

Coverage of Ministers Under Old-Age, Survivors, and Disability Insurance

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THE 1954 amendments to the Social Security Act, which first extended the coverage of the old-age, survivors, and disability insurance program to ministers, made coverage available to them on an individual voluntary basis. Since clergymen are the only group whose coverage is on this basis, information about their participation in the program is of special interest. The experience provides a unique "case history," useful in studying the more general implications involved in individual voluntary coverage under old-age, survivors, and disability insurance.

From the records of the Bureau of Old-Age and Survivors Insurance, information has been collected on the number and characteristics—age, race, location, and denomination—of the ministers electing coverage under the program. These data were then compared with available information on all full-time ministers who are eligible for coverage.

The data show that, of the 200,000 full-time ministers who are eligible for coverage, about 140,000 or 70 percent have elected to participate in the program. About 80 percent of the Protestant clergymen and 20 percent of the Catholic clergymen are participating. There is great variation in coverage, however, among the Protestant denominations. A high proportion of the older ministers have elected coverage, but only about half the youngest ministers have done so. Relatively many more of the white ministers than of the nonwhite ministers have elected to come under the program.

PROVISIONS FOR COVERAGE OF MINISTERS

It is significant that the ministry was the only type of work for which individual voluntary coverage was acceptable to Congress, although pro-

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posals for coverage on such a basis were made in connection with several other groups. The Senate Committee on Finance in its report on the 1954 amendments¹ said, with reference to the provisions applying to ministers, that individual voluntary coverage, although not generally desirable, was justified for ministers because of special circumstances. The Committee said:

Many churches have expressed the fear that their participation in the old-age and survivors insurance program as employers of ministers might interfere with the well-established principle of separation of church and State. Many church representatives also believe that individual ministers who do not wish to be covered on grounds of conscience should not be required to participate in the program.

The provisions of the 1954 amendments relating to ministers were designed to deal with these special circumstances while safeguarding the program against some of the undesirable effects that can result from voluntary coverage. Under these provisions a duly ordained, licensed, or commissioned minister, a Christian Science practitioner, or a member of a religious order (who has not taken a vow of poverty) can elect coverage by filing a certificate indicating his desire for coverage. Once the clergyman has elected coverage, he cannot withdraw from the program, and he must continue to pay the tax on his earnings from the ministry in all future years.

Taxable Income

For the purposes of old-age, survivors, and disability insurance, a minister who has elected coverage reports his earnings and pays the self-employment tax in the same manner as do self-employed persons covered under the program. (Most ministers are not in fact self-employed.)

¹ Senate Report No. 1987 (83d Cong., 2d sess.), July 1954, page 9.

A minister's earnings are reportable if he has net income of \$400 or more in a year in "self-employment" income, some part of which is from the ministry.²

Under 1957 legislation not applicable to the self-employed in general, the minister, in computing his self-employment income for the purposes of old-age, survivors, and disability insurance, must include in his taxable earnings the rental value of his parsonage and the value of certain meals and lodgings furnished to him, in addition to his salary, fees, honoraria, and other customary cash income.³ Thus a minister who elects coverage must report all his cash and non-cash self-employment income if the total amounts to \$400 or more. Because of these self-employment provisions, the church or institution the clergyman serves does not in any way become involved in the coverage of its ministers by the Federal program.

Deadline for Electing Coverage

Under the 1954 amendments, persons already in the ministry who wished to elect coverage were required to file a certificate by the date their 1956 income-tax return was due. They thus had about 2 years to file. Legislation passed in 1957 (Public Law 85-239) extended this deadline an additional 2 years—that is, until the date the 1958 tax return was due. The 1960 amendments further extended the filing deadline until the due date of the 1961 return.

Persons newly entering the ministry and desiring coverage are required to make their election within about 2 years after they begin to have taxable income from the ministry. In the future, therefore, new clergymen who elect coverage will in most instances do so in their younger years and—since the action is irrevocable—will contribute to the program throughout their working lifetimes. Those ministers who do not file the waiver certificate before their deadline will not have an

² A special provision of the 1954 amendments permits ministers working as missionaries abroad to pay the self-employment contribution and receive credits under the program for income from sources outside the country that would not otherwise be covered.

³ The provision was added by Public Law 85-239, effective generally beginning in 1958.

opportunity to participate in the program in their later life. In this way the program is safeguarded in the long run against any serious effects of "adverse selection," which might result if young persons could delay electing coverage until the benefits payable under the program appeared fairly immediate.

