

COMPENSATION FOR UNEMPLOYMENT RELATED TO THE ENERGY CRISIS

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION
ON
S. 3024, S. 3206, Title II of S. 3257, and
Sections 114 and 125 of S. 3267

APRIL 2, 1974

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COMPENSATION FOR UNEMPLOYMENT RELATED TO THE ENERGY CRISIS

TUESDAY, APRIL 2, 1974

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met at 2 p.m., pursuant to recess, in room 2221, Dirksen Senate Office Building, Hon. Harry F. Byrd, Jr., presiding.

Present: Senators Long (chairman of the full committee), Byrd, Jr., of Virginia, Mondale, Bentsen, Bennett, Fannin, Hansen, and Dole.

Senator BYRD. The committee will come to order.

This afternoon's hearings concern proposals to provide compensation for unemployed workers whose unemployment is related to the energy crisis.

A measure to provide such unemployment benefits was included as part of the Energy Emergency Act vetoed by the President and the issue is yet to be resolved. Thus far, four proposals have been introduced in the Senate, one by Senator Ribicoff, one by Senator Kennedy, one by Senator Jackson, and Senator Bennett has introduced the administration's proposal.

Since unemployment compensation falls within the jurisdiction of the Committee on Finance, it is our intention to explore in these hearings today the most appropriate kind of proposal to recommend to the Senate if the Senate wishes to include unemployment compensation as part of a new energy bill.

At this point in the record we will insert the bills, S. 3024, S. 3206, title II of S. 3257, sections 114 and 125 of S. 3267, the press release announcing this hearing and a staff comparison of the four bills.

[The material referred to follows. Oral testimony begins on p. 40.]

PRESS RELEASE

FOR IMMEDIATE RELEASE
March 29, 1974

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 Dirksen Senate Office Bldg.

FINANCE COMMITTEE SCHEDULES HEARINGS
ON COMPENSATION FOR UNEMPLOYMENT RELATED TO
THE ENERGY CRISIS

The Honorable Russell B. Long (D., La.), Chairman of the Senate Committee on Finance, announced today that on April 2, 1974, the Committee will hold hearings on proposals concerning unemployment compensation for workers whose unemployment is related to the economic slowdown caused by the energy crisis. The hearings will begin at 2:00 p. m., April 2, and will be held in Room 2227 Dirksen Senate Office Building,

Senator Long pointed out that the Congress had approved unemployment compensation provisions as part of the Energy Emergency Act which had been vetoed by the President. A similar approach to unemployment related to the energy crisis has been incorporated in S. 3267, introduced by Senator Jackson. Other proposals relating to this matter have been introduced by Senator Ribicoff (S. 3024) and Senator Kennedy (S. 3206); the Administration's proposal has been introduced (by request) by Senator Bennett as title II of S. 3257. Chairman Long stated that the Committee's hearings will relate to these specific legislative proposals as well as any other ideas witnesses may have concerning the subject of unemployment compensation with respect to increased unemployment resulting from the energy crisis.

Requests to testify. --Persons desiring to testify during the hearings should contact Michael Stern, Staff Director, Committee on Finance not later than close of business Monday, April 1, 1974.

Senator Long asked all witnesses to comply with the following rules:

- (1) All witnesses must include with their written statement a summary of the principal points included in the statement.
- (2) The written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be submitted to the Committee.
- (3) Witnesses are not to read their written statements to the Committee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.
- (4) Not more than ten minutes will be allowed for the oral summary.

Written Statements. --Witnesses who are not scheduled for oral presentation, and others who desire to present a statement to the Committee, are urged to prepare a written position of their views for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building not later than Wednesday, April 3, 1974.

**MAJOR PROVISIONS OF BILLS PROVIDING SPECIAL UNEMPLOYMENT
BENEFITS ON ACCOUNT OF THE ENERGY CRISIS**

	S. 3024 (Senator Bilecoff)	S. 3206 (Senator Kennedy)
Coverage	(1) Persons covered under State unemployment insurance program who have exhausted benefits eligibility; (2) Persons not covered under such programs.	(1) Persons covered under State unemployment program who have exhausted benefit eligibility.
Eligibility Requirements.....	Unemployment not individual's fault and directly or indirectly related to energy shortage.	Same as under State unemployment program.
Attachment to Labor Force.....	18 weeks of work during 1973.	Same as under unemployment compensation program (generally work in at least 2 quarters of base year preceding unemployment).
Benefit Amount.....	"Such assistance as the President deems appropriate" not more than State maximum for unemployment compensation.	Same as individual received under regular unemployment program prior to exhaustion of benefits (including dependents' allowances).
Duration of Programs.....	Permanent.	February 1, 1974 to June 30, 1976.
Duration of Benefits.....	Duration of energy-caused unemployment up to two years.	Same as individual received under regular State program; total of benefits under bill's regular benefits and extended benefits cannot exceed 52 weeks.
Cost between April 1974 and June 1975 (assuming 5.7% unemployment rate).	\$4 billion (fully paid from Federal general revenues).	\$2.2 billion (fully paid from Federal general revenues).
Other Features.....	Food assistance and relocation assistance provisions included in bill.	Federal funding of part of State's regular unemployment benefits based on increase in insured unemployment rate over past three years.

Note.—Cost information supplied by Department of Labor.
81-068-74

**MAJOR PROVISIONS OF BILLS PROVIDING SPECIAL UNEMPLOYMENT
BENEFITS ON ACCOUNT OF THE ENERGY CRISIS--Continued**

	S. 3237 (Senator Bennett by request)	S. 3267 (Senator Jackson)
Coverage -----	(1) Persons covered under State unemployment insurance program who have exhausted benefit eligibility; (2) Persons not covered under such programs.	(1) Persons covered under State unemployment insurance program who have exhausted benefit eligibility; (2) Persons not covered under such programs.
Eligibility Requirements-----	Individual last employed in area with high unemployment (18-week insured unemployment rate of 4 percent or more which is at least 20 percent higher than corresponding 18-week prior during October 1, 1972-September 30, 1978).	Cause of unemployment must be related to energy supply problem including consumer buying decisions influenced by energy shortage or Governmental actions related to it. Determination to be made on industry, business, or employer basis, as determined by Secretary of Labor.
Attachment to Labor Force-----	Same requirements as State unemployment compensation program but may be met even though work was in noncovered employment.	Secretary of Labor may require one month of employment in year prior to benefit claim.
Benefit Amount-----	Same as was most recently payable under regular program; noncovered individuals' benefit amounts computed as though their employment had been covered under State program.	Amount most recently payable to individual under State program. For individuals not covered under State programs, amount set by State taking into account benefit levels under State program and within minimum and maximum levels.
Duration of Programs-----	Through June 30, 1975.	Through June 30 1975.
Duration of Benefits-----	Half as much as the duration of benefits received under regular State program up to maximum of 13 weeks (total number of weeks under this bill, regular program, and extended program may not exceed 52 weeks). Individuals not covered under State programs may receive up to 26 weeks of benefits.	Duration of unemployment up to end of program (June 30, 1975).
Cost between April 1974 and June 1975 (assuming 5.7% unemployment rate).	\$1 billion (fully paid from Federal general revenues).	\$3.8 billion (the bill limits appropriations in FY 1974 to \$0.5 billion). (Fully paid from Federal general revenues).
Other Features-----	Provision is Title II of an Administration bill also dealing with other aspects of the unemployment insurance program.	Unemployment provisions included in comprehensive energy emergency bill.

Note.—Cost information supplied by Department of Labor.
31-044-74

93^D CONGRESS
2^D SESSION

S. 3024

IN THE SENATE OF THE UNITED STATES

FEBRUARY 10, 1974

Mr. RIBICOFF (for himself, Mr. McGOVERN, Mr. METCALF, Mr. PELL, and Mr. WILLIAMS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for the payment of unemployment compensation to workers whose unemployment is attributable to an energy shortage.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. DEFINITION OF TERMS.—The term “energy
4 shortage” shall be construed consistent with the stated
5 Findings and Purposes of the United States Congress as
6 expressed in title I, section 101, paragraphs (a) through
7 (g) inclusive, of the National Energy Emergency Act of
8 1973.

9 SEC. 2. ASSISTANCE TO PERSONS ADVERSELY AF-
10 FECTED BY THE ENERGY SHORTAGE.—

1 (a) The President is authorized and directed to
2 make grants to States to provide to any individual un-
3 employed, if such unemployment resulted from a short-
4 age of energy and was in no way due to the fault of such
5 individual, such assistance as the President deems appro-
6 priate while such individual is unemployed. An individ-
7 ual shall be presumed to be unemployed due to the
8 energy shortage if the individual's unemployment is
9 either directly or indirectly, primarily or remotely, re-
10 lated to a shortage of energy. Such assistance as a State
11 shall provide under such a grant shall be available to
12 individuals not otherwise eligible for unemployment com-
13 pensation who have had thirteen weeks of work or its
14 equivalent as defined by the unemployment compensa-
15 tion program of the State in the fifty-two-week period
16 ending December 31, 1973, and individuals who have
17 otherwise exhausted their eligibility for such unemploy-
18 ment compensation, and shall continue as long as the
19 individual's unemployment is related to an energy short-
20 age (but not less than six months) or until the individ-
21 ual is reemployed in a suitable position, but not longer
22 than two years after the individual becomes eligible for
23 such assistance. Such assistance shall not exceed the
24 maximum weekly amount under the unemployment com-

1 pensation program of the State in which the employ-
2 ment loss occurred.

3 (b) (1) Whenever the President determines that,
4 as a result of any such employment loss, low-income
5 households are unable to purchase adequate amounts of
6 nutritious food, the President is authorized, under such
7 terms and conditions as it may prescribe, to distribute
8 through the Secretary of Agriculture coupon allotments
9 to such households pursuant to the provisions of the
10 Food Stamp Act of 1964, as amended, and to make
11 surplus commodities available.

12 (2) The President, through the Secretary of Agri-
13 culture, is authorized to continue to make such coupon
14 allotments and surplus commodities available to such
15 households for so long as he determines necessary, tak-
16 ing into consideration such factors as he deems appro-
17 priate, including the consequences of the employment
18 loss on the earning power of the households to which
19 assistance is made available under this section.

20 (3) Nothing in this subsection shall be construed
21 as amending or otherwise changing the provisions of
22 the Food Stamp Act of 1964, as amended, except as
23 they relate to the availability of food stamps in such an
24 employment loss.

25 (c) The Secretary of Labor is authorized and di-

1 rected to provide reemployment assistance services under
2 other laws of the United States to any such individual
3 so unemployed. As one element of such reemployment
4 assistance services, such Secretary shall provide to any
5 such unemployed individual who is unable to find reem-
6 ployment in a suitable position within a reasonable
7 distance from home, assistance to relocate in another
8 area where such employment is available. Such assistance
9 may include reasonable costs of seeking such employment
10 and the cost of moving his family and household to the
11 location of his new employment.

12 (d) There are authorized to be appropriated such
13 sums as may be necessary to carry out the provisions of
14 this section.

98th CONGRESS
2^d SESSION

S. 3206

IN THE SENATE OF THE UNITED STATES

MARCH 21, 1974

Mr. KENNEDY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To expand Federal programs for relief from the effects of unemployment, and to provide special assistance to alleviate the problems resultant from the energy crisis.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That this Act may be cited as the "Energy Crisis Unem-
 4 ployment Compensation Act of 1974".

5 **TITLE I—FINDINGS AND DECLARATIONS**

6 SEC. 101. (a) The Congress hereby finds and declares
 7 that—

8 (1) the direct and indirect effects of the energy
 9 crisis threaten very high levels of unemployment
 10 throughout the Nation;

1 (2) this will occasion excessively heavy drains on
2 the unemployment compensation reserve funds accumu-
3 lated by the States;

4 (3) the duration of benefits payable under existing
5 law will be inadequate for the needs of many of the unem-
6 ployed;

7 (4) the consequent charges on the experience rat-
8 ing records of many employers will be far in excess of
9 their normal ability to absorb, and will adversely affect
10 their contribution rates for years to come; and

11 (5) it will be impossible to measure the precise im-
12 pact of the energy crisis in terms of unemployment on an
13 individual basis, since the indirect effects will be so
14 extensive, and the causal relationship often obscure.

15 (b) It is the purpose of the Congress, by this Act, to
16 provide substantial assistance whereby—

17 (1) additional unemployment compensation bene-
18 fits will be available to the unemployed for whom exist-
19 ing provisions are inadequate;

20 (2) such benefits will be logically related to, and
21 administered through, the existing structure of State
22 agencies;

23 (3) adequate funds will be provided for necessary
24 administrative expense; and

25 (4) a proportionate share of the added benefit costs

1 will be federally reimbursed; to help maintain the sol-
2 vency of the States' unemployment trust funds.

3 TITLE II—FEDERAL-STATE AGREEMENTS

4 SEC. 201. (a) Any State, the State unemployment com-
5 pensation law of which is approved by the Secretary of
6 Labor (hereinafter referred to as the "Secretary"), under
7 section 3304 of the Internal Revenue Code of 1954, which
8 desires to do so, may enter into and participate in an agree-
9 ment with the Secretary under this title for the payment of
10 energy crisis unemployment compensation. Any State
11 which is a party to an agreement under this title may, upon
12 providing thirty days' written notice to the Secretary, termi-
13 nate such agreement.

14 (b) Any such agreement shall provide that the un-
15 employment compensation agency of the State will make
16 payments of energy crisis unemployment compensation—

17 (1) to individuals who—

18 (A) (i) have exhausted all rights to regular
19 compensation under the State law;

20 (ii) have exhausted all rights to extended com-
21 pensation, or are not entitled thereto, because of the
22 ending of their eligibility period for extended com-
23 pensation in such State;

24 (B) have no rights to compensation (includ-
25 ing both regular compensation and extended com-

4

1 pensation) with respect to a week under such law
2 or any other State unemployment compensation
3 law or to compensation under any other Federal
4 law; and

5 (C) are not receiving compensation with re-
6 spect to such week under the unemployment com-
7 pensation law of the Virgin Islands or Canada; and
8 (2) for any week of unemployment which begins

9 in—

10 (A) the energy crisis benefit period (as de-
11 fined in subsection (c) (3) (A)); and

12 (B) the individual's period of eligibility (as
13 defined in subsection (c) (3) (B)).

14 (c) (1) For purposes of subsection (b) (1) (A), an
15 individual shall be deemed to have exhausted his rights to
16 regular compensation under a State law when—

17 (A) no payments of regular compensation can be
18 made under such law because such individual has re-
19 ceived all regular compensation available to him based
20 on employment or wages during his base period; or
21 (B) his rights to such compensation have been ter-
22 minated by reason of the expiration of the benefit year
23 with respect to which such rights existed.

24 (2) For purposes of subsection (b) (1) (B), an indi-
25 vidual shall be deemed to have exhausted his rights to ex-

1 tended compensation under a State law when no payments of
2 extended compensation under a State law can be made under
3 such law because such individual has received all the ex-
4 tended compensation available to him from his extended
5 compensation account (as established under State law in ac-
6 cordance with section 202 (b) (1) of the Federal-State Ex-
7 tended Unemployment Compensation Act of 1970).

8 (B) (A) For purposes of subsection (b) (2) (A), the
9 energy crisis benefit period—

10 (i) shall begin on February 1, 1974, and

11 (ii) shall end on June 30, 1976.

12 (B) For purposes of subsection (b) (2) (B), the in-
13 dividual's period of eligibility means the weeks in his bene-
14 fit year which begin in the energy crisis benefit period, and,
15 if his benefit year ends within the energy crisis benefit period,
16 any weeks thereafter which begin in such period.

17 (C) For purposes of any agreement under this title—

18 (i) the amount of the energy crisis unemployment
19 compensation which shall be payable to any individual
20 for any week of total or partial unemployment shall be
21 computed under the same provisions applicable to regular
22 unemployment compensation under the State law; and

23 (ii) the terms and conditions of the State law which
24 apply to regular unemployment compensation shall (ex-

1 cept where inconsistent with the provisions of this title
2 or regulations of the Secretary promulgated to carry out
3 this title) apply claims for energy crisis unemployment
4 compensation and the payment thereof.

5 (d) (1) Any agreement under this title with a State
6 shall provide that the State will establish, for each eligible
7 individual who files an application for energy crisis unem-
8 ployment compensation, a separate compensation account.

9 (2) The amount established in such account for any
10 individual shall be 100 per centum of the total amount of
11 regular compensation payable to him, except that—

12 (A) in no case shall the total amount of regular
13 compensation, plus extended benefits, plus benefits under
14 this Act, exceed fifty-two times the weekly benefit
15 amount of regular compensation during an individual's
16 benefit year and the immediately succeeding weeks of
17 his eligibility period; and

18 (B) if the State law provides for dependency al-
19 lowances in addition to regular compensation, compa-
20 rable allowances will also be payable under this title in
21 addition to the total amount provided under subsection
22 (A).

1 TITLE III—PAYMENTS TO STATES HAVING
2 AGREEMENTS FOR THE PAYMENT OF EN-
3 ERGY CRISIS UNEMPLOYMENT COMPENSA-
4 TION

5 SEC. 301. (a) (1) There shall be paid to each State
6 which has entered into an agreement under this title an
7 amount equal to 100 per centum of the energy crisis unem-
8 ployment compensation paid to individuals by the State pur-
9 suant to such agreement.

10 (2) There shall be paid to each such State for each
11 month in the energy crisis benefit period an amount which
12 is the product of the total amount of regular compensation
13 paid in that month, multiplied by the excess cost factor (as
14 defined in section 501 (b)).

15 (3) There shall be paid to each such State for costs of
16 administration under the agreement an amount computed
17 on the basis of the cost model standards for unemployment
18 insurance activities which have been developed by the States
19 and the Manpower Administration of the Department of
20 Labor.

21 (b) No payment shall be made to any State under this
22 section in respect to compensation for which the State is en-

1 titled to reimbursement under the provisions of any Federal
2 law other than this title.

3 (c) Sums payable to any State by reason of such State's
4 having an agreement under this title shall be payable, either
5 in advance or by way of reimbursement (as may be de-
6 termined by the Secretary) in such amounts as the Sec-
7 retary estimates the State will be entitled to receive under
8 this title for each calendar month, reduced or increased, as the
9 case may be, by any amount by which the Secretary finds
10 that his estimates for any prior calendar month were greater
11 or less than the amounts which should have been paid to the
12 State. Such estimates may be made on the basis of such
13 statistical, sampling, or other method as may be agreed upon
14 by the Secretary and the State agency of the State involved.

15 TITLE IV—FINANCING PROVISIONS

16 SEC. 401. (a) (1) For the purpose of carrying out this
17 Act, there are hereby authorized to be appropriated such
18 amounts as may be necessary for the fiscal year ending
19 June 30, 1974, and for each year thereafter.

20 (2) The Secretary from time to time shall certify to the
21 Secretary of the Treasury for payment to each State the sums
22 payable to each State under this title. The Secretary of the
23 Treasury, prior to audit or settlement by the General Ac-
24 counting Office, shall make payments to the State in accord-

1 ance with such certification, by transfers to the account of
2 such State in the Unemployment Trust Fund.

3 **TITLE V—DEFINITIONS**

4 **SEC. 501.** For purposes of this title—

5 (a) the terms “compensation”, “regular compensa-
6 tion”, “extended compensation”, “base period”, “bene-
7 fit year”, “State”, “State agency”, “State law”, and
8 “week” shall have the meanings assigned to them under
9 section 205 of the Federal-State Extended Unemploy-
10 ment Compensation Act of 1970; and

11 (b) the term “excess cost factor” means, for each
12 month in the energy crisis benefit period, the result
13 of the following computation:

14 (1) The State’s rate of insured unemployment
15 for that month shall be obtained from table 2 of
16 Unemployment Insurance Statistics, a monthly re-
17 port of the United States Department of Labor.

18 (2) The rate of insured unemployment for each
19 of the corresponding months in 1971, 1972, and
20 1973 shall be similarly obtained from Unemploy-
21 ment Insurance Statistics, and the average of these
22 rates calculated to the third decimal place.

23 (3) The average rate obtained under paragraph
24 (2) shall be subtracted from the rate obtained un-

1 der paragraph (1), and the difference shall be
2 divided by the rate obtained under paragraph (1),
3 with the quotient calculated to the third decimal
4 place. This quotient is the excess cost factor for
5 purposes of section 301(a)(2).

6 **TITLE VI—REPORT BY SECRETARY OF LABOR**

7 **SEC. 601. (a)** The Secretary of Labor shall conduct a
8 comprehensive study and review of the program established
9 by this Act, with a view to submitting to the Congress the
10 report required to be submitted under subsection (b). Such
11 study and review shall be conducted with particular regard to
12 (1) the benefit payments made under such program, (2)
13 projections of benefit payments which will be payable under
14 such program after the period covered by such report, (3)
15 the desirability of continuing such program after the period
16 prescribed in section 201(c)(3)(A); and (4) the funding
17 of the benefits payable under such program and the funding
18 of benefits thereunder if such program should be continued
19 after the period prescribed in section 201(c)(3)(A).

20 (b) On or before November 1, 1974, the Secretary of
21 Labor shall submit to the Congress a full and complete re-
22 port on the study and review provided for in subsection (a).
23 Such report shall cover the period ending June 30, 1974,
24 and shall contain the recommendations of the Secretary of

- 1 Labor with respect to such program, including but not limited
- 2 to, the operation and funding of such program, and the de-
- 3 sirability of extending such program after the period pre-
- 4 scribed in section 201 (c) (3) (A).

ENCLOSURE

93^d CONGRESS
2^d SESSION

S. 3257

IN THE SENATE OF THE UNITED STATES

MARCH 27, 1974

Mr. BENNETT (by request) introduced the following bill; which was read twice
and referred to the Committee on Finance

A BILL

To extend and improve the Nation's unemployment compensation
programs, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Job Security Assistance
4 Act of 1974".
- * * * * *

1 **TITLE II—SPECIAL UNEMPLOYMENT**
2 **COMPENSATION PROGRAM**

3 **SHORT TITLE**

4 **SEC. 201.** This title may be cited as the "Special Un-
5 employment Compensation Act of 1974".

6 **GRANTS TO STATES; AGREEMENTS WITH STATES**

7 **SEC. 202.** Each State which enters into an agreement
8 with the Secretary of Labor, pursuant to which it makes
9 payments of special unemployment compensation in ac-
10 cordance with the provisions of this Act and the rules and
11 regulations prescribed by the Secretary of Labor hereunder,
12 shall be paid by the United States from time to time such
13 amounts as are deemed necessary by the Secretary of Labor
14 to carry out the provisions of this Act in the State. Special
15 unemployment compensation may be paid to individuals only
16 pursuant to such an agreement.

17 **ELIGIBLE INDIVIDUALS**

18 **SEC. 203.** An individual shall be eligible to receive a
19 payment of special unemployment compensation or waiting
20 period credit with respect to a week of unemployment occur-
21 ring during and subsequent to a special unemployment com-
22 pensation period in accordance with the provisions of this
23 Act if—

24 (a) the individual—

1 (1) has exhausted all rights to regular, addi-
2 tional, and extended compensation under all State
3 unemployment compensation laws and chapter 85 of
4 title 5, United States Code, and has no further
5 rights to regular, additional, or extended compensa-
6 tion under any State or Federal unemployment com-
7 pensation law (including the Railroad Unemploy-
8 ment Insurance Act (45 U.S.C. 351 et seq.)) with
9 respect to such week of unemployment, and is not
10 receiving compensation with respect to such week
11 of unemployment under the unemployment compen-
12 sation law of Canada: *Provided*, That such rights to
13 compensation were exhausted in or subsequent to the
14 first week beginning on or after October 1, 1973,
15 or, such rights to compensation having been ex-
16 hausted prior to that date, the benefit year in which
17 such rights to compensation were exhausted did not
18 end until on or after October 1, 1973, and the indi-
19 vidual was last employed on or after such date; or
20 (2) is not otherwise eligible for compensa-
21 tion under any State or Federal unemployment com-
22 pensation law (including the Railroad Unemploy-
23 ment Insurance Act (45 U.S.C. 351 et seq.)) with
24 respect to such week of unemployment, and is not
25 receiving compensation with respect to such week of

1 unemployment under the unemployment compensa-
2 tion law of Canada: *Provided, That* the individual
3 meets the qualifying employment and wage require-
4 ments of the applicable State unemployment com-
5 pensation law in a base year which, notwithstanding
6 the State law, shall be the 52-week period preceding
7 the first week with respect to which the individual:
8 (a) files a claim for compensation or waiting period
9 credit under this Act; (b) is totally or partially
10 unemployed; and (c) meets such qualifying employ-
11 ment and wage requirements; and for the purpose of
12 this proviso employment and wages which are not
13 covered by the State law shall be treated as though
14 they were covered, except that employment and
15 wages covered by the Railroad Unemployment In-
16 surance Act (45 U.S.C. 351 et seq.), shall be ex-
17 cluded to the extent that the individual is or was
18 entitled to compensation for unemployment there-
19 under on the basis of such employment and wages:
20 *Provided further, That* the individual became totally
21 or partially unemployed on or after October 1, 1978,
22 and has met any waiting period requirement of the
23 applicable State unemployment compensation law;
24 and
25 (b) the individual is totally or partially unem-

1 employed, and is able to work, and is available for work,
2 within the meaning of the applicable State unemploy-
3 ment compensation law, and is not subject to disquali-
4 fication under that law; and

5 (c) the individual has filed a claim for compensa-
6 tion or waiting period credit under this Act; and

7 (d) in the area in which the individual was last
8 employed for at least 1 week prior to filing a claim
9 under this Act for compensation or waiting period credit
10 with respect to such week of unemployment, a special
11 unemployment compensation period is in effect with re-
12 spect to such week of unemployment: *Provided*, That if
13 the individual, except for the imposition of a disqualifica-
14 tion in accordance with subsection (b), was otherwise
15 eligible for a payment of compensation or waiting period
16 credit under this Act with respect to a week of unem-
17 ployment which began during a special unemployment
18 compensation period, but did not exhaust entitlement to
19 special unemployment compensation during the special
20 unemployment compensation period, entitlement shall
21 continue after the end of the special unemployment
22 compensation period but no compensation shall be paid
23 under this Act for any week of unemployment that be-
24 gins more than 26 weeks after the end of such period;
25 and

1 (e) the State in which the individual was last em-
2 ployed for at least a week prior to filing a claim under
3 this Act for compensation or waiting period credit with
4 respect to such week of unemployment, has an agree-
5 ment with the Secretary of Labor under section 202
6 which is in effect with respect to such week of unem-
7 ployment.

8 SPECIAL UNEMPLOYMENT COMPENSATION PERIOD

9 SEC. 204. (a) A special unemployment compensation
10 period shall commence in an area designated by the Secre-
11 tary with the third week after the first week for which
12 there is an "on" indicator for such area, and shall terminate
13 with the third week after the first week for which there is
14 an "off" indicator for such area: *Provided*, That no special
15 unemployment compensation period shall have a duration
16 of less than 13 weeks.

17 (b) The Secretary shall designate as an area under this
18 section—

19 (1) each area within or among the States which
20 he determines to be a "labor area" and which has a
21 population of at least 250,000 persons. For the purposes
22 of this section a "labor area" shall consist of an economi-
23 cally integrated geographical unit within which work-
24 ers may readily change jobs without changing their
25 places of residence; and

1 (2) all parts of a State which are not within a
2 "labor area" designated under paragraph (1).

3 (c) There is an "on" indicator in an area for a week
4 if for the period consisting of such week and the immediate-
5 ly preceding 12 weeks:

6 (1) the rate of insured unemployment in the area
7 equaled or exceeded 4 percent, and equaled or exceeded
8 120 percent of the average of such rates for the corre-
9 sponding 13 weeks in the period October 1, 1972,
10 through September 29, 1973; or

11 (2) the rate of insured unemployment in the area
12 equaled or exceeded 4.5 percent.

13 (d) There is an "off" indicator for a week if, for the
14 period consisting of such week and the immediately preceding
15 12 weeks, neither subsection (c) (1) nor (c) (2) is satis-
16 fied.

17 (e) For the purposes of this section, the term "rate of
18 insured unemployment" shall mean the percentage arrived at
19 by dividing—

20 (1) the average weekly number of individuals who
21 filed claims in the area, under State unemployment
22 compensation laws, for unemployment compensation
23 with respect to weeks of unemployment in the 13-week
24 period specified in subsections (c) and (d), as deter-
25 mined on the basis of the reports made by the appro-
26 priate State agencies to the Secretary, by

1 (2) the average monthly employment in the area,
2 which is covered by State unemployment compensation
3 laws applicable to the area, for the last 4 consecutive
4 calendar quarters ending before the close of such period
5 for which data is available.

6 In determining, pursuant to paragraph (1), the average
7 weekly number of individuals who filed claims in the area,
8 individuals who filed claims under this Act shall be excluded.

9 WEEKLY BENEFIT AMOUNT

10 SEC. 205. The amount of special unemployment com-
11 pensation to which an eligible individual shall be entitled
12 for a week of total unemployment shall be—

13 (a) for an individual referred to in paragraph (1) of
14 subsection (a) of section 203, the average weekly bene-
15 fit amount of regular compensation which was payable
16 to the individual for a week of total unemployment
17 in the individual's most recent benefit year;

18 (b) for an individual referred to in paragraph (2)
19 of subsection (a) of section 203, the average weekly
20 benefit amount for a week of total unemployment that
21 would be payable to the individual as regular compensa-
22 tion under the applicable State unemployment compensa-
23 tion law: *Provided*, That in computing the weekly bene-
24 fit amount under this subsection the individual's base
25 year, notwithstanding the State law, shall be the 52-

1 week period preceding the first week with respect to which the individual: (1) files a claim for compensation or waiting period credit under this Act; (2) is totally or partially unemployed; and (3) meets such qualifying employment and wage requirements; and for the purpose of this proviso employment and wages which are not covered by the State law shall be treated as though they were covered, except that employment and wages covered by the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.) shall be excluded to the extent that the individual is or was entitled to compensation for unemployment thereunder on the basis of such employment and wages.

14 MAXIMUM BENEFIT AMOUNT

15 SEC. 206. The maximum amount of special unemploy-
16 ment compensation which an eligible individual shall be en-
17 titled to receive shall be—

18 (a) For an individual referred to in paragraph (1)
19 of subsection (a) of section 203, one-half the maximum
20 amount of regular compensation payable to the individ-
21 ual in the individual's most recent benefit year, but not
22 exceeding the lesser of: (1) 13 times the average weekly
23 benefit amount which was payable to the individual for
24 a week of total unemployment as determined under sub-
25 section (a) of section 205; and (2) 52 times such

1 weekly benefit amount reduced by the regular, additional,
2 and extended compensation payable to the individ-
3 ual with respect to such benefit year.

4 (b) For an individual referred to in paragraph (2)
5 of subsection (a) of section 203, the maximum amount
6 of regular compensation that would be payable to such
7 individual as computed under the provisions of the appli-
8 cable State unemployment compensation law, but not ex-
9 ceeding 26 times the weekly benefit amount payable to
10 the individual for a week of total unemployment as deter-
11 mined under subsection (b) of section 205: *Provided,*
12 That in computing duration under this subsection the in-
13 dividual's base year, notwithstanding the State law, shall
14 be the 52-week period preceding the first week with re-
15 spect to which the individual: (1) files a claim for com-
16 pensation or waiting period credit under this Act; (2) is
17 totally or partially unemployed; and (3) meets such
18 qualifying employment and wage requirements; and for
19 the purpose of this proviso employment and wages which
20 are not covered by the State law shall be treated as
21 though they were covered, except that employment and
22 wages covered by the Railroad Unemployment Insur-
23 ance Act (45 U.S.C. 351 et seq.); shall be excluded
24 to the extent that the individual is or was entitled to

1 compensation for unemployment thereunder on the basis
2 of such employment and wages.

3 APPLICABLE STATE LAW PROVISIONS

4 SEC. 207. Except where inconsistent with the provisions
5 of this Act, the terms and conditions of the applicable State
6 unemployment compensation law which apply to claims
7 thereunder for regular compensation and the payment thereof
8 shall apply to claims for special unemployment compensation
9 and the payment thereof.

10 TERMINATION DATE

11 SEC. 208. Notwithstanding any other provisions of this
12 Act, no payment of special unemployment compensation
13 shall be made to any individual with respect to any week of
14 unemployment ending after June 30, 1975.

15 RULES AND REGULATIONS

16 SEC. 209. The Secretary of Labor is empowered to
17 promulgate such rules and regulations as he shall deem neces-
18 sary and appropriate to carry out the provisions of this Act,
19 including regulations governing the payment of grants to the
20 States under this Act and prescribing the form and content of
21 agreements with the States entered into under this Act.

22 DEFINITIONS

23 SEC. 210. As used in this Act:

24 (a) The term "applicable State unemployment com-
25 pensation law" means the law of the State in which the

1 individual was last employed for at least 1 week prior
2 to filing a claim for compensation or waiting period credit
3 under this Act.

4 (b) The terms "regular compensation", "additional
5 compensation", and "extended compensation" shall not in-
6 clude special unemployment compensation provided for in
7 this Act, but shall have the meanings assigned to those
8 terms by section 205 of the Federal-State Extended Unem-
9 ployment Compensation Act of 1970, as amended (Public
10 Law 91-373; 84 Stat. 708 et seq.).

11 (c) The term "State" means the States of the United
12 States, the District of Columbia, Puerto Rico, and the Virgin
13 Islands.

14 (d) The term "week" means a calendar week.

15 **EFFECTIVE DATE**

16 **SEC. 211.** This Act shall take effect on the thirtieth day
17 after the date it is enacted and special unemployment com-
18 pensation may be paid with respect to weeks of unemploy-
19 ment beginning on and after the effective date only in ac-
20 cordance with the provisions of this Act.

21 **APPROPRIATIONS AUTHORIZATION**

22 **SEC. 212.** There are hereby authorized to be appro-
23 priated such sums as may be necessary to carry out the
24 provisions of this Act.

93^d CONGRESS
2^d SESSION

S. 3267

IN THE SENATE OF THE UNITED STATES

MARCH 28, 1974

Mr. JACKSON (for himself, Mr. MAGNUSON, Mr. METZENBAUM, Mr. MUSKIE, and Mr. RANDOLPH) introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To provide standby emergency authority to assure that the essential energy needs of the United States are met, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
 - 2 *tives of the United States of America in Congress assembled,*
 - 3 That this Act, including the following table of contents, may
 - 4 be cited as the "Standby Energy Emergency Authorities
 - 5 Act".
- * * * * *

1 **SEC. 114. EMPLOYMENT IMPACT AND UNEMPLOYMENT**
2 **ASSISTANCE.**

3 (a) The President shall take into consideration and shall
4 minimize, to the fullest extent practicable, any adverse
5 impact of actions taken pursuant to this Act upon employ-
6 ment. All agencies of Government shall cooperate fully
7 under their existing statutory authority to minimize any such
8 adverse impact.

9 (b) (1) The Secretary of Labor shall make grants, in
10 accordance with regulations prescribed by him, to States to
11 provide cash benefits to any individual who is unemployed as
12 a result of disruptions, dislocations, or shortages of energy
13 supplies and resources, and who is not eligible for unem-
14 ployment assistance or who has exhausted his rights to
15 such assistance (within the meaning of paragraph (4)
16 (B)).

17 (2) Regulations of the Secretary of Labor under para-
18 graph (1) may require that States enter into agreements as
19 a condition of receiving a grant under this subsection, and
20 such regulations—

21 (A) shall provide that—

22 (i) a benefit under this subsection shall be
23 available to any individual who is unemployed
24 as a result of disruptions, dislocations, or shortages
25 of energy supplies and resources and who is not

1 eligible for unemployment assistance (without re-
2 gard to whether such unemployment commenced be-
3 fore or after the date of enactment of this Act).

4 (ii) a benefit provided to such an individual
5 shall be available to such individual for any week
6 of unemployment which begins after the date on
7 which this Act is enacted and before July 1, 1975,
8 in which such individual is unemployed;

9 (iii) the amount of a benefit with respect to a
10 week of unemployment shall be equal to—

11 (I) in the case of an individual who has
12 exhausted his eligibility for unemployment as-
13 sistance, the amount of the weekly unemploy-
14 ment compensation payment for which he was
15 most recently eligible; or

16 (II) in the case of any other individual,
17 an amount which shall be set by the State in
18 which the individual was last employed at a
19 level which shall take into account the benefit
20 levels provided by State law for persons covered
21 by the State's unemployment compensation pro-
22 gram, but which shall not be less than the
23 minimum weekly amount, nor more than the
24 maximum weekly amount, under the unemploy-
25 ment compensation law of the State; and

1 (B) may provide that individuals eligible for a
2 benefit under this subsection have been employed for
3 up to 1 month in the 52-week period preceding the filing
4 of a claim for benefits under this subsection.

5 (3) Unemployment resulting from disruptions, disloca-
6 tions, or shortages of energy supplies and resources shall be
7 defined in regulations of the Secretary of Labor. Such regula-
8 tions shall provide that such unemployment includes unem-
9 ployment clearly attributable to such disruptions, dislocations
10 or shortages, fuel allocations, fuel pricing, consumer buying
11 decisions influenced by such disruptions, dislocations, or
12 shortages, and governmental action associated with such dis-
13 ruptions, dislocations, or shortages. The determination as to
14 whether an individual is unemployed as a result of such dis-
15 ruptions, dislocations, or shortages (within the meaning of
16 such regulations) shall be made by the State in which the
17 individual was last employed in accordance with such indus-
18 try, business, or employer certification process or such other
19 determination procedure (or combination thereof) as the
20 Secretary of Labor shall, consistent with the purposes of
21 paragraph (1) of this subsection, determine as most appro-
22 priate to minimize administrative costs, appeals, or other
23 delay, in paying to individuals the cash allowances provided
24 under this section.

25 (4) For purposes of this subsection—

1 (A) an individual shall be considered unemployed
2 in any week if he is—

- 3 (i) not working,
4 (ii) able to work, and
5 (iii) available for work,

6 within the meaning of the State unemployment com-
7 pensation law in effect in the State in which such in-
8 dividual was last employed, and provided that he would
9 not be subject to disqualification under that law for such
10 week, if he were eligible for benefits under such law;

11 (B) (1) the phrase “not eligible” for unemploy-
12 ment assistance means not eligible for compensation
13 under any State or Federal unemployment compensa-
14 tion law (including the Railroad Unemployment Insur-
15 ance Act (45 U.S.C. 351 et seq.)) with respect to
16 such week of unemployment, and is not receiving com-
17 pensation with respect to such week of unemployment
18 under the unemployment compensation law of Canada;
19 and

20 (ii) the phrase “exhausted his rights to such assist-
21 ance” means exhausted all rights to regular, additional,
22 and extended compensation under all State unemploy-
23 ment compensation laws and chapter 85 of title 5,
24 United States Code, and has no further rights to regu-
25 lar, additional, or extended compensation under any

1 State or Federal unemployment compensation law (in-
2 cluding the Railroad Unemployment Insurance Act (45
3 U.S.C. 351 et seq.)) with respect to such week of
4 unemployment, and is not receiving compensation with
5 respect to such week of unemployment under the un-
6 employment compensation law of Canada.

7 (c) On or before the sixtieth day following the date
8 of enactment of this Act, the President shall report to the
9 Congress concerning the present and prospective impact of
10 energy shortages upon employment. Such report shall con-
11 tain an assessment of the adequacy of existing programs in
12 meeting the needs of adversely affected workers and shall
13 include legislative recommendations which the President
14 deems appropriate to meet such needs, including revisions
15 in the unemployment insurance laws.

* * * * *

* * * * *

5 **SEC. 125. AUTHORIZATIONS OF APPROPRIATIONS.**

6 (a) There are authorized to be appropriated to the
7 Administrator to carry out his functions under this Act
8 and under other laws, and to make grants to States under
9 section 121, \$75,000,000 for the fiscal year ending June 30,
10 1974, \$75,000,000 for the fiscal year ending June 30, 1975.

11 (b) For the purpose of making payments under grants
12 to States under section 121, there are authorized to be ap-
13 propriated \$50,000,000 for the fiscal year ending June 30,
14 1974, and \$75,000,000 for the fiscal year ending June 30,
15 1975.

16 (c) For the purpose of making payments under grants
17 to States under section 114, there is authorized to be appro-
18 priated \$500,000,000 for the fiscal year ending June 30,
19 1974.

* * * * *

Senator BYRD. Our first witness today will be Hon. Richard Schubert, Under Secretary of Labor.

STATEMENT OF RICHARD F. SCHUBERT, UNDER SECRETARY OF LABOR, ACCOMPANIED BY WILLIAM KOLBERG, ASSISTANT SECRETARY FOR MANPOWER; AND ROBERT GOODWIN, UNEMPLOYMENT INSURANCE

Senator BYRD. Mr. Secretary, you may proceed as you wish.

Mr. SCHUBERT. Thank you. I welcome this opportunity to discuss the administration's proposed Job Security Assistance Act of 1974. This bill introduced as S. 3257, by request, by Senator Bennett would both improve the Federal-State unemployment insurance system and establish a contingency program of assistance to workers who are particularly affected by unemployment during the present energy shortage.

I would like to urge prompt action on the permanent improvements which title I of the bill would make. Particularly notable are the provisions which would establish Federal benefit amount standards and extended coverage of the UI system to employees of larger farms.

COMPARISON OF ADMINISTRATION'S PROPOSAL WITH THE OTHER BILLS

My focus this afternoon, however, will be on title II of the bill which provides a temporary contingency program of federally financed benefits, and my approach will be to trace the broad outlines of the administration's proposal in comparison with the other legislative initiatives, Mr. Chairman, that you referred to in your opening remark.

ELIGIBILITY CONDITIONS

S. 3267 recently introduced by Senator Jackson contains provisions which condition eligibility for benefits on a determination that the claimant's unemployment resulted from energy shortages. In contrast the administration's proposal does not distinguish between those that are unemployed due to energy shortages, and those whose unemployment results from other causes. The administration's bill would provide for compensation to all eligible workers in areas experiencing high unemployment. Each State would be divided into areas which would include: (1) Those portions of the State which were in the labor market areas of 250,000 population or more; and, (2) the balance of the State. When, for a 13-week period, the insured's unemployment in any one of these areas equaled or exceeded 4.5 percent, or when it rose to 4 percent and equaled or exceeded 120 percent of the unemployment in the comparable period in the year October 1, 1972, through September 29, 1973, the area would "trigger on" and eligible, unemployed workers would be entitled to benefits.

The administration's proposal is based on what we conceive to be a very reasonable assumption that if insured unemployment in an area is at a high level or has increased substantially, unemployed persons in that area will have special difficulties in locating new jobs.

We believe it would be inequitable or somewhat irrational to provide special benefits to individuals whose unemployment is due to energy shortages while denying them to similarly situated individuals whose unemployment was due to other causes.

The hardships faced by those unemployed for reasons unrelated to energy are just as real and just as great as those whose unemployment is caused by the energy shortage.

Although regulations of the Secretary would be designed to achieve uniformity, determinations of eligibility would ultimately be made by individual examiners at the local level. The examiner would be required to determine the importance of energy as a cause of unemployment in relation to seasonal industry patterns, cyclical economic conditions, and all other special factors impacting on or affecting that particular industry, plant and/or shop. His decision would inevitably be influenced by his own economic sophistication, the amount of time he has for investigation, and the adequacy of information received from employers.

The differing policies of the State or the individual unemployment office would invariably enter into these decisions. In no other program including the disaster relief program and the trade adjustment assistance program is the examiner called upon to make such complex and elusive judgments.

It can be anticipated that the nature of these factual determinations would vary widely from State to State, office to office, examiner to examiner. It might even be difficult for the same examiner to apply the rules with any degree of consistency.

