need for a national policy to better provide for the elderly	HRD-78-19	Dec. 30, 1977
Medicaid insurance contracts--problems in procuring, administering, and monitoring	HRD-77-106	Jan. 23, 1978
More Civil Service Commission supervision needed to control health insurance costs for Federal employees	HRD-76-174	Jan. 14, 1977
Many cardiac catheterization laboratories underused in Veterans Administration hospitals: better planning and control needed	HRD-76-168	Feb. 28, 1977
Loss of millions of dollars in revenue because of inadequate charges for medical care	FGMSD-76-102	Mar. 8, 1976
Information on the performance of Health Applications Systems, Inc., and California Physicians Service in processing claims for the civilian health and medical program of the uniformed services	HRD-77-142	Aug. 25, 1977
State audits to identify medicaid overpayments to nursing homes	HRD-77-29	Jan. 24, 1977
Potential effects of national health insurance proposals on medicare beneficiaries	HRD-76-129	Feb. 24, 1976
Investigations of medicare and medicaid fraud and abuse--improvements needed	HRD-77-19	May 23, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Information on use of medicare reimbursement method to determine hospital payments under civilian health and medical program of the uniformed services	HRD-77-128	July 27, 1977
Comparison of the Health Care Financing Administration's Medicare Bureau claims processing costs for 1973 and fiscal year 1975	HRD-77-139	Dec. 22, 1977
Supplemental security income overpayments to medicaid nursing home residents can be reduced	HRD-77-131	Aug. 23, 1977
Reasonable charge reductions and related matters under part B of medicare	MWD-76-92	Feb. 2, 1976
History of the rising costs of the medicare and medicaid programs and attempts to control these costs: 1966-1975	MWD-76-93	Feb. 11, 1976
Delays in processing medicare part B payments to program participants in Florida	MWD-76-70	Mar. 19, 1976
North Carolina's medicaid insurance agreement: contracting procedures need improvement	HRD-76-139	July 1, 1976
Tighter controls needed over payments for laboratory services under medicare and medicaid	HRD-76-121	Aug. 4, 1976
Relationship between nonprofit prepaid health plans with California medicaid contracts and for profit entities affiliated with them	HRD-77-4	Nov. 1, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Proposed coordination between the medicare and the Federal employees health benefits programs	MWD-75-99	Aug. 4, 1975
Improvements needed to speed implementation of medicaid's early and periodic screening, diagnosis, and testing program	MWD-75-13	Jan. 9, 1975
Many medicare and medicaid nursing homes do not meet Federal fire safety requirements	MWD-75-46	Mar. 18, 1975
Lengthy delays in processing of overpayments under part A of the medicare program may result in losses of millions of dollars	MWD-75-4	Apr. 4, 1975
Improvements needed in medicaid program management including investigations of suspected fraud and abuse	MWD-75-74	Apr. 14, 1975
Outpatient health care in inner cities: its users, services, and problems	MWD-75-81	June 6, 1975
Deficiencies in determining payments to prepaid health plans under California's medicaid program	MWD-76-15	Aug. 29, 1975
Effect of certain policies and procedures of Blue Cross and Blue Shield of Greater New York on reasonable charge reductions under part B of medicare	MWD-76-12	Aug. 1, 1975
Status of the implementation of the National Health Planning and Resources Development Act of 1974	HRD-78-157	Nov. 2, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Attainable benefits of the medicaid management system are not being realized	HRD-78-151	Sept. 26, 1978
Improved administration could reduce the costs of Ohio's medicaid program	HRD-78-98	Oct. 23, 1978
Ohio's medicaid program: problems identified can have national importance	HRD-78-98A	Oct. 23, 1978
Entering a nursing home-- costly implications for medicaid and the elderly	PAD-80-12	Nov. 26, 1979
The Veterans Administration and the medicare programs made duplicate payments to some veterans eligible for both programs	HRD-80-10	Oct. 22, 1979
Simplifying the medicare/ medicaid buy-in program would reduce improper State claims of Federal funds	HRD-79-96	Oct. 2, 1979
Pennsylvania needs an automated system to detect medicaid fraud and abuse	HRD-79-113	Sept. 24, 1979
How Blue Cross implemented medicare's reimbursement policy for Unihealth Services Corporation, Inc.	HRD-79-116	Sept. 10, 1979
Comparison of physician charges and allowances under private health insurance plans and medicare	HRD-79-111	Sept. 6, 1979
More can be done to achieve greater efficiency in contracting for medicare claims processing	HRD-79-76	June 29, 1979

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Home health care services-- tighter fiscal controls needed	HRD-79-17	May 15, 1979
<u>Education Programs</u>		
Status of Office of Education's direct student loan funds at selected postsecondary education institutions	HRD-78-94	May 2, 1978
Improvements needed in VA's education loan program	HRD-78-112	May 11, 1978
Federal direction needed for educating handicapped children in State schools	HRD-78-6	Mar. 16, 1978
Further actions needed to re- solve VA's educational assist- ance overpayment problem	HRD-78-45	Feb. 17, 1978
Questionable need for all schools planned by the Bureau of Indian Affairs	CED-78-55	Feb. 15, 1978
The national direct student loan program requires more attention by the Office of Education and participating institutions	HRD-77-109	June 27, 1977
Collection efforts not keeping pace with growing number of de- faulted student loans	CD-77-1	Aug. 11, 1977
Educational assistance over- payments, a billion dollar problem--a look at the causes, solutions, and collection efforts	MWD-76-109	Mar. 19, 1976
Coordination needed in the award of financial aid to Indian students	MWD-76-14	Sept. 8, 1975

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Improvements needed in implementation of the veterans' educational assistance program	HRD-78-148	Nov. 30, 1978
Changes needed in the tax laws governing the exclusion for scholarships and fellowships and the deduction of job related educational expenses	GGD-78-72	Oct. 31, 1978
Social security student benefits for postsecondary students should be discontinued	HRD-79-108	Aug. 30, 1979

Social and Related Services Programs

Free legal services for the poor--increased coordination, community legal education, and outreach needed	HRD-78-168	Nov. 6, 1978
Better services at reduced costs through an improved "personal care" program recommended for veterans	HRD-78-107	June 6, 1978
Information and referral for people needing human services--a complex system that could be improved	HRD-77-134	Mar. 20, 1977
Opportunities for HEW to improve the administration of day care programs	HRD-78-81	Mar. 22, 1978
The 1975 Amendments to the Older Americans Act--little effect on spending for priority services	HRD-78-64	Mar. 6, 1978
Administration for children, youth, and families--need to better use its research results and clarify its role	HRD-77-76	Mar. 31, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Information on claims filed by States for reimbursement of costs for social service programs	HRD-78-78	Mar. 6, 1978
Problems in the head start program in Harrison County, Mississippi	HRD-78-82	Mar. 10, 1978
Expanding budget requests for civil legal needs of the poor-- is more control for effective services required?	HRD-78-100	Apr. 26, 1978
Veterans Administration benefit programs in the Philippines need reassessment	HRD-78-26	Jan. 18, 1978
The well-being of older people in Cleveland, Ohio	HRD-77-70	Apr. 19, 1977
Mass transit for elderly and handicapped persons: Urban Mass Transportation Administration's actions	CED-77-37	Mar. 25, 1977
Transportation programs for the elderly	HRD-77-68	Apr. 7, 1977
Services to Indian Head Start grantees under a special program	HRD-76-141	Nov. 4, 1976
Activities of Project Reach, Inc.	MWD-76-51	Jan. 16, 1976
ACTION's progress toward meeting the goals of its establishment	MWD-76-4	Mar. 15, 1976
New child support legislation-- its potential impact and how to improve it	MWD-76-63	Apr. 5, 1976
More can be learned and done about the well-being of children	MWD-76-23	Apr. 9, 1976

