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UNITED STATES DEPARTMENT OF AGRICULTURE  
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THE FARMER AND SOCIAL SECURITY

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This year marks the 25th anniversary of the Social Security Act and the 10th anniversary of the beginning of the coverage of farm people, when a few hundred thousand regular farm workers were included under the social insurance provisions of the Act. At the present time, the earnings of almost 2 million farm workers and about  $2\frac{1}{2}$  million farmers are reported annually for credit under the old-age, survivors, and disability insurance program. These anniversaries make a discussion of the impact of the social insurance program on farmers and farm laborers particularly appropriate at this time.

Our discussion must necessarily be a general one. We shall briefly describe the program and trace the legislative changes which have included persons in farm occupations under the Old-Age, Survivors, and Disability Insurance Program provisions of the Social Security Act. Second, we shall present some recent information on the participation of farm operators and farm workers in OASDI, and finally we shall use some results of a series of research studies to illustrate the impact of the program on farm operators and their families.

The purpose of the old-age, survivors, and disability insurance program is to provide benefits which will replace, in part, earnings from work covered by the program when those earnings are cut off by retirement, disability, or death. The right to social security benefits is acquired as a result of covered work, and benefit amounts are related to average earnings. During their working years, workers and self-employed persons who are protected under the program, and employers of covered workers, pay for the benefit which the program provides when earnings are cut off by retirement, disability, or death.

The past quarter century has seen more rapid and far-reaching social and economic changes than any other 25-year period in our history. One of the most important pieces of social legislation of this period was the passage of the Social Security Act in 1935. At present, there is little debate over the desirability of such a program of social insurance. The major concern is how best to extend and expand the program. 1/

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1/ Our discussion leans heavily on the Anniversary Issue of: Social Security Bulletin. Vol. 23, Number 8. August 1960. In addition to articles on various aspects of the Social Security Program, the issue contains a chronology of significant events from 1935-60.

Given before the 38th Annual Outlook Conference, U. S. Department of Agriculture, Washington, D. C., at 1:30 p.m., November 16, 1960.

The social insurance provisions of the Act were applied first only to wage and salary workers in nonagricultural industries. Not only did these workers comprise the largest segment of the work force, but problems of administration were less formidable in industries with a relatively small number of units which employed a large number of workers. In addition, regularity of employment and the presence of an established accounting system for recording the wages of individual workers simplified the wage reporting and tax collection problems. This approach also offered the advantage of providing administrative and actuarial experience with the less complicated industrial and business employments before the coverage of farm occupations was undertaken.

It was not until 1950 that some "regular" farm laborers were covered by old-age, survivors, and disability insurance; farm operators and additional hired workers were not covered until 1955. These amendments covered most individuals who depend on farm employment for a living.

The mobility of the hired farm worker and the seasonal fluctuation in labor requirements are two factors which have made difficult the successful implementation of a complex wage-related social insurance program. The successful administration of the program depends upon adequate records of wages and net earnings. The five years of experience with the coverage of self-employed persons in other occupations was very helpful in establishing procedures for the coverage of self-employed farm operators. In 1956, another amendment made it possible for farm landlords to secure the protection of the social insurance program under certain conditions. <sup>2/</sup> Owing to the limitation of time, we cannot discuss here the details of these amendments, but we can describe the present requirements for the coverage of farmers and farm laborers under old-age, survivors, and disability insurance.

At the present time (1960) the maximum amount of wages and self-employment earnings to be reported by a farmer or nonfarm person for social security purposes is \$4,800. Previous maximums were \$3,000, \$3,600, and \$4,200. Recent suggestions would increase the maximum to \$6,000 or more.

The increases in the maximum amount of earnings to be reported are attempts to allow for increases in price and income levels. The amount of the monthly benefits paid under the program has increased several times since the enactment of the original law.