The vast administrative burdens and expenses of a casualty approach should not be underestimated. If such a program were to become law, it would be to the advantage of every unemployed individual to assert that the energy shortage was the cause of his employment and the employer would gain nothing by making a contrary assertion. Each such claim would have to be carefully and individually checked. It is difficult to estimate what the resulting administrative costs would be, however, it can be assumed that extensive resources more properly utilized for the payment of benefits would be consumed in making administrative determinations and in court reviews resulting from uneven application of statutory standards.

The delays inherent in such an approach would likely be considerable. By contrast, the administration's approach would eliminate these administrative burdens and it would be evenhanded and consistent. It would apply to unemployed individuals who have exhausted their unemployment insurance benefits and those who are not eligible. It would require as a condition of eligibility that the individual have a substantial attachment to the labor force.

We believe that such an attachment is a necessary criterion in order to preserve the fundamental concepts of unemployment insurance.

§. 3267 provides that the Secretary may require 1 month of attachment in a year period as a condition of eligibility. We believe that is not adequate in order to assure maximum consistency with the unemployment insurance system as it has evolved across the Nation.

DURATION OF BENEFITS

The duration of benefits would extend to the end of the program in July 1975. To add so extended a special package of benefits is a complete departure from the unemployment compensation system as it has developed and as we have worked with it.

Under S. 3267, duration of benefits is not tied to the employee's prior attachment to the labor force. Here again we believe this bill reflects a departure from a sound unemployment insurance concept. Under the administration's bill, unemployment insurance exhaustees would receive a maximum of 13 weeks of special benefits and individuals ineligible for UI, but having such attachment would receive no more than 26 weeks. Actual benefits duration would be tied to that prior attachment to the work force.

BENEFIT LEVELS

S. 3267 specifies benefit levels with respect to UI exhaustees, however it allows the States within very wide parameters to determine benefit levels as to those not eligible for UI. The administration's bill would tie benefit levels directly to the requirements of the applicable State law. Congress may indeed not wish to write a blank check on so important a feature of the proposed program.

Mr. Chairman, I have attempted to outline some of the principal features of the administration's proposal and to discuss some of the major problems inherent in the alternative approaches before the Congress. The administration's bill reflects a careful attempt to spell out the rights of claimants with as much precision as possible and to leave as limited a number of questions as possible to administrative discretion. It provides for a program which we believe to be fair and equitable.

Mr. Chairman, we urge your early and favorable consideration of the Job Security Assistance Act for 1974.

I have with me the Assistant Secretary for Manpower, Mr. Bill Kolberg, on my right, and Mr. Goodwin of the unemployment insurance operation with in the department, most knowledgeable men and we are prepared to answer your questions.

Senator BYRD. Thank you, Mr. Secretary. Most of your testimony was in opposition to various phases of the three pieces of legislation, not including the administration's that has been presented to the committee.

Basically, what does your proposal do?

Mr. SCHUBERT. Our proposal is a contingency program that is related to unemployment being experienced in particular areas.

Senator BYRD. Regardless of the cost?

Mr. SCHUBERT. Yes; whenever unemployment reaches a certain level and we have set forth some projected definitional strictures, that area would trigger on for special benefits, both with regard to exhaustees and those not covered by the State system.

ADMINISTRATION PROPOSES EXTENDED BENEFITS PAID FROM GENERAL REVENUES

Senator BYRD. Your proposal, would it not undermine the State prerogative?

Mr. SCHUBERT. No, sir, it would be supplementary and complimentary to the present Federal-State system. We have carefully designed our proposal not to tamper with and destroy this fundamental system. It would add to the existing system. It would build upon it with regard to eligibility, for example, and labor force attachment. It would simply provide Federal benefits where in fact employees had exhausted UI benefits or where because much of their work was in non-covered employment, people were not eligible for unemployment in-

insurance, but had sufficient labor market attachment that they would otherwise be eligible and receive benefits.

Senator BYRD. Would that be paid out of the same fund as the normal compensation?

Mr. SCHUBERT. They would be paid out of Federal general revenues exclusively. Mr. Kolberg can expand this point further.

Mr. KOLBERG. The Federal-State program takes effect first. For an individual to be eligible for extended benefits, he would need to exhaust benefits under the regular program. In Virginia, it would be 26 weeks of eligibility. If the individual exhausted his 26 weeks, this program would take over. This would be 100 percent paid for out of the Treasury. It would no longer be a shared program.

COSTS OF THE VARIOUS PROPOSALS

Senator BYRD. What do you estimate it will cost for the present fiscal year and the upcoming fiscal year?

Mr. KOLBERG. It relates to the level of unemployment that we reach. If the program were to take effect today, according to our estimates, out of the areas that would be eligible, we think something like 47 areas would trigger on. That is perhaps a little outdated because our most recent figures are back in February. Out of 187 possible eligible areas, we think about 47 would be participating under the program now.

As to the question on total cost, that must relate to some estimate on the unemployment, total unemployment rates, and how many areas would trigger in. At a total rate of 5.7 percent we figured this program would cost about \$1 billion a year. The current level is 5.2 percent. If it went up to 5.7 percent, we feel it would be about a \$1 billion program over the life of the program, a 15-month program or thereabouts.

If you wanted to estimate a higher level, of course, it would be more expensive than that.

Senator BYRD. Thank you, sir.

Senator Bennett?

Senator BENNETT. Thank you. Your department has furnished cost estimates for all four of the legislative proposals and I have before me a piece of paper prepared by our staff which I assume includes your estimates.¹

The Ribicoff bill is estimated to cost \$4 billion. The Kennedy proposal \$2.2 billion. The administration proposal, \$1 billion, and the Jackson proposal \$3.8 billion, but the bill limits appropriations for the present fiscal year to \$0.5 billion.

LABOR DEPARTMENT ASSUMPTIONS USED IN ARRIVING AT COST ESTIMATES

Can you furnish the committee with a statement of the assumptions on which these cost estimates have been made?

Mr. KOLBERG. Yes; we can furnish you with a statement on the assumptions. Generally the assumptions on the nonadministration bills are very difficult to come by because one has to assume how an examiner views the causality problem. Those bills require a specific case-by-case finding that unemployment is related, and in one bill it says remotely related, to the energy crisis. If you use the words "remotely

¹ See pp. 4 and 5.

related to the energy crisis," to cost that out, you would have to include half of the unemployment in the country today and perhaps more because certainly it is remotely related.

You could make your own estimates on causality.

Senator BENNETT. Are these estimates that I have read and that appear in this statement your estimates or are they estimates of the authors of the various bills?

Mr. KOLBERG. They are our estimates and they are based on broad assumptions on our part. That is what they are worth. We have had to stand back and try to assume how the bills would act and how the various examiners would find causality.

Senator BENNETT. Since you made the estimates, you can give us the assumptions?

Mr. KOLBERG. Yes; the assumptions on which our estimates were made.

[The following was subsequently submitted for the record:]

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE ASSISTANT SECRETARY FOR MANPOWER,
Washington, D.C., April 10, 1974.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: At the Senate Finance Committee's hearing on April 2, 1974, on unemployment and the energy crisis, the Department's witnesses were asked about our estimates of the costs of various bills under consideration; specifically, S. 3024, S. 3206, S. 3257, and S. 3267. They were also asked (by Senator Bennett) for a statement of the assumptions underlying those estimates and responded that those assumptions would be supplied.

Prior to the hearing, Department staff members by telephone had given members of your committee staff estimates of the cost of the four cited bills. In the short interval between our receipt of notice of the hearing and the hearing itself, there was insufficient opportunity to give adequate consideration to those estimates. As a result, the estimates first supplied to your committee staff reflected the fullest potential costs that the bills might produce. Since that time, we have been able to develop more complete and realistic estimates of the probable costs of those bills. Since no prior experience is available as a guide to estimate the costs of such programs as S. 3024 or S. 3267 would provide, there is a large potential for error in any estimates of their costs, including our revised estimates.

A statement of the revised estimates and the assumptions used in developing them is enclosed.

Sincerely,

WILLIAM H. KOLBERG,
Assistant Secretary for Manpower.

Enclosure.

ASSUMPTIONS AFFECTING COSTS OF VARIOUS PROVISIONS FOR UNEMPLOYMENT
BENEFITS

In estimating the cost of the various proposals for special unemployment benefits because of the energy crisis, certain basic assumptions were used for all the proposals. The total unemployment rate was assumed to be 5.7 percent.

An average weekly benefit amount of \$60—approximately the current figure for UI beneficiaries—was assumed under all proposals for both UI exhaustees and, where applicable, the "otherwise ineligible." Duration was estimated from historical survival rates, modified by variations in statutory provisions.

BENNETT BILL (S. 3267)

This bill does not include any causality, but does limit payments to those last employed in areas triggered "on" by high unemployment. To determine which

areas would be triggered on for the most recent period available, a model month in 1978 was chosen, and each area was examined to test the conditions of the proposed law. These areas were then examined for a 1-year period ending August 1978 to determine the proportion of a year benefits could be payable. Approximately 26 percent of the unemployed were determined to be eligible for benefits under a 5.7 percent total unemployment rate.

The unemployed were then split between covered employment and otherwise ineligible. From an estimated 8 to 8.5 million total UI exhaustees, 1.1 million are expected to draw benefits under this program. For otherwise ineligible, qualification rates would approximate covered employment but unemployment rates would be slightly less since one subgroup would be State and local government workers. Duration of benefits was assumed to be 10 weeks for UI exhaustees and 15 weeks for otherwise ineligible.

KENNEDY BILL (S. 3206)

This bill provides for benefits to UI exhaustees, and for Federal funding of part of States' costs in excess of those in prior years. The extended benefit estimate reflects eligibility for all UI exhaustees without regard to energy relatedness of their unemployment or the unemployment level of their labor areas. ("Otherwise ineligible" are excluded from this bill.) Payments to States under the "excess cost ratio" provision were estimated to amount to less than \$0.1 billion.

RIBICOFF BILL (S. 3024)

This bill requires a causal relationship, directly or indirectly, between the individual's unemployment and the energy shortage. It provides benefits for UI exhaustees and "otherwise ineligible" unemployed with 18 weeks of work in 1978. The estimate was derived by applying the assumed 5.7 percent total unemployment rate to the civilian labor force to derive an average weekly number of unemployed. These were split based on history into UI and "otherwise ineligible." Estimates of duration, AWBA and percent of exhaustees were used based on extended benefit historical data. A range of cost is provided, depending on whether the causality relationship is applied most liberally, or on a restrictive basis.

JACKSON BILL (S. 3267)

This bill includes a causal relationship between the individual's unemployment and the energy supply problem. It requires no more than one month of employment to qualify the "otherwise ineligible." The variation in cost range between this bill and the Ribicoff bill is attributable to that difference in the qualifying requirement.

BENEFIT COST ESTIMATES WITH CAUSALITY RANGE IN BILLIONS

Bennett (S. 3257) and Kennedy (S. 3206). No causality provisions, and therefore, no causality range.

Bennett (S. 3257) cost \$1.0; Kennedy (S. 3206) cost \$2.2.

Other two bills are causality related and, therefore, have been given causality ranges. If the broadest causality assumptions were made, the costs would be: Ribicoff (S. 3024) \$4.0; Jackson (S. 3267) \$4.2.

If a more restrictive interpretation of causality is assumed, say 50 percent, the costs would change proportionately: Ribicoff (S. 3024) \$2.0; Jackson (S. 3267) \$2.1.

COVERAGE OF STATE AND LOCAL GOVERNMENT EMPLOYEES

Senator BENNETT. The administration proposal provides this benefit for people whose jobs have never been covered under the employment insurance program. Do you have any kind of information of the kind of people that would be drawing it?

Mr. SCHUBERT. The largest single group would be State and local government employees who are not currently covered, but in many

cases would fulfill the eligibility requirements of the State laws in question. That is the largest single group. There are additional groups, farmworkers and some domestics.

Senator BENNETT. What kind of State employees, State employees doing what kind of work?

Mr. KOLBERG. State and local employees of any government that are not covered now under the unemployment insurance system and there are something like 10 million to 12 million of those.

Senator BENNETT. If this administration bill is passed, by definition some of them will automatically be covered?

Mr. KOLBERG. Yes; many of them would have sufficient attachment. So they will be covered.

Senator BENNETT. Should we get into that field through the back door?

Mr. SCHUBERT. In that regard, I think what we perceive is a need to be responded to if, in fact, the area unemployment level is clearly of such a magnitude that people laid off in the State and local employee category are not likely to be absorbed; in other words, if there is a perceivable need then they as well as the other citizens ought to have some protection.

Senator BENNETT. Do you have indication that these areas where unemployment is high, that State and local employees are actually being laid off?

Mr. SCHUBERT. We have some indication. We have had some indication that State and local governments have had to cut back because of the crunch. We feel to the degree that such individuals have jobs financed under the public service component of the Comprehensive Employment and Training Act of if they are not laid off are not eligible, they would, of course, not receive any money under this proposal.

SUFFICIENT ATTACHMENT TO THE LABOR FORCE REQUIRED

Senator BENNETT. It is partially possible that part of this would go to people who are chronically unemployed? Would they be brought in by your definition?

Mr. SCHUBERT. Individuals would be eligible only if they have sufficient attachment to the labor force and only to the extent their labor market area qualifies and triggers on. There are some pocket areas of unemployment that have been operating at relatively high levels of unemployment. To the extent that the unemployment picture in those areas is exasperated or aggravated by energy shortages or other contributing factors, then they would become eligible.

Mr. KOLBERG. The State laws regarding attachment to the labor force are involved in the administration of this program. So the person who is in and out of the program and has no strong attachment to the labor force would not be eligible for the benefits of this program.

Senator BENNETT. No other questions.

Senator BYRD. Mr. Chairman?

120 PERCENT REQUIREMENT

The CHAIRMAN. Last year the Senate passed an amendment to provide 3 months of extended benefits—in addition to the 6 months of regular benefits—at a State's option, in any State whose rate of insured unemployment is at least 4 percent. This would eliminate the additional requirement under present law that the State's unemploy-

ment rate also be at least 20 percent higher than during the prior 2 years. About two dozen States currently have an insured unemployment rate of more than 4 percent, but only one of them has a rate that is at least 20 percent higher than the prior 2 years.

What would your position be with regard to that Senate amendment that was passed last year?

Mr. KOLBERG. We have watched this developing situation very carefully. There are 22 States as you say that are eligible as long as you remove the 120-percent requirement. There are two States, Michigan and Delaware, that would qualify even with the 120-percent requirement. Out of those 22 States, there are 6 States that have elected to waive the 120-percent requirement and pay extended benefits, in other words that have passed State laws and are paying their share, the 50-percent share along with the Federal payments. We have been watching the 120 percent very carefully and certainly before this latest 3-month extension is over, we are going to be prepared to recommend to the committee what action we think ought to be taken related to this issue.

At this present time, States have the right to participate without regard to the 120-percent requirement on a voluntary basis. Apparently there are a number of States that do not believe that the unemployment situation is severe enough that they want to participate in the program. Their approach should be borne in mind in any congressional consideration of this issue.

The 120 percent does relate to the severity of the unemployment problems in those States.

Also, as you know, the 120-percent requirement was developed as some measure of countercyclical reasons for moving into an extended benefits program. We are considering making the 4-percent figure seasonally adjusted as the national trigger is. Then we could see what that effect would be.

The summary of this, Mr. Chairman is, as I think the committee knows, we have been trying to watch the situation pretty closely and we will be prepared to present recommendations at the end of this 3-month extended period. Clearly in the long pull some permanent legislation need to be developed. At the moment we are not prepared to recommend what other changes ought to be related to the 120 percent or related to other aspects of the Federal-State extended benefits program. We are looking at it carefully and will make those recommendations.

The CHAIRMAN. It would seem to me appropriate that you have extended benefits when you have 4-percent unemployment. The question of whether or not that was also 20 percent more than had been unemployed the previous year shouldn't make much difference. I don't see why your people would want to insist that in addition to having 4-percent unemployed a State would have to have a 20-percent increase in insured unemployment over a previous period.

Mr. KOLBERG. It is a very legitimate point of view. We are going to take a hard look at it and come back to the committee in the next 3 months with a recommendation on it. They moved ahead without recommendation from the administration several times. We certainly feel we have to make up our minds how we feel about this.

The CHAIRMAN. We don't get that privilege of a long time to think about it. Somebody offers the amendment and calls for yeas and nays and you have 15 minutes to decide.

Mr. KOLBERG. Yes.

Mr. SCHUBERT. We are here to help you make that decision.

Mr. KOLBERG. The President signed the recent extension as he has the past one.

Senator BYRD. Senator Fannin.

Senator FANNIN. Thank you.

UNEMPLOYMENT RATE

You seem to be taking a very objective viewpoint on this matter. Just a few weeks ago we were all worried about the unemployment picture and what would happen as a result of the energy problem. It was not only energy that was entering into our worries, but shortage of employment. That hasn't materialized to the extent it was anticipated. Not you as much as others. You were aware of what was being said in the Congress and what was said in the business and professional field.

Mr. SCHUBERT. Yes, sir, there were very dire predictions in November of last year that by this time in 1974, we would be at 5.6, 5.7, 5.8, and climbing. We have had 2 months at 5.2 and viewed optimistically, it could be asserted that we are close to bottoming out. It is very difficult, however, to make that projection. We will know a great deal more on Friday when the next unemployment figures are released.

NEED FOR LEGISLATION

Senator FANNIN. The reason I am asking these questions is that we have a bill, as you know, in the Interior Committee, that includes unemployment compensation. The feeling that has been expressed is that this should be rushed through because you have immediate need for it. Do you feel that there is an immediate need for legislation?

Mr. SCHUBERT. Even if we have bottomed out, and I underscore "if" and note the fact that it is really impossible to make a projection at this point, even if we have bottomed out nationally, there will however be pockets of unemployment in some areas of some consequence and significance which we believe have to be addressed.

We believe our proposal is the most rational way to address them.

Senator FANNIN. You say "Cause of unemployment must be related to energy supply problem including consumer buying decisions influenced by energy shortage or governmental actions related to it. Determinations to be made on industry, business, or employer basis, as determined by the Secretary of Labor."

Isn't that a rather broad explanation of what you could consider?

Mr. SCHUBERT. That is not our proposal.

Senator FANNIN. But I am talking about the rush in getting this other legislation through. What I am saying, I think I feel as you do, that we should approach this as you have in the administration bill and have hearings, make the determination of the need, and then have appropriate legislation. My question to you is that when we talk about these pockets, would this necessarily cover those pockets? They could be involved in shortages of other products that are not related to energy and still be as serious a matter for us?

Mr. SCHUBERT. That is exactly right. That is precisely why we have constructed and designed this proposal in this fashion. We believe that it is totally irrelevant why people are unemployed if, in fact, they are

unemployed and if their labor market area is such that it is unlikely that they can be absorbed before their benefits run out. They ought then to have some kind of protection.

Senator FANNIN. As I understand, the philosophy of the UI process runs like this: If an individual becomes unemployed through no fault of his own, he may receive payment for 6 months during which time he is trying to find another job. During periods of high unemployment it is more difficult and we provide for up to 9 months of unemployment benefits.

In your proposal you add an additional 3 months, allowing up to 1 year benefits, is that correct?

Mr. KOLBERG. That is correct for those that exhaust under the first 2 programs, the 6 months and 3 months. Those who aren't covered would have 26 weeks. They would be covered under the administration's special program.

NEED OF FEDERAL ASSISTANCE OTHER THAN THE UNEMPLOYMENT INSURANCE SYSTEM

Senator FANNIN. At what point do you find unemployment to be a bigger problem than providing weekly benefits until a man finds another job? In the past, Congress has enacted programs in public works, manpower. At what point would you look at it that that might be needed?

Mr. SCHUBERT. It is hard to articulate a precise formula as to when the Government should move. I suppose we prefer to have "on-the-shelf" programs and authority. For example, the Comprehensive Employment and Training Act provides several components of manpower assistance. Public service employment assistance is triggered by the needs of a local area. This program is also a shelf contingency program that meets the need as it develops. I think this is a far more responsible approach than trying to make a very arbitrary judgment from on-high as to whether conditions generally have deteriorated to the point where we ought to wheel something else out. We ought to have it there, and if a local market area needs the help, it ought to receive it.

Senator FANNIN. Mr. Secretary, in S. 3267, they talk about \$3.8 billion. The immediate appropriation for fiscal 1973 is a half million. This is fully paid from Federal general revenue. If we are going to have a need of that magnitude, shouldn't we be going into some other programs that would help absorb this problem?

Mr. SCHUBERT. I think that is a very valid point. One of the things that concerns us about some of the other proposals that have been made, including that of Senator Jackson, is that there is almost an indefinite period of coverage. Now very frankly at some point the unemployment insurance system logically should stop taking effect and we should go to some other form of income maintenance or supplement, but we don't think the unemployment insurance system is the panacea for all economic ills. If we have a problem of that magnitude then, as you suggest, there might be other steps that are necessary.

EXTENDED BENEFITS

Senator FANNIN. I agree with that. States may now provide 3 months of extended benefits and 6 months with Federal matching funds. If the insured unemployment rates exceed 4 percent. About two dozen States currently have an insured unemployment rate of more than 4 percent, yet only a half dozen are providing extended benefits under this.

Mr. KOLBERG. That is correct.

Senator FANNIN. If many States do not regard their employment situation as serious enough to take advantage of the present extended benefit provisions, why should we provide 100 percent Federal benefit to the same unemployment persons who have exhausted their regular benefits?

Mr. KOLBERG. It is a very good question. It is a policy judgment on our part and we certainly made it back in early February when this looked like a developing crisis and we needed to move fast. We didn't think we had time to wait for States to understand the problems and have their legislatures pass laws—we wanted to move fast and we thought we had a justification and we think we still do. In order for the States to qualify under the existing program, it is rather time-consuming.

Senator FANNIN. You ask us to take another look. You will bring us up to date on existing conditions and the appropriation legislation that would be in order?

Mr. KOLBERG. Yes.

Senator BYRD. Senator Hansen.

Senator HANSEN. In addition the 3 months extended is payable in every State if the national rate is at least 4.15 percent for 4 months in a row. Do you project in the national rate of insured unemployment will reach 4.15 percent in a 3-month period at any time during the next 15 months?

Mr. SCHUBERT. That is extremely difficult to project. I think that the latest figure is about 4 percent. If in fact, Senator, the projections of many people are correct, in looking at the economic indicators, including unemployment insurance initial claims or continuing claims it is unlikely that we will have that experience. But it is hard to make that projection.

EFFECT OF THE ENERGY CRISIS ON UNEMPLOYMENT

Senator HANSEN. If not, if you assume it will not reach that level, do you feel the energy crisis is having a serious enough impact on unemployment to warrant an additional \$1 billion in unemployment benefits under a special new program?

Mr. SCHUBERT. Yes, sir, for this reason: When we moved, after the Yom Kippur war, into a hard evaluation of what was likely to occur in the next few months, we all feared that there would be a ripple effect starting in the auto industry and auto supply industry because of the allocation of fuel and other considerations, moving into other heavy industry and then light industry and construction. We have not had such a significant ripple effect. By and large our unemployment has been related to autorelated and travel industries and tourist establishments. That does not mean there are not areas in the country in which there has been a particular impact. We feel in spite of that fact that we seem to have survived nationally extraordinarily well, all things considered. Nevertheless we must still meet the area problems that have been created and which will come up in the next few months.

Mr. KOLBERG. We sent to Congress a special report on unemployment problems related to the energy crisis. I would like to offer it for the committee staff to look at. It will give a lot more detail on what the Under Secretary has said in terms of the impact so far of the

energy crisis, and a little bit of general projection as to where we see it going.¹

REASONS FOR 100 PERCENT FEDERAL FUNDING OF ADMINISTRATION PROPOSAL

Senator HANSEN. Mr. Secretary, regular unemployment benefits are financed out of State employers tax. Funds for extended coverage are 50 percent Federal and 50 percent State also based on employer taxes. When the extended benefit program was enacted in 1970, State administrators argued against 100 percent Federal funding of extended benefits on the grounds that more careful administration would result if there was State financial participation. Paying for the unemployment program through an employer tax also keeps employers interested in good administration of the program.

In view of this background, why do you advocate 100 percent fund financing of this proposal?

Mr. KOLBERG. I think, Senator, it relates to the answer that I gave earlier and that is in our judgment this is a particular emergency situation of a short term and we would rather not bank upon the long-standing Federal-State system which we certainly support. The points you made are certainly correct, the fixing of the financing, the employer tax—all that relates to the administration of the present program. We thought and still think this is a limited emergency situation and we ought to move fast and not go through the more cumbersome procedure of State laws and all that is involved.

Senator HANSEN. Would you characterize this emergency as a crisis or a problem?

Mr. SCHUBERT. I think it has been characterized—

Senator HANSEN. How would you characterize it?

Mr. SCHUBERT. I think it is a significant problem in certain areas of the country.

Senator HANSEN. I have no further questions, Mr. Chairman.

NEED FOR LEGISLATION

Senator BYRD. I just want to mention at this point that the Virginia commissioner of the Virginia Employment Commission, Mr. William Heartwell, Jr., was scheduled to testify today, but he was unable to be here. He does have a representative here, the assistant attorney general for the State of Virginia. What I want to say is this: Your exchange with Senator Hansen is essentially Mr. Heartwell's position. He is an able man. He does not believe we need special legislation every time a problem comes up. I realize Virginia is out of step with the prevailing official views in both the Congress and executive branch and I am glad it is because the senior Senator of Virginia is out of step with those Washington views too.

I have known Mr. Heartwell for many years. He has been in State government for many years. He has written a letter which I will ask the permission of the committee to insert in the record in its entirety.²

I think Mr. Heartwell has a good point: That we don't need to be rushing through Congress new legislation every time some new problem arises in this country. If we are going to have legislation, I think

¹ See p. 59.
² See p. 161.

your proposal is superior to the other proposals that have been outlined on this sheet, but it seems to me that you also adopt the principle that whenever we get a problem, the first thing we do is to take the view that we must spend more money from Washington and that will solve our problem.

Mr. SCHUBERT. I could not agree with you more, Senator. I will just make one additional observation.

The majority of my time this afternoon was spent with title II. We urge the committee to seriously consider the provisions of the permanent improvements in the unemployment compensation system as well. These provisions constitute title I of the administration proposal. Our proposals include establishment of Federal benefit amount standards and some expansion of coverage. They are not a contingency or temporary program, but a permanent improvement as we perceive it.

Senator BYRD. You will agree with Mr. Heartwell's view that unemployment insurance is one of the best examples of State-Federal cooperation?

Mr. KOLBERG. Yes.

Senator BYRD. I deplore any attempts to damage or indeed destroy the relationship.

Mr. SCHUBERT. Thank you.

[The prepared statement of Mr. Schubert, an outline of remarks on compensation for unemployment, by Mr. Schubert, and the Secretary of Labor's Report on the Impact of Energy Shortages on Manpower Needs follow. Hearing continues on page 98.]

PREPARED STATEMENT OF RICHARD F. SCHUBERT, UNDER SECRETARY OF LABOR

I welcome this opportunity to discuss the Administration's proposals to improve the Federal-State unemployment insurance system and to establish a temporary program of assistance to workers who are particularly affected by unemployment occurring during the present energy shortage. I would like to commend you, Mr. Chairman, and the members of this Committee for interrupting your heavy agenda in order to hold these hearings. I know that you have many important matters to consider during the coming months. It is therefore particularly noteworthy that you have assigned so high a priority to legislation intended to meet the needs of the unemployed.

At the outset let me restate this Administration's commitment to the Federal-State unemployment compensation system as the most effective means of assisting workers who are temporarily unemployed. Over the past several decades, this system has proven itself a fair and flexible instrument of social and economic policy. Throughout its history, many changes have been made to render it more effective in serving the American worker and the Nation's economy.

It is clear, however, that more needs to be done. It is for this reason that in May of 1973, the Administration transmitted to the Congress draft legislation entitled the "Job Security Assistance Act". Particularly notable among the bill's provisions were its proposed extension of coverage to employees of larger farms and its establishment of Federal benefit amount standards. These standards were designed to assure that the unemployment compensation system provides adequate benefits to workers and provides the Nation with greater protection against reduction in consumer purchasing power resulting from unemployment.

In February of this year, the Administration resubmitted its 1973 proposal in a new draft bill entitled the "Job Security Assistance Act of 1974." This bill was introduced by Senator Bennett as S. 3257. This recent draft includes a new title II, which would establish a temporary federally financed program of special unemployment compensation for those unemployed during the energy shortage. This program is intended as an alternative to other programs now being considered by the Congress to provide assistance to workers affected by the energy shortage.

I would like to direct most of my attention this afternoon to this newly proposed title II program. A special energy unemployment compensation program was passed by both Houses of the Congress as a part of energy emergency legis-

lation. It is likely that such provisions will again be considered by the Congress in the near future. It is my judgment that the provisions included in the energy legislation this year contain serious flaws, and that the Administration's alternative program is a fairer and more workable program. I believe that it is important for your Committee to give full consideration to the advantages of the Administration's approach prior to any action by the Senate on energy legislation.

It is for this reason that my focus this afternoon will be on the Administration's temporary program proposal. I would like to emphasize, however, the importance of prompt action on the permanent improvements in the unemployment compensation system proposed by the Administration in Title I of its draft legislation. The improvements sought by the Administration are long overdue. Moreover, an improved unemployment compensation system will reduce the pressures for special purpose unemployment programs directed towards individuals experiencing unemployment from particular causes. It would not be possible, however, to make permanent changes requiring conforming changes in State law in sufficient time to meet near term unemployment problems including those resulting from the energy shortage. It is for this reason that the Administration has proposed a special program to meet these needs without doing violence to fundamental unemployment insurance concepts.

It may be asserted by some that the ending of the oil embargo has rendered any special program unnecessary. I cannot agree. It is logical to anticipate that unemployment attributable to energy shortages will decline over the next several months on an overall basis. There may, however, be local area unemployment problems over the next several months resulting from continuing shortages, adjustments in prices, and conversion from one form of energy to another. These problems are impossible to anticipate fully or to predict. To meet them, the Administration is proposing what is, in effect, a standby program which will become effective in areas as the need may arise. If the number of pockets of severe unemployment decreases then the response by this anticipatory mechanism will automatically adjust accordingly. Moreover, I would point out that both Houses of the Congress, in passing section 116 of S. 2589, have recognized the need for a program to assist the unemployed. The Administration's proposal represents an attempt to provide a more workable way to meet this need.

I would like now to trace the broad outlines of the Administration's proposal in comparison with other legislative approaches which have been put forward. Both S. 2589, which passed both Houses and S. 3267 recently introduced by Senator Jackson, contain provisions which condition eligibility for benefits on a determination that the claimant's unemployment resulted from energy shortages. S. 3024 takes a comparable approach. In contrast, the Administration's proposal does not distinguish between those who are unemployed due to energy shortages and those whose unemployment results from other causes. The Administration's bill would provide benefits to all eligible unemployed workers in areas experiencing high unemployment. Each State would be divided into areas which would include: (1) those portions of the State which were in labor market areas of 250,000 population or more, and (2) the balance of the State. When for a 13 week period the insured unemployment in any of these areas equalled or exceeded 4.5 percent or when it rose to 4 percent and equalled or exceeded 120 percent of the unemployment in the comparable period in the year October 1, 1972 through September 29, 1973, the area would "trigger on" and eligible unemployed workers would be entitled to benefits.

The Administration's proposal is based on the reasonable assumption that if insured unemployment in an area is at a high level, or has increased substantially unemployed persons in that area will have special difficulties in locating new jobs. It is directed thus towards meeting the actual effects which current economic conditions may have on workers.

The Administration's proposal would not provide special benefits for workers unemployed as a result of energy shortages in low unemployment areas as other proposals would. These workers should not experience abnormal difficulty in obtaining suitable employment, since there is less competition for jobs in their areas of work. Moreover, it would be inequitable to provide special benefits to these individuals while denying them to similarly situated individuals whose unemployment was due to other causes. The hardships faced by those who are

unemployed for reasons unrelated to energy are just as great as those whose unemployment is caused by the energy shortage.

Requiring a casual relationship between energy shortages and a worker's unemployment involves other inherently inequitable elements. The Secretary would, under such legislation, prescribe regulations attempting to assure uniformity in making these causality determinations. In the final analysis, however, these determinations must be made by individual examiners at the local level. The examiner would be required to make the most complex of economic judgments. He would be required to determine the importance of energy as a cause of unemployment in relation to seasonal industry patterns, cyclical economic conditions, and all other special factors affecting that particular industry, plant, or shop. His decision would inevitably be influenced by his own economic sophistication, the amount of time he has for investigation, and the adequacy of information received from employers. The differing policies of the State or the individual unemployment office would invariably enter into these decisions. In no other program including the Disaster Relief program and the Trade Adjustment Assistance program is the examiner called upon to make such complex and elusive judgments. Notwithstanding any guidance that the Secretary of Labor may provide, it can be anticipated that the nature of these factual determinations will vary widely from State to State, office to office, examiner to examiner. It may even be difficult for the same examiner to apply the rules with consistency.

The vast administrative burdens and expenses of a "causality" approach should not be underestimated. If such a program were to become law, it would be to the advantage of every unemployed individual to assert that the energy shortage was a cause of his unemployment. The employer would gain nothing by making a contrary assertion. Each such claim would have to be carefully checked. This could require, for example, examining the records of the individual employer. It is difficult to estimate what the resulting administrative costs would be. We have never had a special program imposing such complex and large scale demands on local unemployment offices. However, it can be clearly anticipated that extensive resources more properly utilized for the payment of benefits would be consumed in making administrative determinations and in court reviews resulting from uneven application of the statutory standards. The delays inherent in such an approach are likely to be considerable. By contrast, the Administration's approach would eliminate these administrative burdens and expenses and would be evenly and consistently applied.

The Administration's bill would apply to unemployed individuals who have exhausted their entitlement to unemployment compensation, including any extended benefits, and those who are not eligible for such compensation. A comparable approach is taken in S. 2589, as passed by both Houses, S. 3267 and S. 3024.

The Administration's bill would require as a condition of eligibility, that an individual have a substantial attachment to the labor force. We believe that such attachment is a necessary criterion in order to preserve the fundamental concepts of unemployment insurance. S. 2589, as passed by both Houses, contained no required attachment to the labor force. S. 3267 now provides that the Secretary may require up to one month of attachment in a year period as a condition of eligibility. The Administration believes that a Federal one-month standard is not appropriate. In order to assure maximum consistency with the unemployment insurance system, the standards of the State law should apply.

S. 2589 provided for a maximum of one year of special benefits. Duration under S. 3267 would extend to the end of the program in July of 1975. In our view, either of these approaches is inadvisable. It will be recalled that in a typical State, an unemployment compensation recipient may be entitled to up to 26 weeks of regular benefits and 13 weeks of extended benefits if the extended program is in effect in that State. To add as much as one year of additional special benefits is a complete departure from the concept of unemployment compensation as a temporary support for workers who are between jobs. Under neither S. 2589 nor S. 3267 is duration of benefits tied to the employee's prior attachment to the labor force. Here again, these bills reflect a departure from sound unemployment insurance concepts.

Under the Administration's bill, unemployment insurance exhaustees would receive a maximum of 13 weeks of special benefits and individuals ineligible for UI would receive no more than 26 weeks of benefits. Actual benefit durations would be tied to the individual's prior attachment to the labor force.

S. 2589 leaves the establishment of benefit levels to administrative discretion. S. 3287 specifies benefit levels with respect to UI exhaustees; however, it allows the States within wide parameters to determine benefit levels as to those not eligible for UI. The Administration's bill would tie benefit levels directly to the requirements of the applicable State law. The Congress may not wish to write a blank check on so important a feature of the proposed program.

I have attempted to outline some of the principal features of the Administration's proposal and to discuss some of the major problems inherent in alternative approaches that are before the Congress. The Administration's bill reflects a careful attempt to spell out the rights of claimants with as much precision as possible and to leave as limited a range of questions as possible to administrative discretion. It provides for a program which is fair and equitable and imposes only reasonable administrative burdens on officials responsible for its implementation.

Mr. Chairman, I urge your early and favorable consideration of this important program and the other provisions of the Administration's Job Security Assistance Act of 1974.

I thank you for the opportunity to present my views and would be pleased to answer any questions that you may have.

OUTLINE OF REMARKS ON COMPENSATION FOR UNEMPLOYMENT BY UNDER SECRETARY OF LABOR RICHARD F. SCHUBERT

- I. Prompt action is urged on *permanent* improvements in the UI system: (a) establishing Federal benefit amount standards; (b) extending coverage to employees of larger farms.
- II. The Administration now proposes a workable and sensible *temporary* program during the period of energy shortage, since permanent improvements could not be completed in the near term.
 - A. The unemployment problems, related to energy shortages and other causes, will continue for a time and affect some areas substantially.
 - B. The Administration's proposal is in the nature of a contingency measure: if the problem is serious, the response will be substantial; if not serious, the response will be limited.
- III. The Administration's proposal is more sound and appropriate than others under consideration.
 - A. *Causality*.—S. 3287 would help only those whose unemployment results from energy shortages. This approach creates inequities among unemployed workers and burdens administering agencies with the need to make highly judgemental determinations of cause of unemployment.

The Administration's bill would aid *all* the eligible unemployed in areas with high unemployment, on the reasonable ground that these are the unemployed who may have special difficulties in locating new jobs. It would be fair in treating unemployed workers the same who face similar difficulties. It would be a workable approach.
 - B. *Coverage*.—The Administration's bill would include workers in industries not now covered by the regular UI system.
 - C. *Eligibility*.—S. 3287 provides that one month of work in the prior year may be required as a condition of receiving benefits.

The Administration believes that requirements of strong labor force attachment now contained in most state laws should apply to this temporary program in order to preserve a fundamental UI concept.
 - D. *Duration*.—S. 3287 would extend benefits to July of 1975. This is a complete departure from the normal UI concept of temporary support for workers between jobs.

The Administration's bill provides reasonable duration: up to 13 additional weeks (but not more than 52 weeks total) for those who exhaust normal benefits, and up to 26 weeks for those who do not get normal benefits.
 - E. *Benefit amount*.—S. 3287 provides wide discretion on amounts for those who had not received normal benefits.

The Administration's bill would tie benefit levels directly to those provided in state UI laws.

**Secretary
of Labor's
Report on the Impact
of Energy Shortages
on
Manpower Needs**

Required under Section 506
Comprehensive Employment and Training Act of 1973



U. S. DEPARTMENT OF LABOR
Peter J. Brennan, Secretary

Manpower Administration
William H. Kolberg, Assistant Secretary for Manpower

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

MAR 27 1974

Honorable Gerald Ford
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

The enclosed report on the impact of energy shortages, including fuel rationing, upon manpower needs is provided to Congress in accordance with the requirement of section 506 of the Comprehensive Employment and Training Act of 1973.

Sincerely,


Secretary of Labor

Enclosure

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

MAR 27 1974

Honorable Carl Albert
Speaker of the House of
Representatives
Washington, D. C. 20515

Dear Mr. Speaker:

The enclosed report on the impact of energy shortages, including fuel rationing, upon manpower needs is provided to Congress in accordance with the requirement of section 506 of the Comprehensive Employment and Training Act of 1973.

Sincerely,


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Enclosure

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I. INTRODUCTION

The Comprehensive Employment and Training Act of 1973, signed into law by the President on December 28, provides in Section 506 that

The Secretary shall, immediately upon enactment of this Act, make a study of the impact of energy shortages, including fuel rationing, upon manpower needs.

This report provides, within the limits of the data available to the Department of Labor, the Department's best estimates of the current and prospective impacts of energy shortages on employment and unemployment and reviews the initiatives the Department has taken to better understand and help ameliorate the employment impact of the shortage.

Three general factors in the Nation's energy shortage situation and the public policy response to the problem are of key importance to this discussion of the implications for manpower:

First, the Nation's energy problem did not begin with the embargo of October 1973 nor will it end with the return to ready availability of imported fuel. However, the disemployment effects associated with the energy shortage and discussed in this report do coincide with the imposition of the oil embargo. Some post-embargo impact on employment may also be anticipated as a result of fuel price levels remaining substantially above pre-October 1973 levels.

Second, Federal allocation policy under the Emergency Petroleum Allocation Act of 1973 has been designed to minimize the employment impact of fuel shortages as well as to protect the public health, safety and welfare, to maintain public services, agricultural operations, and national defense. However, an adverse employment impact has been experienced by those industries dependent upon high levels of consumption--such as the private use of gasoline for automobiles and jet fuel for commercial aviation--that received allocations of less than 100 percent of current needs.

Third, this Administration will actively pursue a policy of energy self-sufficiency for the United States. In a series of energy messages, the President has outlined a multi-faceted program to meet the current energy crisis and, most importantly, to chart the course toward self-sufficiency.

These factors, involving both the nature of the energy shortfall and the Federal policy response to the problem, influence the industries, geographic areas and occupations in which energy-related unemployment has occurred to date and the nature and extent of employment that will be generated as the effort to achieve self-sufficiency is undertaken during the balance of the decade.

Organization of the Report

This report provides (a) an analysis of the nature and extent of the current employment impact of fuel shortages (Section II); (b) estimates of the future impacts, both positive and negative, during the balance of the decade (Section III); and (c) a review of the policy and program initiatives taken by the Department of Labor in response to the problem and recommendations for further actions (Section IV).

Data Sources Used and Their Limitations

The data used in this report, particularly in Section II, and the analysis based on these data have certain technical limitations which should be noted.

In general, it must be emphasized that isolating the unemployment effects of fuel shortages in a period of economic slowdown poses difficult methodological problems. Survey respondents and interviewers were obliged to make the difficult determination of whether a given instance of unemployment was attributable in large part to fuel shortages, or to other economic factors.

The analysis focuses on the primary effects of the energy shortage, i. e., where employment is affected because (1) fuel is a direct input into the firm's productive process, or to the process of a major supplier; or (2) fuel is critical to the use of the firm's product, as in the case of automobiles, and hence affects the product demand.

The multiplier and investment expenditure effects of the fuel shortage on employment would be difficult to discern, with any accuracy and, therefore, are not included in this analysis.

The primary data series used in the report, discussed briefly below, are described in detail in the Appendix.

Energy-related claims for unemployment insurance have been compiled weekly since early December. "Energy-related" is defined by the claimants' self-declaration or by local unemployment insurance (UI) staff, on the basis of their knowledge of local conditions. The accuracy of these responses has not yet been validated. The claims data are of two forms: initial claims (first claims, a short-term indicator which does not represent any payment of benefit); and continued claims, which represents payment of benefits based on insured unemployment during the previous week. The latter is a better indicator of continuing impact and most reliance is placed on this source. Claims data cover only a portion of the labor force, (about 75 percent in 1973). Moreover, some workers in covered employment may not qualify for UI benefits because they have not worked long enough to accumulate sufficient wage credits.

Biweekly mass layoff reports are collected by State employment security agencies and indicate the size of prospective or past layoffs, by locality, generally providing occupational detail. These reports are submitted to State employment security (ES) agencies by employers on a voluntary basis and, therefore, do not measure the universe of layoffs. Rather, the series provides an indicator of layoff trends, by industry and area. The reports cover only those firms which lay off 50 or more workers at a time. Thus, layoffs in small establishments are missed entirely, possibly understating layoffs in such sectors as retail trade. As in the case of the UI claims data, the reliability of the information depends on the accuracy with which the "energy-related" label is applied.

Monthly employment survey of 160,000 establishments by the Bureau of Labor Statistics (BLS) provides employment by industry. Respondent employers have been asked to indicate the changes which are energy-related. This source has the limitation of being based on sample data and thus is subject to sampling error.

Monthly employment survey of 47,000 households by the BLS provides information on the labor force, including characteristics of the unemployed. No special code has been incorporated in this survey on energy-related unemployment. However, when used in

combination with other information, the household survey can be used to make inferences about the extent of energy related changes.

This report to Congress represents the Department of Labor's first overall assessment of the impact of the energy shortage on employment. Due to limitations of the data and the fact that the report was written in a period of rapid change on the energy front, many of the conclusions must necessarily be regarded as tentative. As the final section of this report indicates, the Department has established the basis for a continuing process of statistical and policy analysis addressed to this subject area.