CHARACTERISTICS OF MINISTERS ELECTING COVERAGE

In the following paragraphs the number of clergymen eligible for coverage under the elective provisions of the Social Security Act is compared with the number electing coverage in terms of age, race, location, and denomination. The estimates of eligible ministers are based on the 1950 Census, except where otherwise indicated. The figures for those eligible, by age, race, and geographic region, were obtained by applying the distribution by these characteristics in the unadjusted Census data to the figures for all eligible ministers. Although the total eligible group is slightly larger for 1958 than for 1957, in both years the number of eligibles was about 200,000.

Major Religious Groups

Estimates of the number of full-time clergymen in the three major religious groups who were eligible for coverage under old-age, survivors, and disability insurance and the number who had elected coverage for 1958 are shown in the following tabulation.

Religious group	Eligible for coverage	Electing coverage	
		Number	Percent
Total.....	200,000	140,000	70
Protestant.....	170,000	135,000	80
Roman Catholic.....	30,000	8,000	20
Jewish.....	3,300	3,000	92

Because under the 1957 legislation the deadline for electing coverage expired at the end of the 1958 tax year for most ministers and because filing under the 1960 amendments could not begin until the last quarter of 1960, relatively few ministers have filed a waiver since 1958. The tabula-

tion thus presents a fairly accurate picture of their coverage at the end of 1960.

As shown in the tabulation, about 70 percent of all ministers eligible for participation in the program have elected coverage. Only about 35,000 of the 170,000 eligible Protestant ministers but about 25,000 of the 30,000 eligible Catholic clergymen did not file waivers for coverage. The estimates exclude ministers earning less than \$400 a year, the 20,000 Catholic priests who have taken a vow of poverty and who therefore are not eligible, and ministers employed by governments; they include ordained missionaries overseas.

Age and Race

Table 1 shows, for 1957, the age of the full-time ministers eligible for coverage and of those electing coverage. A large majority of the oldest ministers (aged 60 and over) have elected coverage, but less than half the youngest ministers (under age 30) have done so. The figure for the younger ministers is not complete, because some recent entrants into the ministry can be expected to elect coverage before their 2-year deadline expires, but this factor does not substantially obscure the trend by age in the proportion electing coverage.

Data are not available to show, for each of the various denominations, the age of the clergymen electing coverage. However, a survey conducted in early 1957 by the United Lutheran Church in America showed that, although the rate of elections of coverage among ministers in that de-

TABLE 1.—Coverage of full-time ministers, by age, 1957

Age	Eligible for coverage ¹	Electing coverage ²	
		Number	Percent
Total.....	200,000	134,500	67
Under 30.....	24,500	11,500	47
30-39.....	51,500	33,000	64
40-49.....	48,500	32,500	67
50-59.....	39,500	26,500	68
60-64.....	15,000	13,000	85
65 and over.....	21,000	17,500	85

¹ Clergymen for whom the ministry is their "major activity," as defined by the Bureau of the Census. Estimates based on data from the 1950 Census of Population, adjusted to (1) exclude ministers earning less than \$400 annually, Catholic priests who have taken a vow of poverty, and ministers employed by governments; (2) include ordained missionaries overseas; (3) allow for turnover during the year; and (4) update to 1957.

² Based on a sample of self-employment returns and waiver certificates filed by ministers who reported self-employment earnings from the exercise of the ministry for 1957; data on their earnings indicate that almost all are full-time ministers.

TABLE 2.—Coverage of ministers of the United Lutheran Church in America, by age, 1957

Age	Number ¹	Electing coverage	
		Number	Percent
Total.....	3,285	2,639	80
Under 30.....	549	262	48
30-39.....	912	663	73
40-49.....	767	695	91
60 and over.....	1,057	1,019	96

¹ Number of responses to questionnaires (approximately 90 percent of number sent out); 89 persons (39 under age 30) reported as "undecided."

Source: Survey conducted by United Lutheran Church in America.

nomination was relatively high (80 percent), the proportion of the younger ministers electing coverage was substantially less than that of the older ministers (table 2). It is likely that a similar variation by age in the proportion electing coverage exists in most denominations.

The rate at which new ministers are electing coverage is significant. As time passes, the older ministers retire or die and are replaced by those who are now the younger ministers. The rate at which these younger ministers elect coverage (before the deadline expires for them) will therefore determine the extent to which ministers as a whole will be covered at some time in the future. Thus, if the election of coverage by new ministers continues at the present relatively low rate, the level of coverage for ministers as a group will gradually decline from year to year until it stabilizes at the average rate at which the new ministers elect coverage.