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Project Head Start: achievements and problems	MWD-75-51	May 20, 1975
Management of the community action against addiction program in Cleveland, Ohio	MWD-75-92	June 13, 1975
Veterans Administration program for alcoholism treatment often is insufficient: more action needed	MWD-76-16	Sept. 2, 1975
Veterans assistance program in the Philippines should be revised	MWD-76-6	Aug. 4, 1975
Information on the conditions and needs of people 75 years old and up	HRD-80-7	Oct. 15, 1979
Relaxing staff-to-child ratios in Federal day care centers would reduce costs without harming the development of children	FGMSD-79-48	Sept. 25, 1979
Conditions of older people: national information system needed	HRD-79-95	Sept. 20, 1979
Stronger management needed to improve employee organization health plans' payment practices	HRD-79-87	Sept. 7, 1979
Decisive Government action needed to resolve problems of community action programs in Los Angeles	HRD-79-91	June 11, 1979
Legislative and administrative changes needed in community mental health centers program	HRD-79-38	May 2, 1979
State programs for delivering title XX social services to supplemental security income beneficiaries can be improved	HRD-79-59	Apr. 11, 1979

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Early childhood and family development programs improve the quality of life for low-income families	HRD-79-40	Feb. 6, 1979

Market Intervention Activities

Data available to measure impact of minimum and overtime wage provisions of the Fair Labor Standards Act on working parents employing domestic service workers as babysitters	MWD-75-75	June 3, 1975
Problems with Federal equal employment opportunity guidelines on employee selection procedures need to be resolved	FPCD-77-54	Feb. 2, 1978
Additional safeguards needed for Tennessee Valley Authority trades and labor employees to protect their interests in collective bargaining	FPCD-78-12	Mar. 15, 1978
Many Federal equal employment opportunity programs for the private sector should be consolidated	HRD-78-72	June 9, 1978

Other Income Security-Related Programs

Domestic resettlement of Indochinese refugees--struggle for self-reliance	HRD-77-35	May 10, 1977
Evacuation and temporary care afforded Indochinese refugees--Operation New Life	ID-76-63	June 1, 1976
U.S. provides safe haven for Indochinese refugees	ID-75-71	June 16, 1975

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
The Federal crop insurance program can be made more effective	FOD-77-7	Dec. 13, 1977
Alleviating agricultural producer's crop losses: what should the Federal role be?	RED-76-91	May 4, 1976
Better overall planning needed to improve the standard of living of White Mountain Apaches of Arizona	FGMSD-75-47	Aug. 12, 1975
Will Federal assistance to California be affected by Proposition 13?	GGD-78-100	Aug. 10, 1978
Developing State automated information systems to support Federal assistance programs: problems and opportunities	FGMSD-78-31	May 26, 1978
Expenditure of funds under Federal employment, training, and housing programs in Buffalo, New York	HRD-78-101	May 1, 1978
Establishing "entitlement" programs--requiring the payment of benefits to any person, State, or local government meeting legal requirements--preempts the Congress' ability to control the Federal budget	CED-78-98	Apr. 13, 1978
Impact of antirecession assistance on 15 State governments	GGD-77-69	Feb. 22, 1977
Impact of antirecession assistance on 16 county governments	GGD-77-60	Feb. 22, 1977
Impact of antirecession assistance on 21 city governments	GGD-77-70	Feb. 22, 1977
The Federal Government should but doesn't know the cost of administering its assistance programs	GGD-77-87	Feb. 14, 1977

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Antirecession assistance is helping but distribution formula needs reassessment	GGD-77-76	July 20, 1977
Antirecession assistance--an evaluation	PAD-78-20	Nov. 29, 1977
New methods needed for checking computer payments made by computers	FGMSD-76-82	Nov. 7, 1977
Finding out how programs are working: suggestions for congressional oversight	PAD-78-3	Nov. 22, 1977
Social research and development of limited use to national policymakers	HRD-77-34	Apr. 4, 1977
Human resources research and development results can be better managed	FPCD-77-43	Apr. 22, 1977
Financial records and documents of national organizations supporting antipoverty work	HRD-77-158	Oct. 7, 1977
An evaluation of the use of the Transfer Income Model--TRIM--to analyze welfare programs	PAD-78-14	Nov. 25, 1977
Administration of Federal assistance programs--a case study showing need for additional improvements	HRD-76-91	July 28, 1976
Federal management weaknesses cry out for alternatives to deliver programs and services to Indians to improve their quality of life	CED-78-166	Oct. 31, 1978
Federal and District of Columbia employees need to be in separate pay and benefit systems	FPCD-77-71	Jan. 12, 1978

<u>Report title</u>	<u>Reference number</u>	<u>Date of issuance</u>
Federal compensation comparability: need for congressional action	FPCD-78-60	July 21, 1978
Federal agencies can, and should, do more to combat fraud in Government programs	GGD-78-62	Sept. 19, 1978
Proposition 13--how California governments coped with a \$6 billion revenue loss	GGD-79-88	Sept. 24, 1979
How HEW awards grants for its Rehabilitation Services Administration	HRD-79-103	July 24, 1979
Meeting winter heating bills for needy families: how should the Federal program work?	HRD-79-12	Apr. 26, 1979

INCOME SECURITY REFORMINITIATIVES OF THE 1970s

The following is a summary of selected income security reforms initiated during the 1970s by Members of Congress, executive agencies, and public interest groups. The initiatives are divided into five groups: public assistance (welfare), insurance-based, employment or job creation, income tax, and minimum wage initiatives.

1. PUBLIC ASSISTANCE INITIATIVES

Family Assistance Plan--First introduced to the Congress in 1969, this was President Nixon's omnibus reform bill. Modified versions of FAP, presented to the Congress in 1970 and 1971, which were made part of a bill (H. R. 1). H. R. 1 was the major comprehensive welfare reform bill around which public debate has centered for many years. H. R. 1, entitled the Social Security Amendments of 1972, was enacted (Public Law 92-603, October 1972), but the FAP proposal failed to pass the Senate.

FAP would have provided a basic Federal minimum cash payment to all families with dependent children whether the father was present or not. The aid to families with dependent children program would have been eliminated, and other public assistance programs would have been expanded or modified.

Supplemental Security Income--H. R. 1, as enacted, did provide that effective January 1, 1974, existing State-administered, federally reimbursed programs aiding the aged, blind, and disabled would be replaced with a full federally financed and administered program--the SSI program.

SSI is a national program providing a uniform Federal minimum income and uniform eligibility criteria for aged, blind, and disabled individuals. States can supplement the Federal minimum and, in cases, are required to do so. The Social Security Administration, Department of Health, Education, and Welfare, administers the SSI program through its regional and district offices.

Amendments to the 1964 Food Stamp Act (7 U.S.C. 2011)--The Food Stamp Act has been amended many times, most importantly in 1973 and 1977. The 1973 amendments (Public Law 93-86) required a nationwide expansion of the food stamp program by July 1974 and required that the coupon allotment be adjusted semiannually to reflect changes in food prices

as reported by the Bureau of Labor Statistics of the Department of Labor.

The 1977 amendments (Public Law 95-113) provided for elimination of the coupon purchase requirement so that needy households without enough cash can participate in the program. Other changes included replacing the formula for itemizing deductions with a standard deduction of \$60 for each household and eliminating automatic eligibility for recipients of benefits from welfare programs.

Tax Credits and Allowances Act of 1974--This proposal, which also was introduced unsuccessfully in later Congresses, was the product of an exhaustive series of "Studies in Public Welfare" undertaken from 1971 to 1974 by the Subcommittee on Fiscal Policy of the Joint Economic Committee. Called the "Griffiths' proposal," after the Subcommittee's Chairwoman, Martha Griffiths, the proposal would have provided a guaranteed minimum annual income--for all meeting the needs test--through a system of cash grants and a modest sized rebateable tax credit.

The Griffiths' proposal would have replaced the AFDC and the food stamp programs. The SSI program would have been retained but modified.