II. IMPACT OF THE ENERGY SHORTAGE ON CURRENT EMPLOYMENT

In a report accompanying his November 25 address to the American people on the energy crisis, President Nixon indicated that as a result of the Arab oil embargo, petroleum supplies were anticipated to fall about eight percent short of domestic demand during the fourth quarter of 1973 and up to 17 percent short during the first quarter of 1974. He encouraged the American people to take steps, and he stressed the Administration's intention to take further steps, to limit the hardship and inconvenience of the fuel shortage, and in particular to minimize the impact of the shortage on output and employment.

Because the Nation faced a shortfall of energy supplies and since use cannot exceed available supply, reduction in demand had to be made through voluntary conservation measures or involuntary "doing without". The employment effects experienced so far are attributable primarily to the shortage and the allocation measures that were taken to distribute the available energy supplies.

This section reviews: (a) the probable magnitude of the employment effects of the energy shortage experienced to date; (b) how the effects have been distributed by geographic area and by industry; and (c) the occupational characteristics of the workers involved.

Magnitude of Current Employment Impact

Based on its monthly establishment survey, the Bureau of Labor Statistics estimates that from November 1973 to February 1974 between 125,000 and 200,000 jobs were lost as the direct result of employers' inability to acquire sufficient supplies of fuel or petroleum-based products to maintain their former levels of operation, principally in gasoline stations and airlines. In addition, industries that may have experienced at least some indirect effects owing to declines in consumer demand for certain products and services as a result of actual or anticipated shortages of fuel, posted employment declines of 300,000 jobs. The data available do not permit the making of an accurate estimate of how many of these 300,000 jobs were actually lost because of real or anticipated energy shortages. It should be emphasized, moreover, that these figures do not necessarily represent an equivalent number of people who were unemployed as of February. It can reasonably be assumed that some number of those persons who were laid off in the energy shortage affected industries were reabsorbed in other industries or through recall. Some of the industries affected include those engaged in automobile production and distribution, aircraft and parts,

ship and boat building, recreational vehicles, hotels and other lodging places, and amusements. While other factors have also contributed to these declines, it can be reasonably assumed that a significant portion of the total stems, at least in part, from uncertainties over gasoline supplies.

Growth in other industries, particularly during the January-February period, brought employment back up to the November level. The job expansion took place mainly in wholesale trade; finance, insurance, and real estate; medical services; and State and local government.

The overall unemployment rate rose from 4.6 percent in October, 1973 to 5.2 percent in January, 1974. The unemployment rate was unchanged between January and February at 5.2 percent, with very little movement for individual groups. While employment rose slightly, the unemployment rate was able to hold its level because the labor force also remained stable.

While the greater strength shown in the February preliminary statistics represents only a single month's experience, the figures do suggest that the employment and unemployment problems being encountered today are of a special nature related largely to the energy shortages.

Energy-related continued claims for unemployment insurance averaged about 191,000 per week through January and February and reached a peak of about 244,000 in mid-February. The trend in such figures, which had been consistently increasing through the prior weeks, reversed in late February, however, and in the two weeks ending March 2 declined to 229,000 and 226,000 respectively.

Geographic Areas Affected

The upper-midwest region appears to have suffered the greatest impact of energy-related unemployment, thus far. Continued UI claims for mid-February indicate that three fifths of all the energy-related insured unemployment in the Nation was concentrated in the States of Michigan, Indiana, Ohio, and Wisconsin. In most instances, the effects were linked with automobile manufacturing or industries heavily dependent on automobile manufacturing.

There have been some noticeable shifts in the pattern since December 1973 when the Department's collection of special energy data series began full operation. Energy-related unemployment in mid-December was concentrated in New York, Indiana, Ohio, and Kansas, related largely to industries supplying the automobile industry. At that time, only one percent of all insured unemployment was energy-related nation-wide, but

Indiana's incidence was 13 percent, Kansas 7 percent, and Iowa 5 percent. Layoffs in private aircraft manufacturing in Kansas and airline services in New York were also significant factors (Appendix Tables A and B).

This pattern persisted through December, with some additions in Wisconsin largely related to boat-building. Large scale layoffs began in Michigan during early January, most of them in the automobile manufacturing industry. Since then, Michigan has dominated the national picture of energy-related unemployment. It has constituted over 50 percent of Michigan's total insured unemployment during February. Layoffs started increasing in California in late January and in early February, generally related to automobile assembly work.

Other States in which energy-related claims in mid-February accounted for very high portions of total insured unemployment were Delaware, Indiana, and Kansas (over 25 percent) and New Hampshire, Wisconsin, Iowa and Tennessee (over 10 percent).

Industries Affected

At the time of this report's preparation, detailed industry data were available for the November-January period. While detailed estimates for February were not available, where there were clear indications of major changes in February, these are noted. All data cited are seasonally adjusted. This discussion covers only those industries that appeared to be significantly affected by the energy shortage.

Automobiles and Automobile Supplies. The greatest impact of the energy shortage thus far has been on the automobile industry. About 80 percent of the mass layoffs attributed to the energy problem can be traced to the declines, actual or prospective, in the demand for automobiles or recreational vehicles. About half of these layoffs are in the auto industry itself; the remainder in those industries which supply the auto industry.

The supplying industries--which include electrical equipment; gray iron foundries; air conditioning equipment located primarily in New York and Indiana--were affected in November-December 1973, about a month before the mass layoffs in auto assembling which hit Michigan and later California. The BLS establishment survey indicated a decline in employment of about 110,000 workers during the November - January period in the industries related to the manufacturing and distribution of automobiles. ¹

^{1/} Unless otherwise noted, all industry employment data in this section are based upon BLS establishment surveys. See Appendix Table C.

Initial indications are that by mid-February the total job-loss in these industries totaled 220,000. The figures must be interpreted with caution, however; some decline should have been anticipated well in advance of the energy shortage since the auto industry had two record sales years in a row and somewhat lower demand was expected. Thus, there is good reason to believe that the energy-related figures and gross employment declines may in fact somewhat overstate the true energy effect for this industry. There can be no doubt, however, that the reduced availability of motor gasoline has had a sharp effect on large car sales.

Other Transportation Equipment. The 25,000 employment decline between November and January is attributable largely to sharp cutbacks in the production of recreational vehicles, especially in Iowa.

Hotels and Other Lodging Places. The 25,000 decline in employment in December and January is probably largely related to the energy shortages. Many of these establishments depend heavily on automobile travel. Other industries such as eating and drinking places and amusements may have also suffered.

Ship and Boat Building. This industry contains firms building ships both for pleasure and commerce. The mass layoff reports indicate that about five percent of all energy-related layoffs during December and January occurred in the pleasure boat segment, arising from demand cutbacks and difficulties in getting petroleum-based materials, especially resins. BLS data show a net decrease of 2,000 employment in the industry as a whole between November and January.

Aircraft and Parts. Employment declined by 9,000 in this industry between November and January. The mass layoff reports indicate substantial layoffs in the segment of the industry building for private general aviation. This has undoubtedly been spurred by fears that demand for private aircraft would decline in the face of limited supplies of aviation gasoline for private use. The commercial sector may slow down eventually due to the reduction in airline services; however, since these aircraft are produced under long term commitments, their effect is not yet reflected in the data.

Blast furnaces and basic steel products employment declined by 11,000 between November-January. This industry is quite sensitive to auto manufacturing requirements and to general economic conditions. As a result, the degree of energy-related direct effects here is not clear.

Miscellaneous plastics products showed a small decline with a shortage of petroleum raw materials a possible cause of the 2,000 drop during the November-January period.

Gasoline service stations suffered a 46,000 employment decline over the two months since November 1973 which can be almost entirely attributable to gasoline shortages. As a result of some shortages during the summer of 1973, 25,000 jobs had already been lost in the industry from May to November.

Radio and TV Equipment experienced an employment decline of 9,000 between November and January. Much of this very likely related to declines in auto manufacturing; mass layoff reports indicate substantial cutbacks in employment in firms manufacturing automobile radios.

Trucking. This industry experienced some layoffs classified as energy-related because they were in the segment of the industry which transports autos to dealerships. But employment data do not indicate any significant change.

Airline Transportation. The BLS data show an employment increase of 19,000 between November and January. This is largely the result of the settlement in December of strikes which had idled 23,000 workers in November. These data suggest a net employment decline of 4,000. Early data from February suggest that additional declines have occurred. The mass layoff reports show layoffs for all major airlines.

Laundries and Dry Cleaning. This industry is heavily dependent on the use of petroleum-based cleaning fluids, and some of the 5,000 decline in employment during November-January may have been in response to shortages of these products.

As will be noted in Section III, certain industries may eventually experience positive employment effects as a result of fuel shortages but these increased employment opportunities are not yet discernible from the data available to the Department. Railroad transportation has seen a great increase in passengers, but is dominated by long-term downward trends in employment and suffers from equipment shortages. Employment increases in local and interurban passenger transit have also been limited by equipment shortages; order backlogs are substantial in bus manufacture and daily output is small at present. The coal mining and petroleum and gas extraction industries both face burgeoning demands but both have shown little employment increase thus far. The shortage of mining and drilling equipment has been one factor limiting employment expansion

Occupations Affected

Precise information on energy-related unemployment, by occupation, is not presently available. However, Employment Service mass layoff reports provide an indication of the occupational distribution of the workers laid off as a result of the energy crisis (Appendix Table D).

The majority of persons laid off--far higher than their proportion in the labor force--are semi-skilled. Four-fifths of these workers fall into the general production category, listed in the layoff reports as "production workers," or "assemblers", or "installers". When "machine operators" are included, the total rises to nearly 85 percent. Also included in the group, are cabin attendants and stewardesses from the airline industry. The BLS household survey for the same period also indicated a considerable increase in unemployment among blue collar operatives (Appendix Table E). About five percent of the laid-off workers were in clerical categories.

The mass layoff reports show only five percent of total layoffs involving unskilled workers. This is consistent with the household survey (Appendix Table E) which indicates that only a very slight increase in unemployment occurred among nonfarm laborers.

The layoff data suggest that, at least for the present, the higher skill levels of the work force--professional, technical and skilled workers--have experienced relatively little energy-related unemployment. The reports identify only about three percent of the energy-induced layoffs as involving these high-level workers. Those affected were largely airline pilots, maintenance mechanics, machinists and some construction workers.

Other Characteristics of the Energy-Related Unemployed

Unfortunately, the data provide little, if any, indication of the characteristics of laid-off workers, except industry and broad occupation. Some implications can be gained from the results of the BLS household survey for the November 1973 to February 1974 period (Appendix Table F). Of the increase in total unemployment over this time period, about 56 percent consisted of adult men, 26 percent of adult women and the remainder--about 18 percent--among teenagers. The energy-related portion of this impact cannot be quantified but was probably concentrated among men in the automobile industries and other mass-production industries, with perhaps a large number of women in electrical assembly.

Much of the teenage unemployment may be in the trade sector, especially gas stations. Cutbacks in clerical and such occupations as stewardesses in airline services were probably concentrated among women.

Impact of Fuel Rationing

The Congressional mandate for this report calls upon the Secretary to include a consideration of "the impact of . . . fuel rationing . . . upon manpower." At the time Congress requested this special report, the possibility of a Federally-prescribed gasoline rationing scheme seemed very real. Now, however, with the announced lifting of the oil embargo, that possibility appears remote.

A contingency gasoline rationing plan was published by the Federal Energy Office (FEO) for public comment in the Federal Register on January 16, 1974. FEO's contingency rationing plan would apply only to retail purchases of gasoline. Retail commercial users would be issued coupons entitling them to receive a supply of gasoline comparable to that received by bulk users. Private users age 18 and over holding a valid operator's license would be issued coupons entitling them to a portion of the gasoline supply remaining after the commercial and government allocation had been subtracted. The individual allotment would vary slightly depending upon residence and availability of public transportation. The approximate number of gallons which would be distributed to private users under two hypothetical supply situations assuming varying levels of imports were cited. Under the first, more serious, shortage situation, coupons entitling the holder to purchase from 33 to 41 gallons of gasoline per month would be distributed to each license holder age 18 and over, and, under the second, from 40 to 49 gallons per month. Individuals whose gasoline needs exceed their coupon allotment would be afforded the opportunity to purchase additional coupons on the "white" market.

In examining the proposed rationing plan, the Department has focused on the impact that adoption of the plan would have on persons who must commute to work. The President has repeatedly said that the objective of the national energy programs and the measures adopted to distribute any energy shortages must be to preserve jobs. To achieve this objective of job preservation, the driving needs of workers who have no public transportation or car pool alternatives must be provided for.

It would appear to the Department that the rationing plan proposed by FEO would permit the vast majority of American workers to maintain their employment without undue hardships or interruption in employment.

However, there are a significant number of workers for whom car pools and mass transit are not real alternatives to personally driving to and from their jobs, and who would not receive sufficient coupons under the proposed rationing plans to cover such distances. The Department is concerned that some provision be made for such workers, particularly those lower income workers for whom the purchase of extra coupons on the "white market" might prove a serious financial burden.

The Department is working and will continue to work with FEO in finding a solution to the special needs of such workers in future refinements of the standby rationing plan.

III. IMPACT OF THE ENERGY SHORTAGE ON FUTURE EMPLOYMENT

Clearly, the Nation is entering a new era in its pattern of energy production and utilization. A number of variables--economic and political--will influence the demand/supply situation for the various energy sources in the months and years ahead. The relative impact of these variables over time is difficult to estimate, thus making precise projections of employment effects particularly hazardous.

This section will discuss (a) some of the factors that may determine whether there will be continuing adverse effects on employment; (b) some of the longer-term effects, particularly those associated with efforts to achieve the goals of "Project Independence", during the remainder of the decade.

Near-Term Effects on Employment

An early return to pre-October 1973 petroleum supply levels should result in a substantial reduction in the shortage - induced unemployment that has been observed to date. Some shortfalls in supplies and distribution are likely to persist during the near term and will probably retard the rate at which energy-dependent industries return to their former production levels. However, because the nature of such a short-fall is largely dependent upon factors yet unknown, such as the level and time frame within which embargoed oil resumes flowing into the United States, and the permanence of energy conservation savings experienced to date, it is impossible for the Department to make forecasts of the employment impact of near-term energy supply shortfalls.

Regardless of uncertainties regarding the shortfall, it is unlikely that oil prices will return to their pre-embargo level. Those higher fuel prices are certain to force some realignment of consumption and industrial use patterns. For example, the prospect of continued high gasoline prices (whether or not coupled with reduced fuel availability) could contribute to the trend toward smaller cars and away from other vehicles which are heavy fuel users. The same factors could permanently increase the use of mass transit facilities, with favorable employment consequences for manufacturers of buses and rail passenger cars.

Long-term Effects on Employment

It is assumed that the energy shortfall situation will improve during the next 1 to 2 years and that the adverse effects on employment, experienced to date, will be minimized. It is also likely that petroleum prices will not return to their pre-October 1973 levels. Thus, any long-term negative

impact on employment will be related primarily to the increased price of this production factor.

The industries identified in table 1 are the heaviest consumers of petroleum per unit of output. Thus, their output prices will reflect the impacts of high petroleum prices relatively more than other industries, with possible effect on demand for their product and their employment levels. Blue-collar workers--craftsmen, operatives, and laborers--account for more than half of all workers in these petroleum intensive industries, a substantially higher percentage than in the overall economy, (35.6 percent).

While some adverse employment effects may persist over the long term, the search for alternative power resources and more intensive utilization of domestically available fuels should provide the stimulus for the creation of many new jobs in a number of industries.

The Department of Labor has started work on assessing the long-term manpower implications of alternative strategies for achieving energy self sufficiency, including Project Independence. This effort represents a major undertaking and results are not yet available. In the interim, some preliminary estimates have been developed by the National Planning Association (NPA), under a National Science Foundation grant.

For purposes of their analysis, the National Planning Association assumes the Federal Energy Office's "intermediate" scenario--one of three hypothetical scenarios developed which could be followed in attempting to achieve the self-sufficiency goal of Project Independence by 1980. This scenario assumes an accelerated development of energy resources, considered technologically feasible, coupled with a policy of conservation, which would substantially reduce the U.S. dependence on imported oil and on natural gas. The distribution of energy resources under this scenario is depicted in table 2. Overall, from 1973 to 1980 total energy production is estimated to amount to 78,380 trillion BTU's, an increase of 23 percent from 1973 production levels. Over 90 percent of this increase in domestic production would come from two sources, coal and nuclear energy. While the development of potentially limitless energy sources like geothermal and solar power hold the promise of long term national self-sufficiency, they will require much more research and development before they can account for a significant proportion of U. S. energy supplies. And, despite an increase of over 800 percent forecast for nuclear power over 1973 to 1980, it will still account for only 10 percent of total energy production in 1980. Fifty-eight percent of total energy will come from petroleum and coal sources, about the same proportion as presently, although coal will account for 27 percent as against 23 percent in 1973. Natural gas output is expected to decline.

TABLE 1. INDUSTRIES RANKED BY DIRECT PETROLEUM REQUIREMENTS
PER \$100 OF PRODUCTION (1970)

Rank	Industry	Petroleum Requirements	
		Direct	Total ^{1/}
1	Air Transportation	\$ 10.56	\$ 11.94
2	Chemical Products	8.66	9.18
3	Local, Interurban, Suburban Highway Transportation	6.05	6.30
4	Paint	3.62	7.02
5	Crops & Other Agricultural Products	3.49	5.05
6	Plastic Materials & Synthetic Rubber	3.39	8.72
7	New Highway Construction	3.34	4.58
8	Truck Transportation	3.09	3.76
9	All Other New Construction	3.02	4.20
10	Water & Sanitary Services	2.98	3.72
11	Water Transportation	2.94	3.58
12	Railroad Transportation	2.88	3.81
13	Primary Aluminum	2.59	3.54
14	Stone & Clay Mining & Quarrying	2.26	3.26
15	Electric Utilities	1.93	2.55

^{1/} Includes petroleum consumed by all other industries in supplying materials, components, and services to industry in question.

SOURCE: Ronald E. Kutscher and Charles T. Bowman, "Industrial Use of Petroleum: Effect on Employment", Monthly Labor Review (March, 1974), Table I.

TABLE 2. U.S. ENERGY OUTPUTS IN 1973 AND PROJECTED
OUTPUTS IN 1980 UNDER FEO INTERMEDIATE SCENARIO
(TRILLIONS OF BTUs)

	<u>1973</u>	<u>1980</u>	<u>Change 1973-1980</u> <u>BTUs</u>
Petroleum	21,980	24,040	2,060
Natural Gas	23,610	21,460	-2,150
Coal	14,630	21,290	6,660
Shale Oil	-----	610	610
Solar Energy	-----	-----	-----
Hydropower ^{1/}	2,900	3,610	710
Nuclear Power	800	7,370	6,570
TOTAL	63,920	78,380	14,460

^{1/} Includes insignificant geothermal output in 1973, and 640 trillion BTU in 1980.

SOURCE: FEO, United States Energy Self-Sufficiency: An Assessment of Technological Potential, (February 6, 1974), Appendix A, Table 7.

While a number of industries are expected to expand their output and manpower requirements as a result of increased efforts to achieve energy self-sufficiency, the National Planning Association study suggests that the search for new energy resources will have major manpower implications for the extractive industries (coal mining, crude petroleum and natural gas extraction), petroleum refining, electric utilities, the construction of plant facilities and the manufacture of engines and turbines. Overall, it is expected that employment in these 6 industries would increase from 2.2 million in 1970 to just over 4 million by 1980, an increase of 81 percent. (Table 3) This compares with an increase of 22 percent in employment projected for the total economy during the same period. ^{1/} Moreover, these increased manpower requirements will cover a wide spectrum of occupations ranging from unskilled laboring jobs and semi-skilled operatives to increased demand for high level manpower, particularly the engineering professions.

Extractive Industries. The search for alternative domestic power resources will result in a substantial expansion of job opportunities in industries engaged in the exploration, extraction and processing of petroleum and coal. While in the short run, output and employment requirements in coal mining are likely to be hampered by time constraints for increasing plant facilities and the difficulties of recruiting manpower resources, employment in this industry by 1980 may reach 200,000 workers, compared to 165,000 currently. This will involve the expansion of both strip and underground mining (principally the former) culm bank operations, dredging operations and a variety of supporting industries necessary for the required plant expansion particularly in the area of mining equipment. Anthracite, bituminous and lignite mining are all expected to expand in employment, with the major increases in bituminous operations.

Output and employment in the oil and gas extraction industry as a whole are also expected to increase between now and 1980--involving the exploration, drilling, oil and gas well operations and maintenance, plant operations and extraction of oil from oil sands and oil shale. The output increase will be centered in the oil segment of the industry. Employment in this industry by 1980 could amount to 416,000 workers or slightly over 1-1/2 times current manpower requirements.

^{1/} "The United States Economy in 1985: Projections of GNP, Income, Output, and Employment", Monthly Labor Review (December, 1973)

TABLE 3. ESTIMATED EMPLOYMENT IN SIX POSITIVELY AFFECTED INDUSTRIES^{1/} BY OCCUPATION, 1970 AND 1980

	1970 ^{2/}	1980 ^{3/}	Change	
			Number	%
Professional, technical and kindred workers ^{4/} (engineers)	457, 203 (124, 856)	761, 000 (252, 000)	303, 797 (127, 144)	69 (102)
Crafts and kindred workers	744, 332	1, 385, 000	640, 668	86
Operatives	422, 170	715, 000	292, 830	69
Laborefs	243, 007	487, 500	244, 493	101
All others ^{5/}	352, 143	663, 000	310, 857	88
TOTAL	2, 212, 855	4, 011, 500	1, 798, 645	81

^{1/} General Contractors (except Building); Manufacturing of Engines and Turbines; Crude Petroleum and Natural Gas extraction; Petroleum Refining; Electric Utilities; and Coal Mining.

^{2/} From 1970 Census.

^{3/} Corresponds to FEO Intermediate Scenario for Project Independence.

^{4/} Includes Managers and Administrators

^{5/} Sales, Clerical, and Service Workers

SOURCE: National Planning Association

Establishments engaged in petroleum refining--involving the production of gasoline, kerosene, distillate fuel oils, residual fuel oils, lubricants and other products from crude petroleum--will also result in increased employment opportunities. While petroleum refining is a capital intensive industry and its manpower requirements are relatively low, employment is expected to expand substantially, amounting to a work force of 267,000 by 1980 or 40 percent higher than 1970.

The increased output of coal and greater reliance upon geothermal and nuclear power will permit an expansion in employment of electric utilities (including government owned or operated facilities). Employment in this industry may reach 1 million workers, not quite double the 557,000 workers now working in this area.

Utility companies can be expected increasingly to convert to or add to their plant capacity through nuclear energy. According to the Atomic Energy Commission approximately 60 utility organizations are scheduled to have started commercial operation of at least one nuclear unit by 1980. ^{1/} If these construction schedules hold, these nuclear energy plants are expected to employ approximately 18,500 workers, or 11,600 more than in 1972.

The increased output of these industries should, in turn, result in increased employment among industries which supply them, particularly in construction and the manufacture of plant equipment.

Employment among heavy construction establishments is expected to increase substantially, particularly in the areas of hydroelectric plant construction, caisson drilling, dam and dike construction, dredging, earth moving, electric light and power plant construction, and oil refinery construction. Jobs in the general construction industries are expected to increase to slightly over 2 million workers by 1980, more than double the number of jobs in 1970.

In the manufacturing sector the production of engines and turbines is expected to increase materially over the 1970 decade in response to the development of increased electric utility output and also to the construction requirements associated with mining and petroleum extraction and refining. Employment in this industry is expected to increase to 150,000 by 1980, from 110,000 in 1970.

^{1/} Utility Staffing and Training for Nuclear Power, Publication WASH - 1130 (Revised), June 1973, page 22, Table V-2.

The NPA study suggests that these industries will require substantial increases in all skill levels with about 3 out of 10 jobs expected to be generated between 1970-80 concentrated among operatives and laborers (particularly in construction contracting). Employment of skilled blue collar workers is also anticipated to rise substantially--increasing by 640,000 workers and accounting for more than one-third of the increased demand for manpower in these industries. Demand for professional, technical and kindred workers is also expected to be up substantially (totaling 761,000 or 60 percent greater than 1970) with double the number of engineers expected to be working in these industries by 1980. Most of this latter increase will be concentrated in general contracting companies, particularly for engineers.

IV. CURRENT PROGRAM INITIATIVES AND RECOMMENDATIONS FOR FURTHER ACTION

With the intensification of the fuel shortage problem in October 1973, the Department of Labor initiated a broad-gauged program addressed to the employment effects of the shortage situation. Major elements of the program are already underway and other measures are being developed for near-term implementation. The program involves: (a) equipping State employment security agencies to provide unemployment compensation; (b) orienting manpower training and public service employment program sponsors to aid in the reemployment of displaced workers; (c) supplementing our data and analytic resources to provide improved intelligence on energy-related employment effects; and (d) structuring within the Department a specialized information and staff network to permit more rapid response to emerging employment problems.

Current Initiatives

Unemployment Compensation. The Department has taken steps to assure that employment security agencies in States now experiencing rising volumes of unemployment insurance claims, in part, due to fuel shortages and related factors, are adequately staffed to process the significant increase in unemployment insurance claims that have resulted. A deficiency apportionment by the Office of Management and Budget has enabled the Department to authorize these agencies to hire additional personnel to process the increased number of claimants in these areas, pending Congressional action on a budget supplement.

Placement and Job Information Services. The 2,400 local offices of the State employment security agencies occupy a key position in the Department's response to energy-related unemployment by making available placement and counseling services and job search information to displaced workers. State employment security agencies are also important sources of information on the impact that shortages are having on local unemployment.

Due to innovations in the use of computers, employment service offices are better equipped to provide more efficient assistance to large numbers of jobless workers than they have during previous periods of increased unemployment. Job Banks, which computerize and make available to jobseekers, in printed form, information on all job

openings which employers list with the employment service in a State or metropolitan area now are operational in geographic areas that account for three-quarters of the U.S. population. Forty Job Banks now provide information on a Statewide basis; Job Banks in twelve other States are in various stages of development, providing job information for a Standard Metropolitan Statistical Area (SMSA) or part of a State. By making information readily accessible directly to job applicants, the Job Banks permit a more efficient use of the available employment service staff resources.

Manpower Training and Public Service Employment. The Comprehensive Employment and Training Act of 1973 (CETA) will provide States and eligible city and county governments with greatly increased flexibility to provide training and transitional public service employment to persons in their areas who are unemployed for energy-related as well as other reasons.

Under Title I, which is scheduled for funding by July 1, 1974, State and local Prime Sponsors will receive grants to establish comprehensive manpower programs for the unemployed and underemployed in their areas. The program "mix", determined at local discretion, may consist of skills training, work experience, transitional public service employment, and other manpower services, designed to meet specific local unemployment problems. The Department of Labor is mounting an extensive technical assistance program to aid Prime Sponsors in establishing and effectively implementing their local comprehensive manpower programs under Title I. As part of that effort, guidance and information will be provided to State and local governments to sensitize Prime Sponsors to the manpower implications of the energy crisis.

Title II of CETA, which authorizes funds for areas of substantial unemployment, is likely to have the most immediate and pervasive effect on the problem of energy-induced unemployment. The President's budget requests \$250 million for FY 1974 and \$350 million for FY 1975 for carrying out this program. This Title, scheduled for implementation as soon as Congress provides the requested appropriations, will provide funds for subsidized public employment opportunities and manpower services for unemployed workers in areas that have unemployment rates in excess of 6.5 percent for three consecutive months. Many of the areas in which employment has been adversely affected by fuel shortages will receive funds under this provision of CETA.

Twenty percent of CETA Title II funds--\$50 million in FY 1974 and \$70 million in FY 1975--are reserved to the Secretary to be distributed

"in his discretion taking into account the severity of unemployment within such areas." The Secretary has made the decision that, among the areas to which these funds will be allocated, will be areas that become eligible, after the base allocation is made, due to increased unemployment and areas, already eligible, which experience large increases in their unemployment rate. Energy shortages are likely to be factors in such unemployment rate increases.

The Department will also assist in efforts to develop and utilize new sources of energy supply as part of the President's "Project Independence". In February 1974, the Secretary announced that \$3.6 million, assembled from several funding sources, would be made available to enable the State of Alaska to start training its unemployed for jobs needed to build the Alaska pipeline.

Labor Force and Data and Research. An important--and early--response by the Department to the emerging energy shortage and its employment effects was to augment several data collection series to identify these effects. Several of the Department's major data series, as noted in Section I, have been modified to provide information on the employment effects of the energy crisis. These data series are described in the Appendix.

In addition, staff research was initiated to provide a better understanding of how changes in the energy supply/demand situation will affect future employment. Two major efforts in this context are underway:

Interindustry information and manpower analysis. The Bureau of Labor Statistics' ongoing work on economic growth projections and manpower impact analysis is based on the use of input-output tables to trace interindustry relationships and manpower implications of changes in one part of the economy on other industries, directly or indirectly. This information is being used in a study to determine the extent to which industries are dependent, directly or indirectly, on various categories of energy. This information on the energy-intensiveness of industries--the initial findings were utilized in this report--will be used in making inferences from the industry data on employment, hours of work, and unemployment as to whether such changes may be related to energy shortages.

The study will also provide estimates of the potential effect on occupations, by the use of occupational-industry tables which contain information on the detailed occupational composition of about 200 industries.

From data that have been developed from the 1970 Census, occupational impact will be identified for individual States and SMSA's with a population of 250,000 or more, providing the industry employment effects of energy shortages can be identified for those areas.

Manpower implications of alternative energy outlooks. This study by the Department of Labor will develop projections of interindustry relationships and manpower requirements by industry and occupations under alternative assumptions regarding energy availability. Using new energy program strategies developed by the Federal Energy Office and other sources, the study will attempt to project manpower requirements for near term (1976-77) and long term (1980 and 1985). These strategies will include expanding existing sources of energy, developing new sources such as solar heat, oil shale and coal gasification, and reducing demand through energy conservation programs. Finally, the study will examine the impact of changing energy supplies and the alternative self-sufficiency strategies on expenditures by consumers, government and business and on exports and imports.

The Manpower Administration is supporting the preparation of a research monograph, at the University of Illinois, on changing manpower requirements in selected industries and occupations associated with projected shifts in energy resources.

Departmental Energy Coordinating Efforts. To insure that the Department's resources were effectively and rapidly deployed to meet the manpower problems generated by the energy crisis, the Department established, in November 1973, a National Energy Coordinating Committee, consisting of senior Department officials from all program areas, and Regional Energy Coordinating Committees under the Chairmanship of the Regional Director in each of its 10 regional cities. Regional committees report important developments to the National Committee, which meets regularly to discuss problems and propose solutions.

Department officials have met with representatives of labor and industry to obtain their cooperation in these efforts and to seek their suggestions for further actions that can be taken. The Department is also keeping the Federal Energy Office (FEO) apprised of unemployment patterns as they appear to relate to the energy shortage. The Department is sharing information with FEO on adverse employment affects and, consistent with the President's

stated policy, is seeking to assure that petroleum allocation decisions will alleviate these problems as much as possible. FEO also is being furnished with information and advice on employment problems that will have an impact on future allocation decisions, including those connected with worker transportation to and from the job in various parts of the country. The Department is also working closely with FEO in planning for future energy resources development to assure that, in this process, manpower implications are defined and considered.

Particular attention is being focused on the extent of energy layoffs in the auto industry, including the number and kinds of people affected and the long-run prospects for new-job creation in the auto and related industries. A special task force has been set up to coordinate the Department's efforts in approaching the problems of this industry. The group includes senior National Office and Region V officials, and representatives of Governors' offices and employment security agencies in key States.

Efforts are also being coordinated with other Federal agencies in several special problem areas of interagency concern. For example: officials from the Department's National Office and regions, as well as from the Agriculture Department, Federal Energy Office and Office of Economic Opportunity, are exploring solutions to fuel problems affecting migrant workers. Among its concerns are seeking ways to insure that sufficient gasoline is available to these workers to enable them to travel to and from work.

To determine the impact of energy shortages and possible gas rationing on the working poor and other economically disadvantaged groups, the Department, OEO, and DHEW staff are examining what information is already available and what data could be obtained in order to appropriately assess this problem.

Recommendations

Current manpower programs provide a wide range of tools to address problems of unemployment, including those associated with energy shortages. The Administration has proposed to Congress a series of measures that will enable the Federal Government, the States and localities to more effectively utilize these tools to assist unemployed workers. It is recommended that Congress act promptly on these proposals, as well as other measures designed to achieve the long-range objective of energy self-sufficiency in the United States.

1. The Secretary of Labor has asked Congress to augment unemployment insurance benefits up to an additional 13 weeks in areas of high joblessness and to provide up to 26 weeks of benefits in those areas to persons not otherwise eligible for benefits under present unemployment insurance laws. While these extended benefits would not be limited to workers whose unemployment is induced by fuel shortages, enactment of the legislation would provide this additional unemployment compensation to workers adversely affected by the energy shortage who live in areas where, because of high levels of unemployment, it may take longer to find new jobs. The proposed legislation--the Job Security Assistance Act--would also permanently expand unemployment insurance coverage to workers in large agricultural establishments and set a basic standard of adequacy for computing weekly benefit amounts under State unemployment insurance programs.

The new federally financed benefits to be established under the Act would be in addition to the usual 26 weeks of regular benefits under State law and an additional 13 weeks of extended benefits payable under the Federal-State program when statewide or national insured unemployment is high. Under the new program, benefit payments would be "triggered on" for an area if the area's insured unemployment averaged 4.5 percent or more for 13 weeks or if it averaged 4 percent or more and the area experienced an increase of 20 percent or more insured unemployment since the corresponding period between October 1972 and September 1973. Insured unemployment is based on unemployment compensation claims and the rates are generally 1-1/2 to 2 percentage points below the more familiar total unemployment rates. The bill would provide benefits of up to 26 weeks for workers in such areas who are not eligible for benefits because they work in industries not covered by the unemployment insurance system. This program would terminate on June 30, 1975.

2. Under the Comprehensive Employment and Training Act, as has been noted, a broad array of programs and services can be undertaken by the States and local areas to assist their citizens. Title II of the Act involves special allocations to areas of substantial unemployment for which \$250 million was requested as a supplemental for FY 1974 in the President's Budget transmitted February 4, 1974. An additional \$350 million is requested for FY 1975. Prompt Congressional action is recommended on the appropriations for implementation of the FY 1974 portion of Title II.

In addition, approval is recommended for the Administration's supplemental budget request to permit the hiring of additional State

staff in FY 1974 to process an unemployment insurance workload which has risen significantly since the beginning of the fiscal year.

3. Favorable action is also recommended on the Administration's proposals, currently before the Congress, which would permit forward steps in developing energy resources. These proposals involve methods of encouraging exploration of oil, natural gas, and minerals, as well as the mining of coal; creation of centralized information, research, and development programs related to energy; and establishment of administrative mechanisms, including a new Department of Energy and Natural Resources, to provide comprehensive management of energy and related concerns. Such measures would improve the energy situation and thereby help to alleviate the corresponding problems which the current shortage has generated.

APPENDIX

Description of Sources of Data

MANPOWER ADMINISTRATION

ES-210, Initial and Continued Claims for Unemployment Insurance Under State Programs.

The ES-210 report is filed weekly by all State employment security agencies except Guam, Puerto Rico, and the Virgin Islands. It contains counts of initial claims for unemployment insurance (first claims subject to verification to determine if the applicants qualify for a benefit), and continued claims (the count of the insured unemployed, to whom benefits are being paid). A complete description is available in the Employment Security Manual, 2000-2199.

On November 21, 1973, State agencies were asked to submit a special ES-210 report to note those claims which were energy-related. The following definition is used as the basis for determining whether reported claims are energy related:

1. Claimants laid off due to a shortage of energy (or petroleum) used in the production process, distribution, sales, and for maintenance of the establishment from which they were laid off;
2. Claimants laid off due to shortage of supplies and materials, such supplies or materials being a result of energy shortages affecting their former employer;
3. Claimants laid off due to a slackened demand for the former employer's production or service because of a change in consumption patterns attributable to the energy shortage;
4. Claimants whose unemployment stems from lack of transportation to work, resulting from petroleum shortages.

These criteria are applied to individual claims from information obtained from the claimant and which is not generally verified with the employer

These data are the most current information available about energy-related unemployment and are received in the national office

within 10 days of their occurrence. They provide State detail on insured unemployment and initial claims, with a qualitative indication of the industries affected. However, the data do have the following limitations. The UI system does not cover the entire labor force; about 75 percent is presently covered. The major sectors not covered are agriculture, self-employment, State and local government employment, and domestic services. In addition the date excludes workers who have not been employed long enough to have acquired sufficient wage credits to become eligible for benefits and workers who have exhausted benefits. Another shortcoming concerns the fact that while coverage has recently been extended to small establishments, many employers are not aware of their newly covered status or have neglected to file with the UI office. Consequently, their workers would not be reflected in the claims statistics. Overall, a general methodology problem is the difficulty of accurately attributing UI claims to energy-related causes as distinct from other factors associated with economic slowdown.

ES-235, Report of Mass Layoff

The ES-235 report originally was designed to provide information on impending or anticipated mass layoffs of 500 or more workers or at least 1/2 percent of the local labor force. The report provides information on the establishment laying off workers, the nature of layoffs and the number and skill characteristics of those laid off, and workforce data for the area affected by the layoff; evaluates the impact of the layoff on the community and the workers' prospects for reemployment; and details the local office's plans for coping with the layoff. Additional information is contained in the ES Manual, 7200-7394.

On November 21, 1973, regional offices were instructed to collect from all State ES Agencies data on energy-related mass layoffs, generally following the definitional guidelines for energy attributed layoffs in line with the ES-210 report. Energy layoffs of 50 or more are to be reported, and the reports are submitted weekly by the State agencies to ensure their timeliness.

This report has the advantage of providing information on energy related layoffs by detailed industry (at the 4-digit SIC level), with skills or occupations of the workers involved (often with quantitative breakdowns), by specific labor areas. However, this series also is limited in several ways. It covers only large firms in the labor market; small establishments of less than 50

employees, as well as the entire construction industry, are excluded. In fact, the vast majority of reports reflect accomplished layoffs; advance reporting is voluntary and rare. For these reasons, the report should be taken as an indication of general effects and general magnitudes within the large, mass-production or large-scale operation sector of the economy. Like the ES-210, there is a problem of verifying that layoffs are in fact due to energy shortages and not due to other factors.

The Labor Area Summary (LAS) is a monthly narrative summary of economic conditions in the 150 major labor market areas. The LAS was not used in this report as the information available from it related only to December and November; but it is felt that this could be a valuable source of information for the Department's continuing appraisal of the energy situation. It has the disadvantage of a much longer lag than the claims and mass layoff data. Additional information may be found in ES Manual, 9000-9299.

BUREAU OF LABOR STATISTICS

Current Employment Statistics Program (BLS 790)

This cooperative Federal-State program provides current monthly data on employment, hours, and earnings of workers in nonagricultural establishments based on reports from a sample of 160,000 employers. Data are tabulated for over 400 industries nationally, and for important industries in each State and over 220 local areas. This program provides the most comprehensive information on industry payroll employment and hours of work.

Beginning in December 1973, the Bureau of Labor Statistics has been soliciting comments from employers reflecting the direct impact of energy shortages. The information was of two types.

1. Activity curtailed due to inability of the reporting establishment to obtain sufficient supplies of petroleum-based products (materials, parts, components, etc.) for use or sale in operations, excluding those which are used for power.
2. Activity curtailed due to inability of the reporter to obtain sufficient supplies of fuel or electrical energy.

These data have been tabulated for the total November-February period.

Because these are sample data, they contain sampling variability which increases as finer industry classifications are chosen; and small changes may reflect only this variability. They are available only with a one-month lag. Finally, they are seasonally adjusted; this process is most suspect during the winter months when weather changes can exert strong influences.

Labor Turnover Statistics Program (DL 1219) is very similar to the 790, except that data are based on a sample of about 40,000 manufacturing establishments and published for 215 industries. Information for manufacturing is published for 37 States and 93 areas. Monthly turnover figures include total accessions, new hires, total separations, quits, and layoffs.

Comments from employers reflecting the direct impact of energy shortages have also been transmitted for this series, and are identical with those for the BLS 790 survey.

Current Population Survey (CPS)

The household survey (47,000 household sample) provides basic information on the labor force, employment, and unemployment status of the population 16 years and over. It is also the basic source of information on characteristics of the unemployed by reason, demographic characteristics, duration of unemployment, full-time, part-time status. Because the survey is based on personal interviews, it is more difficult to obtain objective and reliable information on the extent to which respondents or members of their families have lost jobs because of energy shortages. Consequently, no special code or question has been introduced at this time. However, when used in combination with other information, the household survey can be used to make inferences about the extent of energy-related changes.

Further information on these three statistical series is contained in BLS Handbook of Methods, BLS Bulletin 1711 (1971).

Input-Output Table

The input-output table has been used extensively in helping determine which industries are likely to be affected by petroleum shortages and is especially useful because it shows which industries buy from and sell to every other industry in the economy. For given products or inputs, such as petroleum, input-output tables can be used to determine not only direct use by an industry but also the

indirect use, i. e., the amount of the input which is embodied in the other products which the industry buys.

The BLS input-output matrix has the ability to trace petroleum use for 125 industries. This table is based essentially on work done by the Department of Commerce in 1963; to the extent possible the coefficients in the 1963 table have been updated to 1970, although the updating is approximate in some instances.

TABLE A. PERCENT DISTRIBUTION OF ENERGY-RELATED MASS LAYOFFS BY
SELECTED STATES, REPORTING PERIODS ENDING MARCH 7, 1974

State							Cumulative	
	Jan. 10	Jan. 24	Feb. 7	Feb. 21	Mar. 7	No.	Pct.	
All States (numbers)	21,759	10,742	23,297	20,645	34,569	113,412 ^{1/}		
California	---	1.9	9.3	1.9	2.8	3,721	3.3	
Florida	1.6	---	4.1	4.9	0.5	2,490	2.2	
Indiana	11.0	25.5	11.9	6.8	7.5	11,902	10.5	
Illinois	---	8.0	0.5	7.0	5.0	4,182	3.7	
Kansas	27.4	1.7	10.1	0.7	0.6	11,247 ^{1/}	9.9 ^{1/}	
Michigan	---	9.3	39.9	29.1	33.7	27,950	24.6	
Missouri	8.1	---	0.3	0.3	5.1	3,623	3.2	
New York	---	25.2	9.0	9.9	4.6	8,447	7.5	
Ohio	20.0	11.5	4.9	28.4	14.8	17,710	15.6	
Tennessee	6.4	1.9	---	5.2	0.6	2,872	2.5	
Wisconsin	8.9	2.6	3.4	---	1.2	3,420	3.0	
All Others	16.6	12.5	6.6	5.7	23.7	15,848	14.0	

^{1/} Includes 2,400 layoffs reported before January 10, 1974 reporting period.

NOTE: Percentages may not add to 100.0 due to rounding.

SOURCE: U.S. Department of Labor, Manpower Administration.