Relatively many more white ministers than nonwhite ministers have elected coverage. Data for 1957 show that, out of a total of 177,000 white clergymen who were eligible to participate in the program, 130,000 or almost three-fourths have elected to be covered. Among the 23,000 nonwhite ministers, 4,500 or less than one-fifth have elected coverage.

Geographic Region

Table 3 shows the distribution, according to geographic location, of the full-time clergymen who have elected coverage. There is relatively little variation in the extent of coverage of all clergymen among the Northeast, North Central, and Southern regions, but the proportion of cov-

erage is comparatively high in the West. Among the Protestant ministers, the proportion electing coverage is much smaller in the South than in the other regions. This difference reflects in part the concentration of Catholic priests, relatively few of whom have elected to be covered, in the Northeast and North Central regions.

Denomination

The extent to which ministers of different denominations elected coverage is shown, for 1957, in table 4. The list excludes denominations with fewer than 1,500 ministers eligible for coverage, as well as some denominations for which data are not available. These figures are based on data from the *1959 Yearbook of American Churches*.

There is wide variation among the different denominations in the proportion of ministers electing coverage. Of the 20 denominations listed here, seven denominations had at least 90 percent of their ministers covered, but in five denominations fewer than 50 percent were covered.

Some of the "denominations" listed, such as the Baptists, Methodists, Lutherans, and Presbyterians, are actually designations of groups of denominations rather than individual ones. (Included among the Baptist denominations, for example, are—to mention only a few—the American Baptist Convention, the Southern Baptist Convention, and the National Baptist Convention of America.) Although complete data about coverage of each of the separate denominations among these groups are not available, there is evidence of considerable variation in coverage among the various Baptist and Methodist de-

TABLE 4.—Coverage of ministers, by selected denominations, 1957

Denomination	Eligible for coverage ¹	Electing coverage ²	
		Number	Percent
Baptist.....	59,000	23,200	40
Methodist.....	33,700	17,100	51
Roman Catholic.....	29,000	5,600	19
Lutheran.....	13,000	12,300	95
Presbyterian.....	10,500	9,400	90
Churches of God.....	7,900	1,700	21
Assemblies of God.....	7,400	5,100	70
Churches of Christ.....	6,800	3,400	51
Protestant Episcopal.....	6,200	5,700	91
Congregational Christian ³	3,900	3,400	91
Pentecostal.....	3,700	600	15
Church of the Nazarene.....	3,800	3,500	93
Salvation Army.....	3,600	2,800	77
Jewish.....	3,300	3,000	92
Evangelical United Brethren.....	2,800	2,200	80
Other Brethren bodies.....	2,200	1,200	56
Adventist.....	2,600	2,100	83
Mennonites.....	2,400	600	23
Evangelical and Reformed ³	2,300	2,200	96
Eastern Orthodox.....	1,600	1,100	71

¹ Includes ministers performing either full-time or part-time services in the ministry; estimates based on data from the *1959 Yearbook of American Churches* (National Council of the Churches of Christ in the U.S.A.), adjusted to exclude inactive and retired ministers, those earning under \$400 a year, and Catholic priests who have taken a vow of poverty.

² Excludes ministers whose denomination could not be identified.

³ The Congregational Christian and the Evangelical and Reformed denominations have united to form the United Church of Christ.

nominations. For example, the proportions of ministers in the American Baptist Convention and in the Methodist Church who have elected coverage seem considerably higher than those for the Baptist and the Methodist denominations when grouped. On the other hand, there is apparently little variation in coverage among the major Lutheran and Presbyterian denominations.

MINISTERS TAKING ADVANTAGE OF EXTENDED FILING DATE

The legislation enacted in 1957 (Public Law 85-239) extended for most ministers the deadline for electing coverage until the due date of the 1958 income-tax return. Under the 1954 amendments, the deadline had expired for most ministers on the date that their 1956 returns were due. Somewhat more than 10,000 ministers, who would have been barred from electing coverage by the expiration of the deadline, obtained coverage during this extended period.