The social security tax in the early days of the program was relatively small, as it was designed to provide only a contingency reserve in the trust fund. With the increases in the number of persons entitled to benefits, the inclusion of additional benefits such as the disability

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<sup>2/</sup> The landlord must "materially participate" in the actual production activities of the rented farm or in the management of these production activities in order for the rental income to be considered as covered earnings from farm self-employment for social security purposes.

benefits, and the gradual maturing of the program to the point where most covered workers pay taxes throughout their entire working lifetime, adjustments have been made in the social security tax rate to insure the program's continued actuarial and financial soundness. At the present time, the self-employed pay a  $4\frac{1}{2}$  percent tax on their earnings. Employers and employees each contribute 3 percent of the worker's wages.

Individuals with less than \$400 of self-employment earnings are not covered under the old-age, survivors, and disability insurance program.

When Congress provided for the coverage of farm self-employment income, allowance was made for the late entry of farmers into the old-age, survivors, and disability insurance program by specifying that up to 5 years of low or no earnings could be eliminated in computing the average earnings on which benefits are based. Optional income computation methods were also provided. These options <sup>3/</sup> permit farmers to get social security credit for as much as \$1,200 (based on two-thirds of gross income), even for years in which they have no net earnings whatever. When their actual net earnings exceed \$1,200, they, like other self-employed persons, get credit for the full amount of their earnings up to \$4,800. This option is of particular importance to the low-income farm operator.

Farm laborers who are paid \$150 or more in cash wages by an employer or who work for an employer for 20 or more days in a calendar year and are paid on a time basis (per hour, day, or week) are covered under the old-age, survivors, and disability insurance program. Beginning January 1, 1957 crew leaders who pay the workers their wages are usually considered as employers of the crew members unless a written agreement with the farmer specified that the crew leader is an employee of the farmer. This provision was designed to provide a single employer for crew members who receive a small amount of wages for short periods of work on a number of different farms and who otherwise would not be covered under the old-age, survivors, and disability insurance program.

The \$4,800 maximum on taxable earnings (farm and nonfarm) permits most farmers and farm laborers to receive social security credit for all or a substantial part of their earnings. In 1956, the latest year for

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<sup>3/</sup> Under the options now in effect, a farmer whose annual gross farm income is at least \$600 but not more than \$1,800 may report for social security purposes either his actual net earnings (if they are \$400 or more) or two-thirds of his gross farm income. If his gross income is more than \$1,800, the farmer must compute his actual net earnings (gross receipts less expenses); if these net earnings are less than \$1,200 he may report for social security purposes either his actual net earnings (if they are \$400 or more) or presumed net earnings of \$1,200. The decision concerning the method of computing net earnings to be reported for social security purposes is made each year at the time the tax return is being prepared. The optional method is not available for any other self-employed group.

which such data have been published 4/, 2,550,000 farm operators paid social security taxes on self-employment earnings averaging \$1,830 for that year. The largest average, \$2,470, was reported from California; the smallest, \$1,220, from Tennessee. In the same year, social security taxes were paid on an average annual farm wage of \$850 for 1,920,000 farm laborers. The largest average, \$1,890, was reported from Hawaii; the smallest, \$515, from Maine. 5/

The number of farm operators paying social security taxes was about 51 percent of the total number of farms in 1956 (as estimated by AMS), and about 68 percent of the commercial farms enumerated in the 1954 Census of Agriculture. Many of the nonreporting farm operators did not have the \$400 net earnings required for coverage under the old-age, survivors, and disability insurance program; others had wages equal to the maximum taxable earnings to be reported, hence did not report any self-employment earnings. Some, for reasons unknown, did not file a social security tax return.

While the definition of agricultural labor in the Social Security Act is broader than that used in reports of the U. S. Department of Agriculture, the published data of the Department indicate that about half of all persons who worked for farm wages during 1956 did not receive the minimum amount of cash wages required for coverage under the program. In 1956, as previously indicated, the average taxable wage for hired farm workers was \$850, well below the maximum of \$4,800. A more recent estimate indicates that, in 1959, fewer than 2 percent of all hired farm workers with at least 25 days of farm wage work earned \$4,800 or more from both farm and nonfarm employment. 6/ About two-thirds (65 percent) of these workers earned less than \$1,000 from farm and nonfarm employment. 7/ About 1.4 million persons worked less than 25 days at farm wage work in 1959. These short-term workers averaged only \$471 from all types of employment in 1959, and only a very small proportion qualified for OASDI coverage from farm employment. Since eventual benefits are closely related to the earnings reported for social security purposes, the low earnings of covered farm wage workers places them at a relative disadvantage compared to the average factory worker who earned wages of \$4,652 in 1959. 8/

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4/ Farm Coverage Statistics, U. S. Department of Health, Education, and Welfare, Social Security Administration. BOASI December 1959, Table 1, page 1.