TABLE B. ENERGY RELATED CONTINUED CLAIMS, NUMBER AND AS A PERCENT OF TOTAL INSURED UNEMPLOYMENT

States by Region	Week Ending December 15, 1973		Week Ending February 9, 1974		Week Ending Feb. 23, 1974	
	Number	Percent	Number	Percent	Number	Percent
U. S. Total	18,885	1.0	232,847	8.9	229,556	8.6
REGION I	1,078	0.6	9,070	3.9	9,569	4.1
Connecticut.....	160	0.5	410	0.8	398	0.8
Maine.....	208	1.9	353	2.0	353	1.9
Massachusetts.....	551	0.6	5,466	4.4	5,801	4.7
New Hampshire.....	101	2.1	1,200	14.4	1,200	14.0
Rhode Island.....	---	---	1,519	7.4	1,753	8.5
Vermont.....	58	0.9	122	1.5	164	1.9
REGION II	2,175	0.5	19,750	4.0	16,861	1.2
New Jersey.....	INA	INA	8,395	5.7	6,082	3.9
New York.....	2,175	1.0	11,059	3.9	10,166	3.3
Puerto Rico.....	---	---	296	0.5	615	1.0
Virgin Islands.....	---	---	---	---	---	---
REGION III	1,475	0.8	16,262	6.0	17,189	6.2
Delaware.....	25	0.5	1,986	20.2	2,140	26.8
District of Columbia	3	0	53	0.6	60	0.7
Maryland.....	---	---	1,365	3.9	1,784	4.8
Pennsylvania.....	1,000	0.8	10,621	5.9	10,300	5.7
Virginia.....	365	4.4	844	5.2	1,005	5.7
West Virginia.....	75	0.5	1,466	6.6	1,960	8.4
REGION IV	2,676	1.8	11,570	7.0	11,404	5.1
Alabama.....	250	1.4	1,814	6.4	841	3.2
Florida.....	362	1.2	1,531	3.7	1,330	3.3
Georgia.....	200	1.2	1,620	6.7	963	3.8
Kentucky.....	300	1.6	1,252	4.2	1,204	4.1
Mississippi.....	499	7.1	1,144	9.5	1,013	8.3
North Carolina.....	300	2.7	1,104	3.6	1,113	3.7
South Carolina.....	---	---	243	1.6	327	2.1
Tennessee.....	765	3.2	2,862	7.0	4,563	10.8
REGION V	7,333	2.3	149,506	24.4	144,764	23.6
Illinois.....	200	0.3	4,281	4.0	3,929	3.5
Indiana.....	3,257	13.0	12,319	23.4	13,930	25.0
Michigan.....	800	0.8	114,000	52.4	113,000	51.6
Minnesota.....	86	0.2	776	1.4	890	1.6
Ohio.....	2,000	3.8	7,000	6.0	5,000	4.4
Wisconsin.....	988	2.7	11,130	16.9	8,012	14.2
REGION VI	116	0.1	1,942	1.5	2,243	1.8
Arkansas.....	---	---	440	2.1	490	2.4
Louisiana.....	18	0.1	311	0.9	381	1.1
New Mexico.....	58	0.7	199	1.7	224	1.9
Oklahoma.....	40	0.3	650	3.6	800	4.6
Texas.....	---	---	342	0.8	348	0.8
REGION VII	1,652	2.4	11,402	10.3	12,226	11.5
Iowa.....	650	5.1	2,200	10.3	2,937	14.5
Kansas.....	756	7.3	4,684	23.4	4,742	25.5
Missouri.....	100	0.3	4,275	7.5	4,240	7.7
Nebraska.....	146	1.9	243	1.9	307	2.4
REGION VIII	234	0.7	622	1.1	1,005	1.8
Colorado.....	---	---	74	0.4	381	2.1
Montana.....	40	0.6	144	1.4	133	1.4
North Dakota.....	---	---	22	0.3	46	0.7
South Dakota.....	48	1.8	151	3.4	155	3.6
Utah.....	124	1.3	238	1.6	290	2.0
Wyoming.....	22	2.2	INA	INA	---	---
REGION IX	1,286	0.4	9,113	2.7	10,405	2.8
Arizona.....	100	0.8	INA	INA	INA	INA
California.....	934	0.4	8,071	2.7	9,383	2.9
Guam.....	---	---	---	---	---	---
Hawaii.....	50	0.4	500	3.7	500	3.1
Nevada.....	202	2.1	542	4.3	522	4.0
REGION X	867	0.8	3,550	2.5	3,731	2.6
Alaska.....	6	0.1	---	---	7	0.1
Idaho.....	24	0.3	435	0.1	273	2.4
Oregon.....	587	1.7	1,055	2.4	1,051	2.4
Washington.....	250	0.4	2,060	2.7	2,400	3.1

NOTE: INA-Information Not Available; --- means zero.
SOURCE: U. S. Department of Labor, Manpower Administration

TABLE C. EMPLOYMENT AND AVERAGE WEEKLY HOURS. SEASONALLY ADJUSTED, FOR SELECTED INDUSTRIES POSSIBLY AFFECTED BY THE ENERGY CRISIS

SIC	Industry	All employees (in thousands)				Average weekly hours		
		Nov. 1973	Jan. 1974 ^p	Change Nov. - Jan.	% change Nov. - Jan.	Nov. 1973	Jan. 1974 ^p	Change Nov. - Jan.
	Total nonagricultural	76,679	76,520	-159	-.2	-	-	-
	Total private	62,841	62,622	-219	-.3	37.1	36.7	-.4
	Direct effect							
15	General Building Contractors	1,092	1,061	-21	-1.9	37.2	35.4	-1.8
16	Heavy Construction Contractors	764	746	-18	-2.4	41.9	38.1	-3.8
17	Special Trade Contractors	1,856	1,828	-28	-1.5	37.7	35.7	-2.0
243	Millwork, Plywood & Related Products	212	213	1	.5	40.4	39.7	-.7
249	Misc. Wood Products	101	104	3	3.0	41.4	41.5	.1
331	Blast Furnaces and Basic Steel Products	630	619	-11	-1.7	43.9	41.3	-2.6
333,4	Nonferrous Metals	87	89	2	2.3	42.4	42.2	-.2
335	Nonferrous Rolling and Drawing	222	219	-3	-1.4	43.7	42.9	-.8
336	Nonferrous Foundries	97	98	1	1.0	40.7	39.7	-1.0
28	Chemical and Allied Products	1,043	1,044	1	.1	42.0	41.7	-.3
29	Petroleum and Coal Products	190	192	2	1.1	43.0	42.5	-.5
307	Misc. Plastics Products	361	359	-2	-.6	40.1	39.7	-.4
40	Railroad Transportation	580	580	0	0	44.8	45.3	.5
41	Local and Interurban Passenger Transit	272	270	-2	-.7	38.6	38.5	-.1
421,3	Trucking and Trucking Terminals	1,078	1,077	-1	-.1	42.2	41.7	-.5
45	Transportation by Air	349	368	19	5.4	37.2	37.5	.3
44	Water Transportation	216	218	2	.9	34.4	32.4	-2.0
49	Electric, Gas, and Sanitary Services	741	754	13	1.8	41.6	41.6	0
554	Gasoline Service Stations	619	573	-46	-7.4	37.2	36.9	-.3
65	Real Estate	738	737	-1	-.1	37.3	37.0	-.3
721	Laundries and Dry Cleaning	410	405	-5	-1.2	35.6	35.3	-.3
	Negative indirect effect							
321	Flat Glass	27	27	0	0	44.5	41.3	-3.2
339	Miscellaneous Primary Metal Products	76	74	-2	-2.6	43.3	42.9	-.4
346	Metal Stampings	250	242	-8	-3.2	42.2	39.9	-2.3
351	Engines and Turbines	122	122	0	0	41.6	40.9	-.7
365	Radio and TV Receiving Equipment	152	143	-9	-5.9	37.5	36.9	-.6
371	Motor Vehicles and Equipment	944	884	-60	-6.4	42.1	40.6	-1.5
372	Aircraft and Parts	518	509	-9	-1.7	41.3	40.7	-.6
373	Ship and Boat Building	187	185	-2	-1.1	40.0	38.3	-1.7
375,9	Other Transportation Equipment	152	127	-25	-16.4	37.4	37.6	.2
239	Misc. Fabricated Textile Products	180	176	-4	-2.2	38.1	36.8	-1.3
301	Tires and Inner Tubes	140	142	2	1.4	45.2	44.3	-.9
501	Motor Vehicles, Wholesale	377	379	2	.5	39.6	39.2	-.4
502	Drugs and Chemicals, Wholesale	238	240	2	.8	38.3	37.9	-.4
551,2	Motor Vehicle Dealers, Retail	828	796	-32	-3.9	39.8	39.9	.1
58	Eating and Drinking Places	2,862	2,860	-2	-.1	29.7	29.4	-.3
70	Hotels and Other Lodging Places	904	879	-25	-2.8	32.9	32.8	-.1
	Indirect positive effect							
11,12	Coal Mining	164	168	4	2.4	40.3	39.8	-.5
13	Oil and Gas Extraction	267	270	3	1.1	43.6	43.3	-.3
353	Construction and Related Machinery (includes mining and drilling)	324	325	1	.3	40.0	42.0	2.0

^p = preliminary.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics

TABLE D. ENERGY-RELATED MASS LAYOFFS BY INDUSTRY AND OCCUPATION, REPORTS OF DECEMBER THROUGH MARCH 7.

SIC	Industry	Total mass layoffs		Percentage of workers who were		
				Production workers assemblers ^{1/} installers	Machine operators ^{1/}	Machinists and other skilled ^{1/}
		Number	Percent			
15	General Building Contractors	65	0.1	--	--	100.0
16	Heavy Construction Contractors	562	0.5	--	--	--
22	Textile Mill Products	182	0.1	--	81.8	--
23	Apparel & Other Textile Products	987	0.9	--	--	--
24	Wood & Lumber Products	271	0.2	14.8	7.7	7.4
25	Furniture & Fixtures	809	0.7	86.8	12.4	--
26	Paper & Allied Products	2039	1.8	97.4	--	--
28	Chemicals & Allied	578	0.5	--	--	--
29	Petroleum & Coal Products	529	0.5	62.2	18.9	--
30	Rubber & Plastic Products	4256	3.7	92.3	--	--
31	Leather Products	116	0.1	--	--	--
32	Stone, Clay, Glass	553	0.5	--	--	--
33	Primary Metals	5751	5.1	20.4	--	--
34	Fabricated Metals	17219	15.2	71.3	18.8	2.6
35	Machines, Except Electrical	4975	4.4	75.1	10.4	--
36	Electrical Machines	10612	9.4	95.6	--	18.6
371	Motor Vehicles & Equipment	44526	39.3	93.5	3.0	0.1
372	Aircraft & Parts	3333	2.9	31.2	18.4	0.8
37	Except 371 & 372 (Other Transportation Equipment)	5922	5.2	49.7	3.9	1.3
38	Instruments & Related	1400	1.2	100.0	--	--
39	Miscellaneous Manufacturing	213	0.2	100.0	--	--
42	Trucking & Warehousing	914	0.8	--	--	--
45	Air Transport	6546	5.8	35.1	--	16.1
58	Eating & Drinking Places	144	0.1	--	--	--
79	Miscellaneous Tourist Services	910	0.8	--	--	--
TOTALS		113,412	100.0	77.5	5.5	3.2

NOTE: Percentages in Column 2 may not add to 100.0 due to rounding.

^{1/} Percentages of layoffs for which occupations were quantified.

SOURCE: Manpower Administration, U. S. Department of Labor.

TABLE E. UNEMPLOYMENT BY OCCUPATION AND INDUSTRY, NOVEMBER 1973 - FEBRUARY 1974, SEASONALLY ADJUSTED

Industry and occupation	Number unemployed (In thousands)					Unemployment rate				
	Nov. 1973	Dec. 1973	Jan. 1974	Feb. 1974	Nov. to Feb. change	Nov. 1973	Dec. 1973	Jan. 1974	Feb. 1974	Nov. to Feb. change
Total (all civilian workers).	4,264	4,364	4,732	4,753	489	4.7	4.8	5.2	5.2	.5
<u>Industry</u>										
Nonagricultural private wage and salary.....	3,155	3,280	3,471	3,521	366	4.8	5.0	5.3	5.4	.6
Construction.....	416	375	421	366	-50	9.1	8.2	9.1	7.9	-1.2
Manufacturing.....	942	939	1,113	1,151	209	4.3	4.3	5.1	5.3	1.0
Durable goods.....	471	498	639	646	175	3.6	3.9	5.0	5.1	1.5
Nondurable goods.....	471	441	474	505	34	5.3	4.9	5.3	5.7	.4
Transportation and public utilities.....	151	153	144	150	-1	3.1	3.1	2.9	3.1	—
Wholesale and retail trade. Finance and service.....	851	965	987	954	103	5.4	6.1	6.1	6.0	.6
770	826	793	881	111	4.3	4.6	4.5	4.9	.6	
<u>Occupation</u>										
White collar workers.....	1,172	1,317	1,390	1,347	175	2.8	3.1	3.2	3.2	.4
Professional and technical.	254	287	306	256	2	2.1	2.3	2.5	2.0	-1.1
Managers and administrators	113	125	163	163	50	1.2	1.4	1.7	1.8	.6
Sales workers.....	186	249	223	235	49	3.3	4.5	4.0	4.2	.9
Clerical workers.....	619	656	698	693	74	4.0	4.3	4.5	4.5	.5
Blue collar workers.....	1,729	1,653	1,931	1,939	210	5.4	5.2	6.0	6.1	.7
Craft and kindred.....	467	375	456	463	-4	3.9	3.2	3.8	3.9	—
Operatives.....	862	877	1,063	1,019	157	5.6	5.8	7.0	6.8	1.2
Nonfarm laborers.....	400	401	418	457	57	8.6	8.3	8.4	9.3	.7
Service workers.....	699	744	649	725	26	5.9	6.2	5.5	6.1	.2
Farm workers.....	74	76	63	72	-2	2.3	2.4	1.9	2.1	-2
Government.....	356	348	344	406	50	2.5	2.5	2.5	2.8	.3

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

TABLE F. UNEMPLOYMENT AMONG SELECTED WORKER GROUPS, NOVEMBER 1973 - FEBRUARY 1974, SEASONALLY ADJUSTED

Worker groups	Number unemployed (In thousands)					Unemployment rate				
	Nov. 1973	Dec. 1973	Jan. 1974	Feb. 1974	Nov. to Feb. change	Nov. 1973	Dec. 1973	Jan. 1974	Feb. 1974	Nov. to Feb. change
All workers.....	4,254	4,364	4,732	4,753	499	4.7	4.8	5.2	5.2	.5
Adult men.....	1,501	1,526	1,711	1,783	282	3.0	3.0	3.4	3.5	.5
Adult women.....	1,479	1,573	1,614	1,607	128	4.7	5.0	5.2	5.1	.4
Teenagers.....	1,274	1,265	1,407	1,363	89	14.5	14.4	15.6	15.3	.8
White.....	3,334	3,481	3,761	3,768	434	4.2	4.4	4.7	4.7	.5
Negro and other races.....	911	888	986	950	39	8.9	8.6	9.4	9.2	.3
Household heads.....	1,465	1,469	1,546	1,553	88	2.8	2.8	3.0	3.0	.2
Married men.....	862	872	938	977	115	2.1	2.2	2.3	2.4	.3
Full-time workers.....	3,325	3,401	3,616	3,627	302	4.3	4.4	4.7	4.7	.4

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

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STATEMENT OF HENRY ROTHELL, ADMINISTRATOR OF THE TEXAS EMPLOYMENT COMMISSION BEFORE THE COMMITTEE ON FINANCE; U.S. SENATE ON COMPENSATION FOR UNEMPLOYMENT RELATED TO THE ENERGY CRISIS, ACCOMPANIED BY ROSS MORGAN, ADMINISTRATOR, EMPLOYMENT DIVISION, STATE OF OREGON

Senator BYRD. The next witness will be Mr. Henry Rothell, administrator, Texas Employment Commission and president, Interstate Conference of Employment Security Agencies, accompanied by Mr. Ross Morgan, administrator, Oregon Employment Division.

Before you begin, Mr. Heartwell's letter says, "Mr. Henry Rothell, the administrator in Texas and the president of the Interstate Conference of Employment Security Agencies is testifying before your committee this afternoon. I am familiar with and fully support his testimony."

Mr. ROTHELL. I appreciate that.

Senator BYRD. I have always known that Texas and Virginia have at lot in common.

COVERAGE OF STATE EMPLOYEES

Mr. ROTHELL. Before we proceed, I would like to correct one statement that was made when Senator Bennett was questioning Mr. Kolberg. The State of Texas covers all State employees and I think several other States do.

Senator BENNETT. That is within the jurisdiction of the State?

Mr. ROTHELL. Yes; States are required to cover employees of institutions of higher education and State hospitals. Our State said if we cover part, we would cover them all.

Senator HANSEN. If the witness would permit a question at that point, realizing that he hasn't gotten to his testimony, some interesting questions have been raised. In the State of Texas, do you consider inmates of your penitentiaries to be State employees?

Mr. ROTHELL. No, sir. They are specifically excluded.

Mr. Chairman and members of the committee, my name is Henry Rothell. I am the administrator of the Texas Employment Commission. I have been engaged in the administration of the unemployment compensation program in Texas for 36 years.

INEQUITIES SEEN IN THE VARIOUS PROPOSALS

I am appearing before this committee today because I am greatly concerned about the various provisions of the several energy crisis unemployment bills introduced to pay additional unemployment compensation to individuals unemployed during the energy crisis.

All four of the bills listed in the notice of hearing have basic weaknesses. Senator Jackson's bill and Senator Ribicoff's bill would pay compensation to anyone whose unemployment was caused by the energy crisis—the cause factor would be almost impossible to deny in any case of unemployment.

These bills are broad and as the Secretary said, we would have difficulty saying the cause of unemployment was not in some way related to the energy crisis.

Senator Kennedy's bill would pay additional benefits only to those who are covered under current programs—and would be of no assistance to those not covered under present programs.

There are some people that are unemployed because of the energy crisis that are not covered now. In addition it would pay bonuses to States which have higher unemployment rates during the crisis—but this could have just the opposite effect of that intended. For example, the State of Texas would probably qualify for a bonus while the State of Washington probably would not although Washington could be more adversely affected by the crisis.

Title II of the administration's bill introduced by Senator Bennett is highly discriminatory—it would pay additional benefits to unemployed in population areas of 250,000 or more but would give no assistance to less populated areas.

In my State there are at least three SMSA's that don't meet the population criteria, but certainly meet the other criteria, and while I am concerned about all four bills, the administration bill is superior of the four if you have to enact something, but even it should be modified before any legislation is enacted.

Mr. Chairman, the extreme differences in these four proposals indicate the wide difference in opinion as to just what action should be taken during this crisis for the unemployed.

All of these bills bear the mark of hurriedly drafted legislation. Further, no thought has been given to the question of whether the current unemployment compensation programs developed and passed by this committee are meeting the present needs.

I would point out that the increased claim loads in most of the States due to the energy crisis have not been excessive and that the regular State programs and the Federal-State extended programs have been adequate in those few States which have had extremely high claims actively. In fact, the State of Michigan, the State most hard hit by the fuel shortage, has just recently triggered in on the Federal-State extended benefit program.

I understand from the testimony just heard that Delaware has also triggered in.

Mr. Chairman, I am suggesting that our present situation is not so severe that we should hurriedly enact any legislation which contains basic weaknesses.

I respectfully point out that we should immediately consider an amendment to our Federal-State extended benefit statute to correct the State trigger criteria. An alternative trigger provision is needed to permit a State to continue participating in the extended program when the rate of unemployment remains abnormally high. Such an amendment would make it unnecessary for Congress to further extend the waiver of the 120-percent factor.

This concludes my statement. I will be glad to try to answer any question you have.

Senator BYRD. Thank you, sir.

Mr. Chairman?

The CHAIRMAN. No questions.

Senator BYRD. Senator Fannin?

Senator FANNIN. Thank you, Senator Byrd.

Thank you for a very fine statement. You certainly have brought out inequities of some of the proposals we have before us and I commend you. You haven't followed the line: Let us give it all to the States, we want ours. You have followed a sensible and practical basis of handling your own problems.

AMENDMENTS SUGGESTED TO ADMINISTRATION PROPOSAL

In the bills that we have before us, it is S. 3267 that is referred to as the Jackson bill, you have read the eligibility requirements, have you not?

Mr. ROTHELL. Yes.

Senator FANNIN. Do you feel you could administer that particular phase of the program on a comparable basis?

Mr. ROTHELL. It would be difficult. It would be so broad and we would have this causality question to determine. It would be a difficult program to handle. We would do it, but it would be very difficult.

Senator FANNIN. You explained one amendment you would suggest. Are there other amendments? As far as the administration bill, what changes would you like to see made in this legislation?

Mr. ROTHELL. I would like to see the 250,000, if you are going to have an area by area program, reduced to 50,000—Laredo, Tex., is a city of 69,000 people. It wouldn't qualify under the administration bill. But it has 8-percent unemployment. It could not qualify under the present provisions of this bill.

I have some concern about another provision in their bill where you will pay 26 weeks to those individuals who are not covered by the present law. I am not sure who these are. They would be agricultural workers in my State, probably domestics, probably city and county employees—the political subdivisions are not covered.

Mr. MORGAN. May I respond?

I am Ross Morgan from Oregon. We have a question about administering it. We also are concerned with the problem if a person is unemployed for a period of time, and keep in mind that our work force is very mobile now, and the tendency in this sort of legislation is to hold the people where jobs are unavailable and keep them from going where jobs are available. We see no reason for splitting it up any finer than the State level as far as Oregon is concerned.

NEED FOR LEGISLATION

Senator FANNIN. You indicated you preferred the administration bill and would like to see these changes. We have covered that. Do you feel that there is a time element involved that is essential?

Mr. ROTHELL. No, sir, I do not. I feel if we amend our Federal extended program and provide for proper continuance of a State in the extended program, once it triggers in, so long as it has abnormally high unemployment, the two programs that we have would fairly well take care of the problem. The energy crisis at least from the claimload looks like we have already passed the crest. This, as stated by the Under Secretary, is difficult to decide right now. In the last few weeks it looks as if the claimload nationwide is dropping.

If we passed the crest, we have time for this committee to deliberate and take testimony on what is needed and what should be done with-

out enacting hurriedly passed legislation that would bring on more problems than it would solve.

Senator FANNIN. I agree with you that there are indications that we are not in as serious a position as we thought. Adjustments have been made.

In your State, many service stations have gone out of existence. We have many distributors where they had 20 stations in a town; now they say they have 10. It will probably remain that way, isn't that true?

Mr. ROTHELL. I think that is true. We have a very light claimload. We have very low unemployment.

Senator FANNIN. That is very encouraging. You have gone through the adjustment period. We still may have serious problems. We don't know just what to anticipate. I feel that you are right. That we have the time to make investigations and decide what the problem is and then how we can meet that problem.

BETTER UTILIZATION OF MONEY REQUESTED BY THE JACKSON BILL

I was concerned about the \$8.8 billion provided in the bill because if we get into a position where we need \$3.8 billion in unemployment compensation beyond what we have been providing, then we are really in trouble.

Don't you think that that money, if there is a need for meeting a problem that serious, that it can be utilized in other ways?

Mr. ROTHELL. I agree with you, Senator. I couldn't agree with you more. I have some concern about providing Federal funding for only part of the citizens in this country. If we are going to support the individual in one area or one State and not have the same funding for individuals not in the same category, this is not equal and fair treatment to all of our citizens. I believe the tremendous cost of the Jackson bill—we can spend the money better.

Senator FANNIN. Not that it is allied with this particular legislation, but if we start thinking about what we are trying to solve in the energy problem—and part of the solving of it is the unemployment in that area—if we are going to go into our programs of development, exploration, our new experimental work on coal gasification, it would be a lot better to spend money on those programs, would it not, than to spend it on this issue?

Mr. ROTHELL. Definitely. They are searching for more oil. This is the area where we will try to eliminate unemployment.

Senator FANNIN. This will give employment to the people who have been let off as a result of this problem.

Senator BYRD. Senator Hansen.

MOBILITY NEEDED IN THE LABOR FORCE

Senator HANSEN. I want to compliment both witnesses for their impressions. In my State of Wyoming, we have no city as large as 50,000. Were you called upon to represent the State of Wyoming, might you even suggest lowering the 50,000 to a smaller figure?

Mr. ROTHELL. Yes, I feel the people in your State that are unemployed as a result of the energy crisis are just as much entitled to help as those in any other State. That is the only way to equitably handle it.

Senator HANSEN. The point you make has great validity in my judgment because we don't want to immobilize a labor force. We have

some ongoing projects in Wyoming that I expect account for its being one of the most active areas in the Rocky Mountains. The people in Mountain Bell tell me that of the six or eight States in that system, only Wyoming have the installation of telephones exceeded those put in a year ago. That is one way of measuring industrial activity.

Mr. MORGAN. The same thing is going on in Oregon.

Senator HANSEN. The people are shifting. Where the jobs are is where people are going to work. Anything that intends to slow down that process, I think, is counterproductive. Your point is well made that we want to do everything we can to assure the mobility of a labor force. Thank you.

Senator BYRD. Do you have a statement, Mr. Morgan?

NEED FOR LEGISLATION

Mr. MORGAN. Yes. Mr. Chairman, members of the committee, I am Ross Morgan, administrator, employment division, State of Oregon.

I have been asked to respond to the question of whether special legislation related to unemployment insurance is needed as a result of the energy crisis.

Even though Oregon along with our neighboring States of Washington and Alaska have been among the leaders of the Nation in high unemployment percentage rates, we do not believe special legislation is needed.

The work force in Oregon totals 1,029,000. Total unemployment stands at 68,900. The seasonally adjusted unemployment rate for the month of February was 5.7 percent compared with a national rate of 5.2 percent.

Total layoff due to the energy crisis reached a peak of 2,750 as of January 14. As of March 25, the number had declined to 1,340.

In addition to the energy crisis, Oregon's high unemployment rate is due to seasonal factors, national business downturn, and unprecedented immigration. At the same time, our growth rate has continued well ahead of the national average. A total of 36,800 more people were employed in February than the year-ago level. Thus, we have a healthy growing economy and at the same time, a high unemployment rate.

We believe that our present unemployment insurance program of 26 weeks along with the extended benefit program of 13 weeks is adequate to take care of the needs of the workers of our State. In Oregon, all workers are covered, both public and private, except domestic help and farmworkers.

Our State will trigger "on" extended benefits the week of April 7. If the 120-percent factor had not been suspended, we would have triggered the last week in May. We anticipate paying extended benefits the balance of the year whether or not the 120 percent is suspended again.

Since initial enactment of the extended benefit program, the permanent state "on" and "off" indicators have not functioned as efficiently as anticipated. Many States did trigger "on" in 1971 and early 1972 due to the high unemployment at that time as we intended. However, several States continued to experience high unemployment over an extended period of time—notably Washington and Alaska.

As a result, those States' unemployment rates, while high, did not qualify for continued extended payments. Congress has several times permitted suspension of the 120-percent factor on both the "on" and "off" indicators—the latest extension expiring July 1, 1974. This enabled some States to pay extended benefits. The apparent "permanent" permissible suspension of the 120-percent factor at first glance may appear desirable, but in some States it permits extended benefit periods to be established each year because of seasonal unemployment.

The original purpose of the extended benefit program was to pay benefits when economic downturns occur and large numbers exhaust their regular claims. With only requirement for an "on" indicator being 4 percent, Oregon would trigger extended benefits every year, as seasonal layoffs annually bring the rate well above this level. In fact, 6 percent would start an extended benefit period during most years—the mid-January rate during the last 10 years is 6.4 percent.

Oregon's annual average rate is 4.0 percent. Oregon's exhaustion rate does not warrant payment of extended benefits each year, just because we have this seasonal swing. Only when the rate becomes extremely high in relation to normal do large numbers begin exhausting.

One possibility for eliminating the need for continuing the suspension of the 120-percent factor on "on" and "off" indicators is to amend the permanent indicators by deleting the 120-percent factor on the "off" indicator but leaving it in the "on" trigger. If this had been in the original trigger provisions, most States would not have required the "special" suspension to continue payment of extended benefits as unemployment remained high, above 4 percent.

You asked about the cutback of State employees or Federal employees or local government employees. In our State there has been no cut back with the exception of our own agency with respect to budget restrictions. All these people are covered.

In addition to that, I would like to say this, we think this is a good insurance program. It does the job very well.

Senator BYRD. You mean the one you have now?

Mr. MORGAN. Yes, we think it is a good program. We think if continued attempts are made to take over for welfare, the program will be hurt very badly. This program should not become a welfare program. There needs to be a limit set. Once financed by general funds, we think it is welfare.

I thank you for this opportunity to give you this testimony. I will answer any questions.

Senator BYRD. You feel that neither of these four bills, one costing an estimated \$4 billion and another one \$2.2 billion and another one \$1 billion and another one \$3.8 billion, you don't believe any of these bills are needed at the present time?

Mr. MORGAN. I do not, sir.

Senator BYRD. Oregon's unemployment rate is 5.7?

Mr. MORGAN. That is right.

Senator BYRD. Texas?

Mr. ROTHBELL. 1.2. That is the insured rate. Total is 3.6.

Senator BYRD. We are 2.6.

Mr. ROTHELL. You are 2.7 total unemployment.

Senator BYRD. Mr. Chairman?

[The prepared statements of Mr. Rothell and Mr. Morgan follow:]
the other things that come and go in this economy?

Mr. ROTHELL. That is true.

The CHAIRMAN. There will be other things that will come along, give us a temporary jolt, and knock some people out of work. We have an unemployment insurance program for that and that is what the idea was.

Mr. ROTHELL. We have benefits for 9 months. You can pay up the 9 months of unemployment insurance, 26 weeks under State and 13 weeks under the Federal-State program which is jointly financed. We think 9 months in most slow downs—by the time that triggers in, we will have passed the bottom and started up again. Frankly, when you get past 9 months, you pretty much have left the unemployment insurance program and gone into something else.

The CHAIRMAN. Thank you.

Senator BYRD. Senator Fannin?

Senator FANNIN. Thank you for your forthright statements and for the position you have taken, not just asking for money where it is not needed.

The statement, Mr. Morgan, you made about the in-migration, are you affected by tourism in that regard?

Mr. MORGAN. Senator, we have a peculiar problem, our Governor talked facetiously about people not coming to Oregon, and since he began talking that way, we have been getting more people into the State than we ever have had, so there is a reverse psychology. The States of Washington and California had higher unemployment rates than we had in Oregon these past 18 months, and people are coming into the State and we cannot put our finger on it absolutely, but it is at the rate of 3,000 or 4,000 a month. This is keeping our unemployment rate high.

Senator FANNIN. You have in February, 5.7 in 1974. Do you recall what February of 1973 was or February of 1972? What you have been running in the past 2 years?

Mr. MORGAN. Our rate of 5.7 is running about 10 percent above the 10-year average. Somewhere around 5.4 is normal for Oregon and 6.4 is normal for the middle of January. We have a seasonal problem in Oregon. We are a strong lumbering State and the loggers are out of the woods during those 2 months and it does make a lot of difference.

Senator FANNIN. That is true in many of the Western States. Thank you, very much.

Senator BYRD. Senator Mondale?

Senator MONDALE. No questions.

Senator BYRD. Senator Hansen?

Senator HANSEN. No questions.

Senator BYRD. Senator Dole?

Senator DOLE. No questions.

Senator BYRD. Thank you, gentlemen.

[The prepared statements of Mr. Rothell and Mr. Morgan follow:]

PREPARED STATEMENT OF HENRY ROTHELL, ADMINISTRATOR OF THE TEXAS
EMPLOYMENT COMMISSION

SUMMARY

1. All of the proposed bills have basic weaknesses and there are extremely wide differences in the proposals to handle the unemployment problem. They appear to be hurriedly drafted without full consideration of the problem.
2. The immediate crisis appears to have passed the crest since the claim loads have already turned downward and the regular unemployment programs developed and passed by this Committee have been sufficient to handle the increased claim loads.
3. An immediate amendment to the Federal-State Extended Benefit statute should be made with respect to the state "trigger" criteria. An alternative trigger should be added to permit a state to remain in the extended program when the rate of unemployment remains abnormally high.

STATEMENT

Mr. Chairman and Members of the Committee, my name is Henry Rothell. I am the Administrator of the Texas Employment Commission. I have been engaged in the Administration of the Unemployment Compensation Program in Texas for 36 years.

I am appearing before this Committee today because I am greatly concerned about the various provisions of the several "Energy Crisis" Unemployment Bills introduced to pay additional unemployment compensation to individuals unemployed during the energy crisis.

All four of the bills listed in the notice of hearing have basic weaknesses. Senator Jackson's bill and Senator Ribicoff's bill would pay compensation to anyone whose unemployment was caused by the energy crisis—the "cause" factor would be almost impossible to deny in any case of unemployment.

Senator Kennedy's bill would pay additional benefits only to those who are covered under current programs—and would be of no assistance to those not covered under present programs. In addition it would pay bonuses to states which have higher unemployment rates during the crisis—but this could have just the opposite effect of that intended. For example, the state of Texas would probably qualify for a bonus while the state of Washington probably would not although Washington will be more adversely affected by the crisis.

Title II of the Administration's Bill introduced by Senator Bennett is highly discriminatory—it would pay additional benefits to unemployed in population areas of 250,000 or more but would give no assistance to less populated areas.

Mr. Chairman, the extreme differences in these four proposals indicate the wide difference in opinion as to just what action should be taken during this crisis for the unemployed.

All of these bills bear the mark of hurriedly drafted legislation. Further, no thought has been given to the question of whether the current unemployment compensation programs developed and passed by this Committee are meeting the present needs.

I would point out that the increased claim loans in most of the states due to the energy crisis have not been excessive and that the regular state programs and the Federal-State Extended programs have been adequate in those few states which have had extremely high claims activity. In fact, the state of Michigan, the state most hard hit by the fuel shortage, has just recently "triggered in" on the Federal-State Extended Benefit Program.

Mr. Chairman, I am suggesting that our present situation is not so severe that we should hurriedly enact any legislation which contains basic weaknesses.

I respectfully point out that we should immediately consider an amendment to our Federal-State Extended Benefit statute to correct the "state trigger" criteria. An alternative trigger provision is needed to permit a state to continue

participating in the extended program when the rate of unemployment remains abnormally high. Such an amendment would make it unnecessary for Congress to further extend the waiver of the 120% factor.

This concludes my statement. I will be glad to try to answer any questions you have.

STATEMENT BY ROSS MORGAN, ADMINISTRATOR, EMPLOYMENT DIVISION,
STATE OF OREGON, APRIL 2, 1974

Mr. Chairman, Members of the Committee, I am Ross Morgan, Administrator, Employment Division, State of Oregon.

I have been asked to respond to the question of whether special legislation related to unemployment insurance is needed as a result of the energy crisis.

Even though Oregon along with our neighboring states of Washington and Alaska have been among the leaders of the nation in high unemployment percentage rates, we do not believe special legislation is needed.

The work force in Oregon totals 1,029,000. Total unemployment stands at 68,900. The seasonally adjusted unemployment rate for the month of February was 5.7% compared with a national rate of 5.2%.

Total layoff due to the energy crisis reached a peak of 2,750 as of January 14. As of March 25, the number had declined to 1,840.

In addition to the energy crisis, Oregon's high unemployment rate is due to seasonal factors, national business downturn and unprecedented in-migration. At the same time, our growth rate has continued well ahead of the national average. 36,800 more people were employed in February than the year-ago level. Thus, we have a healthy growing economy and at the same time, a high unemployment rate.

We believe that our present unemployment insurance program of 26 weeks along with the extended benefit program of 13 weeks is adequate to take care of the needs of the workers of our state. In Oregon, all workers are covered, both public and private, except domestic help and farm workers.

Our state will trigger "on" extended benefits the week of April 7. If the 120% factor had not been suspended, we would have triggered the last week in May. We anticipate paying extended benefits the balance of the year whether or not the 120% factor is suspended again.

Since initial enactment of the extended benefit program, the permanent state "on" and "off" indicators have not functioned as efficiently as anticipated. Many states did trigger "on" in 1971 and early 1972 due to the high unemployment at that time as was intended. However, several states continued to experience high unemployment over an extended period of time—notably Washington and Alaska. As a result, those states' unemployment rates, while high, did not qualify for continued extended payments. Congress has several times permitted suspension of the 120% factor on both the "on" and "off" indicators—the latest extension expiring July 1, 1974. This enabled some states to pay extended benefits.

The apparent "permanent" permissible suspension of the 120% factor at first glance may appear desirable, but in some states it permits extended benefit periods to be established each year because of seasonal unemployment. The original purpose of the extended benefit program was to pay benefits when economic downturns occur and large numbers exhaust their regular claims. With the only requirement of an "on" indicator being 4%, Oregon would trigger extended benefits every year, as seasonal layoffs annually bring the rate well above this level. In fact, six per cent would start an extended period during most years—the mid-January rate during the last 10 years is 6.4 per cent. (Oregon's annual average rate is 4.0 per cent.) Oregon's exhaustion rate does not warrant payment of extended benefits each year. Only when the rate becomes extremely high in relation to normal do large numbers being exhausting.

One possibility for eliminating the need for continuing the suspension of the 120 per cent factor on "on" and "off" indicators is to amend the permanent indicators by deleting the 120 per cent factor on the "off" indicator but leaving it in the "on" trigger. If this had been in the original trigger provisions, most states would not have required the "special" suspension to continue payment of extended benefits as unemployment remained high (above 4.0 per cent).

Thank you for the opportunity to bring this testimony to your Committee. If you have any questions, I would be happy to respond.

Senator BYRD. The next witness is Mr. Bert Seidman, director, social security department, AFL-CIO.

Welcome, Mr. Seidman.

STATEMENT OF BERT SEIDMAN, DIRECTOR, SOCIAL SECURITY DEPARTMENT, AFL-CIO, ACCOMPANIED BY JAMES O'BRIEN, ASSISTANT DIRECTOR

Mr. SEIDMAN. Thank you, Mr. Chairman.

Senator BYRD. Proceed as you will.

Mr. SEIDMAN. My name is Bert Seidman; I am director of the department of social security of the AFL-CIO.

With me is Mr. James O'Brien who is an assistant director of that department.

Mr. Chairman, I wish to thank you and the committee, on behalf of the AFL-CIO, for this opportunity to present our views on the unemployment assistance legislation under consideration by the committee.

S. 3024, introduced by Senator Ribicoff, would provide unemployment compensation protection for a period of 2 years to individuals jobless as a result of energy problems.

S. 3206, introduced by Senator Kennedy, would furnish wage loss protection to the same group of people until June 30, 1976.

Title II of S. 3257, the administration's unemployment compensation legislation, would establish for 1 year or until June 30, 1975, still another in a long series of triggered unemployment compensation programs.

S. 3267, the Energy Emergency Authorities Act—introduced by Senator Jackson—would make available until July 1, 1975, unemployment assistance to any worker who is unemployed as a result of disruptions and dislocations of energy supplies and resources.

Each of the proposals, except title II of S. 3257, would provide wage loss protection against energy-related unemployment to almost every working man and woman in the Nation's labor-force. This protection will be sorely needed in the months ahead. Here we differ from some of the witnesses who have appeared before you this afternoon.

THE ENERGY CRISIS AND UNEMPLOYMENT

It is our firm belief that the energy crisis remains, despite the recent lifting of the oil embargo by the Arab oil bloc, except for Libya. The problem persists.

This critical problem built up, in recent years, as the United States became increasingly dependent on foreign oil imports—crude oil and, also, petroleum products, as a result of a growing shortage of domestic oil refining capacity. The Arab embargo brought this situation to a head. The lifting of the embargo does not solve it.

The United States depends on oil to meet about one-half of its energy needs at present. The use of oil and petroleum products rose from less than 11 million barrels a day in 1963 to nearly 16.4 million barrels a day in 1972. In 1973, it was about 17 million barrels a day.

However, U.S. domestic production and capacity of crude oil and refined petroleum products leveled off at about 11 million barrels a day in 1970. Since 1970, with demand rising, the United States has depended, to a rapidly growing degree, on imports.

There has been little new refinery capacity added in the United States in the past 5 years. The companies have been building refineries in foreign countries—geared, in part, to meet the very sharp increases in foreign demand for petroleum products, with higher prices than in the United States and wide profit margins. This emphasis of the major oil companies on foreign investment—exploration, drilling and crude oil production as well as refining—has been encouraged and subsidized by lavish loopholes in the Federal tax structure.

By 1973, imports of oil and petroleum products amounted to about one-third of United States use. They increased from 19 to 22 percent of American consumption between 1963 and 1969 and then shot up to about 33 percent in 1973.

America's rapidly growing dependence on foreign imports of crude oil and petroleum products made the United States vulnerable to the blackmail of the Arab oil bloc in mid-October, 1973—to embargo shipments to the United States, cut crude oil output and sharply boost their charges on each barrel of crude oil from wells in the Arab oil-producing areas.

Moreover, the Arab bloc's lifting of the oil embargo carried an implied threat that it may be reimposed.

There have been staggering increases in the prices of petroleum products.

In the 12 months through February, 1974, retail prices of gasoline and motor oil shot up 30.9 percent; fuel oil and coal were up a shocking 58.8 percent. And the end of these price increases is not yet in sight—especially since the administration's major policy is to boost prices, in the hope that these sky-high price levels will induce new exploration and new research and development.

These prices are hitting consumers. As a result, there have been changes in consumer buying patterns—with varying degrees of impacts on different industries and on employment. Employment is being affected not only by shortages—real or continued—but also by the impact of staggering price increases on consumer buying patterns. So even if the shortages ease, there will still be adverse impacts on employment.

The Secretary of Labor's Report on the Impact of Energy Shortages on Manpower Needs, submitted to Congress on March 27, 1974, stated that between November 1973, and February 1974, between 125,000 and 200,000 jobs were lost as a direct result of energy shortages. The report stated that in addition, approximately 300,000 jobs were lost as an indirect result of the energy shortage. Industries associated with automobile manufacturing suffered the largest job losses. Other industries, such as hotels, motels, and amusements, have had to lay off workers due to reduced travel.

Unemployment insurance claims have increased sharply in recent months. The Manpower Administration has just reported that for

the week ending February 23, insured unemployment increased to 2,677,600 workers as 31 States reported higher claims volume. During the same week last year, insured unemployment was 2,081,000—approximately 600,000 more workers are claiming benefits this year and the bulk of the increase has been attributed to the energy crisis.

Many of these workers will soon exhaust their benefit rights. In addition, there are an estimated 11 million workers in jobs that are uncovered by the existing unemployment compensation program. The 1973 Manpower Report of the President revealed that more than 1.3 million workers are employed as farm laborers or foremen, 1.4 million workers are employed as private household workers, and more than 10.6 million workers are employed by State and local governments. When these workers lose jobs because of energy problems, they are without any income protection, and the extent of their joblessness is not reflected in the reported unemployment insurance data.

COMPARING THE VARIOUS BILLS

The unemployment assistance provisions in S. 3267 would provide a measure of income protection to exhaustees of regular unemployment compensation benefits and uncovered workers who are unemployed due to energy-related problems. These provisions would furnish almost universal unemployment assistance coverage for workers made jobless by the energy crisis. The AFL-CIO firmly supports the goal of this legislation—income protection for workers unemployed due to energy problems.

S. 3267 would meet the objectives of the bills introduced by Senators Ribicoff and Kennedy concerning this matter, but it differs in one outstanding respect. It contains energy-related unemployment assistance provisions. It does not attempt to amend or alter the Nation's basic unemployment insurance program.

The bills introduced by Senators Ribicoff and Kennedy are more closely attuned to unemployment compensation concepts for implementation and they would require longer periods of time to place in operation. The provisions of S. 3267 are oriented to unemployment assistance and could be implemented earlier due to previous Department of Labor experience with disaster assistance programs. We feel the impact of the Jackson energy assistance legislation would be much swifter for jobless workers who need unemployment assistance.

S. 3267 provides that, subject to regulations established by the Secretary of Labor, States may enter into agreements to pay weekly assistance benefits to jobless workers. It takes advantage of the existing administrative machinery established to process claims for assistance, and it requires a report be submitted to the Congress concerning the existing and long-term impact of energy shortages upon employment.

The provisions of S. 3267 could be implemented in the same fashion as the provisions of the Economic Disaster Area Relief Act of 1971. The Department of Labor and the State agencies are thoroughly familiar with the procedures used under the provisions of this legislation to provide assistance to workers who experience periods of joblessness due to natural disasters.