Income Supplement Program--The 1974 ISP proposal was the product of an interagency welfare reform task force commissioned by the Secretary of HEW. Although never formally introduced to the Congress, ISP was developed to correct the political and programmatic deficiencies of the earlier, unsuccessful FAP. ISP's design also took into consideration knowledge acquired from ongoing HEW-sponsored income transfer experiments.

ISP would have integrated a cash transfer program with the income tax system, and all meeting its income test could have been eligible. All households, therefore, would have had either a tax liability or eligibility for a transfer, depending on its composition and income. ISP would have replaced more existing programs than any similar proposal, replacing at least the AFDC, food stamp, and SSI programs.

1974 Social Services Amendments (title XX) to the Social Security Act (42 U.S.C. 630)--The 1974 Social Services Amendments (Public Law 93-647) to the Social Security Act substantially revised the statutes governing social services programs. The 1974 amendments removed the social services

provision from other Social Security Act titles and consolidated them into a new, separate title (title XX). The amendments also continued the \$2.5 billion Federal expenditure ceiling (established by the 1972 law) and the 75-percent Federal matching of State and local social services programs.

In addition, the 1974 amendments stated explicit goals for social services. Included among the goals were to reduce dependence on public welfare, to prevent abuse and neglect of those unable to care for themselves, and to improve institutional care.

Housing and Community Development Act of 1974--In August 1974, the Housing and Community Act (Public Law 93-383) was enacted in an attempt to consolidate, simplify, and improve laws relating to housing and housing assistance. The 1974 act followed on a January 1973 suspension of existing housing programs and a comprehensive evaluation of Federal policies for providing housing assistance. This evaluation found these programs seriously defective in dealing with the key problem in housing poor families--inadequate income.

National Workers Compensation Act of 1975--The purpose of this bill (not enacted to date) is to improve present coverage under the workmen's compensation programs of the States and to increase equity and adequacy of benefit payments for disabled workers. The bill was the outgrowth of a national commission, which studied workmen's compensation programs for 1 year.

Among the significant provisions of the bill are to:

- Establish minimum workmen's compensation benefits in all States.
- Provide financial and technical assistance to the States to improve existing programs.
- Establish standards to insure an adequate, equitable, and prompt system of compensation and effective medical and vocational rehabilitation services.
- Establish enforcement procedures while preserving the integrity of existing compensation systems.

During 1976, in anticipation of the forthcoming administration's interest in reforming the welfare system, several public interest groups issued policy statements and developed

proposals for change. Although none was formally introduced as legislation, some of the proposals did affect the development of President Carter's 1977 welfare reform bill--the Better Jobs and Income Act. Included among the interest group efforts were the following:

Position on Income Maintenance
National Urban League

The National Urban League proposed to place a floor under all incomes by means of a universal refundable credit income tax, combined with full employment policy and national health insurance. The proposed system was to have the following characteristics:

- Adequacy, equity, and universality.
- Federal financing and administration.
- Benefits not work conditioned.
- Cash benefits rather than in-kind.
- Benefits based on right rather than privilege.

Accordingly, the proposed tax credit was to be universal--everyone would file a tax return, receive a credit, and pay taxes on any income. There would be no means test other than the income tax system itself, no work conditioning, and no criteria for eligibility other than low income or no income at all.

The Urban League proposal was based upon a research paper "The Role of Demogrants as an Income Maintenance Alternative," prepared for the Subcommittee on Fiscal Policy of the Joint Economic Committee. (Aug. 1973--Paper No. 9--Benjamin A. Okner)

Welfare Reform--A Proposal for Change
National Association of Counties

The focus of NACO's task force proposal was on putting people back to work, based on what it called a "work security program." This program, along with separate programs for income security and social services, composed its long-range reform package.

In terms of incremental change, NACO's task force proposed simplification and improvement of existing programs as long as they continued in their present form. A host of specific changes were proposed for food stamps, AFDC, SSI, and medicaid.

Also proposed was that a high-level program review authority be established consisting of Federal, State, local, and congressional committee representatives.

National Welfare Reform:
A Bicentennial Priority
National Governors' Association

This policy statement by the National Governors' Association's welfare task force resulted from questionnaire surveys of the Governors and their State departments. The purpose for the statement was not to detail another program for welfare reform, but to emphasize the need for reform and identify the characteristics of a desirable national income maintenance program.

Desirable program features were spelled out as follows:

- Increased Federal financial participation.
- Uniform coverage of all eligible poor persons.
- National eligibility standards with mandated minimum payment.
- Simplified administrative features.
- More effective incentives for employment.

The task force also proposed establishing a coalition with interested groups--such as the United States Conference of Mayors, the National Association of Counties, and the American Public Welfare Association--to develop and rally behind a common position on welfare reform.

Welfare Reform and Its Financing
Committee for Economic Development 1/

The message in the Committee's July 1976 policy statement was that the Federal Government must assume full financial and administrative responsibility for public assistance, which, the Committee maintained, could be achieved by modifying or eliminating other Federal aid programs, such as the general revenue sharing program.

The following corollary measures were proposed:

- Establishing uniform, equitable, impartial eligibility criteria.
- Introducing strong work incentives for those able to work.
- Conditioning benefits on a work requirement for employables.
- Establishing Federal day-care centers.
- Relegating, to HEW, administration of the aged, blind, and disabled program under the new system.
- Adjusting benefit levels for regional living cost differences.

The Committee pointed out that the policy statement was a reaffirmation of their 1970 statement "Improving the Public Welfare System."

Policy Statement on Welfare Reform
American Public Welfare Association

The Association's position included the following features:

- A nationwide Federal minimum payment, annually updated with the U.S. poverty index, should be established.

1/The Committee for Economic Development is composed of about 200 trustees (corporation presidents or board chairmen and university presidents) who conduct research and formulate policy recommendations on major economic issues.

- States should be allowed to supplement the minimum, and no participant should be made worse off than under current cash aid programs.
- All persons qualifying on the basis of low income and resources should be eligible.
- The AFDC, food stamp, and general assistance programs should be combined into a single program.
- States should administer the program, with Federal supervision of the minimum payment and related eligibility criteria.

The Better Jobs and Income Act--Following his election, President Carter commissioned a welfare reform consulting group which held extensive public and private meetings, issued discussion papers, and narrowed reform approaches down to what it called four leading options. Thus opened the first major welfare policy debate on Capitol Hill since consideration of President Nixon's FAP.

On September 12, 1977, the Carter bill was introduced to the Congress. The complex, far-reaching bill had three main parts. First, a universal cash assistance program--a national minimum payment based upon need would be established to replace the SSI, AFDC, and food stamp programs. Second, a public service jobs program would be established, providing 1.4 million full- and part-time minimum wage paying jobs for primary earners in families with children. Third, the earned income tax credit would be expanded and made available only to private sector workers with children.

The bill's gross Federal cost was estimated by the administration at \$31.1 billion, and net cost over replaced or reduced programs was estimated at \$2.8 billion. In addition, about \$2 billion in fiscal relief was to be extended to State and local taxpayers.

To expedite action, an ad hoc House Subcommittee on Welfare Reform chaired by Congressman James Corman was convened. The Subcommittee was composed of delegates from the Committees on Ways and Means, Agriculture, and Education and Labor. After extensive hearings, the Subcommittee introduced a substitute bill sponsored by Chairman Corman and 16 Subcommittee members and rejected a substitute bill sponsored by Congressman Ullman. No action has been taken on the original or substitute measures.

The Subcommittee's Welfare Reform Bill--This was the Corman Subcommittee's substitute bill for the proposed Better Jobs and Income Act. Important among its changes was the adoption of higher wage level provisions for public service jobs, requiring that employers provide equal wages for equal work. This was largely in response to union pressure, and the fear that regularly employed workers would be replaced by lower paid (minimum wage) participants in the jobs program.