5/ In 1956, persons who were paid \$100 or more in cash farm wages from one employer were subject to the OASDI tax.

6/ Preliminary data taken from tabulations for The Hired Farm Working of 1959. These, and related data, are to be published as an Agriculture Information Bulletin early in 1961.

7/ Ibid.

8/ See: Farm Income Situation, FIS-179. July 1960. Table 8H, page 39.

The economic position of farm operators is better than that of hired farm workers. In 1959, the average net cash income of farm operators was about \$1,600, an amount that would mean substantially higher earnings reported by the self-employed farm operator and therefore higher eventual benefits. <sup>9/</sup> Even so, the farmers' average net earnings reported to OASDI are considerably less than that of the average factory worker.

Despite the differences in definitions and concepts involved in these comparisons, it seems safe to say that most farm laborers with more than a casual attachment to the farm labor market are covered by OASDI. It is also clear that a substantial proportion of farm operators covered under the program filed social security tax returns and paid OASDI taxes.

Between 1951 and 1954, when the extension of OASDI to farm operators was being considered, AMS in cooperation with State Agricultural Experiment Stations surveyed farm operators and farm workers in selected farming areas in four States. <sup>10/</sup> The purpose of the research was to determine the economic position of the farm operator, his retirement prospects, and his attitudes toward the extension of OASDI coverage to farmers and to farm laborers.

More than 80 percent of farm operators in each survey area approved of the existing OASI Program, and a substantial majority of all those who expressed an opinion favored the inclusion of farm operators in the program. The majority of both operators and regular hired workers agreed that coverage should also be extended to the regular hired farm worker.

In view of the wide range of economic and social conditions in the four areas, this consensus is particularly impressive. It suggests, we believe, that farmers were not resistant to the idea of OASDI coverage, an attitude attributed to them by some. These favorable attitudes are understandable in the light of survey results which showed that most farmers lacked the economic resources to provide adequately for their old age or, in the event of their death, to provide for their survivors. The position of farm laborers is much less advantageous than that of farm operators; the farm laborers' favorable attitudes toward OASDI were probably influenced by this fact.

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<sup>9/</sup> Data from: The Farm Income Situation, FIS-179. July 1960. AMS, USDA. Table 9H, page 40. This figure includes all sources of cash income, including nonemployment sources. In 1956, net cash income per farm operator averaged \$1,776, quite similar to the \$1,830 on which the average farm operator paid OASDI taxes.

<sup>10/</sup> Surveys were conducted in Connecticut and Wisconsin in 1951, in Texas in 1952, and in Kentucky in 1954. A summary of the results of these studies is contained in: The Farmer and Old Age Security. Agricultural Information Bulletin, 151. AMS, USDA. December 1955.

There is no conclusive information on farmers' attitudes toward the social security program at the time OASDI was initiated, but the evidence is clear that in the early 1950's farmers were receptive to the extension of the program. 11/

These early studies formed part of the basis for USDA support of the 1954 amendments to the Social Security Act. 12/

In the past five years additional research has been conducted in selected areas of seven States, in order to determine the effect of the 1954 amendments on farm operators and their farming arrangements. 13/ Particular interest was paid to farmers' knowledge of the program, their participation in it, their opinions about it, and the role of OASDI in their retirement plans.

Knowledge of the program is particularly important for self-employed farm operators. The law is not simple, and it has been frequently amended and extended. Unlike the employee, whose wages are reported by his employer, a self-employed person must know enough about the law to comply with the reporting and tax provisions.