OPPOSITION TO TRIGGER APPROACH

The AFL-CIO is opposed to enactment of title II of S. 3257. The executive council of the AFL-CIO at its recent meeting—February 25,

1974—urged Congress to scrap the trigger approach to the problems of long-term unemployment. Title II would simply add one additional trigger-operated unemployment compensation program to those now in existence.

Moreover, we doubt that the Department of Labor has the capacity at this time to administer such a program. New labor market areas would have to be defined. The procedures for gathering and reporting unemployment data to conform to the designated labor market areas would have to be developed and implemented.

The insured unemployment rate (IUR), proposed as the trigger device for the program is not responsible to general unemployment levels. In fact, the insured unemployment rate fails to reflect the extent of joblessness among the very group of people the proposal is designed to help—jobless workers uncovered by regular unemployment compensation programs and jobless workers who exhaust regular benefits.

In addition to the serious weaknesses involved in this approach to meet energy-related joblessness, the program might, in our opinion, require as much as 6 to 9 months to implement.

The AFL-CIO has repeatedly stated that the extended unemployment compensation benefit program, enacted in 1970, has proved to be a dismal failure. Complicated separate National and State "trigger" mechanisms have denied extended benefits to hundreds of thousands of the long-term jobless.

Under the law's unrealistic formula, the national extended benefits were shut off at the height of a recessionary period. Many of the State programs triggered off with unemployment levels as high as 8, 10, and 12 percent or even higher in major labor market areas.

This past week, the Department of Labor trigger notice revealed that 17 States with an insured rate of unemployment in excess of 4 percent cannot pay extended benefits because they do not meet the dual trigger requirements of 4 percent and 20 percent greater than the corresponding period in the 2 prior years.

Despite the demonstrated failures of the trigger approach to the problem of high level long-term unemployment, the administration proposes to extend this trigger concept to labor market areas.

The trigger approach makes no sense. A worker who is the victim of unemployment resulting from the energy crisis needs protection regardless of the level of labor market area unemployment.

Therefore, the AFL-CIO urges you to reject title II of S. 3257, the administration's completely inadequate proposal. Instead, we urge prompt enactment of S. 3267 which will assure unemployment assistance to virtually all workers who lose their jobs because of the energy crisis.

Mr. Chairman, that completes my statement. We will be glad to answer any questions you may have.

Senator BYRD. Mr. Chairman. ?

The CHAIRMAN. No.

Senator BYRD. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

In your statement you talk about the energy-related problems and the workers who are laid off because of unemployment in that field

would be taken care of. How about if there is a crop freeze or storms, aren't these people just as much involved? Aren't they in just as great need? Crop freeze, isn't that a serious problem?

Mr. SEIDMAN. We have unemployment insurance for workers who are affected by disasters. We have a program for those who are affected by imports, the adjustment assistance program. We think this problem of unemployment resulting from energy shortages is akin to the kinds of problems we have had in these other areas.

PROVIDING JOBS RATHER THAN COMPENSATION

Senator FANNIN. Of course, we should be working toward solving this problem. In the legislation, we are talking about \$3.8 billion, up to that amount. If we are going to have unemployment that would justify additional payments in that area, then shouldn't we be thinking about how we can employ these people in the developing of these programs rather than using the money for unemployment compensation? It is better to put them to work, is it not?

Mr. SEIDMAN. First of all, the figure that has been bandied about here of \$3.8 billion refers to an earlier program which contained a great deal more than the unemployment assistance which is contained in S. 3267. Actually, S. 3267 authorizes \$0.5 billion in fiscal year 1974, and we estimate that for the entire period of the program, a total of approximately \$800 to \$900 million.

Senator FANNIN. From what source do you get that figure?

Mr. SEIDMAN. We would be glad to give you the basis for these figures. The \$3.8 billion, as I understand it, is an estimate for the earlier program and not for the current program.

Senator FANNIN. I don't know that we have discussed the unemployment compensation. There has been no great change made insofar as the stipulations in the unemployment compensation?

Mr. SEIDMAN. No, the changes have been that there were other programs, mortgage payments and so on in the earlier legislation on which the estimate was based.

Senator FANNIN. That was not in that section. We had other sections that would take additional amounts.

Mr. SEIDMAN. You have before you the Labor Department's estimate.

Senator FANNIN. Yes, don't you think we should go rapidly forward with other programs like exploration, new developments, new wells rejuvenated wells, specialized recovery. All of this is needed, don't you agree, to obtain more domestic product?

Mr. SEIDMAN. We don't regard employment programs as mutually exclusive from Federal employment assistance programs. Every effort should be made for people who would benefit from these programs to get jobs as soon as possible. Until they are able to obtain them, they are entitled to a decent level of unemployment assistance.

Senator FANNIN. One of the factors involved in the rollback on the price of crude oil. This would mean a rollback on domestic oil and the opportunity to go on and develop new wells or to have recovery programs for present wells. That would mean that we would then not produce additional oil, so we would not have the same amount of imports. A barrel of oil domestically means jobs and taxes paid, profits made. Is it far better if we would encourage this activity?

Mr. SEIDMAN. It is my understanding the rollback provision is no longer in.

Senator FANNIN. Yes. But as I say, over the period of time we have been discussing all these different matters, we would have had the bill a long time ago if we had taken a practical approach to it.

Don't you think we should be thinking about additional production in this country, and wouldn't you think if we went forward, and you say there is not anything in this bill regarding rollback, I agree there is not a rollback, but they are talking about stripper wells and that is something which is highly essential. I know Senator Hansen wants to cover it, and it is a very important part of the overall program.

Mr. SEIDMAN. All we are saying in our testimony this afternoon is whatever may be done to improve production in this field or in other fields for that matter, that until workers are able to get such jobs they are entitled to unemployment assistance.

Senator FANNIN. My point is that the AFL-CIO in one position is saying we want this unemployment compensation. Over the next page they are saying we want this rollback provision, we want to do away with stripper wells and we want to do this, this, and this will cause us production. You are diametrically opposed one to the other.

Mr. SEIDMAN. The AFL-CIO is also very much concerned about the consumer interest in these problems. I don't want to convey the impression that I am an expert with respect to the situation in the petroleum industry, but our feeling is until whatever steps are taken to deal with that problem and to restore employment to the people who are affected, our position is that these people are entitled to unemployment assistance and we do not see those things as being in conflict.

Senator FANNIN. They are related. If we can get more jobs for the people, we won't have this problem.

Mr. SEIDMAN. If these people are reemployed, the funds will not be used even if they are authorized. The important thing is to have them there in case the people need them because they do not have jobs.

Senator FANNIN. My point is the best way to employ them is to have a program that will provide an incentive for this additional growing and rejuvenation of the wells, doing the work that we know can be done that will employ people and also give us domestic production. Thank you.

Senator BYRD. The Senator from Minnesota, Mr. Mondale.

REFORM OF UNEMPLOYMENT COMPENSATION LAWS NEEDED

Senator MONDALE. Thank you very much for an excellent statement. I strongly support your position, and I deeply regret that the President's veto put us in a position of having to come back again in a couple of months to enact an adequate employment insurance bill to deal with energy-crisis unemployment.

Recently, Secretary Shultz testified before us about amending the trade legislation. He made quite a point about what he thought was congressional negligence in failing to pass a reform of the unemployment insurance law. I expect what he had in mind is different from what I had in mind. We do not think it makes sense to only deal with those unemployed as a result of energy problems, but to also try to

take a good look at inadequacies of the underlying unemployment insurance law.

Mr. SEIDMAN. We are in complete agreement. We think there is a question of first things first. We would like to see this action which should have been taken a long time ago to provide this unemployment assistance for the victims of the energy crisis, so they can have this protection immediately, but we do think and certainly hope that the Congress will look at some fundamental changes in the unemployment insurance legislation itself.

Senator MONDALE. I am developing legislation along that line, first of all to extend the basic minimum coverage from 26 weeks to 39; and then having a Federal period of extended coverage to provide Federal standards for eligibility; to do away with the trigger mechanism to get right down to the question of those who are unemployed; and, possibly, extend coverage to categories of workers uncovered, many of whom are the poorest of all in American life.

Would you support legislation which sought to reform the fundamental law?

Mr. SEIDMAN. We would certainly support legislation with the objectives you have stated. Our executive council, as a matter of fact, recently adopted a statement which called for many of the same kinds of actions which you have indicated you intend to include in your bill.

Senator MONDALE. How do you think we ought to proceed? First of all, with S. 3267, or try to do it all at once?

Mr. SEIDMAN. It is important to supply unemployment assistance as soon as possible. The kinds of questions you raise are more fundamental. Those should have been looked at a long time ago too. We think they should be the next step after we deal with this energy-related unemployment problem.

Senator MONDALE. I guess I agree with that. I regret that we are in that predicament. In your judgment S. 3267 is the best?

Mr. SEIDMAN. For the group affected by the energy shortage, S. 3267 will provide the protection they need at the earliest possible date.

TRIGGER MECHANISM SEEN AS FAULTY

Senator MONDALE. I gather that the administration would like to continue the use of that trigger mechanism as embodied in S. 3267; isn't that their position?

Mr. SEIDMAN. And moreover, they would want to do it not just on a State or national basis, but on an area basis. We think this is an extremely impractical and probably inequitable approach. In the discussion here this afternoon, while the administration was talking about areas of 250,000, it has been suggested that this should be done for areas of 50,000 and even fewer population, I can well understand why this should be suggested, but it seems to me that you come to an almost unadministerable program in terms of developing any valid statistics for that small a population. We think, to the contrary, that people who are unemployed for long periods of time, regardless of whether they live in areas where there is high-level unemployment or not, should be entitled to extended benefits.

We think the extended benefits should be related to vocational guidance, vocational training, placement programs and the like, but we don't think that it should be determined by an on-and-off trigger mechanism.

Senator MONDALE. If we don't do as you say, there will be thousands of unemployed Americans, unemployed through no fault of their own because of the energy crisis, who will get no help whatsoever?

Mr. SEIDMAN. Yes.

Senator MONDALE. "We know you are suffering, but you don't fit into one of the artificial categories we have contrived in order to reduce the impact on the Federal budget." That is about it.

Mr. SEIDMAN. I believe you are right. It would mean that somebody on one street, on one side of the street, who was in effect thrown out of work by the energy crisis would be entitled to extended benefits because he is in an area where the level of unemployment is up to a certain level, and on the other side of the street, the area might be just below that level and a jobless worker there would be entitled to nothing.

AFL-CIO COST ESTIMATES OF S. 3267

Senator MONDALE. According to your figures, this bill would cost what? Half a billion dollars approximately?

Mr. SEIDMAN. In fiscal 1974, it authorizes expenditure of half a billion dollars and it is our estimate that over the total period which is until July 1, 1975, that the estimated cost would be in the neighborhood of \$800 to \$900 million—somewhat less than twice.

Senator MONDALE. Less than a billion dollars?

Mr. SEIDMAN. Yes; less than a billion and that the figure that has been used relates to a different kind of a program which is no longer, as I understand it, being considered by the Congress.

Senator MONDALE. I see. I certainly strongly support your position, and I would hope that we could move very swiftly with the readoption of S. 3267 and let the President sign it this time. Then we could follow up with this more fundamental reform which is so needed with a rising unemployment rate.

Mr. SEIDMAN. You are certainly correct and we would certainly favor the same course of action that you are suggesting.

Senator MONDALE. Thank you very much.

Senator BYRD. Senator Hansen?

Senator HANSEN. In your statement you say: We feel the impacts of the Jackson energy assistance legislation would be much swifter for jobless workers who need unemployment assistance. Do I infer from that statement that you are unequivocal in your endorsement of the Jackson bill as contrasted with the Kennedy or Ribicoff bill?

Mr. SEIDMAN. We do not think this special type of assistance should be tied so directly to unemployment insurance concepts of implementation as are implied by the bills introduced by Senators Ribicoff and Kennedy, although we recognize that their aims are in the same direction.

DETERMINATION OF AFL-CIO POLICY POSITION

Senator HANSEN. In the preparation of this statement, how big a section of your labor ranks is represented? Who makes the determination

that results in this statement? Are these your opinions or are they shared by others?

Mr. SEIDMAN. I am speaking for the AFL-CIO. This is based on statements which have been adopted by our executive council.

Senator HANSEN. How big a group is it?

Mr. SEIDMAN. I think 35 members in all.

Senator HANSEN. Do they fairly reflect the opinion of the rank and file membership?

Mr. SEIDMAN. Yes; they represent a wide sphere of the AFL-CIO and are elected by the biennial convention of the AFL-CIO.

Senator HANSEN. I believe it was the Harris poll that showed among Democrats, Senator Kennedy enjoyed favorably 44 percent, Governor Wallace, 17 percent, Senator Jackson 8 percent and I believe Senator Muskie 8 percent.

Would you explain that poll in the light of your statement here?

Mr. SEIDMAN. Senator, I don't consider myself an expert on the political currents, and I don't think I would be in any position or have any particular qualifications to explain the results of that poll.

Senator HANSEN. But despite the poll, you have no question that your statement here reflects the opinion of the rank and file of labor, would you say that?

Mr. SEIDMAN. I have no doubt about that and, moreover, we would not place our consideration of legislation before the Congress on the basis of the results of polls, popularity polls involving particular individuals which obviously relate to more than just one area of legislation.

Senator HANSEN. I have no further questions.

Senator BYRD. Senator Dole?

PRESENT EMPLOYMENT PICTURE

Senator DOLE. I only have a couple of questions. First, do you find any indication that there is some rise in employment as the crisis, or whatever it was, eases?

Mr. SEIDMAN. We have seen no indication yet of a decline of unemployment.

Senator DOLE. The reason I ask is because of the increased allocations of fuel, you find almost in every category, whether it is service stations or pilots or whatever, there are more jobs coming back on the line because of the increased fuel allocations. Isn't that going to be reflected in the coming months, particularly in April, May, and June, in a lowering of the rate as it relates to the energy crisis?

Mr. SEIDMAN. It may, Senator; on the other hand, it may also be that the unemployment which has already taken place as a result of the energy crisis may be fanning out and may counter the impact of what may possibly be a favorable development that you mentioned.

Senator DOLE. I know in Wichita, Kans., almost at the outset of the oil embargo, Cessna Aircraft laid off 2,000 or 3,000 people, but they have since been absorbed by other industries and some have gone back to work. Might this not be a pattern in other areas of the country? I think there is a great deal of merit in what Senator Mondale says and some of the statements you make with reference to the person who is unemployed, but it just seems to me that Congress missed the boat. The crisis ended before we acted. It is too bad in a way, I guess, be-

cause we were all so interested in the crisis, but all we did was pass year-round daylight saving time, which really didn't save any energy. We all were on record as being against the crisis and for conservation, but I have mixed feelings about what is down the road. There is a chance we might see an upswing in employment.

Mr. SEIDMAN. I certainly hope there will be an upswing in employment, and if there is, we will have taken steps to assure protection to workers that conceivably might not be needed and then the costs won't appear.

If we miss the boat and we don't take the action and it develops that reemployment does not take place as soon as we anticipated or that the next time the Arab countries come together they take some action which again affects employment adversely in our country, then we will have missed the opportunity of doing something to provide what we consider to be very urgently needed protection for those workers who are affected, however many they may be.

DEFINING ENERGY RELATED UNEMPLOYMENT

Senator DOLE. Do you have any difficulty trying to narrow it to energy-related unemployment? Does that raise any special problems? I know we have it in disaster programs because I was on the Public Works Committee at the time that program was drafted. I know we have it in trade legislation. I don't know how far it would go because if it has a triggering effect and somebody is laid off in the local supermarket because of loss—does it have to be directly related to the energy crisis? Do you have to be a pilot or stewardess or a service station attendant? How do you determine who gets the benefits?

Mr. SEIDMAN. The bill states it relates to workers who are affected by the energy crisis, and then it requires that the Secretary of Labor establish regulations which relate to unemployment clearly attributable to disruptions, dislocations, and shortages, fuel allocation, fuel pricing, consumer-buying decisions influenced by such disruptions, dislocations and shortages, and governmental action associated with such disruptions, dislocations, or shortages.

One thing I would like to emphasize is in the course of the unemployment insurance program, while it is not unemployment insurance, it is in many respects the same kind of a program, administrative decisions have to be made every single day of the kind that we are talking about in this legislation.

It is not only in the special programs that we now have for import-related unemployment or for disaster-related unemployment, but even in the regular program.

Mr. O'Brien knows a lot more about it than I do because he follows it more closely, but I am impressed by the fact that those who administer the program at the State and local level and Federal officials also to the extent that the Federal Government is involved, they have to be making day-to-day decisions of the kind that are called for in this program relating to other types of causality because unemployment insurance is not just available to anybody. It is available under certain circumstances, and for every single case it has to be determined whether or not those circumstances exist. This adds just one additional set of circumstances.

Senator DOLE. I understand the language. I know what they have done in the past, particularly in disaster-related unemployment. Sometimes it is somebody who is directly involved whose business is destroyed, but it may affect somebody else who didn't have a personal disaster, but he may have lost his job because of the shortage of customers. Is there some better way to respond to the need without tying it to one specific thing like energy-related crises?

Mr. SEIDMAN. In the long term, as I indicated in my responses to the questions and suggestions being made by Senator Mondale, in the long term, definitely, we think there is a better way of doing it. In terms of meeting this particular problem at this particular time, we think this is the best way of doing it.

The regulations would be required to provide that the unemployment is clearly attributable to these factors.

The governing words are "clearly attributable to," so it couldn't be those factors which are remotely related to the energy crisis.

Senator DOLE. Are you in accord with that, Mr. O'Brien?

Mr. O'BRIEN. Yes.

Senator DOLE. First of all, this bothers some: Is it precedent setting? We can cite the two other precedents.

Second, can it be defined by regulation or by administrative decision so it does respond to the need? Or should we look for some alternate formula? And then, as I said earlier, will there in fact be a need the next month or two as the oil starts flowing in and hopefully jobs start picking up? Thank you.

CONFLICTING COST ESTIMATES OF THE JACKSON PROPOSAL

Senator BYRD. Just one question, Mr. Seidman.

The committee was unable to judge whether the Labor Department's estimate of almost \$4 billion as being the cost of the Jackson proposal or your estimate of approximately \$1 billion is correct. But you say that the Jackson bill will cost \$500 million during the current fiscal year?

Mr. SEIDMAN. That is what is authorized in the bill.

Senator BYRD. And about \$400 million for the subsequent fiscal year?

Mr. SEIDMAN. For the period for which it would be in effect which would be until July 1975 which would be the next fiscal year.

Senator BYRD. That certainly suggests to me that the bulk of the problem will be over in the next several months because with \$500 million only at the time this gets enacted—only \$2 million will be left in the fiscal year we are in now. That would take up \$500 million. For the next 12 months, the cost would be \$400 million. It indicates to me that you are figuring on a very severe drop in the need.

Mr. O'BRIEN. Mr. Chairman, in terms of the cost we said 1 year or until July 1975 over the life of this program.

Senator BYRD. Mr. Simon just testified the legislation says authorize \$500 million for this particular year.

Mr. O'BRIEN. To express it correctly, we are talking about the life of this legislation, a 1-year period until July 1, 1975, \$500 million is the estimate in the bill and we think based upon some estimates we made that it might go a little higher and that would be between \$800 and \$900 million.

Senator BYRD. Thank you gentlemen.

The next witness is Mr. Jack Beidler, legislative director, United Automobile Workers. Welcome to the committee, Mr. Beidler. Proceed in any fashion you may desire.

STATEMENT OF JACK BEIDLER, LEGISLATIVE DIRECTOR, UNITED AUTOMOBILE WORKERS, ACCOMPANIED BY DICK WARDEN, ASSISTANT LEGISLATIVE DIRECTOR; AND GEORGE SCHWARTZ, ASSISTANT RESEARCH DIRECTOR

Mr. BEIDLER. I would like to introduce our statement for the record and I would like to summarize it.

Senator BYRD. It will be printed in full.

Mr. BEIDLER. Mr. Chairman, my name is Jack Beidler, legislative director of the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW).

Accompanying me today are the UAW's assistant legislative director, Dick Warden, and George Schwartz, assistant research director.

I think our testimony will not differ too much from the previous witnesses, but I think our union has had a much greater impact on the employment situation.

We are currently suffering from better than 10 percent of our members or almost 10 percent of our members on permanent layoff, some of them in Norfolk, Va., as you may know, and many others of them are temporarily laid off from week to week.

We are pleased to be here to share with you our views on this very serious problem. Whether it is permanent we don't know. We know we have many, many members and the families of many, many members who are suffering severely.

President Leonard Woodcock would have liked to have been here. Unfortunately, the hearings were called on very short order and he had previous commitments. We have adopted some resolutions and we have statements on unemployment and the energy crisis in terms of what we feel the Nation ought to be doing in Federal legislation.

Senator BYRD. Without objection, it will be inserted in the record.

THE AUTO INDUSTRY AND THE ENERGY CRISIS

Mr. BEIDLER. We want to comment on the failure of the automobile industry to understand the problems related to the energy crisis, and how these problems developed.

We have in our industry some of the most efficient managements in the country—General Motors is often cited as the most efficient manufacturing enterprise in the world.

Yet, this industry, this company with all the expertise at hand failed to perceive what was coming.

They have invested heavily in big car production on which there is a larger profit margin and have ignored the smaller car production on which there is a smaller profit.

Now American Motors is hiring people, we have this anomaly, while each of the other companies is firing people.

The Congress has to take an interest in this problem and has to generate some kind of legislation which will insure, as we have done in the Clean Air Act on the emission standards, insure that these com-

panies move to the production not necessarily of smaller cars, but more efficient cars where the energy use is less.

You can produce a fairly large car with an efficient energy use. Our automobile companies have failed to do this. The people who are getting hurt are our members.

Senator FANNIN. How many man-hours does it take to build a Lincoln or Cadillac?

Mr. BEIDLER. The companies aren't generous enough to share that information.

Senator FANNIN. You have some idea.

Mr. BEIDLER. It was recently stated it took 250 man-hours to make a large car—no, I am off.

Mr. SCHWARTZ. I don't think anyone outside of the corporations themselves really know. I think a very rough estimate of the normal car would be somewhere in the neighborhood of 150 hours.

Senator FANNIN. I imagine their computers have a pretty good idea.

Mr. SCHWARTZ. They certainly do.

Senator FANNIN. Yours too. You have been pretty efficient in handling these matters. You may not like to admit it. You have as good a staff as they have.

Mr. BEIDLER. We have as good a staff, but the primary information is not available to us. We have to rely on the industry for that information.

Senator FANNIN. We must realize this: You say that they can build a more efficient motor. I am in agreement that we should. I am not in agreement that we can at this moment make that changeover without having a tremendous sacrifice in employment.

If we look back over the years, we can talk all we want about what the automobile companies should have done 10 years ago, but having to accomplish that and still not have the layoffs that would have been necessitated is another matter.

They put off things, but were putting it off from the standpoint of profits and from the standpoint of the employment picture.

There are many reasons why they carried on for those extra years. None of them were perceptive as to what would eventually come about.

We have to look at this and not say that all of these decisions were made without careful consideration of what the results would be.

Mr. BEIDLER. We have the layoffs now. We have to move rapidly to the production of an automobile that is salable in this country. Clearly they are not salable in this country. In the first quarter of this year, according to the Washington Post, sales are down 85 percent.

IMPORTED CARS AND THE U.S. AUTOMOBILE INDUSTRY

Senator FANNIN. I am one of the strong supporters for correcting that. We have been lacking here in the Congress in not giving the automotive industry some assistance as far as the imports are concerned when they talk about the cars they bring in from Germany or France or Great Britain, whether it be a Rolls Royce or a Toyota coming in from Japan, they come in with practically no tariff, a 3-percent tariff. This has been a great factor as far as the competitive picture is concerned.

American Motors could not, even with the building of the car that they were trying to, compete with the Japanese, that is 10 or 15 years ago. They still couldn't get it into Japan, so don't you think that we have a great deal of the responsibility on our shoulders?

Mr. BEIDLER. The American motor car companies made the decision some years ago they would not compete in the foreign market with American-built cars.

Senator FANNIN. I don't know when.

Mr. BEIDLER. They made that decision in 1959. General Motors had the tools and dies to make a subcompact car. They made a decision in 1959 to send those tools and dies to Australia where they manufacture the Holton automobile, they invested in Germany in the Opel. They are competing with Volkswagen in Germany. They are not competing in the small car market in this country.

Senator FANNIN. They couldn't sell the large car in many of those countries.

Mr. BEIDLER. That has much more to do with the road structure.

Senator FANNIN. Yes; so they were building small cars because they could sell it there. It is a matter of economics. They made those decisions.

When you come here to tell us that they made a mistake in coming to that decision in those years, that they were wrong, I think we have to consider it from the standpoint of the employment they furnished your members for all these years which has been an important factor in our overall economy.

Mr. BEIDLER. I want to make sure that the right decisions are made for the future.

Mr. SCHWARTZ wants to make a comment on what you have said.

Mr. SCHWARTZ. Their failure to build a small car timely has resulted in a surge of import sales which have cost jobs you are talking about.

Senator FANNIN. American Motors tried to manufacture one and tried to export and couldn't.

Mr. SCHWARTZ. It is very difficult for the smallest member of industry to lead the parade. The small car has been the salvation of American Motors when all other industry small car manufacturers fell by the wayside.

Senator FANNIN. We know, even if they had built that type of a car 10 years ago, they still could not get it into foreign countries without paying a tremendous premium. They were paying up to 60 or 70 percent to get a small car into Japan. Isn't that true?

Mr. SCHWARTZ. That is true. It has been more than car size that has been an impediment.

Senator FANNIN. It is the barrier they had against our small cars coming in. We didn't have the foresight to see that we protected our industry so we let the cars come through. It has been harmful.

Mr. BEIDLER. They didn't make a small car they could export that would fit on the Japanese road or to sell to France that would fit on French roads.

Senator FANNIN. American Motors at the time they tried to get their small car into production, they had an opportunity. They did build a car that would operate satisfactorily because the Japanese weren't even competitive in those days. They became competitive afterward, you know that.

Mr. BEIDLER. OK. Basically we came to talk about unemployment compensation. We talked about imports here 2 weeks ago.

Senator FANNIN. Unemployment compensation has a great deal to do as far as imports are concerned.

Senator DOLE. Would the Senator yield?

Senator FANNIN. Yes.

UNEMPLOYMENT IN THE AUTO INDUSTRY

Senator DOLE. I read your statement while you two were talking. The nub of the question is what do you project in the next 30, 60, or 90 days? You had sizable layoffs in Kansas and Missouri. UAW members were out of work. Some were temporary. What is the present number?

Mr. BEIDLER. I would like to interrupt this discussion for a moment. A lot of people feel our supplemental unemployment benefit program takes care of all auto workers who were laid off. This does not happen to be the case.

Let me interrupt you and let Mr. Schwartz describe our supplemental benefit program and tie it into the numbers on employment so you could understand.

Senator DOLE. Is the unemployment among UAW members decreasing or increasing?

Mr. BEIDLER. No, it is increasing.

Senator DOLE. What do you project?

Mr. SCHWARTZ. We surveyed our UAW membership the week of March 18. We surveyed approximately three-quarters of them and found that 180,000 of 1.1 million members were unemployed either permanently or temporarily.

Senator DOLE. But temporarily they are still paid?

Mr. SCHWARTZ. No. They know their date of callback to work; that is temporarily.

Senator DOLE. How many of those were temporary?

Mr. SCHWARTZ. Let me refer to my notes. We extrapolate the 180,000 because we are only covering three-quarters of our membership, so we feel something in excess of 200,000 members were unemployed. And 180,000 to 140,000 were on indefinite layoff. This is something more than half.

The others were off on 1- or 2-week plant shutdowns and knew their recall date. However, the patterns of the temporary layoff have been such that those who are laid off 1 week will be replaced by others in the second week when the first group is called back.

There are a substantial number unemployed in any given week. Your question relates to what is going to happen down the road.

Well, as of the first 2 months of 1974, even though car production had been cut back more than 30 percent, dealer new-car inventories still rose; and as of the end of February, they were at an alltime high.

Production was cut back even more severely in March, but we don't have a March ending inventory figure, so we don't know at least if inventories are going down. The industry finds itself in a position where it is carrying nearly $1\frac{3}{4}$ million cars in inventory going into the spring and summer months.

It would appear to us that unemployment in the industry is not going to get better. In fact, in the summer months, it is liable to get worse.

Senator DOLE. There was some report last week that again with the easing of the problem or whatever you call it, there was an increase in large-car sales. U.S. News indicates production schedules for the second quarter are at an annual rate of $7\frac{1}{2}$ million, up from 6.6 in the first quarter, so it looks like it is improving only a little slower than last year.

Mr. SCHWARTZ. New-car sales were down something like one-fourth. Production was down one-third. They were trying to work out stock that was built up. There may be some increase in production in the second quarter vis-a-vis the first quarter, but the history of the production projections has been such in the last few months that they start at a high and keep taking cars out of their schedules.

This happened in the first quarter, too. Going into the first quarter of the year, scheduled production was considerably higher than what production turned out to be. The industry has to turn on an optimistic face.

The story in U.S. News is probably a reflection of that. I don't think anyone at this point can make a shortrun prediction of what industry sales are going to be in the coming months.

Senator DOLE. You project unemployment will remain at 180,000 or 200,000?

Mr. SCHWARTZ. Really, we see little way that it can improve. We are nearing the end of the model run. We will have unemployment because of that. The industry is carrying new-car stock somewhere in the neighborhood of $1\frac{3}{4}$ million cars. Unemployment among our membership can't improve very much.

If the sales projections and the production schedules turn out to be lower than what the industry is talking about now, then unemployment will either be as bad or perhaps it could get worse.

UAW SUPPLEMENTAL BENEFIT PROGRAM

Mr. BEIDLER. As to what is happening to these individuals who have been thrown out of work, it has been said the UAW has a wonderful supplemental benefit which will add onto unemployment compensation; the fact of the matter is that at least half of the workers who have been thrown out of work will not get any supplemental unemployment benefits.

When a plant knocks off one shift out of a three-shift operation, they are cutting back on low-seniority employees.

George, do you want to explain the SUB program?

Mr. SCHWARTZ. Yes. The UAW has negotiated with most employers and all of the Big Three, our SUB plan which provides supplemental unemployment benefits.

A person who qualifies for State unemployment compensation, qualifies for supplemental to his income. It requires 1 year of seniority to

get onto the SUB plan. It requires 26 weeks to qualify for unemployment compensation. The formula follows: It is the difference between unemployment compensation and 95 percent of your straight-time weekly wage minus \$7.50.

Now, because the SUB payment itself is subject to Federal, State, and local income taxes, the end result is unemployment benefits, State and SUB combined, of about 80 to 85 percent of your take-home pay.

Senator DOLE. Do you get food stamps, too?

Mr. SCHWARTZ. No, sir.

Mr. BEIDLER. You would not be eligible under the requirements of the food stamp program.

Senator DOLE. You wouldn't be eligible?

Mr. BEIDLER. No.

Mr. SCHWARTZ. In addition, the plan provides for short workweek benefits. If you work for 3 days and are laid off for 2, the plan would pay 80 percent of your pay for the 16 hours for which you were laid off.

In addition, the plan maintains your group hospital and medical-surgical, drug, and your group life insurance. The maximum duration of SUB benefits is 52 weeks. It requires, as I said, 1 year of seniority to be covered by SUB or by short workweek benefits at all, and you build up eligibility for SUB at the rate of: 2 weeks of employment gives you 1 week's eligibility for SUB.

At the beginning of the major downturn such as the one we are in, in the auto industry, people with the lowest seniority are the first to be laid off, and because of that, approximately one-half of the automobile workers who are on layoff now are not covered by supplemental unemployment benefits, so the plan doesn't cover those people at all.

For those who are covered by the plan, you have to take into consideration this: That the financing provisions of the plan are such that there is a net outflow from the plan with more than about 5 percent unemployment in the group. It requires about 20 people actively at work to carry 1 person who is unemployed.

Now when we devised and negotiated the financing provision for the plan, we were taking account of the normal run of business cycles that the industry is sensitive to and the annual model change which throws a lot of people out of work for several weeks every summer.

The plan simply cannot provide catastrophe insurance and if the present depression in the industry carries on for any great length of time, there is some likelihood that some of those SUB plans are going to become insolvent and not pay any benefits to anyone.

Mr. BEIDLER. Including those of the major corporations, perhaps maybe GM first of all.

Mr. SCHWARTZ. The General Motors plan is currently at 37 percent of its maximum funding. It doesn't have a long way to go before it would be in trouble.

Senator DOLE. The only benefits payable to a large number would be State unemployment?

SOME GM WORKERS INELIGIBLE FOR UNEMPLOYMENT COMPENSATION

Mr. BEIDLER. A number of members who are on layoff will not receive unemployment compensation because they don't have eligibility, right?

Mr. SCHWARTZ. Most people at any point in time are going to have 14 weeks or more of employment. In Michigan, of the 27,000 General Motors workers who are on indefinite layoff, 4 percent of them don't even qualify for State unemployment compensation. Ninety-six percent do. Of those who do qualify for unemployment compensation, only 53 percent qualified for SUB, and some are not covered by anything at all.

Mr. BEIDLER. That is the reason why we so strongly supported this in the emergency energy bill. We deplored the fact the President vetoed that. We have a lot of members who are directly affected by that.

We would hope as the new emergency energy bill comes out, that the provisions for unemployment compensation in that bill will be reenacted. It has been changed somewhat, but it will be reenacted to help these people.

We are not only talking about people in the automobile industry, but we estimate that up to twice as many in supplier industries are laid off.

The ripple effect is double what it is in the automobile manufacturers themselves. So we have to consider those as well as all the other people in the other industries that are affected by the energy crisis.

Senator BYRD. Senator Dole?

Senator DOLE. No further questions.

Senator BYRD. Senator Hansen?

Senator HANSEN. No questions.

Senator BYRD. Senator Fannin?

Senator FANNIN. This 4 percent, they are not covered under any estimations?

Mr. SCHWARTZ. These 4 percent were very recent hires, they did not have the 12 weeks necessary to qualify for State unemployment.

Senator FANNIN. How many people are we talking about?

Mr. SCHWARTZ. The group of workers that this tabulation was run on are the General Motors workers in Michigan who are on indefinite layoff. This was a group of 27,000; 4 percent didn't qualify for State benefits. Of the 96 percent who did, 53 percent—

Senator FANNIN. I got that all right. How many people does the 4 percent represent?

Mr. SCHWARTZ. In this case about a thousand people. These are General Motors workers in Michigan who are on indefinite layoff.

Senator FANNIN. That is what I was trying to arrive at. I don't think we should pass a special unemployment compensation bill to take care of those that are in the unique position, it would have to be in some special category; I think we should have compensation whether they are in energy-related unemployment or otherwise that are covered.

So my position is that we should have general coverage and not just energy-related coverage because if a fellow is out of work, he is out of work. If we are going to have it for extended people, we should so provide.

I can't understand how these people are not eligible for anything. We should do something about it.

Mr. BEIDLER. We are talking about people who have relatively short work experience whose benefits will run out very quickly.

Senator FANNIN. We are hoping this will turn around. I am not in agreement with "And the situation in our judgment is going to get worse before it gets better." I don't know if you are talking about the general situation or specific. If you are talking about the general situation. I know that you hope you are wrong in that respect.

Mr. BEIDLER. Of course.

Senator FANNIN. I would hope we could get specifics as to how many people are affected, what is happening, because you heard the testimony today from Texas and Oregon where they do not feel that this is needed at all, and I will just say to you rather than have legislation that is going to be all encompassing it is going to be so cumbersome the Department of Labor says it is unworkable; I would like to see us do something about the people you are talking about.

I feel sympathy for them. I would rather see legislation that is just not energy-related and for those out of work for some reason out of their control.

Mr. BEIDLER. We are in favor of long-term systems that put this all in order but it will take so long for that to happen. But the unemployment compensation provisions in the energy bill will be available for people who have to live and eat from day to day who are not eligible.

Senator FANNIN. I think we can do it without having this all encompassing legislation that they say is unworkable. If we go specifically to the problem and within the energy bill or some other legislation cover this need, it would be far more beneficial.

We are talking about figures from a billion to \$4 billion. We should be within the category we are talking about, and it is a far, far lower figure and I would like to see many things done that I know we can't do overnight.

I am in sympathy with you in protecting the American worker. That is something we should do more of.

Thank you.

NEW CAR SALES

Senator BYRD. What do you estimate the 1974 new car sales to be?

Mr. BEIDLER. Have you got a figure for that?

Mr. SCHWARTZ. Senator, I wouldn't attempt to estimate it. At this point, they are running—

Senator BYRD. I am not speaking at this point. You have a large statistical organization. You must have some figures.

Mr. SCHWARTZ. Senator Byrd, let me respond this way: Not too many months ago the consensus of the economists of the corporations themselves were estimating a decline from last year of about 6 percent.

Now, the actual decline has been more than four times that great, predicting the short-run trend of sales in the auto industry is more difficult than forecasting the long-range trend really.

Senator BYRD. Thank you, gentlemen.

[The prepared statement of Mr. Beidler with attachments follow:]

PREPARED STATEMENT OF JACK BEIDLER, LEGISLATIVE, DIRECTOR INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

Mr. Chairman, my name is Jack Beidler, Legislative Director of the United Automobile, Aerospace and Agricultural Implement Workers of America—

(UAW). Accompanying me today are the UAW's Assistant Legislative Director, Dick Warden, and George Schwartz, Assistant Research Director.

We are pleased to be here to share with you our views on the very serious unemployment situation in certain segments of the American economy as a result of energy shortages and accompanying dislocations. Whether the current problems are described as an "energy crisis", as was fashionable just a short time ago, or as energy shortages, the resultant economic and human problems have reached crisis proportions for many of our fellow Americans. And the situation, in our judgment, is going to get worse before it gets better.

The issue you are exploring today is of such major importance to the UAW and its membership that our President, Leonard Woodcock, wanted to testify personally. Unfortunately, a prior commitment has prevented him from doing so. There is no issue to which we attach more importance than dealing with the human tragedy now unfolding in increasing numbers of American families as workers lose their jobs through no fault of their own because of energy shortages.

A few weeks ago, our International Executive Board adopted a statement on unemployment. Subsequently, the Board adopted a comprehensive program suggesting responses to the many issues raised in connection with what government, industry and labor alike were then referring to an energy crisis. I should like to note parenthetically that just because the crisis has been downgraded to the status of a problem in some quarters, it has not lessened the severity for American workers who have lost their jobs.

Copies of our statement on unemployment and our energy program were sent to all Members of Congress. Because of the relevance of these two documents to the subject before you today, however, we would appreciate their inclusion in your hearing record as part of our presentation to the Committee.

The statement on unemployment estimated that more than 100,000 UAW members had already been laid off indefinitely. Tens of thousands of additional workers were temporarily off the job. The statement declared, "The truth is that there is the potential of catastrophic unemployment for workers in general, and automobile workers in particular." Since January 30, when that statement was issued, the situation has not improved. The statistics tell the story:

Unemployment reportedly remained at 5.2 percent in February, the same figure as a month earlier. But the jobless rate had increased each month prior to February since last October when it was at a 42-month low of 4.6 percent. While total employment has shown little change for the last four months, the labor force has increased by almost 800,000, increasing unemployment by more than 650,000. Teen-age unemployment was 15.3 percent in February; joblessness among white workers remained at 4.7 percent, but the rate for blacks was 9.2.

The Labor Department estimates that about 300,000 of the unemployment compensation claims for February were based upon energy-related job loss. Just last week, the Secretary of Labor estimated nearly one-half million jobs have been lost directly and indirectly as a result of energy shortages. We believe the Secretary's estimates are conservative. In any case, when these two statistics are placed side-by-side, it appears that as many as 200,000 American workers who have lost their jobs because of energy shortages may not be covered by the unemployment insurance program.

With respect to UAW unemployment, partial reports covering nearly 1.1 million of our members show that almost 180,000 were laid off during the week of March 18. Total UAW layoffs during that week probably exceeded 200,000. When the so-called "ripple effect" is calculated, the gravity of the problem should be obvious. It is a problem which must be dealt with; it will not go away. As our statement on unemployment said: "We are not doomsayers but we are realists. We must face the facts. The unemployment picture in some sections of the auto industry is worse now than it has been at any time since the great depression of the thirties."

Economists may argue whether our nation is in a recession, about to slide into a recession or rounding a corner toward improved economic conditions. But for some of our members the recession is already in the past; they are in a depression. You may ask how we can justify such a statement at a time when some of our national leaders are telling us, in effect, that we never had it so good. Take a look at the unemployment figures for Flint, Michigan, where

33,000 workers—almost 17 percent—were unemployed in February. This is up an almost unbelievable 263 percent over the unemployment figure a year ago. In the tri-county Detroit area, there were 173,500 unemployed in February, up 60 percent over a year ago. The Detroit area unemployment rate was 9.3 percent. The Michigan state-wide rate was 10.6 percent.

We are not nearly so optimistic as government officials appear to be about the future. The unemployment problem in the automobile industry is not likely to improve appreciably in the immediate future, and if it doesn't, then the impact may begin to be felt more strongly in such other basic industries as steel.

The Council of Economic Advisers has been consistently overly optimistic in its recent economic forecasts. But even the Council is not as optimistic as the President was when he categorically stated, "There will be no recession in the United States of America." The CEA has predicted a recession without using the word. And if the CEA's 1974 projections turn out to be as incorrect as their average rate of inaccuracy over the last four years, 1974 would see rates of 6.5 to 6.7 percent unemployment and 8.9 percent inflation—putting the year high up among the worst since World War II.

In our judgment, those who predict an unemployment rate of 5.5 to 6 percent are looking at the world through rose colored glasses. But even that estimate would mean 600,000 to one million *more* workers would be without jobs this year than in 1973.

So far as unemployment in the automobile industry is concerned, a part of the blame can be attributed to shortsighted management and a bewildering refusal to respond energetically to the challenge of the growing small car market. For years, the UAW has urged the Big Three of the American automobile industry to begin conversion on a much more accelerated basis from the manufacture of large, gas guzzling cars to more fuel efficient models which the market obviously was demanding. Foreign automobile manufacturers have captured a significant share of a market which could have been filled largely with American automobiles. The demand for more fuel efficient cars obviously is going to grow with energy shortages and scandalously high prices of gasoline. But it is only now, faced with a crisis, that the largest of the American auto manufacturers—General Motors, Ford and Chrysler—are beginning to respond the way they should have years ago. Today, the Big Three are all operating at significantly reduced levels. And what about American Motors which long ago recognized the growing market for smaller, more fuel efficient cars? That company is working overtime trying to meet the demand for American-produced fuel efficient cars. We hold no brief for the auto companies. They should be required by the federal government—just as they have in the case of auto emission controls—to meet fuel economy standards on a specified timetable. They have the technological capacity to do what must be done, and the federal government should make them do it.

In the meantime, what about the men and women who lose their jobs because of dislocations brought on by the twin problems of energy shortages and high fuel prices. Many of those workers are confronted with a disaster which may be just as serious as that which faces families in areas hard hit by natural disasters, just as serious as railroad workers who lost jobs because of economics administered under Amtrak, just as serious as workers adversely affected by railroad reorganization plans, just as serious as those who might have to depend upon adjustment assistance under the Trade Expansion Act. Should workers be penalized because of shortsighted management compounded by misguided energy policies, misdirected allocation programs, lack of effective action on prices and failure of government—especially a Watergate-weakened Executive Branch—to act vigorously in dealing with energy-related issues?

The Congress certainly has not been as responsible as it should have been in addressing these very real questions. But the performance of the Executive Branch has been nothing short of deplorable. And when Congress did attempt to deal with the pressing issue of energy-related joblessness—as it did in the unemployment assistance provisions of the energy emergency bill—it was vetoed.