Other Subcommittee changes to the original bill would result, for example, in more generous benefits for some recipients, more Federal dollars for sharing of State supplements, and possibly less overall Federal control of the program. The net result was that the altered bill would cost more than the original Carter proposal.

The Welfare Reform Act of 1978--This was a substitute bill for the proposed Better Jobs and Income Act sponsored by Congressman Ullman, House Ways and Means Committee Chairman. The Ullman plan was far narrower in scope than the original Carter proposal or the House Subcommittee's version of the Carter bill.

Instead of replacing the major welfare programs, Congressman Ullman's bill was an attempt to improve and better coordinate them. It would, for example, consolidate the State AFDC programs into one Federal program with uniform rules and standards, extend coverage to unemployed fathers in all States, provide food stamps to eligible families, and provide public service jobs, but on a far smaller scale than either the Carter plan or the Subcommittee's plan.

As a result, the Ullman proposal was estimated to cost less than the other bills.

Job Opportunities and Family Security Act of 1978 (Baker--Bellmon Bill)--In the Senate, the alternative to the Carter bill and the Subcommittee's substitute bill was a bill introduced by Senators Howard Baker and Henry Bellmon and others. This proposal was aimed at stimulating private sector employment for the poor.

The bill provided that all States would have to include unemployed fathers as eligibles in the AFDC program. It also provided an earnings subsidy for employers of the long-term unemployed and welfare recipients and proposed a small, phased-down system of public service employment for welfare recipients only.

New Coalition Welfare Reform Proposal--By March 1978, the Carter administration indicated willingness to compromise its bill and incorporate provisions of the alternative bills proposed by the Subcommittee, Congressman Ullman, and Senator Baker. A coalition--composed of the National Governors' Association, the National Conference of State Legislatures, the National Association of Counties, and the National League of Cities and the United States Conference of Mayors--formed to draw up an acceptable compromise bill.

The draft compromise proposed to keep intact the AFDC, SSI, and food stamp programs, but to streamline and better coordinate them and to require that the AFDC program be extended to two-parent families in all States. The compromise also provided for State or State-local administration of AFDC and for an increased Federal match for the minimum benefit payments. The compromise also provided for increases in employment and training slots under CETA and an expanded earned income tax credit.

The compromise was estimated to cost as high as \$14 billion over the cost of present programs.

Although major welfare reform did not occur in 1978, the White House has announced that it would press for action on a modified version of the coalition's proposal.

2. INSURANCE-BASED PROGRAM INITIATIVES

Unemployment Insurance Initiatives--The basic (or regular) Federal-State unemployment insurance system was established in 1935 under the Social Security Act to protect covered workers against the loss of income during limited periods of involuntary unemployment. The system is administered by the States, in accordance with Federal guidelines, and is financed by Federal and State payroll taxes levied on employers and, in some States, on employees. The States have developed diverse standards and complex formulas for eligibility requirements, benefit amounts, and periods of coverage. The maximum period of benefit payment varies from 20 to 39 weeks, most frequently 26 weeks. State funds are used to pay benefits; Federal funds pay program administrative expenses.

Extended Benefit Periods--Until 1970, the program provided for temporarily extending the regular benefit payment period beyond what is provided under the regular State programs during periods of high national or State unemployment.

The Federal-State Extended Unemployment Compensation Act of 1970 (Public Law 91-373) established a permanent program of extended benefits. Individuals who exhaust their regular benefits are eligible for extended benefits for up to one-half of the number of weeks of their regular benefit entitlement, but not more than 13 additional weeks. There is a limit of 39 weeks for regular and extended benefits. Extended benefits are funded by the Federal and State governments on a 50-50 basis.

Two temporary programs were established during periods of high unemployment in the 1970s to provide supplemental protection for workers in States with high unemployment rates. The Emergency Unemployment Compensation Acts of 1971 and 1974 (Public Laws 92-224 and 93-572), as amended (covering January 1972 to March 1973 and January 1976 to March 1977, respectively), provided additional benefits to people who exhausted their regular State and Federal-State extended benefits. The 1971 act provided additional benefits for up to one-half of the number of weeks of regular benefit entitlement, but not more than 13 weeks. Under the 1974 act supplemental benefits could be paid for up to 26 weeks. Supplemental benefits were funded by loans to the Federal Unemployment Trust Fund from Federal general revenues.

Benefits for Workers Not Covered by Regular State Programs--The Emergency Jobs and Unemployment Assistance Act of 1974 (Public Law 93-567), as amended, established a temporary system (through December 1976) of special unemployment assistance for persons who had prior work force attachment, but who were not covered under the State unemployment laws. Generally, these persons were formerly employed in State or local governments, agriculture, or domestic services. Under the program, weekly benefit amounts and the number of weeks of benefits were the same as they would have been under the applicable State law, except that the benefit period was limited to a 39 weeks. Benefits were paid out of Federal general revenues.

Job Security Act of 1973--One objective of this bill was to establish Federal standards for regulating the amount of the weekly unemployment benefit. Under the Federal-State unemployment system set up in 1935, weekly benefit amounts are determined by applicable State laws. Since 1935, there have been many attempts to legislate Federal benefit standards, including this proposal by President Nixon in April 1973. None has succeeded.

The formulas used to compute benefits are complex and vary widely among the States. Most States, as a matter of policy, have attempted to pay a benefit equal to half the claimant's wage, but only up to a prescribed maximum amount. In most States, the maximum was 50 percent of the average weekly wage. Because of the maximum benefit limits, many unemployed persons were receiving benefits that were less than half their previous wages. The chief means to ensure attainment of the goal was to raise the maximum benefit.

The proposal would have required each State to provide an eligible claimant with a weekly benefit amount equal to at least 50 percent of the claimant's average weekly wage, up to the State maximum. It also would require that the State maximum be at least two-thirds of the average wage of all covered workers in the State. In effect, the proposal was designed to insure that at least 80 percent of the Nation's covered work force would receive weekly benefits equal to at least 50 percent of their wages when unemployed.

Unemployment Insurance Amendments of 1976--This proposal provided for the creation of a National Commission on Unemployment Compensation to study and report on the program. The Commission has not completed this work. (See p. 62.)

Employee Retirement Income Security Act of 1974--After 3 years of congressional consideration, ERISA was signed into law on September 2, 1974. Considered monumental legislation, the act affects virtually every qualified private pension plan in the United States.

For the first time, uniform nationwide standards were created for eligibility and vesting, funding requirements, fiduciary conduct of plan managers, and public disclosure and reporting of financial data, and broad new regulatory and enforcement procedures were brought into existence.

Both the Departments of Labor and the Treasury have a part in administering this law.

Public Service Employee Retirement Act of 1975--Although not enacted, the bill would have extended many of the controls embodied in ERISA to public retirement plans.

Specifically, the bill would have (1) established minimum standards of fiduciary conduct for plan trustees and administrators, (2) required plans to vest the benefits of employees with significant periods of service with an employer, (3)

required plans to meet minimum standards of funding, and (4) guaranteed the adequacy of the plan's assets by insuring the unfunded portion of the benefits promised.

3. EMPLOYMENT OR JOB CREATION INITIATIVES

Comprehensive Employment and Training Act of 1973--CETA (Public Law 93-203) was enacted in December 1973 to increase employment opportunities and establish a decentralized system of Federal, State, and local employment and training programs for disadvantaged, unemployed, and underemployed persons. CETA substantially changed the Labor Department's job and training programs by incorporating many of the services that were under the Manpower Development and Training Act of 1962 and the Economic Opportunity Act of 1964, and public employment programs under the Emergency Employment Act of 1971.

CETA gave State and local authorities a greater role in planning and managing employment and training programs. Instead of operating through almost 10,000 grants and contracts with public and private organizations, Labor now makes grants to over 400 prime sponsors (generally State or local governments). The sponsors design and execute the programs, and Labor approves the plans, monitors activities, and gives technical aid through its 10 regional offices.