The attitudes toward the program also may influence participation. For example, the decision concerning the option to be used in calculating net income will be influenced by the farmers' attitudes about the program.

At the risk of over-simplification, we shall indicate some of the more important generalizations derived from these surveys.

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11/ A 1937 national survey showed that 73 percent of the population approved of OASI. See: Morris Janowitz. "Public Perspectives on Social Security." Social Work. Vol. 1, No. 3, July 1956. pp. 94-101.

12/ See the statement of True D. Morse, Under Secretary of Agriculture, before the House Committee on Ways and Means, April 6, 1954.

13/ These research studies are reported in the following publications: Ploch, Louis A. and Ducoff, Louis J. "Old Age and Survivors Insurance Program." Maine Agr. Exp. Sta. Mimeo Report No. 69, 1957; Skrabanek, R. L., Keel, Lloyd S., and Ducoff, Louis J. "Texas Farmers and Old Age and Survivors Insurance." Texas Agr. Exp. Sta. Bul. 886, 1958; Christiansen, John R., Coughenour, C. Milton, Ducoff, Louis J., and Coleman, A. Lee. "Social Security and the Farmer in Kentucky." Ky. Agr. Exp. Sta. Bul. 654, 1958; and Bauder, Ward, "Iowa Farm Operators' and Farm Landlords' Knowledge of, Participation in, and Acceptance of the Old Age and Survivors Insurance Program." Iowa Agr. and Home Economics Exp. Sta. Res. Bul. 479, June 1960. Related cooperative studies have been completed in Oklahoma, North Carolina, and Minnesota and the results are to appear in publications of the respective Agricultural Experiment Stations.



1. Considerable variation in knowledge about the program was found. These variations were related to differences in economic status, formal education, and personal experience with the program. <sup>14/</sup> Farmers in more prosperous areas were generally better informed than those in low-income counties surveyed.

2. In each survey, about 90 percent of the farmers interviewed had Social Security cards--an indication of the prevalence of some non-farm employment among farm operators.

3. The proportion of all farm operators in the survey who paid Social Security taxes on farm income varied from about 90 percent in a high-income area to about 30 percent in a low-income area.

4. The proportion of farm operators who met the coverage requirements and should have paid the tax, but did not, varied from about 9 percent in a high-income area to 30 percent in a low-income area.

5. Opinions of the program as expressed by a majority of persons interviewed were favorable--from 80 to more than 90 percent of farm operators approved of the program.

6. The changes suggested most frequently were those which indicated a desire to see the program broadened and extended. For example, the change most often suggested was that the retirement age be lowered.

7. Farmers were best informed about the retirement aspects of OASDI, and less aware of the survivors and disability aspects of the program.

8. Few farm operators had made any changes in their farm arrangements in order to qualify for benefits or coverage, but most operators were counting on OASDI payments in retirement.

9. The great majority of farmers (from 82 to 90 percent in the various study areas) approved of OASDI coverage for regular farm workers.

10. The majority of farmers planned to continue farming after 65 years of age, but to do so on a reduced scale.

11. Retirement plans generally were based on the anticipation of some OASDI income, but the OASDI funds are viewed as supplementary to other financial resources.

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<sup>14/</sup> Results of a study in an urban area indicated that, ". . . the pragmatic education provided by contact with these (Social Security) agencies eliminated the disabilities derived from a lack of formal education among those in low social class positions" and that ". . . self-interest operates to overcome educational limitations." Morris Janowitz. op. cit. p. 98.

In summary: Most farmers approved of the OASDI Program and the coverage of farm operators and regular farm workers. Considering the relatively brief period during which the program had been in operation, knowledge of the details of the program relating to retirement benefits was high. The majority of the suggestions made for changes in the program involved liberalization of the program rather than curtailment. OASDI retirement benefits were viewed as supplemental to other income.

We certainly do not wish to give the impression that farm operators knew as much about the program as might be desirable, or that all administrative problems had been solved, or that no reservations about the program were expressed by the farmer.