As you know, Mr. Chairman, the UAW strongly supported the unemployment assistance provisions of the vetoed bill. We have greatly appreciated the support of the many Senators and Representatives who understand the problem and recognize the need for energy-related assistance for workers who have exhausted

unemployment benefits or who are not normally covered by other assistance programs.

You may question why the UAW supports such legislation when our members generally are covered by the unemployment insurance program. Many of our members are eligible for extended benefits, and still others receive what we call SUB—supplemental unemployment benefits—negotiated as part of collective bargaining agreements. Mr. Schwartz, who has accompanied us today, is prepared to elaborate on these matters if you wish to explore them in greater detail. I would simply point out and emphasize that eligibility for unemployment insurance as well as for SUB is based upon the length of employment. There is an axiom at work in times of economic downturns that "the last hired is the first fired." This has happened in the automobile industry and elsewhere in the economy where workers have lost jobs because of energy shortages. It has meant that a substantial percentage of men and women out of work have not built up sufficient credits to be fully protected by unemployment insurance and, in the case of UAW members, many are not eligible for full, or even any, SUB benefits.

The energy-related unemployment assistance program would indeed be important to UAW members. But it may be of even greater significance to other American workers. It will be vitally important, for example, to persons not normally covered by unemployment benefits of any kind—those 200,000 workers I mentioned earlier who now find themselves out on the streets without any help at all. When the federal government can come up with millions upon millions of dollars in subsidies for business and industry—loans to bail out Lockheed and all the rest, it does not seem unreasonable to advocate a program to ease the plight of American workers thrown out of jobs because of energy-related problems.

Mr. Chairman, we believe the unemployment assistance provisions of the new energy bill (S. 3267, H.R. 18834) introduced last week by Senator Jackson and Congressman Staggers would authorize such a program. We strongly support it as the best means to deal in the short run with the serious problem of energy-related unemployment. That proposal would base eligibility for assistance on the individual's job loss for specified energy-related reasons. Assistance would be available for persons who have exhausted other unemployment benefits or for those who are not normally covered by any unemployment assistance program. The legislation would expire on June 30, 1975, as would the authorization for the supplemental unemployment assistance program.

This program is needed *now* to meet vital human needs. We trust the people's representatives in the Congress will respond by supporting the energy-related assistance program and, if necessary, by overriding a Presidential veto if another should be forthcoming.

As the recent UAW statement on unemployment declared :

"In time of urgency, workers like other Americans look to their leaders for answers. They want leadership. They want action.

"In the Nixon Administration, they find nothing more than confusion, lack of credibility, callousness toward their plight and primary concern for big business which provided the money to wage Nixon's election campaign.

"In the current void of national leadership, the UAW issues this urgent call for action by the President, Congress and state governments."

We know what the President's response has been to urgent calls for action. He vetoed the energy emergency bill with the unemployment assistance provisions. The rollback provision of that bill—a major source of controversy—has now been dropped. We hope the Congress will adopt the revised bill. If the workers of America cannot depend upon the Congress for help at a time like this, to whom can they turn?

Mr. Chairman, we do not see the unemployment assistance provisions of the energy legislation as being in conflict in any way with the task facing your committee in reforming the unemployment insurance system to make it more responsive to the needs of the working men and women of America. We know your committee will be considering such legislation in the future, as will the Ways and Means Committee in the House. The problem is timing; the need is now, not six months from now or next year. The emergency energy bill should be the vehicle for dealing with the unemployment emergency brought on by the energy crisis. And it should be done, in our judgment, apart from the reform of the unemployment insurance system.

We strongly support reform of that system, including federal standards for the duration and level of benefits, elimination of the waiting period to qualify and establishment of federal standards to eliminate eligibility disparities which now exist from one state to the next. We look forward to the opportunity to testify in detail with regard to our recommendations for reforming and improving the unemployment insurance program.

Mr. Chairman, we have been quite encouraged by your expressed concern about the need for dealing effectively with the very serious problem of energy-related unemployment. In commenting upon the unemployment assistance provisions of the earlier energy emergency bill, you expressed your hope that an even more effective means of meeting the problem could be devised. If a more effective approach can be developed at some future time, then the assistance provisions of the energy bill would not be needed. But until that time, we do need the proposed program of supplemental assistance to help those who have lost their jobs as a result of the energy emergency.

I should like to point out one particular issue raised in common by several unemployment assistance proposals. It is an issue which relates to the energy measure unemployment assistance provisions too, but the energy bill addresses the issue more positively than some other proposals. Earlier I mentioned that entitlement for assistance under the energy measure would be tied to the *individual's* job loss. This is important, regardless of the eligibility certification processes which might be adopted for purposes of administration. If the job loss has occurred because of "disruptions, dislocations or shortages of energy supplies and resources"—to use the language of the energy bill—then the individual is eligible and may receive assistance. Such unemployment is defined to include that which is "clearly attributable to such disruptions, dislocations or shortages, fuel allocations, fuel pricing, consumer buying decisions influenced by such disruptions, dislocations or shortages and government action."

Many of the unemployment assistance proposals which have surfaced since the beginning of the energy shortages would base the certification for supplemental benefits on a "trigger", usually an aggregate unemployment level for a labor market area or a state. The problem we see in the use of such a trigger is that it can be quite discriminatory. It could rule out of the program those who may have lost their jobs because of energy shortages but who don't happen to live in an area where the aggregate level of unemployment has reached the specified level. It is particularly important that the individual's job loss be the basis upon which eligibility is determined in any program of energy-related unemployment assistance such as that proposed in the emergency legislation.

In concluding this statement, Mr. Chairman, I wish to thank you and your Committee on behalf of our membership for this opportunity to share with you our views on this vitally important subject. We hope the special unemployment assistance provisions of the energy emergency legislation will be enacted into law. Then we look forward to working with you to help fashion the reforms needed to make the unemployment insurance program serve the needs of the nation and its working people even better in the future.

Thank you.

UAW STATEMENT ON UNEMPLOYMENT

The worker who loses a job is more than a statistic. The loss of the breadwinner's income is stark human tragedy. Nothing is of greater concern to UAW members and their families than jobs. No matter how wide the range of the interests of the UAW, our first priority is and always has been jobs and security for our members.

We are not doomsayers but we are realists. We must face the facts. The unemployment picture in some sections of the auto industry is worse now than it has been at any time since the great depression of the thirties.

On the basis of very early and incomplete reports from the different parts of our Union, we estimate conservatively that there already are more than a hundred thousand UAW members laid off indefinitely. In addition tens of thousands see their plants totally shut down for varying periods of time. The truth is that there is the potential of catastrophic unemployment for workers in general, and automobile workers in particular.

Unbelievably, while unemployment rates threaten to go through the ceiling, the rate of inflation continues to break all records. As our people lose income, prices for the necessities of living soar. There are even threats of a dollar for a loaf of bread and a dollar for a gallon of gas. Once again workers are the chief victims.

While the workers bear the brunt of both galloping inflation and mounting unemployment, the whole society is in jeopardy. Should unemployment nationally hit the 8 to 10 percent range, we face not recession but depression.

While the huge oil companies show profits as much as 60 percent higher than a year ago, the unemployment rate increased about 9 percent in December to 4.9 percent after reaching a Nixon "low" of 4.5 percent in October. The rapidly deteriorating economic situation has recently added about 400,000 people to the ranks of the jobless and these ranks of the unemployed are growing daily. UAW members are among the hardest hit. Company reports of additional layoffs keep pouring in almost hourly; the latest indications are that auto workers in the hundreds of thousands could be affected in the coming months—a substantial proportion of them indefinitely. We are already well into a cold economic winter.

All of this didn't happen by accident. Nor is the energy crunch the whole cause. We are in this terrible shape not only because of the energy shortage, but also because under President Nixon we have lived with programs of economic nonsense, instead of economic sense. As the Administration doffed its hat to politically supportive industries, it actually planned unemployment for workers. Phases 1 through 4 were economic nightmares. Just imagine what Phase 5 will do to us. The Administration coupled inept, contradictory and inequitable economic policies with a public relations program of infantile optimism. Every piece of bad news was alibied and the future was always seen through rose-colored glasses. Practically every economic prophecy by Nixon and his aides has proven wrong.

The energy shortage itself is, of course, the major determinant in the continually worsening unemployment picture. The Nixon Administration has been inept and almost criminally negligent in failing to prepare adequate programs to meet long anticipated problems, including petroleum shortages. It has been guilty of shifting positions. It has, as yet, refused to probe the secrets of the big oil companies. Prices for energy soar. Administration spokesmen promote scare headlines and panic buying. Misinformation is heaped on misinformation.

We cannot restrain our shock when we focus on the federal government's slashing of the administrative budgets of the state unemployment agencies at the very moment unemployment is mushrooming. In Indiana, where there are thousands upon thousands of unemployed workers, a million dollars was cut from the administrative budget of the agency. In Ohio, the government imposed a similar cut of \$1.4 million. In Michigan it was a million, six hundred thousand dollars, announced when the number of new claims filed during one week in the state was up 45 percent over the same week a year ago. Instead of more dollars with which to meet astronomically multiplying claims, this Administration decided to cut budgets.

The UAW demands a national commitment to solve immediately the urgent problem of massive unemployment. There must be both short range and long range actions. They must be bold and innovative. If the Administration will not or cannot furnish leadership, the Congress must.

While we work out a total national program, there are immediate steps we must take.

ESTABLISH TEMPORARY QUOTAS ON VEHICLE IMPORTS

We are, after all, automobile workers. We know that in 1964 there were 484,100 imported automobiles sold in this country; a figure that grew in ten years to 1,773,779 units in 1973. With the dollar strengthening in the international currency market, it now seems likely that the old 360 Yen relationship to the dollar and a similar relationship to the Deutschmark will be re-established. As unemployment in automobile and related industries rises precipitously, there seems to be only one immediate answer to the problem of imports.

We must institute temporary quotas on automobile products imported from outside North America. We emphasize temporary, because these quotas must

exist only long enough to prevent severe hardship in this country. We therefore will ask the Congress for federal legislation which will keep auto imports, during this crisis period, from growing beyond the percentage of imports to sales averaged over the past three years. Automobile workers and their families must have that minimal protection to survive.

The temporary quotas on imports must apply both to "captive" imported vehicles manufactured abroad by U.S. companies as well as those made by foreign manufacturers. U.S. companies must not be permitted to glut the market with their foreign produced cars while they lay off thousands of American workers at home.

The temporary quotas will help to preserve some auto workers' jobs and will, therefore, not only alleviate human suffering, but maintain purchasing power so sorely needed to keep the economy from sagging further.

As temporary quotas on imports are established, U.S. auto companies must not be permitted to relax their efforts to embark on a crash program converting increased proportions of their production to small car manufacture and implementing known techniques for greater fuel economy.

DEVELOP A FEDERAL PROGRAM OF PUBLIC SERVICE JOBS

On the broader level, we will seek also a massive federal program of public service jobs to give work to the growing numbers of unemployed. Here again, to emphasize the temporary nature of this short range, quick solution to the problem of massive unemployment, the number of these jobs should be tied directly to the rate of unemployment. This sliding scale concept—tying the number of public service jobs to the percentage of unemployed—would avoid building unnecessary numbers of federal job holders. Thus, when unemployment rose to eight percent there would be more public jobs to take up the slack, and each time the rate fell, the number of jobs would be cut.

We need a revitalized public employment program patterned after but stronger than the program approved and implemented in 1971. Those programs contained a triggering mechanism which set it off whenever the national unemployment rate went over 4.5 percent or unemployment in a local area exceeded 6 percent. This could be extended so that the degree of assistance would be graduated by the severity of unemployment in particular regions. There are innumerable tasks which could be undertaken by those publicly employed.

PROVIDE SPECIAL FEDERAL FUNDS TO HARD HIT AREAS

In particularly hard-hit areas, there is a strong justification for the federal government to spend money in the way of grants to communities which may have never experienced this sort of plight before and that are financially ill-equipped to deal with it. In 1972 the federal government, through salaries, contracts, welfare, and other expenditures, accounted for a smaller percentage of the total personal income of Michigan residents than it provided for the residents of all other states; Illinois, Indiana, and Ohio ranked only slightly higher. If the government is at all sensitive to the people's needs, these states should find themselves at the top rather than the bottom of federal expenditures in the period immediately ahead.

MICHIGAN—A SPECIAL CASE

Michigan is the heartland of the UAW. We cannot discuss unemployment and its cures only in national terms. Michigan is critical not only to auto workers; it is critical also to the national economy.

Unemployment is increasing dramatically in Michigan. Flint, Michigan at this moment, is nearing depression levels of unemployment. The prognosis in Michigan is, of course, much worse than the present actuality. In 1958 we had more than 400,000 unemployed workers in Michigan, but we believe 1974 could make 1958 look like a good year.

Michigan's Governor Milliken, however, has shown the same lack of regard for workers as Mr. Nixon. Despite the 380 million dollar tax cut last year, now, in an election year, Governor Milliken proposes to slash another 107 million dollars in tax funds by new amendments for tax credits.

The game Milliken is playing is easy enough to understand. He underestimates and miscalculates the budget—especially the social services budget, which according to him would increase in this time of dire need *less* for the coming year than it did for the last. Then if the legislators fill in the gaps he has left, like Mr. Nixon, he can label them "Big spenders," and the latest 107 million dollar tax gift to industry and others will have evaporated because the legislature exceeded his budget. But even if his budget were honest and reasonable, this is no time to reduce taxes. Any leader who would cut taxes when the state is on the brink of economic disaster is playing politics at the expense of the people.

We therefore urge the Michigan legislature to reject the Governor's grandstand play. Refuse his tax cut. Make his budget realistic. Institute a constructive state program to give work to people and a future to the state.

STATE PUBLIC SERVICE PROGRAMS

Michigan and other states threatened with a disastrous increase in unemployment must establish programs of public service employment. If the unemployed were offered work by the state in a crash program at prevailing wages, we could do wonders. We could help people retain their dignity. We could clean up our communities. We could make our cities livable. We could revitalize our towns. We could stimulate the sick housing industry. We could repair our streets, highways and sidewalks. We could fill the chuckholes. We could beautify our environment. We could renovate and improve recreational facilities, particularly those adjacent to and within major cities and towns. Deteriorating railroad beds could be renovated and repaired. We could construct and operate recycling depots. All of this could be done—programs socially constructive, labor intensive and which will contribute to the easing of the energy problem.

PROVIDE SUFFICIENT FUNDS TO ADMINISTER UNEMPLOYMENT ASSISTANCE PROGRAMS

There are priority items which can't wait for a total program. All of the money cut from the administrative budgets of the state unemployment agencies must be restored immediately. But that is only the beginning. Budgets of such agencies must be increased realistically to take care of the fast multiplying numbers of our out of work people. Benefit levels and duration periods for unemployment compensation must be federally strengthened, improved and extended. There should be 52 weeks of benefits in every state faced with major unemployment problems.

These things must be done forthwith. After we have accomplished those first steps we can go to work on a total set of instruments to avoid human suffering and economic disaster.

In time of urgency, workers like other Americans, look to their national leaders for answers. They want leadership. They want action.

In the Nixon administration they find nothing more than confusion, lack of credibility, callousness toward their plight and primary concern for big business which provided the money to wage Nixon's election campaign.

In the current void of national leadership, the UAW issues this urgent call for action by the President, Congress and state governments.

APPENDIX TO UAW STATEMENT ON ENERGY-RELATED UNEMPLOYMENT

The current energy shortage accentuated by the recently ended oil embargo and the continuing upward spiral of gasoline prices, has triggered a massive shift in consumer demand from the traditional standard automobile to the smaller, higher-MPG car of the type produced in huge quantities in Europe and Asia. Even if we make the most optimistic assumption concerning the auto industry's eagerness to change over to small car production, we must face the reality that its short-run ability to switch is limited and that it will find itself unable to meet the small car demand for some time to come.

Meanwhile, we can expect foreign manufacturers to be under great pressure to step up automobile exports to the U.S. due to their own declining markets and increased need for foreign exchange growing out of the oil situation.

The decline in the U.S. market for big cars and the increase in demand for small cars of both North American and overseas-build has been apparent for a number

of years; however, the trend has been drastically accelerated by the energy crunch. Medium- and regular-size cars accounted for 46.4 percent of all U.S. sales in 1967, but for only 28.4 percent in 1973 and 20.6 percent in the first two months of 1974. At the same time, North American-built compact and subcompact cars increased their market share from 6.7 percent in 1967 to 24.0 percent in 1973 and 29.9 percent in the first two months of 1974. Imports rose from 9.3 percent in 1967 to 15.1 percent in 1973 and 17.8 percent in the first two months of 1974.

The recent shifts in market shares have occurred in a sharply falling market. Total new car sales for the January-February 1974 period, amounting to 1,118,000 units, were down over one-fourth from the year-earlier level.

At the end of February, the industry's dealers had a record high 1,787,300 new cars in stock, a 74-day supply at February's depressed rate of sales. Dealer stocks ranged from an average 85-day supply at AMC dealers to an 81-day supply at GMC dealers.

Ward's reports that Pontiac and Olds dealer stocks exceeded 116 days supply. Chevrolet stocks represented an 88-day supply, and stocks of Fury and Chrysler dealers an 89-day supply. By contrast Vega and Gremlin supplies were 25 days or less with Pinto, Maverick and Mustang in the 40-45 day range.

U.S. car production totaled only 1,196,504 units in January-February 1974, down 32.5 percent from 1,772,145 in the same period last year. General Motors Corporation, which is most heavily concentrated in the larger cars and least flexible in its ability to shift to small-car production, produced 42 percent fewer cars while American Motors Corporation, which is mostly heavily concentrated in small cars, produced 8 percent more units. The latest projections of the industry call for second-quarter production of 2,062,000 units, down 24 percent from last year. If these projections follow the pattern of the first quarter the actual decline will be even steeper.

With sales and production plummeting, unemployment in the industry is reaching catastrophic proportions. Auto industry employment is a significant enough share of total employment in 18 of the nation's major labor market areas for changes to have a serious impact on the local economy. These 18 labor market areas had a work force of almost 7 million persons in October 1973.

The Manpower Administration of the U.S. Department of Labor recently published figures showing that insured unemployment in these 18 areas totaled 188,700 in early January, the last period for which such data were compiled. This was an increase of 56 percent over December, and was 85 percent above a year ago. Insured employment figures do not measure total unemployment—only those who receive unemployment compensation.

Almost two-thirds of all U.S. UAW members work in Michigan, Ohio, Illinois and Indiana. The latest available figures show a depression in Flint where over 1 of every 6 workers is out of work. The unemployment rate in Michigan continues at over twice the national rate. Unemployment is higher than a year ago in all of these areas (the smallest rate of increase is in Illinois) where UAW agricultural implement workers are concentrated.

	Number unemployed		Change from a year ago (percent)	Unemployment rate February 1974 (percent)
	February 1973	February 1974		
Michigan.....	260,600	410,900	+56	10.6
Tri-county Detroit area.....	108,500	173,500	+60	9.3
Flint.....	9,100	33,000	+263	18.9
Ohio.....	205,200	218,500	+6	4.7
Cleveland.....	30,600	60,300	+32	14.7
Illinois.....	134,000	202,000	+4	4.1
Indiana.....	86,700	119,200	+37	15.0
Indianapolis.....	16,500	22,200	+35	14.3

† January.

Our own survey of unemployment among UAW members, covering nearly 1.1 million workers or about three-quarters of our membership, showed almost 180,000 members to be on layoff during the week of March 18. This suggests that total UAW layoffs during that week exceeded 200,000, possibly by a considerable

margin. More than 185,000 were on layoff in the automotive "Big Three" alone.

Outside of the Big Three, tabulations from 8 of our regional offices covering 110,000 UAW members showed nearly 11,000 of them to be on layoff. In our Region 1-D, covering Northern Michigan and much of the central part of the state where many small, independent parts plants are located, a tabulation of plants covering 48,000 members outside the Big Three and the larger parts suppliers showed nearly 5,000 of them to be on layoff.

Approximately 75,000 of the unemployed Big Three membership were on indefinite layoff. Most laid off workers outside the Big Three were also on indefinite layoff, an indication that, all told, perhaps 180,000 to 140,000 UAW members—9 to 10 percent of our entire membership—were on indefinite layoff.

While those on temporary layoff were in most cases scheduled to work in the following week, the pattern of plant shutdowns leads us to believe that the pool of the temporarily unemployed is substantial in any given week.

Laid off UAW members with a year or more of seniority are in most cases afforded limited income maintenance protection through supplemental unemployment benefit (SUB) plans which have been negotiated with the employers. The SUB payments supplement the woefully inadequate unemployment benefits of the various state unemployment compensation systems. The plans vary in minor degree from company to company but most provide weekly benefits which, when added to the state system benefits, equal 95 percent of take-home pay less \$7.50 (take-home pay being defined as 40 hours of straight-time wages minus social security and federal, state and local income taxes). Since the SUB payment is itself subject to income and social security taxes, the net combined state system and SUB payment averages approximately 80 to 85 percent of weekly take-home pay. The maximum duration of benefits is 52 weeks.

In addition to weekly benefits, most of the plans provide for payment of premiums for group hospital surgical-medical-drug insurance and life insurance. Most plans also provide short work week benefits in the amount of 80 percent of pay for hours laid off in part-week layoffs. Eligibility for weekly benefits accrues at the rate of one week for two weeks of employment with a provision for annual supplements to benefit eligibility in amounts geared to seniority. Workers with less than one year seniority are ineligible for benefits.

Unfortunately, a large proportion of the workers laid off to date were hired less than a year ago and therefore do not qualify for SUB. About 38,000—or close to half—of those on indefinite layoffs at the Big Three find themselves in that predicament. Not all bargaining units outside of the Big Three have negotiated Sub plans, so the overall proportion of laid-off workers without coverage is likely to be higher.

Some of the unemployed do not even qualify for state unemployment compensation. In Michigan, for example, General Motors has reported that 4 percent of its 27,000 workers on indefinite layoff do not qualify for state system benefits. Of those who do qualify, only 53 percent are also eligible for SUB.

Most UAW members do have SUB protection. However, there is a limit to the financial ability of the plans to provide benefits, and that limit will be severely tested if the industry remains depressed for any great length of time. At last report the Ford SUB fund was at 67 percent of its maximum funding position, the Chrysler fund at 56 percent and the GM fund at a dangerously low 37 percent.

Currently, contributions to replenish the funds range from 7 cents to 12 cents per compensated hour depending on trust fund position. (The present contract provides that the rates will increase to 9 cents to 14 cents plus a premium for overtime hours in 1976.) The contributions/benefit relationship is such that even at the highest rate of contribution it currently requires close to 20 workers actively employed to support one worker drawing regular benefits. To the extent that employment cutbacks are in the form of short workweeks the contribution/benefit ratio is even higher because the SUB funds do not split the costs of short workweek benefits with the state system funds. Furthermore, as workers on full week layoffs exhaust their state benefits the SUB funds bear the full cost of their remaining benefits.

While I am justly proud of our SUB plans, which the UAW pioneered nearly two decades ago and which we have built on over the years to their present

levels and duration of benefits, I must state that they provide but thin protection against the economic storm now setting over the audio industry.

The financing provisions of the plans were designed to ensure a reasonable degree of income protection against the industry's annual model change and the normal run of business cycles. The funds are not in a financial position to provide catastrophe insurance. Auto workers need more than SUB protection in the present emergency: the layoffs, present and foreseeable, stretch far beyond the protection which private collective bargaining can provide.

Senator BYRD. The next witnesses are Mr. Sam Dyer, Federated Department Stores, and Mr. Russell Hubbard, General Electric Co., representing the U.S. Chamber of Commerce.

Senator DOLE. I understand the previous witnesses statements will be made part of the record in full, right?

Senator BYRD. That is correct. Mr. Dyer and Mr. Hubbard, you may proceed as you wish.

STATEMENTS OF SAM DYER, FEDERATED DEPARTMENT STORES; AND RUSSELL HUBBARD, GENERAL ELECTRIC CO., REPRESENTING THE U.S. CHAMBER OF COMMERCE; AND MICHAEL J. ROMIG, ASSOCIATE DIRECTOR, ECONOMIC SECURITY, EDUCATION AND MANPOWER SECTION

Mr. DYER. I am Sam Dyer of Federated Department Stores. I am one of five employer representatives presently serving on the Federal Advisory Council on Unemployment Insurance. I am also chairman of the national chamber's unemployment compensation subcommittee and it is in this capacity that I appear on behalf of the Chamber of Commerce of the United States.

Appearing with me is Russell Hubbard of General Electric Co., and Mr. Michael J. Romig of the chamber of commerce staff.

THE FEDERAL-STATE UNEMPLOYMENT COMPENSATION SYSTEM

We welcome the opportunity to present our views on what we believe is one of our Nation's finest examples of Federal and State cooperation. In nearly 4 decades of successful operation, the Federal-State unemployment compensation system has been able to provide essential support to jobless workers as well as local economies hard-hit by adverse economic conditions.

We attribute this success to an explicit recognition of both the capabilities as well as limitations of the program. Indeed, in a report on the 1935 legislation instituting the unemployment compensation system in the United States, the Ways and Means Committee of the House of Representatives described the program functions as follows:

The essential idea in unemployment compensation . . . is the accumulation of reserves in times of employment from which partial compensation may be paid to workers who become unemployed and are unable to find other work. Unemployment insurance cannot give complete and unlimited protection to all who are unemployed. Any attempt to make it do so confuses unemployment insurance with relief, which it is designed to replace in large part. It can give compensation only for a limited period and for a percentage of wage loss.

We believe that this rationale remains valid today and should be the touchstone for evaluating any changes to the program.

For many years, we have supported a public system of insurance against the hazards of unemployment. We supported the establishment of a permanent extended benefit program for use in times of economic recession when unemployment rates are high. Indeed, we testified to that effect to this committee in February of 1970.

We believe that by and large this extended program is working satisfactorily. While there may be a need to modify this program, we find no evidence to substantiate the needs for a special program of prolonged benefits being envisioned by the legislation before this committee.

NEED FOR EMERGENCY ACTION

In reviewing the present situation and the need for legislative action—I might add that our committee made its review as recently as last Friday—we found that beneath all the publicity attendant to the so-called energy crisis, the employment situation was exceedingly bright and certainly not one that demanded emergency action of the order being considered by this committee.

For example, while the latest official tally for the unemployment rate is 5.2 percent, this is not far different from our unemployment rates of last winter and spring when we had not energy crisis. On the other hand, employment is up substantially even in the face of the energy crisis.

As reported by the Department of Labor, the number of people working has climbed by more than 7 million since 1970. Interestingly enough, employment has grown by nearly 700,000 since the oil embargo began.

Of course, that embargo has been lifted and its impact on employment correspondingly removed. It is interesting to note that in recent weeks, the number of unemployment insurance claimants attributing their job loss to what they believed were energy related cutbacks has tailed off dramatically.

If you will refer to chart 4, you will note in the first week of February there were 115,000 claimants indicating that their unemployment was due to energy-related causes; since then, that has dropped off each week until the last current week of March 16, where only 24,600 attributed their unemployment to energy-related causes.

This data tells a dramatic story—one of inherent economic strength and certainly not that which would support hasty revisions to our unemployment insurance system.

Just as we examined the data on employment and unemployment levels, our committee also reviewed the capability of the Federal-State unemployment insurance system to meet the anticipated demands. Here again our conclusion was that the present program was equal to the task. We did recognize that the extended benefit program was not entirely satisfactory and that some limited change in this program may be in order.

However, at this time we are neither prepared to make our specific suggestions for changes nor do we believe that they are necessary in the light of the most recent legislative action, H.R. 13025, initiated by this committee. We do believe that the 120-percent State indicator

remains valid, but that some mechanism must be created to ease its impact where prolonged high levels of unemployment exist.

It is our hope that this committee and your House counterpart will work with employers, and Federal and State officials, to develop a carefully studied solution.

In summary then, I wish to thank the committee for the opportunity to present our views on behalf of the national chamber and to reiterate our opposition to the legislation being considered by this committee.

If you have specific questions with respect to this statement or on any of the bills up for consideration, we would be happy to answer them now or for the record.

Senator BYRD. Thank you, Mr. Dyer.

Senator FANNIN?

Senator FANNIN. Thank you, this statement is certainly a commendable one. We many times jump to the decision, as the chairman has so aptly stated, without having the full facts and without awaiting an opportunity to make a determination as to just what our actions will bring about, and your statement does very adequately illustrate that we may be jumping at some conclusions.

In the last testimony, we brought out that the problem is not nearly so serious as some anticipated and some stated it would be. I haven't any specific questions. I just appreciate that you feel that the present program with some changes which may be necessary to cover difficulties that do come about, is satisfactory.

MODIFICATION OF THE 120-PERCENT INDICATOR

The 120-percent State indicator remained valid, but some mechanism must be created to ease its impact where prolonged levels of unemployment exist. What is your suggestion in that regard?

Mr. DYER. Senator, we in the chamber have had this problem under consideration. We do not have an official position in the chamber at this time. Our subcommittee has reviewed this situation; we feel that some changes should be made. We are inclined to think the 120-percent-4-percent factor that is operative under the current law should be modified so that the States would have an opportunity to remove permanently the 120-percent factor when there is a prolonged unemployment level. We are suggesting that perhaps a level of 6 percent would indicate that indicator should be removed.

ATTACHMENT-TO-THE-LABOR-FORCE REQUIREMENT

Senator FANNIN. You heard the previous testimony where the statement was made that we have a special problem in the automotive industry?

Mr. DYER. Yes.

Senator FANNIN. Here we are talking about adopting legislation that is being supported principally by the unions, both the AFL-CIO and the UAW, but still when they discuss the matter with us, it doesn't seem to me that they need this extensive legislation. If they do have a particular problem, we should try to approve amendments that would take care of those specific problems. When they talk about 1,000 people being within that one category, I just wondered why our State

program or Federal program would not cover that. Did you listen to the testimony?

Mr. DYER. Yes. It is my impression from what he said that they would not be covered under the State program because they have had insufficient attachment to the labor force.

Senator FANNIN. They did not have the 14 weeks.

Mr. DYER. It seems to me the unemployment system is designed to pay benefits to those people who have an attachment to the labor force and that can be best demonstrated by weeks of employment and earnings, and if there is not a genuine attachment to the labor market, then it is not an unemployment insurance problem, it is some other kind of problem.

Senator FANNIN. How much would be involved if we had some way of covering these people? I follow you in what you are saying that they haven't been employed a sufficient length of time to be considered regular employees under the categories we have evolved in the previous legislation. Do you feel that we could, or would you recommend any amendments to take care of people who happen to be in that category?

They are evidently people who have come in the labor market in recent weeks because they didn't have the 14 weeks employment. Do you think that is a serious enough problem to require legislation?

Mr. DYER. No; we have been operating with this since the inception of the program. All claimants had to have an attachment to the labor market. This has been a problem; but it seems to me, that it is not a responsibility for the unemployment compensation program. It is some other kind of program's responsibility perhaps, training or retraining or something else. If one is not attached to the labor market, then one shouldn't draw unemployment compensation within the definitions set up in the various States.

Senator FANNIN. I understand. This has been made a particular problem because it has been energy-related. I am just drawing attention to the particular phase of the energy-related unemployment. I thank you very much for your thoughts.

Senator BYRD. The Senator from Wyoming?

Senator HANSEN. I have no questions. I thank the witnesses for the excellent statement. It is always encouraging to me to see that there are still people and organizations left in the country who do not believe that every problem that has ever been known to mankind requires a legislative response with appropriations.

Senator BYRD. Thank you, Senator Hansen.

Mr. Hubbard?

TRIGGER MECHANISM SUPPORTED

Mr. HUBBARD. Senator Byrd, I would like to make one point in clarification of a question that was asked of Mr. Dyer. With respect to the trigger-point concept, there were some comments made by an earlier witness this afternoon in which he indicated that he felt that the trigger concept in which unemployment benefits were provided for longer periods of time in recession periods when jobs were harder to find was not a good idea.

I just wanted to indicate in response to the earlier question that the chamber does most heartily support the trigger concept as being fair and equitable and makes good sense within the framework of the regular unemployment insurance program.

Senator BYRD. Thank you, Mr. Hubbard.

GE EMPLOYMENT PICTURE

Mr. Hubbard, your company, the General Electric Co., is a large employer of labor. Has General Electric had many energy-related layoffs?

Mr. HUBBARD. I would like to answer that in three parts, if I may.

First of all, we have found a de minimis problem with respect to curtailing production relating to failure to obtain oil or natural gas or petroleum. There have been virtually no layoffs whatsoever with respect to the fuel sources. With respect to what might be considered energy-related unemployment due to other factors, the only area that we have experienced any difficulty or problem with whatsoever, and this again is very small, has been in the lamp business, but perhaps the most critical area has been in the production of Christmas tree bulbs.

That was of very short duration. It is now clearly behind us. Those were the only two areas. There were some indications at one time that we might have to curtail production because of inability to secure supplies due to transportation difficulties. This has not materialized.

In summary, Mr. Chairman, we have not experienced any appreciable effect.

Senator BYRD. You have a good company and you have quite a few plants in Virginia.

Mr. HUBBARD. Thank you. Our number one concern throughout this period was to maintain jobs and we feel proud that we have been able to do that.

Senator BYRD. I am pleased you are building a plant in my hometown of Winchester, Va. It will make bulbs as I understand it.

Mr. HUBBARD. We are looking forward to this activity, I can assure you.

Senator BYRD. I drove by the other day and you are making good progress.

Mr. HUBBARD. Wonderful. We would like to continue our favorable relation and expansion in the State of Virginia.

Senator BYRD. I spoke a few weeks ago to the Elfin Society. All of them are General Electric officials, I understand.

Mr. HUBBARD. All of them are GE employees or retired.

Senator BYRD. Supervisory employees?

Mr. HUBBARD. To a large extent.

Senator BYRD. It is an outstanding group. I was in Waynesboro and they had members from Roanoke and all over the State.

Mr. HUBBARD. I know they will be pleased to learn of your appraisal of the group.

Senator BYRD. I am delighted that all three of you were here today.

Mr. DYER. We would like to submit for the record, an article from the Wall Street Journal, dated March 4, 1974, entitled, "Jobs will be

plentiful this year although some professions are shakey," by John O'Riley.

Senator BYRD. Without objection, it will be included in the record.¹

Mr. HUBBARD. There was an article referred to in the April 4 issue of U.S. News and World Report, by either Senator Dole or Senator Hansen which indicated that the energy crisis may be bottoming out. You might find that worthy of introduction as part of the record.

Senator BYRD. Without objection, it will be received.²

Mr. DYER. It is dated April 8.

Senator FANNIN. I would like to commend the gentlemen for their testimony and the manner in which they answered the questions. We were very fortunate in Arizona. We had a big General Electric plant and they decided to go out of that particular phase of that activity, but they still have some facilities in my State. They are great neighbors. I had the privilege of participating in the ground breaking ceremonies when they originally started the plant. I realize what good neighbors they are.

You are fortunate to have them in your State. I understand they are already here and have been for sometime.

I want to commend the U.S. Chamber of Commerce for the work they are doing. I was able to get some thoughts and ideas as to their determination that we are going to cut back on this unemployment, that they are determined that we can go forward and we can compete with other countries of the world, and I certainly respect that determination, so the plants that are—I won't say coming back—but are being started in this country is a little different story than what we were hearing a few years ago when they were all going across the water. Thank you.

Senator BYRD. Thank you, gentlemen.

[Material referred to previously by Messrs. Dyer and Hubbard follows:]

¹ See p. 144.

² See p. 145.

APPENDIX

(Source: BLS, U.S. Department of Labor)

Table 1. Seasonally adjusted unemployment rates, all civilian workers, 1973

Month	Originally published	Revised
January	5.0	5.0
February	5.1	5.1
March	5.0	5.0
April	5.0	5.0
May	5.0	4.9
June	4.8	4.8
July	4.7	4.7
August	4.8	4.7
September	4.8	4.7
October	4.5	4.6
November	4.7	4.7
December	4.9	4.8

TABLE 2

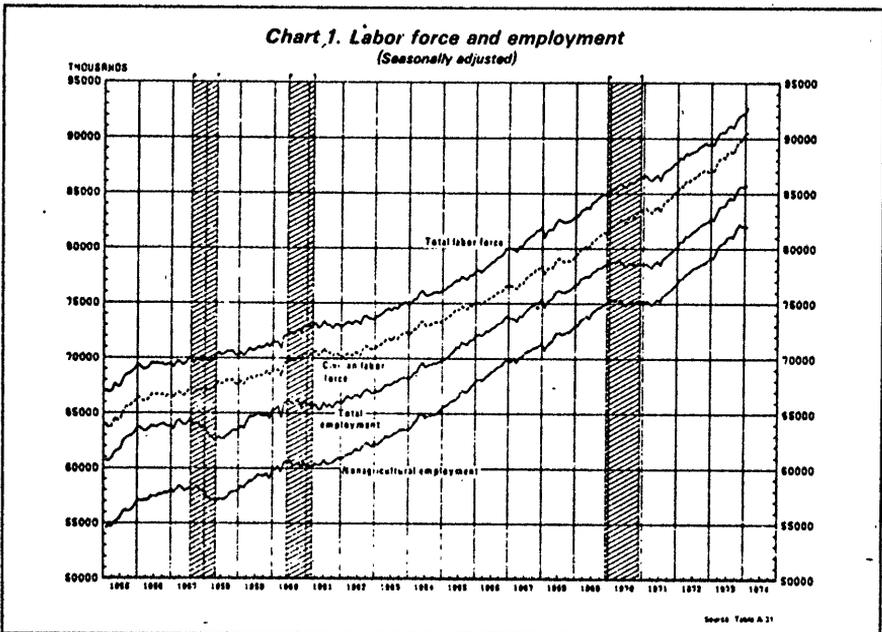
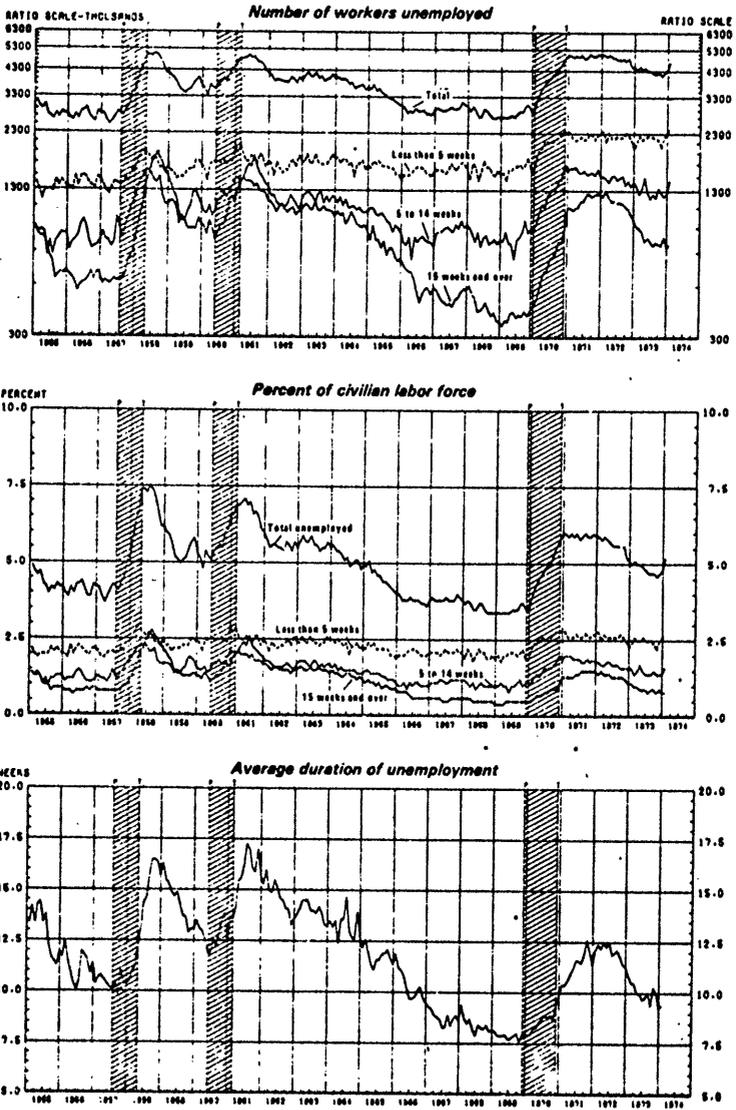


TABLE 3

Chart 8. Duration of unemployment
(Seasonally adjusted)



Source: Table A-34

TABLE 4 - ENERGY RELATED UNEMPLOYMENT

Source: UBA

Week Ending	Total Unemployment		Total # of new claimants citing energy causes
	Total#	Total # Energy Caused	
12-22-73	1,872,100	18,900	26,700
12-29-73	2,161,900	33,100	30,900
1-05-74	2,526,800	44,000	28,200
1-12-74	2,529,400	131,500	69,200
1-19-74	2,617,600	152,500	47,700
1-26-74	2,566,900	182,200	43,800
2-02-74	2,558,400	178,700	62,600
2-09-74	2,604,300	187,900	115,200
2-16-74	2,656,400	232,800	56,900
2-23-74	2,672,600	244,200	48,200
3-02-74	2,586,500	229,600	49,600
3-09-74	not available	225,900	36,500
3-16-74	not available	230,100	24,600

[From the Wall Street Journal, Mar. 4, 1974]

JOBS WILL BE PLENTIFUL THIS YEAR ALTHOUGH SOME PROFESSIONS ARE SHAKEY

The great oil squeeze has put unemployment back in the news again. Layoff stories have splashed into the headlines for weeks now. And each one has been dramatically reported in TV newscasts. Automobile makers, airlines, hotel and motel operators, retail gasoline distributors have been especially hard hit. Other areas of the economy have been affected to a small degree. And there are probably more layoffs to come. Thus an in-perspective look at just where we stand on the employment front may be in order.

The latest official tally places the unemployment "rate" at 5.2% of the labor force. It was in the 5% zone all through the first four months of last year but slipped as low as 4.6% last fall.

But the unemployment rate figure and the layoffs get far more attention than the hirings by big and little businesses all over the country. While they don't make the headlines, the hirings are going on all the time. And in this decade they have built up to an enormous army of nearly 86 million gainfully employed people.

The table below, using Department of Labor figures, traces the great growth in the total number of civilians at work just since 1970. Figures through 1973 are yearly averages. That for this year is the January count, the latest.

Year :	Americans at work	Employment
1970	-----	78,627,000
1971	-----	79,120,000
1972	-----	81,702,000
1973	-----	84,409,000
1974 (January)	-----	85,811,000

Thus in about three years the number of people at work has climbed by more than seven million. And more than three million new job-holders have been added just since the beginning of last year. The January 1973 total was 82,619,000.

Further, it is interesting to note that this year's January count showed some 678,000 more people working than just before the Arabian oil embargo began. The embargo started last October. Total employment in September, the month before, was 85,133,000.

This is the background of where we stand up to now. And it is clear that if there is any contraction in overall employment ahead, it will certainly be from a very high level. The number of people at work has increased since 1970 more than twice as fast (9%) as the growth in the country's population (around 4%).

But where do we go from here? Will there be an actual shrinkage in the total number of people at work? And, if so, how big can we expect it to be? Nobody can answer these questions for certain, of course, but it may be possible, judging from past experience, to make intelligent guesses.

The economy is slowing down. There is little argument about that. The rough weather in the giant auto making field has wide impact far beyond the industry itself. And, wholly apart from the oil squeeze, home building has been in a steep slide since the early part of last year.

If all this adds up to the beginning of a recession—as it may—we can look for some guidance to what happened to total employment in past recessions. There have been five slowdowns in the last quarter century officially classified as recessions. And their impact on total employment was less than some think.

Here's what happened. Labor Department figures trace declines in total civilian employment from the start to the end of each slump. Figures represent thousands.