Title VI public service employment programs were added to the act by amendments in December 1974. These programs were aimed at providing temporary employment assistance to the rapidly increasing number of unemployed persons in the Nation. In October 1976, temporary unemployment assistance was extended, and the act was amended to allow the employment of long-term unemployed and low-income persons in title VI projects.

The authorization for CETA (except for its title VIII, the Young Adult Conservation Corps) was due to expire in fiscal year 1978. Legislation to extend CETA (Public Law 95-524) was signed into law on October 27, 1978. Issues of concern during CETA's reauthorization included

- types of public service employment programs to be used,
- distribution of funds among eligible recipients,
- eligibility for participation in the programs,

- wages for participants,
- delivery system to be used,
- relationship between CETA and welfare reform, and
- extent of decategorization of the program.

Full Employment and Balanced Growth Act of 1978--

Introduced in 1976 and reintroduced unsuccessfully in 1977, under the sponsorship of Senator Humphrey and Congressman Hawkins, the measure is a culmination of years of effort by several House and Senate Members to develop "full employment" legislation building on goals set forth in the Employment Act of 1946. As enacted in October 1978, however, the Full Employment and Balanced Growth Act (Public Law 95-523) is a heavily compromised version of the earlier bills.

Unlike the original bill, for example, the act neither establishes fixed numerical targets nor requires the Federal Government to develop any comprehensive plan for achieving the act's major goals. In effect, the act adds to the 1946 Employment Act a procedural framework for setting national economic goals and policies. Each year the President is to send to the Congress a report setting forth:

- Trends in unemployment, employment, production, real income, productivity, and prices and an analysis of developments affecting U.S. economic trends.
- Annual 5-year employment, unemployment, production, real income, and productivity goals.
- The President's programs and policies for achieving the annual goals and for achieving reasonable price stability as soon as possible.

The act sets forth the following priorities for efforts to expand employment opportunities to the "full employment" level:

- Expansion of conventional private jobs through improved use of general economic and structural policies.
- Expansion of private employment through Federal assistance in such areas as education and training, health care, child and other human services, and Federal aid to State and local governments.

--Expansion of public employment other than last-resort or reservoir public service jobs.

--Public service last-resort jobs.

The original bill required the President to prepare an annual plan setting forth goals for full employment, production, and purchasing power and spelling out programs to meet the goals. Also, the Federal Government would be committed to achieving a fixed unemployment rate within 4 years after the bill's enactment.

4. INCOME TAX INITIATIVES

Tax Reduction Act of 1975--Although the tax system's primary purpose is to finance Government, it also serves other purposes, including income redistribution and economic stabilization.

During the 1970s there were five major tax cuts. The 1975 tax cut, \$22.8 billion, which was implemented by the 1975 Tax Reduction Act (Public Law 94-12), was proposed by President Ford when the U.S. economy was in the midst of its deepest postwar recession in recent history. The 1975 Tax Reduction Act also effected changes in the tax law that increased its potential as a tool for income security policy. In effect, tax relief or tax credits were targeted more directly on the low-income population.

First, the standard deduction was increased, which increased the amount of untaxed income for low-income taxpayers. Second, a \$35 tax credit was extended to taxpayers and their dependents. Third, a refundable earned income tax credit (maximum of \$400) was established and made available to families with dependent children having earned incomes less than \$8,000. Fourth, the act provided a \$50 payment for all SSI, social security, and railroad retirement recipients, in order to target some of the tax cut revenues to those not benefiting from the other tax relief measures.

The earned income (tax) credit supplements the income of poor families with earnings and children. It provides a refundable credit equal to 10 percent of the first \$4,000 of earned income. Those with earned incomes above \$4,000 and total incomes below \$8,000 receive a credit equal to \$400 less 10 cents for each dollar earned above \$4,000.

Revenue Adjustment Act of 1975 (Public Law 94-164)--This act continued the tax cuts in the earlier law through the first 6 months of 1976. It made adjustments, however, designed to continue the income tax withholding rates, which resulted from the earlier tax cuts.

Tax Reform Act of 1976--This act (Public Law 94-455) primarily involved various tax reform provisions. It kept the higher standard deduction permanent and extended the other individual (and business) tax cuts through 1977.

Tax Reduction and Simplification Act of 1977--This act (Public Law 95-30), among other things, provided higher permanent flat rate standard deduction amounts (\$2,200 for singles and \$3,200 for couples) and extended the 1975 tax cuts through 1978, including the \$35-per-person exemption.

Administration's Tax Reform Package--On January 30, 1978, President Carter's tax package was presented to the House Ways and Means Committee. The tax package included \$33.9 billion in tax cuts which would be offset by \$9.4 billion in tax revenue gains resulting from tax reforms. About \$16.8 billion in net tax cuts would be received by individuals.

The key tax reform features of the proposal were as follows:

- Changes in several itemized deductions, including elimination of State and local sales, gasoline, personal property, and miscellaneous taxes; elimination of the political contribution deduction, but retention of the political contribution credit; and institution of an extraordinary medical and casualty expense deduction to replace the current medical and casualty loss deductions.
- Elimination or curtailment of certain tax shelters, such as deferred annuities, partnerships, and real estate depreciation.
- Elimination of exemption for unemployment compensation for individuals with incomes over \$20,000 and couples over \$25,000 filing joint returns.
- Substitution of a \$240 tax credit for the \$750 personal exemption now allowed every taxpayer and dependent.

Revenue Act of 1978 (Public Law 95-600)--After extensive hearings, the Congress rejected most of the administration's reform measures and approved its own conference committee version of the Carter tax package. This version--the 1978 Revenue Act--calls for \$18.7 billion in tax cuts. The major features are a higher personal exemption (from \$750 to \$1,000), a higher standard deduction (increased \$100 for single taxpayers and \$200 for couples), and a new rate schedule reducing the number of brackets from 25 to 16 and reducing certain rates for middle-income taxpayers.

In addition, (1) the earned income tax credit was made permanent and increased (maximum credit \$500) and (2) the unemployment compensation exemption was eliminated for individuals earning over \$20,000 and for couples earning over \$25,000 and filing jointly. The act states that it is the intent of the Congress to reduce taxes from 1980 to 1983 if spending growth is limited rather than adopting a fixed schedule for future tax cuts.

5. MINIMUM WAGE INITIATIVES

Amendments to the Fair Labor Standards Act of 1938--The Fair Labor Standards Act of 1938 (Public Law 75-718) is the basic Federal law dealing with minimum wages. The minimum wage provisions of the act have been amended six times, most recently in 1974 and 1977. (All but eight States now have minimum wage laws, some since at least 1912.)

The 1974 amendments increased the Federal minimum wage rates (to \$2.30 per hour on January 1, 1976, for nonagricultural workers) and significantly extended the act's coverage. The 1977 amendments (Public Law 95-151) further extended the act's coverage, raised the minimum rate, and provided for annual incremental rate increases (to \$2.90 per hour effective Jan. 1, 1979). Proposals to tie the minimum wage to raises in the average manufacturing wage rate (i.e., "indexing" it to automatically adjust for inflation) and to establish a subminimum wage for youths were rejected by the Congress.

In addition, the 1977 amendments established a Minimum Wage Study Commission (see p. 63) to review various minimum wage issues, including the effects of the minimum wage, the economic impact of an indexing provision, and the effect on youth employment of a subminimum wage rate.