The relatively low level of knowledge and concern about the survivors and disability aspects of OASDI among farm operators has already been mentioned. Accurate and widespread information about the entire program is important if the self-employed farm operator and his family are to derive maximum benefit from the program.

Most of the disadvantages of the program cited by farm operators involved provisions which they felt should be liberalized, e.g., higher benefit payments or a lower retirement age. There were, however, the inevitable complaints voiced against the "red tape" involved, and a perfectly understandable exception taken by some younger farmers to the provision which made possible at the beginning of the program the retirement of older operators with as few as six complete quarters of coverage. (At the present time, under the 1960 amendments, a 65-year-old farm operator needs 12 quarters of coverage to qualify for old-age insurance benefits.)

A certain degree of noncompliance is to be expected in any program and there is evidence that a small proportion of farm operators who should pay the tax do not now pay it.

It is obvious that OASDI benefit payments are of more importance for the low-income farmer than for other operators; it should also be obvious that it is this group which is hardest to reach with the necessary information and the one which has most difficulty in qualifying for coverage, and--because benefits are based on earnings--would receive lower benefits.

Now, what is the outlook?

First, we can be sure that an increasing proportion of farmers and farm laborers will attain an insured status under the program, and that Social Security benefits will become more and more important in making possible a degree of economic security in old age or disability for farm operators and in providing for their dependents. Even the minimum monthly benefit of \$33 may mean the difference between partial retirement and the necessity for full-time work.

To regular farm wage workers, who comprise the central core of the hired farm working force, OASDI has extended a retirement program that is almost universal for wage and salary workers in other industries.

There are also some probable future developments that should be given serious consideration, though we can mention these only briefly.

1. We have noted that about 20 years elapsed between the enactment of the Social Security Act and the extension of OASDI provisions to a substantial number of persons in farm occupations. Other types of social legislation such as unemployment compensation still do not apply to farm occupations. The U. S. Department of Labor recently initiated studies to explore the feasibility of unemployment compensation for farm wage workers, and legislation proposals have been made at various times for the extension of other social legislation to the farm wage worker. Of course, if other programs are coordinated with OASDI, farm operators and farm workers would be included, though perhaps on a more limited basis than other workers.

2. The addition of any form of economic or social benefit always enhances the status of an occupation. Farm operators may benefit from OASDI either by attaining coverage for the first time or by increasing their potential benefits through coverage in farm, as well as nonfarm, employment. The extension of OASDI coverage to hired farm workers probably will not attract workers to agriculture, but it has had the effect of reducing somewhat the disparity between the rewards of farm and nonfarm employment. At the very least, OASDI coverage permits the farm wage worker to share in the benefits enjoyed by workers in other occupations and to shift from nonfarm to farm employment without loss of coverage.

3. OASDI benefit payments to older farm operators--who comprise about 20 percent of all farm operators--not only provide a means of income maintenance for the family, but also may reduce the cost of local welfare programs. 15/

4. Research studies indicate that most farmers prefer to remain on their farm after they reach retirement age. The assurance of a minimum income helps to make this possible. OASDI benefit payments also reduce the dependence of the older farm operators on their children or other relatives. It is evident, too, that the knowledge that a farmer has earned the benefits he receives is of considerable psychological importance. These psychological consequences are not easy to assess precisely, but observers who have had personal experience with the important differences--both economic and psychological--generally agree that OASDI payments can make this aspect an important one.

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15/ For a related discussion, see: John C. Ellickson. "Social Security for Farm Operators: Acceptance and Role in Farm Population Adjustment." Journal of Farm Economics. Vol. XL, No. 5, December 1958. pp. 1662-1670.

5. Perhaps the best advice for the future is contained in a recent statement by the Secretary of Health, Education, and Welfare: "Social Security is today an accepted part of our culture and an essential bulwark for our economy. . . . Much remains to be done . . . . We need to rethink and reformulate our Social Security goals for the future. Even to keep up with the social and economic changes that are clearly foreseeable will require a major effort." <sup>16/</sup> The farm population will be significantly affected by these future efforts.

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<sup>16/</sup> Social Security Bulletin. August 1960. op. cit., p. 1.