EMPLOYMENT AND RECESSION

Recession	Start	End	Down
1948-49.....	58,417	57,269	1,148
1953-54.....	61,397	59,853	1,544
1957-58.....	64,540	62,631	1,909
1960-61.....	66,057	65,588	469
1969-70.....	78,572	78,528	44

The record above shows that in the first recession the decline in total employment was less than 2%, that in the second and third it was less than 3%, and that in the last two it was less than 1%.

In fact, in the last recession, that of 1969-70 when so many aerospace and defense people, many of them highly skilled, found themselves out of work, the decline in total civilian employment throughout the economy as a whole was less than one tenth of one percent.

When just one man loses his job, it can be terribly important to him. But it is hard to escape the conclusion that the impact upon total employment of post-World War II type recessions has not been great.

An interesting aspect of the "unemployed" scene is the nearly universal concept that anybody so classified is somebody who has lost his job. Actually, considerably less than half the unemployed are people who have lost their jobs. A great many are those who simply haven't worked or sought work for some time and have recently decided to reenter the labor force. Many are young job seekers who have never worked at all before. Still others are jobless because they quit their jobs.

The latest seasonally adjusted estimate classes some 4.7 million individuals as unemployed. The total breaks down thus:

Reason	Unemployed
Lost last job.....	2,006,000
Left last job.....	781,000
Reentered labor force.....	1,252,000
Never worked before.....	682,000

Thus when we speak of 4,700,000 people being "unemployed" the mind's eye picture of that many men and women being dismissed from their jobs is far from accurate. The nation's economy, despite the energy squeeze and despite the decline in home building, is still far-stronger than many realize. One clear evidence of this showed up in the Commerce Department's release of its January composite index of 12 leading economic indicators—those showing early movement in business cycle changes.

Based on 1967 as 100, the latest index figure stood at 167.4, just a whisker under the November high point of 168.6—and nearly a dozen points above last year's January figure of 155.9.

The consensus among economic prophets is that still more jobs will be lost before the current slowdown has run its course. A prediction of 6% unemployment is often heard. But evidence for expecting a big contraction in total employment is not abundant as of now.

[From the U.S. News & World Report, Apr. 8, 1974]

SIGNS THE SLUMP IS ENDING

Among economists outside and inside the Government the feeling is growing that the downturn in business is just about over and a recovery is getting under way.

If the optimists are right, a number of things will happen in the weeks just ahead—

People will buy more new cars. Auto output will improve a bit after the sharp cutbacks of recent months. Some workers laid off by the companies will get their jobs back.

The home-building industry will begin a slow climb out of the doldrums.

Airlines, now assured of all the fuel they can use, will be adding flights, calling back pilots, stewardesses and others who were laid off late last year.

Industry will put more money into new plants, offices, equipment. Companies will also add to supplies of parts and materials to the extent that shortages do not interfere.

People will be returning to the highways on week-ends, spending money at motels, resorts and other recreational enterprises that were hit hard by the gasoline shortage.

All in all, there will be a more buoyant, springtime feeling among consumers that will make them more willing to part with their dollars.

"The upturn is not far away," Herbert Stein, Chairman of the Council of Economic Advisers, said on March 29.

AREAS OF STRENGTH

A stronger tone is being noted in a number of important measures of business activity.

The Government's index of leading indicators—the monthly reports that are supposed to point the direction the economy will take in months ahead—went up sharply in March, following a similar gain in February.

Some of the improvement is attributed to the effects of inflation, but the trend is considered significant after allowance for price changes.

Housing starts also have increased for two months in a row. And sales of new homes improved in February, according to preliminary indications.

A broader measure of health in the construction industry—the index of contract awards compiled by the F. W. Dodge division of McGraw-Hill Information Systems Company—rebounded in February with a 21 per cent increase, on a seasonally adjusted basis. Major increases showed up in industrial, commercial and institutional buildings.

Federal surveys show a continuing increase in orders for durable goods, even in the face of the drop in autos.

The signals in the auto industry are mixed. Sales of U.S. makes in the second 10 days of March were down about 22 per cent from a year ago, but a bit better than they were earlier this year, the way industry officials figure. Mr. Stein said that the production schedules he has been shown for the second quarter are at an annual rate of 7.5 million cars, up from 6.6 million in the first quarter.

Generally, dealers say they could sell more small cars if they had them. The big cars have had the greatest fall from favor—a problem blamed on the recent gas shortage.

From all the evidence, an impressive array of economists are concluding that the business slump is about over.

Among them: John W. Kendrick, professor of economics at George Washington University; William H. Peterson, professor of American business at the Graduate School of International Management in Glendale, Ariz.; Alan Greenspan, head of Townsend-Greenspan & Company, and Henry Kaufman, general partner at Salomon Brothers, the New York investment-banking firm.

Economists in the Graduate School of Management at the University of California in Los Angeles predict "a slow recovery" starting in the second quarter of this year.

The Morgan Guaranty Trust Company of New York states:

"There is good reason to think—partly because of the end of the Arab oil embargo—that the downturns under way in both autos and housing as 1973 ended are now largely spent. And if that in fact is so, the underswell of strength elsewhere in the economy could very well tilt over-all activity back into an expansionary phase fairly soon."

Some economists are not enthusiastic about an early recovery. Mr. Kaufman and Mr. Peterson, for instance, fear that inflation dooms the upturn to be short-lived, running into a new slump by sometime next year.

THE LIMITS OF EUPHORIA

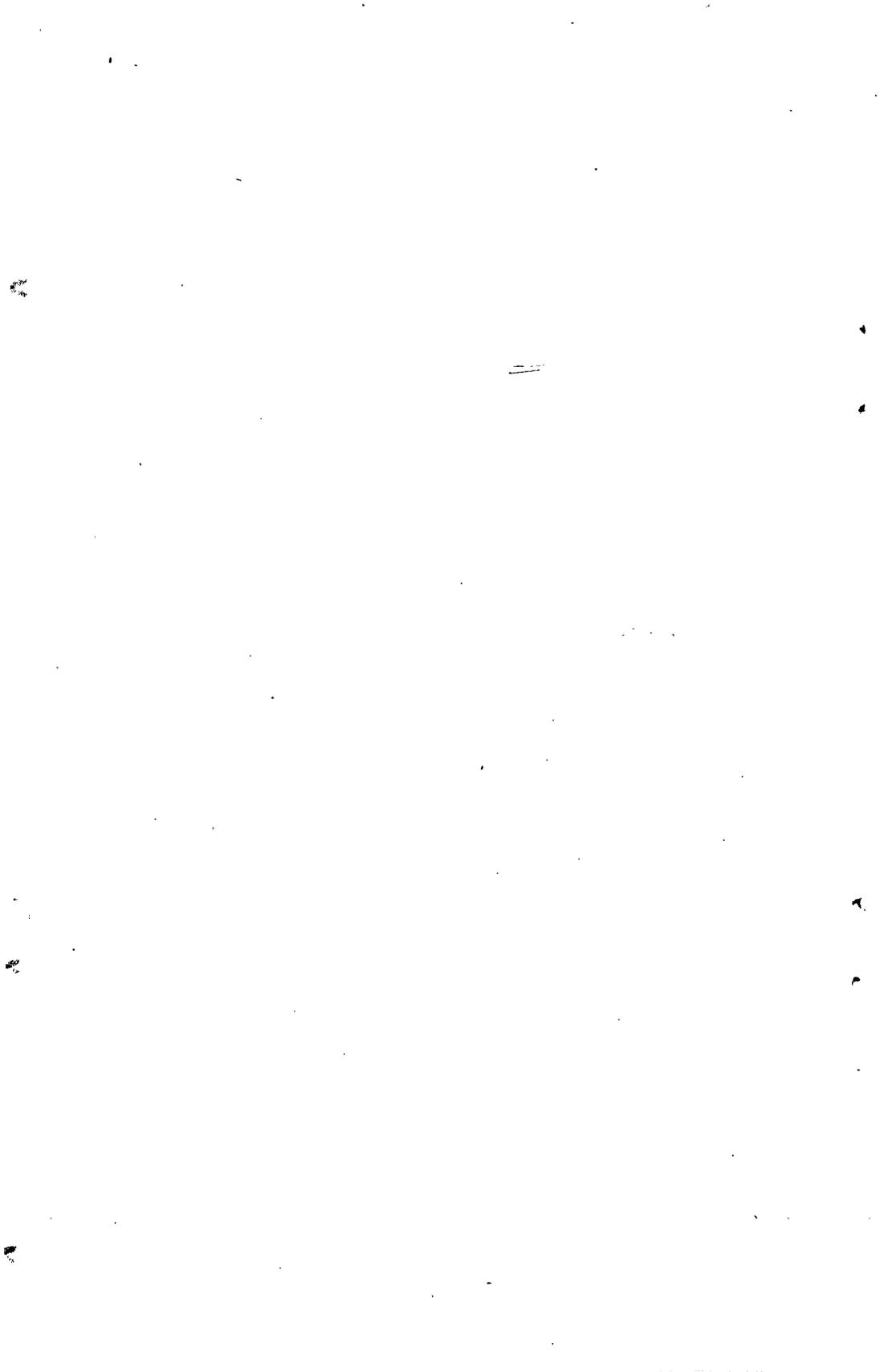
There are, of course, other experts who are far from satisfied that the current downtrend is over. Arthur Okun, senior fellow at the Brookings Institution and

former head of the Council of Economic Advisers, believes that the slump is "definitely not ending" and will become worse, because the buying power of consumers is being eroded by high prices, including the increases for fuels. The Democratic majority of the Joint Economic Committee of Congress fears that the recession will go deeper unless taxes are cut.

A recovery will have to overcome serious obstacles, even the optimists concede. Interest rates are high and rising—not the usual situation in time of recession. And inflation is causing a mixture of fear and anger among consumers.

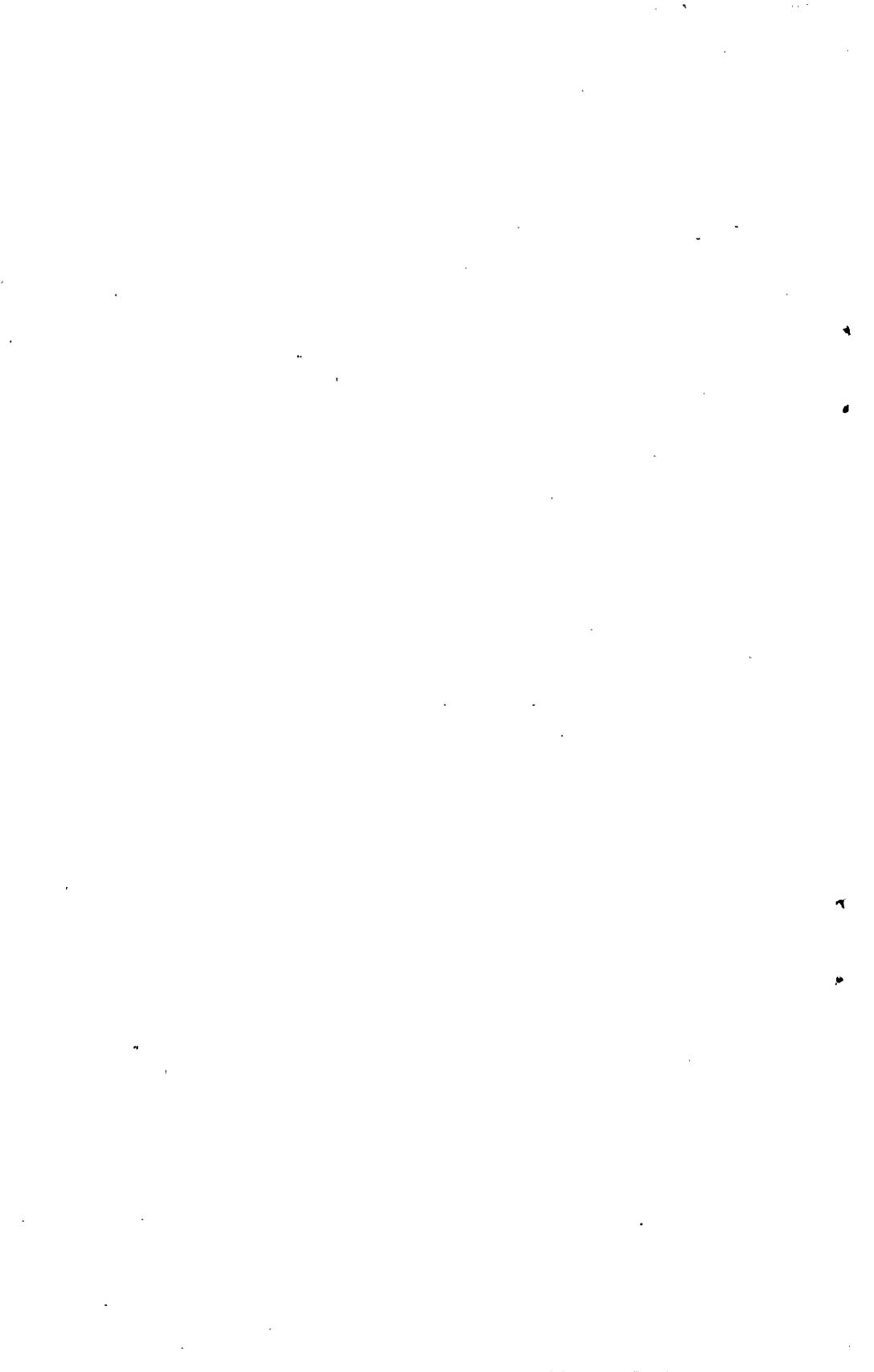
One thing economists agree on: An upturn will not be solidly based unless people really loosen up on their spending for homes, cars and other major products of industry.

[Thereupon, the committee recessed at 4:50 p.m., to reconvene subject to the call of the Chair.]



APPENDIX A

**Communications Received by the Committee Expressing an
Interest in This Hearing**



VIRGINIA EMPLOYMENT COMMISSION,
April 2, 1974.

HON. HARRY F. BYRD, JR.
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: As a follow up to my telephone conversation I appreciate the opportunity of sharing with you my views concerning proposed unemployment compensation legislation being considered by the Senate Finance Committee this afternoon. Inasmuch as I was unable to appear at the hearing I have taken the liberty of expressing my views in this letter to be delivered to you by Mr. Gil Roberts, Assistant Attorney General assigned to the Virginia Employment Commission.

It is my understanding that the Finance Committee will not focus on any one particular piece of UC legislation but rather take a look at the proliferation of bills calling for federal action in UC to respond to the energy crisis. I am enclosing for your information a brief synopsis of this legislation.

There are three major points I would like to invite to your attention for your consideration as to how this proposed legislation would affect our program here in Virginia.

First, Mr. Henry Rothell, the administrator in Texas and the president of the Interstate Conference of Employment Security Agencies, is testifying before your committee this afternoon and I am familiar with and fully support his testimony.

I am very much opposed to the attempt being made in the Congress to "piggy back" additional unemployment insurance programs on to our existing program. As you are aware, this has come up from time to time in the present session of the Congress, including the Trade Expansion Act, the Emergency Energy bill, and at practically any time a highly industrialized state experiences mass layoffs.

Although we are certainly sympathetic to rising unemployment in any state, the present system as structured, in my opinion, provides the necessary framework of paying unemployment insurance benefits that are needed regardless of how an individual might lose his job, whether due to natural disaster, the loss of jobs through foreign imports, or the current energy situation.

I strongly feel some aspects of the proposed temporary legislation are excessive and if modification in the permanent extended benefit program is deemed necessary this could be accomplished with amendments to the existing system that has served us so well through the years.

My second point concerns the effect on our UC program by the energy crisis in Virginia.

Virginia's Unemployment Insurance Trust Fund remains in a very strong position. At present we have approximately \$242 Million available for benefit payments. Further, our projections for anticipated job layoffs and dislocations that could be activated by the energy situation indicate that even in a rather severe recession our fund could readily withstand such an impact. Our current UI rate is at a low 2.7 percent and total layoffs (after recalls) due to the energy crisis have totaled only 2500. Again, we feel the present system is sufficient to adequately sustain our program and no new temporary programs are needed.

I cannot speak with the same confidence regarding the national Trust Fund, which represents the sum of all individual state balances. At the federal level, the Trust Fund reached its peak year end total of \$12.6 Billion in 1969 and then went into a persistent decline. We do not have up-to-date information concerning the current balance but it is probably down close to \$10 Billion. A reasonable inference is that some states are in weak shape relative to unemployment insurance. Nevertheless I have no reason to believe that the overall situation is that chaotic, as some believe it to be.

My third point concerns the Administration's UI bill (HR 8600) which has not been reported out of Ways and Means, and the Senate counterpart (S. 3257) introduced just recently by Senator Wallace F. Bennett of Utah. I am opposed to this bill because it would mandate federal benefit payment standards. If that is done, it would not be long before federal standards governing qualification and eligibility requirements would be imposed, which would basically mean a federalized unemployment insurance system.

The record in Virginia shows that we have continually favored improvements in our UI benefit program, and I do not quarrel with the Administration's aim to achieve the same end. But we firmly believe the States should retain their long standing prerogatives to achieve their objectives on their own initiatives. The unemployment insurance system is one of the best examples of successful state-federal cooperation, and I deplore any attempts to damage or, indeed, destroy that relationship.

I trust the above will provide some insight into our approach on all of the proposed UC legislation. If there are any specific questions concerning our position on any of this legislation I will be glad to provide it. I do appreciate your continuing interest and support of our program.

With best personal wishes, I remain

Sincerely,

WILLIAM L. HEARTWELL, Jr., *Commissioner*.

PENDING FEDERAL LEGISLATION AFFECTING THE FEDERAL-STATE UNEMPLOYMENT INSURANCE SYSTEM

I would like to review for you current legislative proposals before the Congress which would affect the Federal-State Unemployment Insurance program.

H.R. 13025

Of most immediate interest are the two Ribicoff amendments to a minor House-passed bill dealing with disability benefits under the Social Security Act (H.R. 13025). The first of these would simply extend the termination date of the existing Javits Amendment from the last week beginning in March to the last week beginning in June. The relaxation of the 120 percent requirement for State extended benefit triggers—at State option—would continue for another three months. The six States now paying extended benefits under this Javits Amendment could continue, and several other States where a 4 percent insured unemployment rate has been reached or is anticipated could, if their legislatures so provide, take advantage of this extension of time. The second Ribicoff Amendment would delay for a year the increase of 0.3 percent in the net Federal tax on employers in States that received advances from the loan fund in 1972. Only two States, Connecticut and Washington, would be affected. The Ribicoff Amendments were added to H.R. 13025 by the Senate Finance Committee and were adopted by the full Senate by voice vote. The prospects for House concurrence appear to be favorable.

S. 3024

This measure, also sponsored by Senator Ribicoff, is essentially similar to the Jackson Amendment to the Energy Emergency bill as passed both houses of Congress and vetoed by the President. Its "causality" provisions are even less restrictive, however, in that the benefits would be available to unemployed workers if their unemployment was "remotely related to a shortage of energy." Workers would qualify if they had at least 13 weeks of work, whether in covered or uncovered employment, in the 52-week period ending December 31, 1973. Weekly benefit amounts would be the same as those provided under the State law but duration would be a minimum of 26 weeks up to a maximum of 104 weeks. The benefits would be payable both to exhaustees of State regular benefits and to those who are "otherwise ineligible" for State benefits—that is, uncovered workers. The bill exhibits an intent to provide an energy-related unemployment compensation program separate from those provisions of the Energy Emergency Act which led to the veto of that measure. Its prospects, however, are uncertain.

S. 3027

S. 3027, sponsored by Senator Humphrey, would provide a system of benefits for workers "adversely affected" by the "energy emergency" as defined by the Secretary of Labor. The "causality" of unemployment would be determined in each case by the State Employment Service. Qualifying requirements—78 weeks of employment in the last 156 weeks, including 26 weeks in the 52—are reminiscent of those in the existing Trade Expansion Act of 1962. The weekly benefit payable would be 80 percent of the individual's average weekly wage. There would be no maximum. Duration would be 26 weeks with an additional 26 weeks payable if the claimant shows "proof of good-faith effort to obtain employment." As in the TRA program, provision is also made for relocation allowances, and for travel and subsistence payments for training.

H.R. 1033

Entitled "The Public Works and Economic Development Amendments of 1973," H.R. 1033 includes a program of unemployment compensation for workers unemployed as a result of governmental actions taken to improve the environment. The Secretary of Labor would certify workers or groups of workers adversely affected by environmental orders or standards issued by the Federal Government. However, the Secretary of Commerce would be responsible for making the payments. Each individual would receive a weekly benefit of 66 $\frac{2}{3}$ percent of his own average weekly wage, subject to no maximum. Benefits would be payable for 78 weeks. No provision is made for coordination with State UI, or for the prevention of duplication of payments. The bill is a reintroduction of the measure, H.R. 16071, which passed both Houses of Congress last year and was vetoed by the President. H.R. 16071 did provide for a weekly benefit amount ceiling, however. The maximum weekly payment would be the highest amount payable to any individual under any State unemployment insurance law. At the time of its veto, the maximum would have been the \$188—the amount payable to claimants in Connecticut who have 14 dependents.

H.R. 10710

Entitled "The Trade Reform Act of 1973," this measure passed the House on December 11, 1973, and is pending in the Senate. It retains the program of readjustment allowances provided under the Trade Expansion Act of 1962. However, individual weekly benefit amounts would be increased from 65 percent of the individual's average weekly wage to 70 percent for the first 26 weeks, dropping back to 65 percent for the second 26 weeks. The weekly maximum—now 65 percent of the national average manufacturing wage—would be increased to 100 percent of the national average manufacturing wage. Duration would remain the same as in the existing program—52 weeks generally, but with 65 weeks for workers separated at age 60 or over and 78 weeks for claimants entering training during the first 52 weeks.

H.R. 1321

Sponsored by Congressman Burke of Massachusetts, a ranking member of the House Ways and Means Committee, H.R. 13214 contains three titles.

Title I provides for a program of Special Unemployment Compensation benefits during a period beginning the thirtieth day after the date of enactment and ending with the last week beginning in December 1975. The program is an area program and is virtually the same as that provided by Title II of the Administration bill which I will discuss later.

Title II of the Burke bill makes permanent changes in the Federal-State Unemployment Compensation Act of 1970 with respect to national and State triggers, and increases the duration provisions of that Act, effective January 1, 1976. The national "on" indicator rate is reduced from a seasonally adjusted rate of insured unemployment of 4.5 percent to 4.0 percent. The State rate would be a rate of 4.0 percent (seasonally adjusted). The 120 percent factor would be permanently eliminated and evidently, the seasonal adjustment of State rates is intended as a substitute for it. Extended benefits duration would be the lesser of 100 percent of State regular duration or 26 weeks up to a maximum

of 52 weeks in State regular and Federal-State extended benefits, as compared with the existing 50 percent of regular duration up to 13 weeks with an overall limitation of 39 weeks.

Title III of the Burke Bill is identical to the Ribicoff Amendment to H.R. 13025. It would allow States, at the option of the State legislature, to disregard the 120 percent factor in the State trigger. It differs from the Ribicoff Amendment, however, in that it applies continuously from April 1, 1974 until January 1, 1976 when the 120 percent factor would be permanently eliminated by Title II. Title III of the Burke bill is clearly a transitional or interim provision intended to allow States to act independently in the period before the provisions of Title II would take effect and require such action.

S. 3062

This bill contains a provision dealing with the Disaster Unemployment Assistance program. The only substantive change in the present DUA program which the bill provides relates to duration. The duration of Disaster Unemployment Assistance is now limited to the maximum duration provided to UI claimants under the State UI law, usually 26 weeks. Under the bill, the maximum limitation would be 52 weeks. However, the benefits can be paid, both under the current law and under the bill's provisions only as long as the President determines the unemployment is attributable to the disaster. Such periods are invariably of shorter duration than either 26 or 52 weeks. This bill, even if enacted, would have little or no impact on the existing program.

[TELEGRAM]

MILWAUKEE, Wis., April 1, 1974.

Hon. RUSSELL B. LONG,
U.S. Senate, Russell Senate Office Building,
Washington, D.C.:

Wisconsin industry firmly believes no additional legislation needed for energy related unemployment.

Wisconsin experiencing no labor problems.

PAUL E. HASSETT,
Executive Vice President Wisconsin Manufacturers Association.

[MAILGRAM]

PENNSYLVANIA MANUFACTURERS' ASSOCIATION,
Philadelphia, Pa., April 1, 1974.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Dirksen Senate Office Building, Washington, D.C.

SENATOR LONG: We have been advised by our Washington Representative that the Senate Finance Committee will be considering more legislation to extent unemployment compensation because of energy-related unemployment.

PMA does not believe that emergency, temporary programs solve anything. Congress has already extended the unemployment compensation program for States experiencing heavier than average unemployment—no matter what the cause—until June 30, 1974.

It would seem to us that the present Federal-State extended benefits program, with some refinement to eliminate the 120-percent factor when insured unemployment within a State factors at 5 or 6 percent, will do the job without the necessity of special programs for unusual conditions.

Now is the time that Congress can make a worthwhile contribution to amend the Federal-State extended benefits program by conducting limited hearings on

the subject, testimony from employers, State unemployment compensation administrators, and labor should be beneficial to all concerned.

We will appreciate your consideration of our views.

Yours truly,

ROBERT H. MEEKER,
Assistant to the President.

[TELEGRAM]

CHICAGO, ILL., April 2, 1974.

Senator RUSSELL B. LONG,
Capitol Hill, D.C.:

We believe no changes needed in present unemployment compensation law to deal with energy related unemployment present system working in Michigan with extended benefits triggered in due to automotive layoffs not practically feasible to cover legislatively each special circumstance hope you agree.

HAROLD L. SCHUMAN,
Executive Vice President Indiana Manufacturers Association.

[TELEGRAM]

CHICAGO, ILL., April 2, 1974.

Senator RUSSELL B. LONG,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:*

Your committee is now considering energy-related unemployment and the present Federal triggering mechanism was designed to accommodate unusually high or sustained rates of unemployment whatever the cause. Unemployment is unemployment, whether from energy shortages or from a sagging economy. Our information indicates that even in Michigan, where energy-related employment is high, the present system is functioning as designed. The Illinois Manufacturers' Association believes that the present system is adequate and needs no changes.

ORVILLE V. BERGREN,
Executive Vice-President, Illinois Manufacturers' Association.

ASSOCIATED INDUSTRIES OF NEW YORK STATE, INC.,
ALBANY, N.Y., April 1, 1974.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: It has been brought to our attention that the Senate Finance Committee is holding a limited public hearing Tuesday, April 2 on the unemployment problems of the "energy crisis" and will also, probably, discuss the present trigger mechanism of the federal-state extended benefit program.

The following comments are necessarily brief and generalized due to the lack of time given:

1. *Unemployment due to energy crisis:* We have been dismayed over the years to see the attempts made—beginning successfully with the Trade Expansion Act of 1962—to provide special unemployment benefits based upon the alleged reason for the unemployment. People who are involuntarily unemployed should be treated the same. It is highly discriminatory to give preferential treatment and benefits to one group of involuntarily unemployed because they are unemployed due to trade policies, or the energy crisis, or any other reason. These groups should receive the same benefits and treatment afforded other unemployed in the state in which they were employed and under the state unemployment insurance program rather than a special federal program. If any of these special unemployment problems really reach "crisis" proportions, then they would undoubt-

edly help trigger that state into the permanent federal-state extended benefit program.

2. *Trigger mechanism of the federal-state extended benefit program:* We have also been dismayed to see the constant tinkering with the "triggers" in the extended benefit program. Most employers have felt over the years that there is a limit to the responsibility they should bear in providing unemployment insurance benefits to their former employees. That limit has been generally recognized to be six months (26 weeks). However, many of these employers and this association supported enactment of the permanent federal-state extended benefit program in 1970 because we were hopeful that this permanent program would end the rash of ill-conceived and ill-financed "emergency" programs which were continually being proposed and, sometimes, enacted. We were sadly wrong, however, since the permanent program has been added to and its triggers changed on an "emergency" basis time and again in the three years it has been in effect.

Perhaps the triggers in the permanent program—and particularly the secondary trigger—should be changed to make them more responsive to continuing high unemployment. This is a subject that should be given much study and extensive discussion at public hearings—but not a limited, hastily-convened hearing such as this one.

We would recommend in any discussion of the triggers that the Finance Committee disapprove proposals which may be offered to remove the secondary trigger. We are presently operating in this state under a three-month "emergency" program (recently extended for another three months) whereby the secondary trigger in the federal-state extended benefit program has been dropped and a 4% insured unemployment rate alone has triggered us into an additional 13 weeks of benefits.

The secondary trigger now in suspension was originally inserted for good reason. States differ greatly in their normal experience with unemployment. In attempting to set an insured unemployment rate trigger in the past, it was found that proposed rates were either too low for some states or too high for others. Thus, in enacting a low 4% trigger for the program, a secondary trigger was considered necessary. Without this secondary trigger some states which normally experience higher unemployment than others would become almost permanent members of this program by triggering into the program annually. New York would be one of these states.

We urge that any proposals for dealing with unemployment allegedly caused by the "energy crisis" be the subject of more fuller public hearings. If action is considered necessary, it is our hope that this problem will be handled under the present federal-state program and not by a special, emergency program.

Sincerely,

JOSEPH R. SHAW, *President.*

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The Committee held hearings on Tuesday, April 2, on proposals concerning unemployment compensation for individuals whose unemployment resulted from the economic downturn caused, or aggravated, by the energy crisis. We commend the Committee for holding hearings on this subject and if advance notice had permitted, we would have testified in person.

The NAM, speaking for American industry, strongly supports state-administered programs to provide adequate benefits to those workers who have been temporarily and involuntarily unemployed. Additionally, we believe available data and experience support the conclusion that the present system is effectively meeting the needs of those whose unemployment has been caused by the energy crisis, a crisis which seems to be easing rapidly even though the long-range problem remains.

Based on the most recent statistics of the Department of Labor and an NAM survey of 1,200 member-employers with 500 or more employees, it is clear there is no national unemployment problem related to the energy crisis. The same data does show a few local, primarily Michigan, areas where there is considerable unemployment aggravated by the energy shortage. Additionally, such unemploy-

ment seems to be concentrated in the automobile manufacturing and ancillary industries and the leisure-home and trailer industry.

According to the most recent Labor Department reports available to us, 230,100 claimants, out of a total of 2.5 million persons receiving unemployment insurance benefits, have attributed their job losses to energy-related lay offs—this represents approximately 9 percent of those receiving benefits. Almost half of the energy-related insurance recipients—118,000—were located in Michigan. The remainder were concentrated in a very few states. Out of total initial claims made during the week of March 16, 24,600 persons attributed their unemployment to the energy situation. This represented a drop of almost 18,000 from the 37,000 of the previous week. Such energy-related claims represent 8 percent of the total new claims which was a substantial decline from the 12 percent of the previous week. This trend is expected to continue downward.

On February 19, 1974, NAM President E. Douglas Kenna, at the request of the Secretary of Labor, Peter J. Brennan, wrote every NAM member employing 500 or more employees urging them to furnish their state employment service offices with information concerning energy-related layoffs. He also requested copies of such be sent to the NAM. Although responses as of this date are not complete, they do confirm that energy-related unemployment is highly local in nature and minimal in the numbers of employees affected with the exception of the aforementioned auto and related industries.

For those whose unemployment is energy-related, there are already in being state, federal and company programs to provide benefits. For example, the present federal-state extended benefit system has already been triggered in Michigan because of layoffs in the automobile industry. Most of these workers are also receiving supplemental unemployment benefits provided by their employers through collectively bargained agreements.

What clearly is not needed is a new federal unemployment compensation program to provide benefits on a discriminatory basis to selected individuals or groups of individuals. Another ad-hoc solution is unnecessary and actually damages the present ongoing system. The present federal assistance which is triggered by excessive rates of employment for whatever cause seems more equitable than special benefits to those unemployed because of the energy crisis. The costs of policing and administering a special benefit for only those unemployed because of energy shortages is prohibitive. In fact, such a program would undoubtedly create a false surge in reportedly energy-related unemployment. Similarly, it would be difficult to convince a worker unemployed because of shortages caused by wage-price controls or any other reason that his unemployment benefits should be less than his neighbor unemployed because of the energy crisis.

TESTIMONY OF THOMAS A. SKORNIA

Mr. Chairman, Members of the Committee, I am a candidate for Congress in California's 12th District, in which area I have also served as Chairman of the Special Energy Committee of the Semiconductor Industry. My testimony today is delivered as a candidate for Congress, but is obviously shaped by my experience in working with industry's energy problems.

Although we have been told by the President that the energy crisis is now just a "problem", I believe it is a problem which will be with us for some time, and will cause recurring, if sometimes temporary dislocations in production and employment. As a result, I believe that Congress should promptly adopt an extension of unemployment benefits related to energy problems and should do so on a *permanent* basis, not in the temporary fashion in which extensions have been enacted in the past, associated with more transient phenomena such as business cycles.

From my own research in this area, and in testimony I gave before the California Public Utilities Commission and the State Senate Public Utilities Incorporations Committee in December, I can tell you that in my District alone there are more than 25,000 electronics industry jobs which are absolutely vulnerable to energy shortages and interruptions. There should be no delay in Congressional

action to provide compensatory relief to these workers who may be adversely affected.

[Telegram, Apr. 1, 1974]

Senator WALLACE F. BENNETT,
1121 New Senate Office Building,
Washington, D.C.

Except for conflict in time commitments, I would have been in to testify relative to special Unemployment Insurance programs for the energy related unemployed. Some items in which you might be interested are:

1. Nationally a peak has been reached and there is now a leveling off of applications and weekly claims from energy connected insured unemployed workers.
2. Current laws are now providing extended benefits for the eight states which are hardest hit, namely: Michigan, California, New York, Washington, Massachusetts, Alaska, New Jersey, and Rhode Island. Other states could provide extended benefits if they chose such as Connecticut, Hawaii, Minnesota, Nevada, Pennsylvania, Puerto Rico, Maine, Oregon, Vermont and West Virginia.
3. The best permanent solution would be to improve the regular unemployment insurance benefit and tax structure based on current research findings and experience of the past few years.
4. There are a significant number of unemployed individuals who are not eligible for unemployment insurance requiring a training or work program which other systems should be responsible for rather than Unemployment Insurance.

CURTIS P. HARDING, *Administrator,*
Department of Employment Security,
Salt Lake City, Utah.

STATEMENT OF J. J. O'DONNELL, PRESIDENT, AIR LINE PILOTS ASSOCIATION

As the representative of an organization, whose members' jobs are directly related to their industry's fuel supply, we feel it is imperative that the Congress act as swiftly as possible to provide much needed, yet responsible relief to all workers who have lost their livelihood as a result of the energy crisis and its corresponding problems.

According to airline furlough announcements since the advent of the fuel crisis last November, a total of 17,000 of our industry's 300,000 employees were scheduled to lose their jobs. This included 2,500 pilots and 4,500 flight attendants. With the late-December fuel re-allocation and subsequent flight reinstatement, it is estimated that some 13,000 airline employees are now out of work (or will lose their jobs in the near future). This includes 2,300 pilots and 2,700 flight attendants. (Also affected, of course, are approximately 1,400 additional pilots who were furloughed in 1970 and 1971 and are still awaiting recall.)

Many airline pilots and flight attendants, who have been furloughed as a result of the energy crisis, are close to exhausting their unemployment benefits. The currently unemployed pilots and flight attendants, and the ones who are possibly to be furloughed in the future, cannot wait for the time-consuming "reforms" currently proposed before the House—nor can any other worker who has lost his job or is in jeopardy of losing it.

Granted, we have been backing needed reforms in unemployment insurance, which should be enacted after intensive research and hearings have occurred, but this will take time. Unemployment assistance for workers terminated because of the energy crisis is needed now.

The fuel crisis is not over for the airline industry. As the price of jet fuel rises, passenger fares must increase or employees must be furloughed. With the announcement of the lifting of the Arab oil embargo and with concerted effort by this Association, some of our furloughed members have been recalled. Many more, however, are still unemployed. That recall prospects are not good for those currently furloughed is evidenced by the fact that the CAB is actively encouraging airlines to practice capacity reduction, which means fewer planes, fewer flights, fewer personnel, less service, and more furloughs.

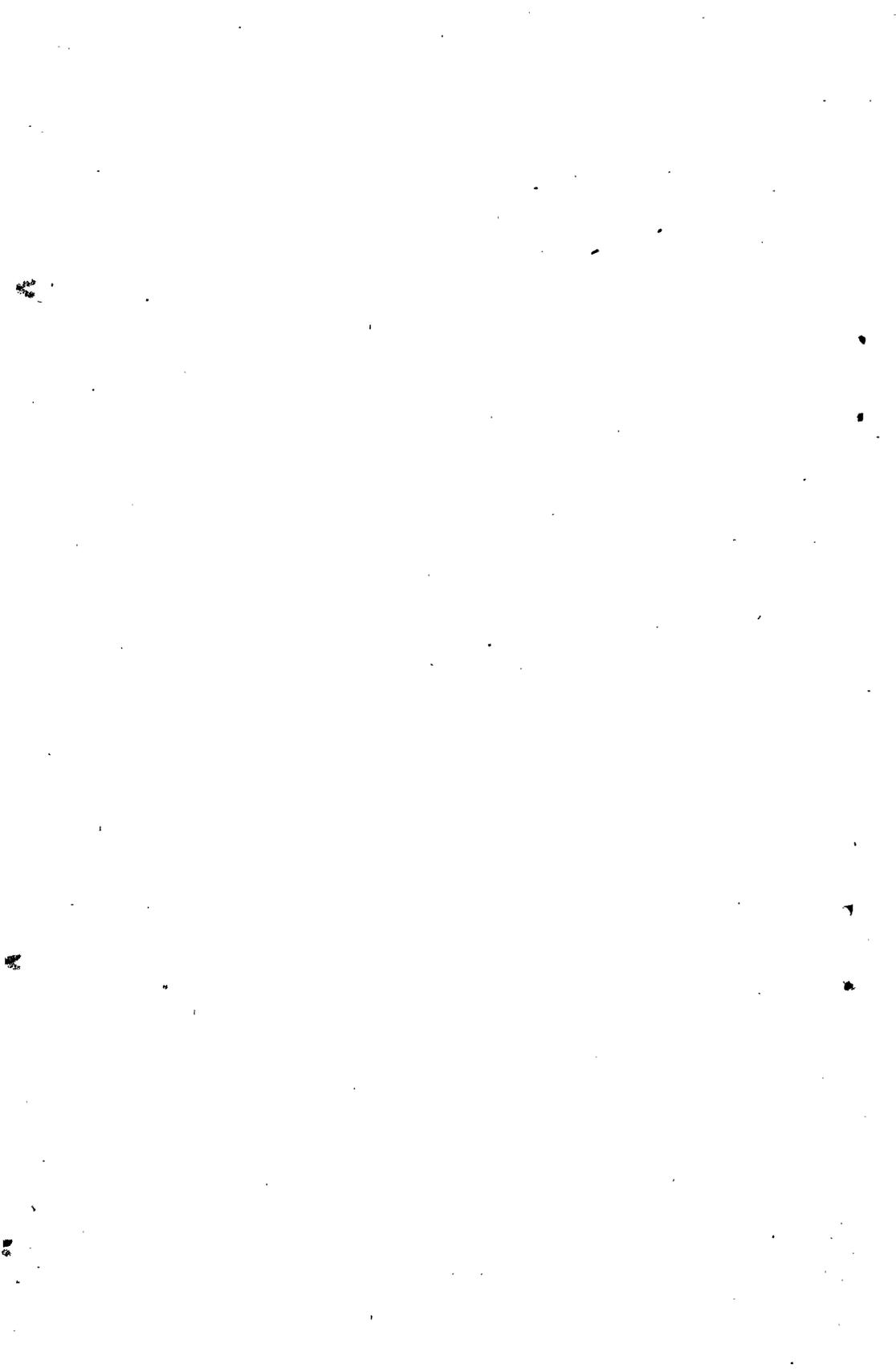
The combined effect of reduced passenger air travel, higher fuel prices, capacity reduction, and the fuel shortage has been a sudden blow to almost every employee in the airline industry.

In the interest of our Membership, we support the AFL-CIO's position that Title II of S. 3257 is an *unacceptable* approach to the current unemployment situation on the basis that it would take too long to implement, and its use of the Insured Rate of Unemployment is not responsive to general unemployment levels. The separate national and state qualification mechanisms have already denied benefits to thousands of long-term jobless individuals, which means that many states will not meet the dual Insured Rate of Unemployment requirements under S. 3257 and cannot extend benefits to workers who have exhausted current benefits available. A worker, who is employed in an industry directly dependent upon the fuel supply, needs income protection regardless of the level of labor market area unemployment. S. 3257 is totally inadequate and we join the AFL-CIO in urging you to reject it.

We do feel that of the current legislation proposed before you, S. 3267 is the best avenue through which to provide more immediate relief to those workers who have been left jobless due to the energy crisis and related causes, to those whose jobs are currently in danger; and upon which future legislation may be built to protect all workers who may be subject to unexpected unemployment because of conditions beyond their control.

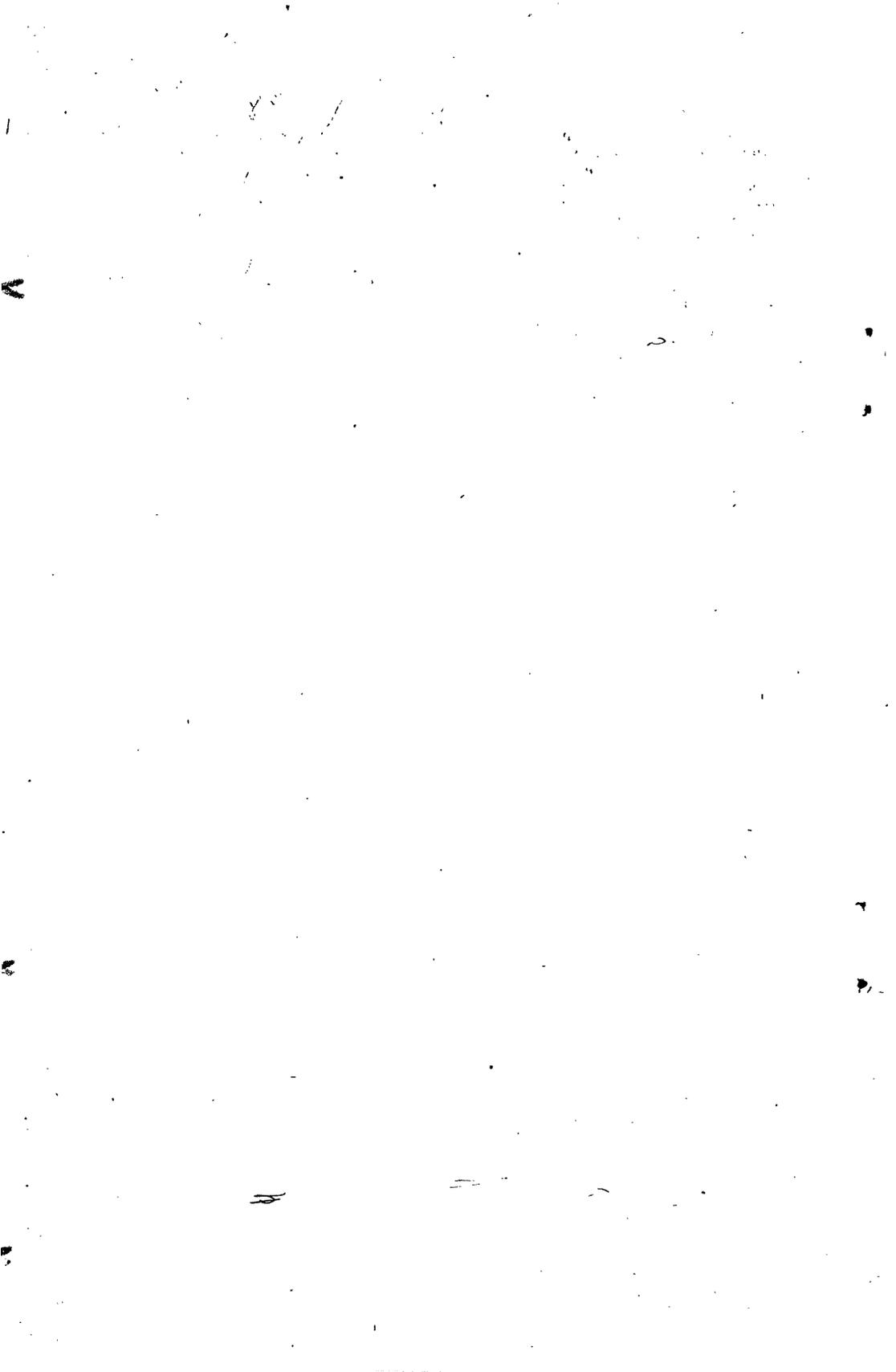
If enacted as proposed, S. 3267 could provide benefits immediately because its intent is to solve the immediate problem using the current administrative machinery available to process claims and pay benefits. It includes no time consuming legislative reforms but opens the way towards careful research in making reform possible without endangering the employee's livelihood in the meantime. It extends benefits to workers who have exhausted current benefits available, without altering the medium or form of payment.