CONGRESSIONAL COMMITTEES
RESPONSIBLE FOR PLANNING, AUTHORIZATION,
APPROPRIATION, AND EVALUATION OF
INCOME SECURITY PROGRAMS

<u>Committee/Subcommittee</u>	<u>Programs</u>
<u>Senate</u>	
Committee on Agriculture, Nutrition, and Forestry Subcommittees on: Nutrition Rural Development	Food stamps, child nutrition, WIC, rural housing
Committee on Appropriations Subcommittees on: Agriculture and Related Agencies Defense Foreign Operations HUD-Independent Agencies Interior Labor, Health, Education, and Welfare State, Justice, Commerce, and Judiciary Transportation Treasury--Postal Service--General Government	Funding for all programs
Committee on Armed Services Subcommittee on Manpower and Personnel	Military retirement
Committee on Banking, Housing, and Urban Affairs Subcommittees on: Housing and Urban Affairs Rural Housing	Low-income public housing, rent and mortgage supplements, rural housing
Committee on the Budget	Budget matters for all programs

Committee/SubcommitteePrograms

Committee on Commerce, Science,
and Transportation
Subcommittee on Merchant
Marine and Tourism

Coast Guard and NOAA
retirement

Committee on Finance
Subcommittees on:
Health
International Trade
Private Pension Plans and
Employee Fringe Benefits
Public Assistance
Social Security
Taxation and Debt Manage-
ment Generally
Unemployment and Related
Problems

AFDC, SSI, social
security, medicaid,
health care, social
services, private
pension plans, un-
employment insurance,
trade adjustment
activities, black
lung benefits--
disabled coal miners,
tax expenditures

Committee on Foreign Relations
Subcommittee on Arms Control
and International Operations

Foreign Service re-
tirement

Committee on Governmental Affairs
Subcommittees on:
Civil Service and
General Services
Federal Spending Prac-
tices and Open Govern-
ment
Intergovernmental Rela-
tions
Investigations
Oversight of Government
Management

Civil service re-
tirement, review--
all programs

Committee on Labor and Human
Resources
Subcommittees on:
Aging
Alcoholism and Drug Abuse
Child and Human Development
Education, Arts, and
Humanities

Elderly feeding,
refugee assistance,
comprehensive health
services, BEOG, stu-
dent loans, railroad
retirement, FECA

Committee/SubcommitteePrograms

Employment, Poverty, and
Migratory Labor
Handicapped
Health and Scientific
Research

Special benefits for
disabled coal miners,
workers' compensation,
private pension plans,
PHS retirement, CETA
including PSE jobs,
WIN, Head Start, em-
ployment services,
minimum wage, collec-
tive bargaining, voca-
tional rehabilitation,
employment discrimina-
tion

Committee on Veterans' Affairs
Subcommittee on Compensation
and Pensions

Veterans' and survi-
vors' pensions, compen-
sation for service-
connected disability,
health care, education
assistance, housing
assistance, burial bene-
fits, life insurance

Special Committee on Aging

All programs dealing
with the elderly

House of Representatives

Committee on Agriculture

Subcommittees on:

Domestic Marketing, Con-
sumer Relations, and
Nutrition

Family Farms, Rural De-
velopment, and Special
Studies

Department Investigations,
Oversight, and Research

Food stamps,
rural housing, pro-
gram review

Committee on Appropriations

Subcommittees on:

Agriculture, Rural Develop-
ment, and Related Agencies
Defense

Funding for all
programs

<u>Committee/Subcommittee</u>	<u>Programs</u>
Foreign Operations HUD-Independent Agencies Interior Labor--Health, Education, and Welfare State, Justice, Commerce, and Judiciary Transportation Treasury, Postal Service, General Government	
Committee on Armed Services Subcommittee on Military Compensation	Military retirement
Committee on Banking, Finance, and Urban Affairs Subcommittees on: Housing and Community Development General Oversight and Renegotiation	Low-income public housing, rent and mortgage supple- ments, rural housing, program review
Committee on the Budget	Budget matters for all programs
Committee on Education and Labor Subcommittees on: Compensation, Health, and Safety Elementary, Secondary, and Vocational Edu- cation Employment Opportunities Labor-Management Rela- tions Labor Standards Postsecondary Education Select Education Human Resources	School lunch and breakfast, special milk, Head Start, BEOG, student loans, FECA, CETA including PSE jobs, WIN, employment serv- ices, vocational rehabilitation, workers' compensa- tion, black lung benefits--disabled coal miners, min- imum wage, collec- tive bargaining, private pension plans, employment discrimination, WIC

<u>Committee/Subcommittee</u>	<u>Programs</u>
Committee on Foreign Affairs Subcommittee on International Operations	Foreign Service retirement
Committee on Government Operations Subcommittees on: Commerce, Consumer, and Monetary Affairs Government Activities and Transportation Intergovernmental Rela- tions and Human Resources Legislation and National Security Manpower and Housing	Review--all pro- grams
Committee on Interior and Insular Affairs	Assistance to Indians
Committee on Interstate and Foreign Commerce Subcommittees on: Health and the Environment Transportation and Commerce Oversight and Investi- gations	Railroad retirement and unemployment, comprehensive health services, PHS retirement, program review
Committee on the Judiciary Subcommittee on Immigration, Refugees, and Inter- national Law	Refugee assistance
Committee on Merchant Marine and Fisheries Subcommittee on Coast Guard and Navigation	Coast Guard retire- ment
Committee on Post Office and Civil Service Subcommittees on: Compensation and Employee Benefits Investigations	Civil service re- tirement and dis- ability

Committee/SubcommitteePrograms

Committee on Veterans' Affairs
 Subcommittees on:
 Compensation, Pension,
 Insurance, and Memorial
 Affairs
 Education and Training
 and Employment
 Housing
 Medical Facilities and
 Benefits

Veterans' and sur-
 vivors' pensions,
 compensation for
 service-connected
 disability, health
 care, education
 assistance, housing
 assistance, burial
 benefits, life
 insurance

Committee on Ways and Means
 Subcommittees on:
 Health
 Select Revenue
 Measures
 Public Assistance and
 Unemployment Compen-
 sation
 Social Security
 Trade
 Oversight

AFDC, SSI, social
 security, medicaid,
 social services,
 health care, unem-
 ployment insurance,
 trade adjustment
 activities, tax
 expenditures

Select Committee on Aging
 Subcommittees on:
 Human Services
 Health and Long-Term
 Care
 Housing and Consumer
 Interests
 Retirement Income and
 Employment

All programs dealing
 with the elderly

Joint Committees

Joint Economic Committee
 Subcommittees on:
 Economic Growth and
 Stabilization
 Fiscal and Intergovern-
 mental Policy
 Priorities and Economy
 in Government

Matters relating to
 the economy

Joint Committee on Taxation

Operations and
 effects of Fed-
 eral tax system

FEDERAL DEPARTMENTS AND AGENCIES RESPONSIBLE
FOR MANAGING INCOME SECURITY PROGRAMS

Executive Departments

Agriculture

Food and Consumer Services:
Food and Nutrition Service
(Food stamps, child nutrition, WIC)
Rural Development:
Farmers Home Administration
(Rural housing)

Commerce

National Oceanic and Atmospheric Administration
(NOAA retirement)

Defense

Department of the Air Force
Department of the Army
Department of the Navy (including the Marine Corps)
(Military retirement)

Health, Education, and Welfare

Education Division:
Office of Education
(BEOG, student loans)
Health Care Financing Administration:
Medicaid Bureau (Medicaid)
Medicare Bureau (Medicare)
Office of Human Development Services:
Administration for Children, Youth, and Families
(Head Start)
Administration for Public Services
(Social services, WIN)
Administration on Aging
(Elderly feeding)
Rehabilitation Services Administration
(Vocational rehabilitation)
Public Health Service:
Alcohol, Drug Abuse, and Mental Health Administration
(Alcohol and drug abuse community services,
community mental health centers, comprehen-
sive services support)

Health Services Administration
 (Comprehensive health services, Indian health services, PHS retirement)
 Social Security Administration
 (AFDC, SSI, social security retirement and disability, special benefits for disabled coal miners, refugee assistance)

Housing and Urban Development

Housing
 (Low-income public housing, rent and mortgage supplements, housing for the elderly and handicapped)

Interior

Bureau of Indian Affairs
 (General assistance to Indians)