IMPLICATIONS CONCERNING VOLUNTARY COVERAGE

Although there were special circumstances involved in providing coverage on an individual

TABLE 3.—Coverage of full-time ministers, by geographic region, 1957

Geographic region	All ministers			Protestant ministers		
	Eligible for coverage ¹	Electing coverage ²		Eligible for coverage ¹	Electing coverage ²	
		Number	Percent		Number	Percent
Total.....	200,000	130,000	65	170,000	124,500	73
Northeast.....	44,000	27,500	62	31,500	25,500	80
North Central.....	62,000	41,000	66	51,000	39,500	78
South.....	70,500	43,000	61	67,000	41,500	62
West.....	23,500	18,500	79	20,500	18,000	88

¹ Includes some ministers now serving overseas.

² Excludes some ministers who showed an overseas address on their self-employment tax returns.

voluntary basis for ministers, the findings on the number and characteristics of ministers electing coverage are useful in evaluating some of the issues involved in voluntary coverage.

There are two potentially major disadvantages in voluntary coverage under old-age, survivors, and disability insurance. First, those electing coverage might tend to be persons who—because they are older or for other reasons—could expect to receive the largest return for their contributions, and this selection process would have adverse effects on the financing of the program. Second, many of the persons in the lower income groups, who have the greatest need for protection, would be among those not electing coverage, perhaps because the costs of the day-to-day, basic essentials of living leave them little funds available for the payment of contributions under the program.⁴

The operation of these factors is illustrated by the data on the coverage of ministers. Those who have elected coverage under old-age, survivors, and disability insurance are, in fact, an older group who would on the average receive a larger return for their contributions. Also, the lower rate of coverage among Southern and nonwhite ministers suggests that many of the lower-income ministers have not elected coverage, since available information indicates a higher proportion of ministers with low incomes in these two groups.

Generally speaking, serious “adverse selection”

⁴ For a more complete discussion of voluntary coverage, see Irwin Wolkstein, “Elective Coverage Under Old-Age, Survivors, and Disability Insurance,” *Social Security Bulletin*, May 1957.

resulting from voluntary coverage can be reduced by requiring that an election of coverage be made within a relatively short period after entry into the work force; such a requirement is, of course, applicable to ministers. Requirements of this kind have, however, certain disadvantages. For example, some persons who desire coverage will fail to elect, perhaps because of lack of knowledge or through misunderstanding concerning the availability of coverage. Others may decide against electing coverage and later regret their decision, especially after they have assumed greater family responsibility.

As a matter of fact, certain ministerial and church groups have indicated that such factors as misunderstanding and changes of decisions have sometimes been involved in the case of ministers who did not elect coverage. As a result, the deadline for ministers has twice been extended. Thus, while the application of a deadline is necessary to protect against adverse selection, it introduces serious problems of equity in connection with persons (possibly uninformed or misinformed) who fail to take any action or make a “wrong” choice with respect to electing coverage. There also remains the problem of ensuring that all the persons concerned have the information necessary for making a wise personal decision concerning coverage.

All in all, experience with the individual voluntary coverage of ministers seems to demonstrate the soundness of the principle that coverage under old-age, survivors, and disability insurance should, whenever feasible, be on a compulsory basis.

Recent Publications*

SOCIAL SECURITY ADMINISTRATION

BUREAU OF OLD-AGE AND SURVIVORS INSURANCE. *Social Security Fact Book: Aged Beneficiaries and Older Workers Under Old-Age, Survivors, and Disability Insurance*. Washington: U. S. Govt. Print. Off., 1960. 55 pp. 25 cents.

Facts about benefits received, how the aged get along

*Prepared in the Library, Department of Health, Education, and Welfare. Orders for items listed should be directed to publishers and booksellers. Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

on their benefits, and employment opportunities for older beneficiaries.

BUREAU OF PUBLIC ASSISTANCE. *Support from Absent Fathers of Children Receiving ADC, 1955*, by Saul Kaplan. (Public Assistance Report No. 41.) Washington: U. S. Govt. Print. Off., 1960. 112 pp. 65 cents.

Focuses on the “support actually furnished by absent fathers . . . , the efforts of agencies and law-enforcement officials to obtain the father’s support, and the prospects of getting more adequate support from a larger proportion of the fathers.” Also discusses economic and social factors underlying the increase in the number of children whose families seek aid because of a parent’s absence.

CHILDREN’S BUREAU. *Your Child and Their Gangs*, by Edith G. Neisser and Nina Ridenour. (Children’s Bureau Publication No. 384.) Washington: U. S. Govt. Print. Off., 1960. 34 pp. 20 cents.