Labor

Bureau of International Labor Affairs
 (Trade adjustment activities)
 Employment and Training Administration:
 Office of Comprehensive Employment Development Programs
 (CETA, including PSE jobs, WIN)
 Office of Youth Programs
 (CETA youth programs)
 Office of National Programs
 (Indian, migrant farmworkers, older Americans)
 Unemployment Insurance Service
 (Federal-State unemployment insurance, unemployment compensation for Federal employees and ex-servicemen)
 United States Employment Service
 (Employment services)
 Employment Standards Administration:
 Office of Workers' Compensation Programs
 (Coal mine workers' compensation, Federal employees' compensation)
 Wage and Hour Division
 (Minimum wage, employment discrimination)
 Office of Contract Compliance Programs
 (Employment discrimination)
 Labor-Management Services Administration
 (Private pension plans, collective bargaining)

State

(Foreign Service retirement)

Transportation

United States Coast Guard
(Coast Guard retirement)

Treasury

Internal Revenue Service
(Tax expenditures)

Independent Agencies

Equal Employment Opportunity Commission
(Employment discrimination)

Legal Services Corporation
(Legal services for the poor)

National Labor Relations Board
(Collective bargaining)

Office of Personnel Management
(Federal civil service retirement and disability)

Pension Benefit Guarantee Corporation
(Private pension plans)

Railroad Retirement Board
(Railroad retirement, disability, and unemployment insurance)

Veterans Administration

Department of Medicine and Surgery
(Health and medical care)

Department of Veterans Benefits
(Compensation and pensions, educational assistance,
and housing assistance)

GAO'S MEETINGS WITH SELECTED
EXPERTS AND CONSULTANTS

During the task force's study, it conducted two panel meetings with income security and government organization and management experts and consultants. Their diverse views were helpful and most appreciated. This report, nevertheless, represents GAO's views and not necessarily those of any of the individual consultants.

The first meeting, which focused on the study's direction and preliminary results, was held on December 5, 1977. Participants included:

Robert M. Ball
Resident Scholar, Institute of Medicine,
National Academy of Sciences, and former
Commissioner, Social Security Administration

William Cannon
Vice President for Business and Finance,
University of Chicago

Leonard M. Greene
President, The Institute for Socioeconomic
Studies

William Kohlberg
Consultant, Ruttenberg & Associates

Michael S. March
Professor, Graduate School of Public
Affairs, University of Colorado
at Boulder

Russell Mueller
Actuary and Minority Legislative
Associate, Pension Task Force, House of
Representatives

Philip J. Rutledge
President, National Institute of
Public Management

Larry Smedley
Associate Director, Department of Social
Security, AFL-CIO

Robert C. Weaver
Distinguished Professor, Department of Urban
Affairs, Hunter College

The second meeting, to review a draft of the report, was held on July 16, 1979. Participants included Messrs. Ball, March, and Rutledge--who attended the first session--as well as:

Wilbur J. Cohen
Dean Emeritus and Professor of Education and Public
Welfare Administration, University of Michigan;
Chairman, National Commission on Unemployment Com-
pensation; and former Secretary of Health, Education,
and Welfare

Rudolph G. Penner
Resident Scholar, American Enterprise Institute
for Policy Research, and former Chief Economist,
Office of Management and Budget

Bert Seidman
Director, Department of Social Security, AFL-CIO

Harold Seidman
Professor, Department of Political Science,
University of Connecticut

Albert T. Sommers
Senior Vice President and Chief Economist,
The Conference Board

Copies of the draft report also were sent to Eli Ginzberg, Director, Conservation of Human Resources, Columbia University, and Chairman, National Commission on Employment Policy, and Martha Griffiths, former Congresswoman and Chairwoman, Subcommittee on Fiscal Policy, Joint Economic Committee, who were unable to attend the session but provided detailed comments on the draft report.

During the second meeting, discussion centered on particular issues that an overall income security group might address. At the panel's suggestion, the task force summarized and expanded somewhat on these issues and later circulated them among the consultants for their opinions about how each issue ranked in importance to the others. Such an exercise, it was theorized, might help suggest a rough agenda for such a group.

Allowing, however, for their individual areas of expertise and differences in their interpretations of the issues, no consensus was obtained. Some consultants felt that most of the issues were of collateral importance, others modified the issue statements and ranked them, and others added new issues to the list. The following is an unranked list of the issues, with modifications as suggested.

A. FEDERAL VS. STATE/LOCAL VS. PRIVATE RESPONSIBILITIES

Financial and administrative responsibilities for public income security programs are spread widely across Federal, State, and local government units. Private sector income security activities--which are greatly influenced by Federal legislation and tax provisions--are managed by businesses, trade unions, charitable organizations, and individuals. What roles and responsibilities are most appropriate for the Federal Government? For State and local governments? What part should the private sector play in a coordinated income security system? How should the financial burdens be distributed?

B. TAXATION

Should income security benefits be taxed, and, if so, what gains and losses might result? Should, for example, the employers' share of social security benefits be taxed so as to recognize (1) the financial difficulties the program has undergone and (2) the fact that social security largely has evolved from a contributory insurance program to a means for redistributing income?

C. FINANCING

Income security program benefits are financed in various ways. Public assistance programs, for example, are financed from general revenues. Insurance-based programs generally are financed by employee and employer payroll taxes or deductions. Are the present methods of financing particular programs, such as social security retirement and disability, the most appropriate, given the (1) systemic effects of economic change on benefits, wages, taxes, unemployment, and social attitudes and (2) experience gained to date?

D. INFLATION

Most of the major income security programs (except veterans' payments, unemployment compensation, and AFDC) are automatically--although varyingly--adjusted to account for the effects of inflation on recipients'

purchasing power. This is called "indexation". Is the present extent to which benefit levels are indexed sufficient, are the current indices appropriate, and should income and payroll taxes also be indexed?

E. UNEMPLOYMENT

Sharp increases in unemployment--such as that which occurred during the mid-1970s--place greater financial burdens on the social and private insurance and public assistance systems. What was sound and what was unsound about the various programmatic responses (CETA and unemployment insurance) to the 1974 recession? Should income security expenditure increases, which occur as a result of unemployment rising above some specified level, be borne by special taxes or general revenues or otherwise be financed differently than when unemployment is at or below the specified level? Should far more emphasis be given to identifying opportunities where job creation-type activities can be substituted for cash transfer programs?

F. DEMOGRAPHICS

With the recent decline in the birth rate, the percentage of Americans over age 65 may climb after 2010 as the World War II era "baby boom" group begins to reach 65. Yet, while Americans are living longer, they have been retiring earlier. If such trends continue, fewer workers may support more retirees at increasing benefit levels for longer periods. What changes, if any, might be in order for programs (such as social security, private pensions, SSI, housing assistance, food stamps, and social services), which provide income security for older Americans? How appropriate are our operational definitions of "old age" and "retirement"?

G. SYSTEM EFFECTS ON SAVINGS AND INVESTMENT

It has been argued that the present abundance of income security programs--most particularly organized retirement programs--encourages people to spend for current consumption, rather than save for old age, illness, disability, or death. Reduced savings, it is argued, results in reduced current investment, which over the longer term, can produce capital shortages, reduced gross national product, and, eventually, overall economic diminishments.

What have been the fiscal impacts of the programs in relation to savings and investment, gross national product,

the Federal budget, or other useful economic and financial indicators? What might be the best criteria against which to measure the programs' fiscal impacts?

H. SYSTEM EFFECTS ON VARIOUS RECIPIENT CATEGORIES

The present program-by-program approach to income security, coupled with gaps in information about the programs, results in an inability to grasp the system's net effects on various recipient groups, such as the elderly, children, the disabled, and the working poor. Another result is the inability to assess the consequences of proposed changes to the programs.

What data--including historical and projected data--are needed to measure the system's distributional effects on various socioeconomic categories of the population? How can such data best be collected?

I. NEGATIVE INCOME TAXATION

Concern about poverty and the costs and complexities associated with administering welfare programs has led to suggestions for distributing money to the poor through the income tax system. The most popular category of transfer-by-taxation plans is "negative income taxation" (NIT).

NIT plans vary with regard to payment size, payment purpose (minimum or "floor" income, and supplement), and payment reduction rates. Yet they commonly propose extending income tax rates below zero to negative levels in order to pay negative taxes (or transfers) to low-income families. In light of available NIT studies, what advantages would accrue from the use of an NIT as (1) a floor under income security programs and related tax expenditures, (2) a substitute for certain programs, or (3) a supplement (fill-the-gap) payment along with the programs?

J. ADEQUACY OF BENEFITS

A goal of income security programs should be to provide recipients with some minimally adequate level of income. What minimum subsistence level is needed now by individuals and families of given sizes in different geographic areas to keep pace with rising living standards and costs? What needs--food, shelter, clothing, health, transportation, legal,

social, or other--should be taken into account in establishing the basic benefit levels? Can the programs be designed so as to provide, in their aggregate, adequate benefits across similarly conditioned recipient units?

K. GAPS AND OVERLAPS

Income security programs were established and continue to evolve incrementally. They target benefits to categorically eligible demographic groups, largely without consideration of the interrelatedness of programs serving the various groups. As a result, the programs collectively now guarantee some basic needs for all and all basic needs for some. Generally, the aged, blind, and disabled and families headed by women receive more transfer payments than do childless couples and the working poor. Inequities occur because of variations from State to State in eligibility criteria and payment levels and because of multiple program participation (in both public assistance and social insurance categories) by some.

How might a "systems view" be adapted to the income security programs? How might program interrelationships be rationalized within a system's perspective? Should benefit levels in programs such as AFDC, unemployment insurance, and workmen's compensation be standardized and made uniform across the States?

L. WORK INCENTIVES

A goal of the income security system should be the encouragement of self-sufficiency. This is to say that those able to work should find it strongly in their interest to do so, and should have higher total incomes if working than if not working.

Yet certain features of present programs (such as the benefit reduction rate and definition of countable income) continually are criticized as discouraging work, especially when individuals benefit from several programs simultaneously. Social security retirement benefits, for example, are reduced \$1 for each \$2 of earnings above an annual exempt amount (which reverts to a straight annuity, regardless of earnings, at age 72). Unemployment insurance benefits may be reduced by earnings during the overall unemployment period, in accordance with State law. Combined AFDC and food stamp recipients, which now total about 2 million families, can have benefit reduction rates on their earnings approaching 77 percent. In short, work can become less attractive financially.

Have income security programs actually reduced work among able-bodied groups, have the programs encouraged substantial unreported income (an "underground economy"), and how can work incentives most effectively be incorporated in the programs?

M. INCOME TESTED VS. NON-INCOME TESTED

Some argue that social insurance programs over the years have taken on more and more "welfare" features, moving them away from their original insurance-based principles.

Should we now recognize that such a transformation has taken place, in light of such facts as social security's coverage for spouses and dependents without increased contributions and unemployment compensation's extended benefits during periods of high unemployment? Should general revenue funds be used to pay part or all of these benefits? What are the financial and other consequences of (1) eliminating the categorical distinctions between social insurance and public assistance programs and (2) using general revenues to help finance social insurance benefits?

- - - -

Following are additional issues suggested by the consultants.

A. PROGRAM PURPOSES AND ROLES

There has been much confusion about the purposes for and roles played by income security programs. Many concepts have been developed to help define and justify them, including deferred compensation or wages; benefits earned by contributions, sacrifice, or service; efforts to meet social needs and provide social equity; and insurance against income loss due to age, disability, death, or unemployment.

Is a sorting and sifting of these concepts needed, and can a clear set of understandings be stated to more coherently define the public purposes for the programs?

B. FRAGMENTED ORGANIZATION OF FEDERAL PROGRAMS

Awareness has increased over the past 15 years that many of the inconsistencies in Federal retirement, social insurance, and public assistance programs have stemmed from

ineffective policy coordination and administration. Congressional consideration of Federal program policies takes place in numerous committees. At the local level, citizens applying for public cash benefit programs are confronted with scattered offices and uncoordinated procedures.

What organizational rearrangements of the programs might provide more consistent legislation, more efficient administration and service, and greater overall economy?

C. ECONOMIC AND SOCIAL EQUITY IMPACT

Public and private insurance and public assistance cash transfers rose from about 3.5 percent of the gross national product in 1950, to over 7 percent in 1970, to about 10 percent in 1976. In 1979 Federal income security programs alone will cost about \$215 billion and related tax expenditures will be about \$30 billion. The income redistribution effects of the programs are substantial when the expenditure (benefit payment) and tax (revenue collection) sides are considered together. However, the programs provide per capita benefits, for example, for the elderly that are many times the amounts for needy children and youth.

Are the distributional effects of these programs equitable and worth the costs in tax burdens and disincentive effects, and are the programs moving beyond the country's capacity and willingness to finance them?

D. UNFUNDED LIABILITIES

At present, private and public pension plans have billions of dollars of unfunded liabilities, and their funding status is very uneven. During the past decade, high inflation has served to exacerbate the funding problems and to point up inadequacies in the conventional actuarial approaches used by the plans.

Since benefit provisions and promises vary greatly across the plans, should the government or a reinsurance plan be responsible for ill-considered commitments? Is the ERISA system capable of handling a potentially high number of bankrupt plans, without drawing inordinately from general revenues? How can public and private pension systems be structured to protect them from the effects of prolonged high inflation?

E. EARLY RETIREMENT AGES

The age at which retirement occurs is a critical element in the cost of a pension plan. Many plans (Federal military and civilian and police and fire) allow early retirement and permit retirees to take an annuity and go to another job--where social security benefits and sometimes another pension can be acquired.

In the future, can the United States afford--economically and socially--to permit workers to retire as early as many of the plans allow, and what is a reasonable limit on total wage replacement, especially when some workers establish entitlement in more than one plan?

F. FRAGMENTED, DUPLICATING DISABILITY PROGRAMS

The maturation of social security disability benefits has produced some excesses when added to (1) State workmen's compensation, (2) veterans' compensation, (3) military disability, and (4) private disability plans. Also, now that SSI is available nationwide to all needy disabled persons, it seems questionable whether non-service-connected disability pensions for needy veterans perform functions that SSI could not perform. Other possible problem areas include:

- Disabled Federal workers, if qualified, may choose between Federal Employee Compensation Act benefits (their workmen's compensation program) and civil service disability retirement. The two programs are administered by separate agencies.
- The rapid escalation of social security benefits in the last decade has pushed the combined benefits in some additive plans to levels where they may be a disincentive to continue working or to rehabilitation.
- Disability standards in many public plans amount only to an inability to perform the duties of a particular position. This is much less than the social security standard of inability to perform any substantial gainful employment.

Can the disability insurance system be restructured to eliminate the overlaps, inefficiencies, and inequities, and should uniform eligibility standards and benefit levels be adopted for all the core disability programs?

(118030)



Single copies of GAO reports are available free of charge. Requests (except by Members of Congress) for additional quantities should be accompanied by payment of \$1.00 per copy.

Requests for single copies (without charge) should be sent to:

U.S. General Accounting Office
Distribution Section, Room 1518
441 G Street, NW.
Washington, DC 20548

Requests for multiple copies should be sent with checks or money orders to:

U.S. General Accounting Office
Distribution Section
P.O. Box 1020
Washington, DC 20013

Checks or money orders should be made payable to the U.S. General Accounting Office. NOTE: Stamps or Superintendent of Documents coupons will not be accepted.

PLEASE DO NOT SEND CASH

To expedite filling your order, use the report number and date in the lower right corner of the front cover.

GAO reports are now available on microfiche. If such copies will meet your needs, be sure to specify that you want microfiche copies.

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



**SPECIAL FOURTH CLASS RATE
BOOK**