We urge your every consideration of S. 3267 in light of the ever increasing number of jobless workers who may be affected by your decision.



APPENDIX B

**Unemployment Compensation—Data Compiled by the Staff of
the Senate Committee on Finance, April 2, 1974.**



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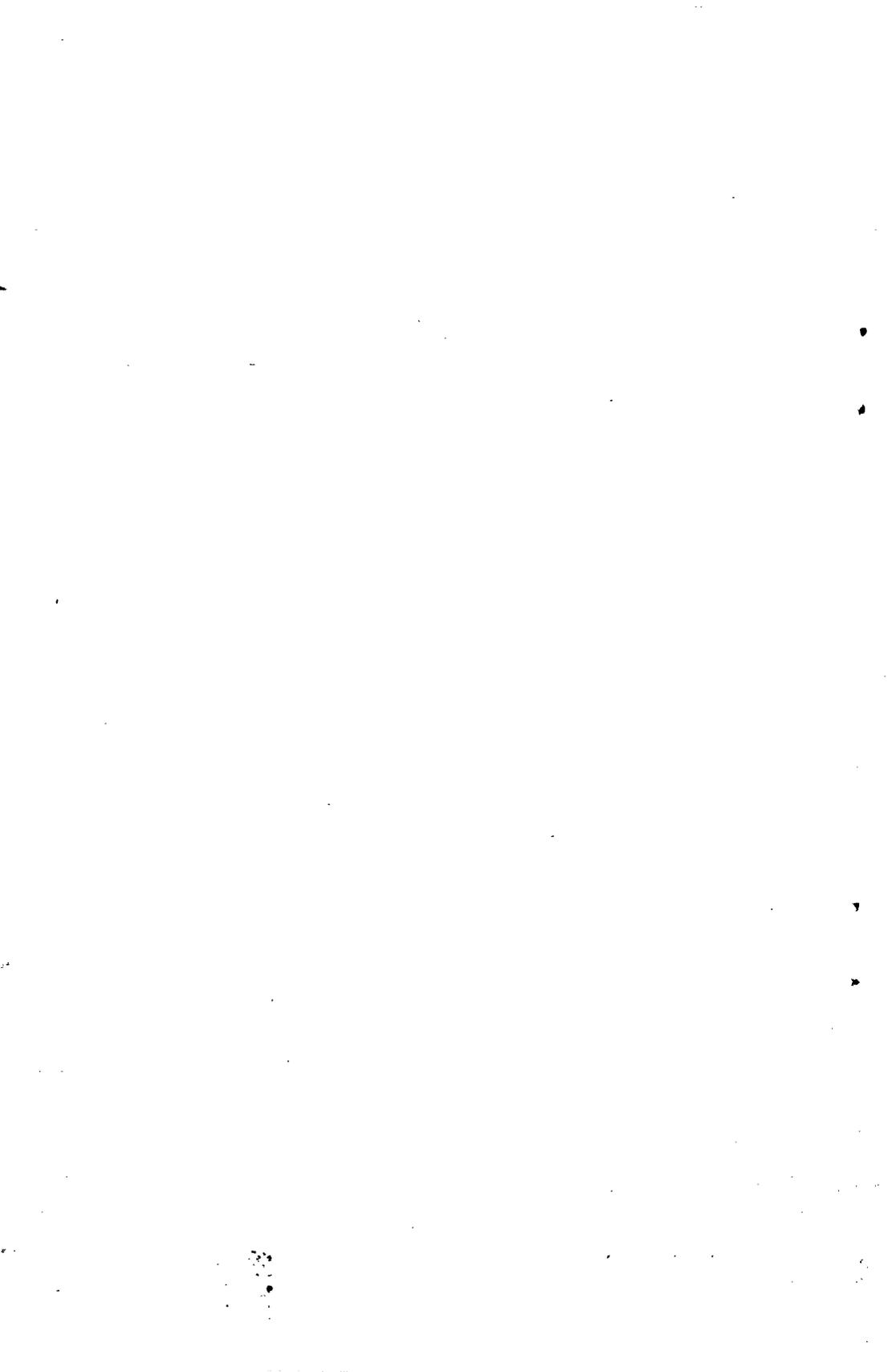
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UNEMPLOYMENT COMPENSATION

Introduction

State unemployment compensation programs generally provide up to 26 weeks of benefits in a year to unemployed workers who are covered under these programs. A few State programs provide for a somewhat longer maximum benefit duration, and most State programs limit the duration of benefits to less than 26 weeks in the case of certain workers who do not have a history of recent steady employment.

In times of high unemployment, provision has been made for extending the duration of benefits beyond what is provided under the regular provisions of State programs to take account of the fact that during such times, it is more difficult for unemployed workers to find new jobs. The first of these programs were temporary and in 1970, a program to provide such extended benefits was made a permanent part of Federal law through the enactment of the Federal-State Extended Unemployment Compensation Act.

Provision has also been made from time to time to take account of unemployment arising from certain specific unusual circumstances. Examples of this type of legislation are the unemployment assistance provisions of the Disaster Relief Act and the trade readjustment allowances under the Trade Expansion Act. These provisions make special types of unemployment benefits available to persons whose jobs are adversely affected by natural disasters or by increased imports which result from Federal trade policy.

In recent months, much attention has been given to the problem of increased unemployment levels in this country and in particular to the impact which the energy crisis has had and may continue to have on unemployment. A number of legislative proposals have been put forward which address this problem. In some instances the approach taken has been that of focusing the special unemployment program on those individual unemployed workers who are directly affected by the energy crisis in a manner analogous to the approach of the Disaster Relief Act and the Trade Expansion Act. This is the approach taken in S. 2589, the Energy Emergency Act, which was vetoed by the President and in S. 3267, the Standby Energy Emergency Authority and Contingency Planning Act, which was subsequently introduced by Senator Henry M. Jackson. An alternative approach has been taken in other proposals which would relate to high levels of unemployment without basing benefits on the cause of that unemployment. This is the approach of S. 3257, a bill introduced by Senator Wallace F. Bennett on behalf of the Administration, which would provide additional unemployment benefits in any area with an unusually high level of unemployment.

The situation is complicated to some extent by continuing high levels of unemployment in many parts of the country which are not

necessarily related to the energy crisis. The mechanisms in permanent law for triggering extended unemployment benefits have not operated to make these extended benefits available in many States which have experienced continuing high unemployment. As a result, Congress has found it necessary four times since the extended benefit program was enacted to pass temporary legislation permitting extended benefits to be paid even though the triggering requirements of permanent law were not met.

This pamphlet outlines the provisions of the Federal-State Extended Unemployment Benefits Act as enacted in 1970, and the subsequent enactments which have been passed to supplement or make more readily available the benefits provided under that Act. The pamphlet also describes other proposals for new special programs. Also included are selected background materials and statistical data relating to the unemployment compensation programs.

Federal-State Extended Unemployment Compensation Act of 1970

The Employment Security Amendments of 1970 (Public Law 91-373) established a permanent program to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to regular State unemployment compensation. As a condition of Federal approval of the State's unemployment insurance program, States were required to establish the new program by January 1, 1972, and all States have done so. The Federal Government and the States each pay 50 percent of the cost of benefits under this program.

These extended benefits are paid to workers only during an "extended benefit" period. Such a period can exist either on a national or State basis by the triggering of either the national or the State "on" indicator.

National "On" Indicator.—There is a national "on" indicator when the rate of insured unemployment for the whole Nation equals or exceeds 4.5 percent in each of the three most recent calendar months.

State "On" Indicator.—There is a State "on" indicator when the rate of insured unemployment for the State is at least 4 percent and when it equals or exceeds, during a moving 13-week period, 120 percent of the average rate for the corresponding 13-week period in the preceding two calendar years.

Extended Benefit Period.—An extended benefit period in a State begins after there is either a State or national "on" indicator, and continues, until the trigger conditions are no longer met but the minimum period is 13 weeks.

Benefits.—During either a national or State extended benefit period, the State is required to provide each eligible claimant with extended compensation at the individual's regular weekly benefit amount. Benefits under the Federal-State program are limited to not more than 13 weeks per individual.

Results of the Trigger Requirements of the 1970 Act

Before extended unemployment benefits are payable under the permanent provisions of the 1970 act, either a single national trigger requirement must be met or else, for benefits to be payable in a specific

State, two State trigger requirements must *both* be met. Since the program was enacted, the national trigger requirement has been met for only 3 months, and the State Trigger requirements have frequently not been met by a number of States with relatively high levels of unemployment. As a result, Congress has acted several times to override the permanent requirements of the law with temporary enactments permitting benefits to be paid.

National Trigger.—Public Law 91-373 provided that extended benefits on the basis of the national trigger requirement—4.5 percent insured unemployment—could be payable no earlier than January 1, 1972, and the national trigger was, in fact, “on” as of that date since the national rate of insured unemployment had reached 4.5 percent in the months September, October, and November of 1971. An extended benefit based on the national trigger ends, however, when the national insured unemployment rate is less than 4.5 percent for three consecutive months. Since the national rate dropped to 4.3 percent in December 1971 and remained below 4.5 percent in January and February of 1972, the national trigger was “off” beginning with the week of March 5 ~~period~~ and has remained “off” since. Thus the national trigger has resulted in benefits being paid only once since the provision became effective—the 13 week period January 1, 1972 through March 31, 1972. As is shown in table 5 at the end of this print, the national insured unemployment rate has not been as high as 4.5 percent for an entire year since 1961.

The table below shows the national insured unemployment rates for purposes of the national trigger under the Federal-State Extended Unemployment Compensation Act of 1970.

NATIONAL INSURED UNEMPLOYMENT RATE

[In percent]

Month	1971	1972	1973	1974
January		4.09	2.87	3.05
February		4.25	2.91	3.33
March		4.32	2.94	
April		3.98	2.79	
May		4.00	2.81	
June		3.92	2.81	
July		3.91	2.72	
August		3.52	2.75	
September	4.85	3.54	2.78	
October	4.85	3.37	2.74	
November	4.64	3.34	2.83	
December	4.30	3.23	2.95	

State Trigger.—Extended benefits are payable in any State, under the permanent provisions of the extended benefits program, if the 13-week insured unemployment rate in the State is at least 4 percent and if that rate is equal to 120 percent of the rate in the comparable 13-week period of the 2 prior years. In most States, it is the second part of the State trigger which has proven most difficult to meet.

Even if a State has a sustained high rate of unemployment, it will eventually become ineligible to provide extended benefits which qualify for 50 percent Federal funding unless its insured unemployment rate is not only high but is actually continuing to rise so that it remains 20 percent higher than it was in the 2 previous years. When unemployment in a State remains at a high level for more than a year, this requirement becomes difficult to meet since the high unemployment level then becomes a part of the base to which the 20 percent increase measure is applied. In Alaska, for example, extended benefits were payable on the basis of the State trigger starting at the end of January, 1971. Alaska, however, had to stop paying extended benefits at the end of November 1971 even though it had a 6.8 percent rate of insured unemployment. This was well above the required 4.0 rate of insured unemployment but did not meet the requirement of a 20 percent increase over the 2 prior years. In the first three months of 1972, the national trigger was "on" so that extended benefits were again payable in Alaska as in other States. When the national extended benefit period ended after March, 1972, thirty eight States had insured unemployment rates in excess of 4 percent but nine of these States (including Alaska with a 14.46 percent rate) could not meet the requirement of a 20 percent increase over the prior 2 years. As is shown below, all of these 9 States had insured unemployment rates above 6.5 percent.

STATE INDICATORS FOR EXTENDED BENEFITS (APR. 1, 1972)

State	Insured unemployment rate	
	13-week rate	As percent of 2 prior years
Alaska.....	14.46	106
California.....	6.65	99
Idaho.....	6.73	112
Michigan.....	6.74	104
Montana.....	7.79	116
North Dakota.....	7.65	118
Oregon.....	7.07	96
Rhode Island.....	7.81	117
Washington.....	11.46	98

Under legislation described in the following section of this print, the mandatory application of the 120-percent trigger has been suspended under various temporary enactments since October of 1972. The most recent "trigger report" which is reproduced as table 4 on page 19 shows that there are currently 23 States which meet the 4-percent trigger but only 1 State (Michigan) which also meets the requirement of having an insured unemployment rate equal to at least 120 percent of the rate prevailing in the two prior years.

Legislation Suspending Trigger Requirements

Starting with Public Law 92-599 (enacted October 27, 1972), Congress has acted 4 times in the last year and a half to modify the trigger requirements of the permanent extended benefits act for temporary periods. Under Public Law 92-599, the 120-percent requirement in the State "off" trigger could be disregarded by a State provided the State law permitted it to do so. This provision was to expire in June, 1973. However, Public Law 93-53 (enacted July 1, 1973) extended the expiration date through December, 1973 and in addition permitted a State to ignore the 120-percent requirement for the "on" trigger as well as for the "off" trigger. However, under these 2 temporary provisions an extended benefit period could begin only if the rate of insured unemployment in the State was 4.5 percent, rather than 4 percent as required under permanent law.

Subsequently, the Senate adopted as part of H.R. 3153 a permanent provision which would permit a State to pay benefits on the basis of a 4 percent rate without regard to the 120 percent requirement. Although this bill is still in conference, a temporary provision to the same effect was enacted as part of Public Law 93-233 (enacted December 31, 1973). This provision was scheduled to expire on March 31, 1974. However, it was extended through June 1974 under Public Law 93-256 (enacted March 28, 1974).

Emergency Unemployment Compensation Act of 1971

In December, 1971, the Congress enacted Public Law 92-224 which established a program to pay "emergency unemployment compensation benefits" for up to 13 weeks to persons who had exhausted their entitlement to regular and (if applicable) extended unemployment compensation benefits. The program was temporary, with no persons eligible to receive benefits for the first time after June 30, 1972.

State "Emergency On" Indicator.—The additional 13 weeks of benefits were payable beginning the third week after there was an "emergency on" indicator in the State. An "emergency on" indicator occurred in any State when the insured unemployment rate for the State plus the average rate of those exhausting regular benefits exceeded 6.5 percent over a 13-week period and when one of the following criteria was met:

(1) There was a State or national "on" indicator for extended benefits (that is, the national rate of insured unemployment exceeded 4.5 percent in the 3 most recent months, or the State insured unemployment rate exceeded 4 percent in the previous 13 weeks and was at least 120 percent of the insured unemployment rate during the corresponding periods of the previous 2 years), or

(2) There had been such an indicator at some time during the previous year and the State met all the criteria of the State "on" indicator for extended benefits except for the 120-percent requirement.

State "Emergency Off" Indicator.—When the rate of insured unemployment plus the average rate of those exhausting regular benefits in

a State dropped below 6.5 percent for a 13-week period, there was a State "emergency off" indicator. An emergency extended benefit period in a State ended with the third week after the "emergency off" indicator except that the benefit period could not have been less than at least 26 weeks.

The original legislation, which was to be in effect only during the first six months of 1972, provided for 100 percent Federal financing with payments being made out of the Federal extended benefit account. Under this legislation, repayable advances could be made to the account, as needed, from general funds. Advances to the extended benefit account were to be repaid only if and when there was an excess of funds in the Federal Unemployment Trust Fund. On June 30, 1972, the Emergency Unemployment Compensation Act was extended (P.L. 92-329) through December 31, 1972. Along with extending the life of the emergency program, the law changed the financing by providing an increase in the Federal unemployment tax equal to 0.08 percent of taxable payrolls in 1973. This additional income was used to finance the benefits paid under the Emergency Unemployment Compensation Act for weeks ending after June 30, 1972. However, no provision was made for financing the benefits payable earlier.

Proposed Legislation Related to Energy Crisis

S. 3024 (Senator Ribicoff and Others).—S. 3024, introduced by Senator Abraham A. Ribicoff on February 19, 1974, would direct the President to make grants to the States to make assistance available to unemployed persons who are not otherwise eligible for unemployment compensation or who have exhausted their eligibility for such compensation if their unemployment is "directly or indirectly, primarily or remotely, related to a shortage of energy." Eligibility for assistance would be limited to persons who had at least 13 weeks of employment during calendar year 1973. Benefits would be paid for up to 2 years unless the individual was sooner reemployed in a suitable position. However, benefits could be terminated after a minimum period of 6 months if it were determined that the individual's unemployment was no longer attributable to an energy shortage. The amount payable would be "such assistance as the President deems appropriate" but could not exceed the maximum weekly benefit amount under the unemployment compensation program of the State in which the worker became unemployed. S. 3024 also provides for relocation allowances and for benefits under the food stamp or surplus commodity programs to be provided to eligible persons. All benefit costs would be paid from Federal general revenues.

It is estimated that the unemployment benefit costs of this bill for the 15 month period ending June 30, 1975 would be \$4 billion on the assumption that the total unemployment rate during the period would be 5.7 percent.

S. 3206 (Senator Kennedy).—S. 3206, introduced by Senator Edward M. Kennedy on March 21, 1974, would authorize the Secretary of Labor to enter into agreements under which the States would pay additional unemployment benefits during the period beginning February 1, 1974 and ending June 30, 1976. These benefits would be payable only to persons who meet the requirements for regular unemployment benefits with respect to a benefit year falling at least

partially within those dates and who had exhausted all their rights to regular and extended unemployment benefits. The amount of the weekly benefits payable to individuals would be the same (including any dependents' allowances) as the benefits for which they had qualified under the regular State unemployment insurance program and the number of weeks for which these additional benefits would be payable would be equal to the number of weeks of regular benefits for which they had qualified. However, the total number of weeks of compensation (including benefits under this bill, under the regular State program, and under the extended benefits program) could not exceed 52 weeks.

All of the cost of any additional unemployment benefits paid as a result of the provisions of S. 3206 (and all associated administrative costs) would be paid by the Federal government from general revenues. In addition, a portion of the cost of regular State unemployment benefits during the period from February 1, 1974 to June 30, 1976 would be paid from Federal general revenues under a formula based on the increase in the rate of insured unemployment in each State in each month of this period over the average rate prevailing in that State in the same month of 1971, 1972, and 1973.

It is estimated that the benefit costs of this bill for the 15 month period ending June 30, 1975 would be \$2.2 billion on the assumption that the total unemployment rate during the period would be 5.7 percent.

S. 3257 (Senator Bennett, by Request).—Title II of S. 3257, introduced on March 27, 1974 by Senator Wallace F. Bennett at the request of the Administration, incorporates a proposal for a new temporary supplemental unemployment compensation program. This proposal would authorize the Secretary of Labor to make agreements with the States under which the States would provide up to 13 weeks of additional unemployment compensation payments to people who have exhausted their rights to unemployment compensation (including, where applicable, any payments under the extended benefits program), and up to 26 weeks of payments to unemployed people who could not qualify for unemployment compensation because their former work was not covered under the State unemployment compensation program.

The proposed program would go into effect in a designated area when insured unemployment in the area was at least either (1) 4.5 percent or (2) 4.0 percent and 120 percent of the rate for the comparable period in the 12 months, October, 1972 through September, 1973. An area would be an economically integrated geographical unit with a population of at least 250,000 in which workers may readily change jobs without moving. These areas would be designated by the Secretary of Labor and all parts of a State not included in an area would constitute an area.

The provision would be in effect for a period starting 30 days after enactment and ending June 30, 1975.

The cost of the proposed program would be paid by the Federal Government out of general revenues. It is estimated that the benefit costs of this program for the 15 month period ending June 30, 1975 would be \$1 billion on the assumption that the total unemployment rate during the period would be 5.7 percent.

S. 3267 (Senator Jackson and Others).—S. 3267, introduced by Senator Henry M. Jackson on March 28, 1974, would provide benefits to persons unemployed as a result of energy shortages and not otherwise eligible for unemployment benefits during the period after enactment and up to July 1, 1975. Eligibility would be provided to individuals who had either exhausted all their rights to regular or extended unemployment benefits or who did not qualify for such benefits (including persons whose employment is not covered under the unemployment insurance program) if their unemployment was clearly attributable to "disruptions, dislocation or shortages [of energy supplies], fuel allocations, fuel pricing, consumer buying decisions influenced by such disruptions, dislocations or shortages, and governmental action associated with the disruptions, dislocations or shortages." In making determinations of eligibility, States would use industry, business, or employer certification procedures as the Secretary of Labor directs for the purpose of minimizing costs and administrative problems which might otherwise cause delays in making payments. The disqualification rules of the State unemployment insurance program would apply to benefits under this bill. By regulation, the Secretary of Labor could limit eligibility to persons with at least one month of employment in the prior year.

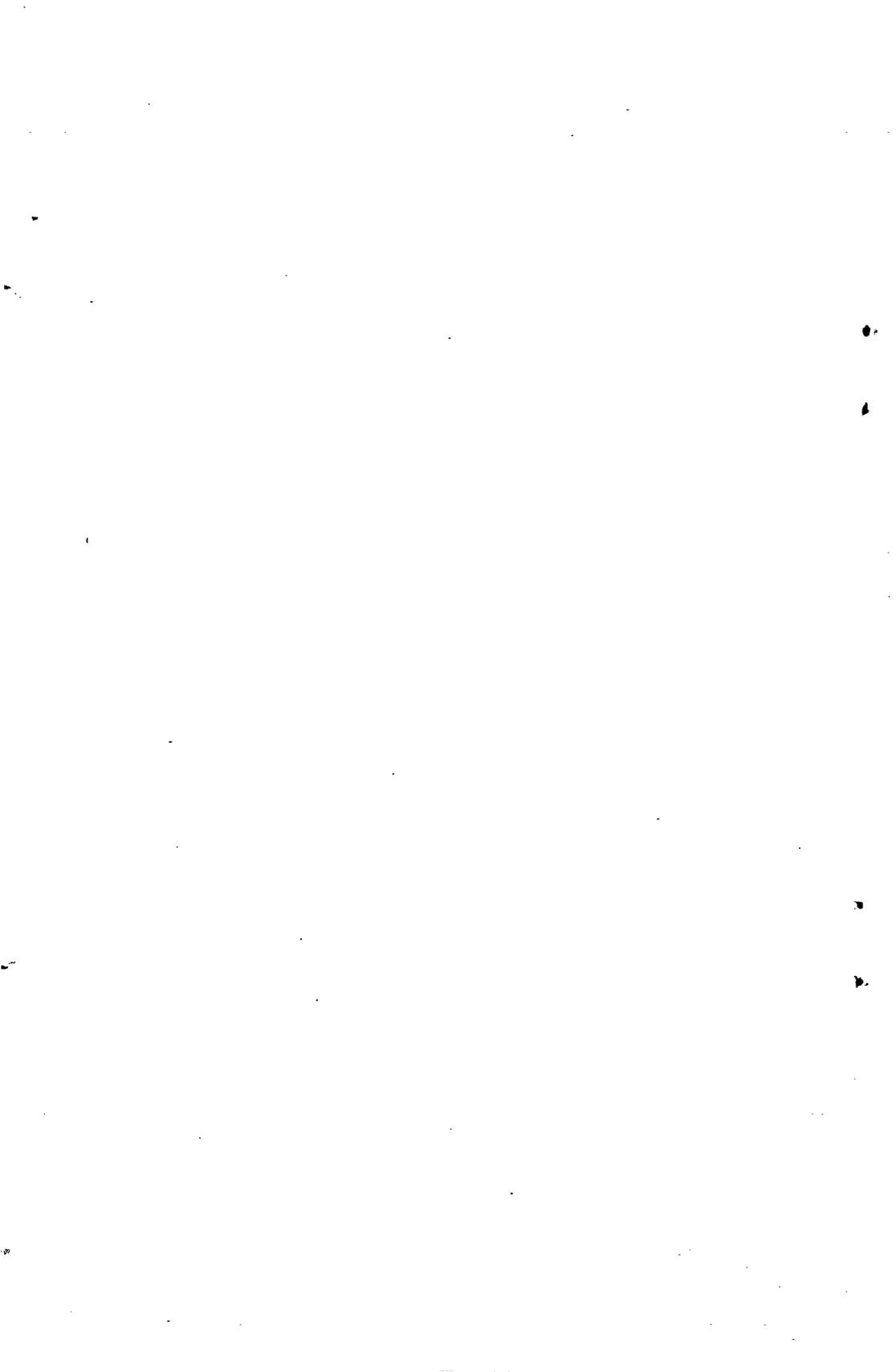
The amount of benefits payable to an individual would be equal to the amount of weekly unemployment compensation for which he was most recently eligible. If the individual was not previously eligible for unemployment compensation, the amount of the benefit would be set by the State taking into account the benefit amounts provided under its unemployment program and would, in any case, have to be within the minimum and maximum levels applicable under the State program.

Benefits under this bill would be payable without limitation as to the number of weeks with respect to which an individual could be paid but the program would end on July 1, 1975. All of the cost of benefits under this bill would be paid from Federal general revenues.

S. 3267 includes an authorization of appropriations for the cost of unemployment benefits under the bill of \$500 million for fiscal year 1974.

The unemployment provisions of S. 3267 are generally similar to the unemployment provisions of S. 2589, the Energy Emergency Act, which was vetoed by the President. It is estimated that the benefit costs of the unemployment provisions of S. 2589 for the fifteen-month period ending June 30, 1975 would (in the absence of any limitation on the authorization of appropriations) be \$3.8 billion on the assumption that the total unemployment rate during the period would be 5.7 percent.

Tables and Statistical Material



Employment Covered Under State Unemployment Compensation Programs

General Rule.—In general, persons working for private employers meeting certain minimum requirements are covered under State unemployment compensation programs. In 34 States, any employer with one employee in 20 or more weeks of the year is subject to the program. Eight States require coverage in the case of employers with at least one employee at any time, and the remaining States base coverage on either a different duration of employment or on the amount of compensation paid by the employer.

Special Categories.—Federal employees and members of the armed services, while excluded from coverage under State unemployment insurance programs, are covered under a special Federal program. Federal law does require coverage of individuals who work for non-profit organizations which have 4 or more employees in 20 or more weeks, and 19 States require coverage in the case of non-profit organizations with 1 or more employees.

State and local.—Except in certain limited cases (e.g. State hospitals), Federal law does not require State coverage of State or local government employees. However, most States or local government employees. However, most States provide some form of coverage for at least some employees. About half of the States provide mandatory coverage for State employees and permit election of coverage by local government subdivisions.

Major Exclusions.—There are certain types of employment which are generally (although not universally) excluded from unemployment insurance coverage. Some of the major exclusions are:

Agricultural employment (covered in D.C., Hawaii, Minnesota, and Puerto Rico);

Domestic service (covered under certain conditions, in Arkansas, D.C., Hawaii, and New York);

Self-employment (partially covered in California).

TABLE 1.—EMPLOYMENT COVERED UNDER STATE UNEMPLOYMENT COMPENSATION PROGRAMS (DEFINITION OF EMPLOYER)

State	1 employee			Alternative payroll conditions (4 States) ¹	Nonprofit employers 1 or more ² (19 States)
	In 20 weeks ¹ (34 States)	At any time (8 States)	Other (10 States)		
Alabama.....	X				
Alaska.....		X			
Arizona.....	X				
Arkansas.....			10 days.....		X
California.....			Over \$100 in qtr.....		X
Colorado.....	X				
Connecticut.....	X				X
Delaware.....	X				
District of Columbia.....		X			X
Florida.....	X				
Georgia.....	X				
Hawaii.....		X ²			X
Idaho.....	X			\$300 in qtr.....	X
Illinois.....	X				
Indiana.....	X				
Iowa.....	X				X
Kansas.....	X				
Kentucky.....	X				
Louisiana.....	X				X
Maine.....	X				
Maryland.....		X			X
Massachusetts.....			13 weeks ¹		X
Michigan.....	X			\$1,000 in yr.....	X
Minnesota.....	X ²				X
Mississippi.....	X				
Missouri.....	X				
Montana.....			Over \$500 in yr.....		X

TABLE 1.—EMPLOYMENT COVERED UNDER STATE UNEMPLOYMENT COMPENSATION PROGRAMS (DEFINITION OF EMPLOYER)—Continued

State	1 employee			Alternative payroll conditions (4 States) ¹	Nonprofit employers 1 or more ² (19 States)
	In 20 weeks ¹ (34 States)	At any time (8 States)	Other (10 States)		
Nebraska.....	X				
Nevada.....			\$225 in qtr.		
New Hampshire..	X				X
New Jersey.....			\$1,000 in yr.		X
New Mexico.....	X			\$450 in qtr.	X
New York.....			\$300 in qtr.		
North Carolina..	X				
North Dakota....	X				
Ohio.....	X				
Oklahoma.....	X				
Oregon.....			X	\$225 in qtr.	X
Pennsylvania.....		X			
Puerto Rico.....		X			X
Rhode Island.....		X			X
South Carolina..	X				
South Dakota....	X				
Tennessee.....	X				
Texas.....	X				
Utah.....			\$140 in qtr.		
Vermont.....	X				
Virginia.....	X				
Washington.....		X			X
West Virginia....	X				
Wisconsin.....	X				
Wyoming.....			\$500 in yr.		

¹ Or a quarterly payroll of \$1,500 during a calendar year or preceding calendar year, except in Idaho, Michigan, New Mexico, Oregon.

² Also covers employers of 20, *Hawaii*, and 4, *Minnesota*, or more agr.cultural workers in 20 weeks.

³ All other States cover nonprofit organizations that employ 4 or more in 20 weeks as required by Federal law.

Note: Data in table correct as of January 1974.

Unemployment Compensation Benefits

Eligibility.—In order to be eligible to receive any unemployment insurance benefits, unemployed workers must have met certain qualifying requirements during a base year which precedes their benefit year. In some States the qualifying requirement is a certain amount of wages; in other States the requirement is in terms of work during a certain number of weeks or during a certain number of quarters. And, some States impose both types of requirement. In all but 9 States, the qualifying requirements can be satisfied only by persons with some employment during at least 2 quarters of the base year.

Benefit Amounts.—The amount of benefits paid to an unemployed worker each week varies according to the level of his earnings during the base year or, in most States, during that quarter of the base year in which his earnings were highest. Formulas vary from State to State but the largest number of States pay a benefit equal to about 50 percent of average weekly wages. In 11 States benefits include special allowances based on the number of dependents. For about 40 percent of all beneficiaries, the amount of the weekly benefit is determined by the maximum limit which the State places on weekly benefit amounts rather than by the formula.

Maximum Benefits.—The limit on the maximum amount payable per week in the various States ranges from \$49 to \$147. In 29 States, the maximum weekly benefit payable under the unemployment insurance program is determined as a percentage of average weekly wages in employment covered by that program in the State. The percentage varies from 50 to 66% depending on the State. In the remaining States the maximum is a fixed dollar amount.

Partial Unemployment.—Persons who work less than full-time during a week may qualify for partial unemployment benefits if their earnings are below an amount specified by each State. Benefits are determined in the regular manner but are reduced by the amount of earnings in excess of a specified earnings disregard. (Montana does not provide benefits for partial unemployment, although some partially employed persons can qualify for full benefits in that State.)

TABLE 2.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT

State	Weekly benefit amount ¹		Average (October 1973)	Required total earnings in base year ²		Minimum work in base year (weeks) ³
	Minimum	Maximum		For minimum benefit	For maximum benefit	
Alabama.....	\$15	\$68	\$47	\$525	\$2,633	20
Alaska.....	¹ 23	¹ 120	50	750	8,500	20
Arizona.....	10	60	54	375	2,231	20
Arkansas.....	15	79	50	450	2,370	20
California.....	25	90	59	750	2,748	—
Colorado.....	25	93	68	750	9,569	—
Connecticut.....	¹ 20	¹ 147	67	600	3,920	20
Delaware.....	10	85	64	360	3,060	—
District of Columbia.....	¹ 14	117	80	450	4,002	20
Florida.....	10	64	49	400	2,520	20
Georgia.....	12	65	51	432	2,340	20
Hawaii.....	5	98	68	150	2,940	14
Idaho.....	17	78	53	520	2,503	20
Illinois.....	10	¹ 105	57	800	1,759	20
Indiana.....	20	¹ 75	46	500	1,225	20
Iowa.....	10	75	60	300	1,590	20
Kansas.....	18	73	55	540	2,190	20
Kentucky.....	12	70	56	344	2,198	20
Louisiana.....	10	70	55	300	2,100	—
Maine.....	12	65	52	600	1,419	—
Maryland.....	¹ 13	78	61	360	2,808	20
Massachusetts..	¹ 25	¹ 135	65	1,200	1,200	—
Michigan.....	¹ 18	¹ 92	57	350	1,400	14
Minnesota.....	15	85	58	540	3,042	18
Mississippi.....	10	49	41	360	1,764	20

¹ Amounts include dependents' allowances in 11 States which provide such allowances (in the case of minimum benefits the table assumes 1 dependent). For a worker with no dependents, the maximum weekly benefits in these States are: Alaska: \$90; Connecticut: \$92; Illinois: \$60; Indiana: \$50; Massachusetts: \$90; Michigan: \$56; Ohio: \$77; Pennsylvania: \$96; and Rhode Island: \$82.

² In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks. See table 3.

³ Number of weeks of work in base year required to qualify for minimum benefits. "20" denotes that State directly or indirectly requires work in at least 2 quarters of the base year.

TABLE 2.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT—Continued

State	Weekly benefit amount ¹			Required total earnings in base year ²		Minimum work in base year (weeks) ³
	Minimum	Maximum	Average (October 1973)	For minimum benefit	For maximum benefit	
Missouri.....	12	67	53	480	2,680	20
Montana.....	12	65	48	455	2,522	20
Nebraska.....	12	68	52	600	1,800	20
Nevada.....	16	80	65	528	2,640	—
New Hampshire.	14	80	59	600	6,600	20
New Jersey.....	10	85	69	255	2,142	17
New Mexico.....	14	67	50	423	2,145	20
New York.....	20	75	61	600	2,980	20
North Carolina..	12	64	45	550	7,400	20
North Dakota....	15	68	50	600	2,720	20
Ohio.....	¹ 16	¹ 114	56	400	3,040	20
Oklahoma.....	16	60	45	500	2,301	20
Oregon.....	23	76	54	700	6,040	18
Pennsylvania....	¹ 17	¹ 104	69	440	3,800	20
Rhode Island....	¹ 17	¹ 102	62	400	2,982	20
South Carolina..	10	83	49	300	3,198	20
South Dakota....	19	59	47	590	1,866	20
Tennessee.....	14	62	47	504	2,232	20
Texas.....	15	63	51	500	2,325	20
Utah.....	10	87	57	700	2,356	19
Vermont.....	15	77	60	600	3,060	20
Virginia.....	20	70	56	720	2,520	20
Washington.....	17	81	62	1,200	2,012	¹ 16
West Virginia....	12	84	47	700	11,000	—
Wisconsin.....	23	92	64	792	3,276	18
Wyoming.....	10	67	50	800	1,650	20
Puerto Rico.....	7	50	36	150	1,500	20

¹ Amounts include dependents' allowances in 11 States which provide such allowances (in the case of minimum benefits the table assumes 1 dependent). For a worker with no dependents, the maximum weekly benefits in these States are: Alaska: \$90; Connecticut: \$92; Illinois: \$60; Indiana: \$50; Massachusetts: \$90; Michigan: \$56; Ohio: \$77; Pennsylvania: \$96; and Rhode Island: \$82.

² In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks. See table 3.

³ Number of weeks of work in base year required to qualify for minimum benefits. "20" denotes that State directly or indirectly requires work in at least 2 quarters of the base year.

⁴ Alternative requirement is 600 hours of employment.

Note: Data in table correct as of January 1974.

Duration of Regular Unemployment Benefits

Maximum Potential Duration.—In all States, regular unemployment benefits for total unemployment may be paid for no more than a specified number of weeks in an individual's benefit year. This maximum duration is 26 weeks in 42 States. Puerto Rico with a 20 week limit is the only jurisdiction with a smaller maximum. Eight States and the District of Columbia provide more than 26 weeks. Utah has the largest number of weeks allowable—36.

Minimum Potential Duration.—In 9 jurisdictions, any worker who is eligible for any unemployment benefits may, if he continues to be unemployed, receive benefits for up to the maximum number of weeks. In the remaining States, however, individual workers may be subject to an additional restriction which will limit the number of weeks during which they can draw benefits to something less than the maximum. Typically, these restrictions provide that the total amount of benefits paid to a worker cannot exceed some percentage (for example, 33½ percent) of his wages during his base year. Alternatively, some States provide that unemployment benefits cannot be paid for a number of weeks which exceeds some percentage of the number of weeks in which the individual was employed during his base year.

TABLE 3.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS¹

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum benefits ²
Alabama.....	11	26	\$5,302
Alaska.....	14	28	8,500
Arizona.....	12	26	4,678
Arkansas.....	10	26	6,159
California.....	12	26	4,678
Colorado.....	7	26	9,569
Connecticut.....	26	26	3,920
Delaware.....	17	26	4,700
District of Columbia.....	17	34	7,954
Florida.....	10	26	6,552
Georgia.....	9	26	6,630
Hawaii.....	26	26	2,940
Idaho.....	10	26	6,507
Illinois.....	10	26	2,975
Indiana.....	12	26	5,200
Iowa.....	10	26	5,850
Kansas.....	10	26	5,691
Kentucky.....	15	26	5,459
Louisiana.....	12	28	4,898
Maine.....	11	26	5,069

See footnotes at end of table.

TABLE 3.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS¹—Continued

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum benefits ²
Maryland.....	26	26	\$2,808
Massachusetts.....	4	30	7,497
Michigan.....	11	26	3,500
Minnesota.....	13	26	6,253
Mississippi.....	12	26	3,819
Missouri.....	8	26	5,226
Montana.....	13	26	2,822
Nebraska.....	17	26	5,253
Nevada.....	11	26	6,237
New Hampshire.....	26	26	6,600
New Jersey.....	12	26	4,410
New Mexico.....	18	30	3,348
New York.....	26	26	2,980
North Carolina.....	26	26	7,400
North Dakota.....	18	26	4,760
Ohio.....	20	26	3,952
Oklahoma.....	10	26	4,677
Oregon.....	10	26	6,040
Pennsylvania.....	30	30	3,800
Rhode Island.....	12	26	6,262
South Carolina.....	10	26	6,471
South Dakota.....	10	26	4,599
Tennessee.....	12	26	4,833
Texas.....	9	26	6,063
Utah.....	10	36	7,379
Vermont.....	26	26	3,060
Virginia.....	12	26	5,460
Washington.....	8	30	7,289
West Virginia.....	26	26	11,000
Wisconsin.....	14	34	7,826
Wyoming.....	11	26	5,803
Puerto Rico.....	20	20	1,500

¹ Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

² Based on maximum weekly benefit amount paid for maximum number of weeks.

Note: Data in table correct as of January 1974.

State Indicators for Federal-State Extended Unemployment Compensation

An additional 13 weeks of extended unemployment benefits with 50 percent Federal funding are payable to those who have exhausted their regular benefits under State unemployment compensation programs under the provisions of the Federal-State Extended Unemployment Compensation Act if certain trigger requirements are met. The national trigger—a national 4.5 percent rate of insured unemployment—has not been met during the past 2 years. The State trigger is met if the State insured unemployment rate over a 13 week period is 4 percent and if that rate also equals 120 percent of the insured unemployment rate in the comparable period of the 2 prior years. Table 4 shows that 23 States meet the first part of the requirement as of March 2, 1974 but no State meets the second part of the requirement. (Subsequent to this date, however, one State—Michigan—has met both requirements). Under temporary provisions of Public Law 93-256, States which meet the first part of the trigger requirement (4 percent insured unemployment) may, at their option, participate in the program without meeting the 120 percent requirement.

TABLE 4.—STATE INDICATORS FOR FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (AS OF MAR. 2, 1974)

State	Insured unemployment rate	
	13-week rate (percent)	As percent of 2 prior years
Alabama.....	2.87	80
Alaska ¹	12.70	102
Arizona.....	2.92	101
Arkansas.....	3.91	76
California.....	4.74	83
Colorado.....	(²)	(²)
Connecticut.....	4.30	68
Delaware.....	3.96	122
District of Columbia.....	2.13	105
Florida ³	(1.63)	(75)
Georgia.....	1.67	112
Hawaii.....	4.57	97
Idaho.....	5.74	98
Illinois.....	(²)	(²)
Indiana.....	2.68	89
Iowa.....	2.38	75
Kansas.....	3.00	87
Kentucky.....	3.38	86
Louisiana.....	3.33	81
Maine.....	5.68	75

See footnotes at end of table.

TABLE 4.—STATE INDICATORS FOR FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (AS OF MAR. 2, 1974)—Continued

State	Insured unemployment rate	
	13-week rate (percent)	As percent of 2 prior years
Maryland.....	2.91	75
Massachusetts ³	(6.42)	(90)
Michigan ⁴	6.08	115
Minnesota.....	4.38	95
Mississippi.....	2.02	84
Missouri.....	3.73	88
Montana.....	5.96	88
Nebraska.....	2.77	96
Nevada.....	6.24	91
New Hampshire.....	2.96	97
New Jersey ¹	7.29	107
New Mexico.....	4.19	97
New York ¹	4.74	88
North Carolina.....	1.74	82
North Dakota.....	4.91	75
Ohio.....	2.52	81
Oklahoma.....	2.50	65
Oregon.....	6.53	102
Pennsylvania.....	4.44	89
Puerto Rico.....	11.92	87
Rhode Island ¹	7.03	101
South Carolina.....	1.83	85
South Dakota.....	2.63	76
Tennessee.....	2.96	92
Texas.....	1.23	75
Utah.....	4.50	92
Vermont.....	6.10	85
Virginia.....	1.02	85
Washington ¹	9.14	83
West Virginia.....	4.48	80
Wisconsin.....	3.75	85
Wyoming.....	1.93	69

¹ Extended benefits are currently payable under temporary provisions in Public Law 93-233 which will be continued through June 1974 by provisions of P.L. 93-256.

² Data not available.

³ Indicators as of Feb. 23, 1974.

⁴ The rate in Michigan has now increased sufficiently that benefits are payable under the permanent provisions of the extended benefits act.

TABLE 5.—UNEMPLOYMENT: 1960-73
[Rates in percent]

Year	National unemployment rate		Number of States ¹ with insured unemployment of at least—	
	Total	Insured	4 percent	4.5 percent
1960.....	5.5	4.7	33	26
1961.....	6.7	5.7	43	39
1962.....	5.5	4.3	29	24
1963.....	5.7	4.3	27	24
1964.....	5.2	3.7	20	13
1965.....	4.5	2.9	7	5
1966.....	3.8	2.2	4	2
1967.....	3.8	2.5	5	3
1968.....	3.6	2.2	2	2
1969.....	3.5	2.1	3	2
1970.....	4.9	3.5	12	9
1971.....	5.9	4.1	19	16
1972.....	5.6	3.3	18	14
1973.....	4.9	2.8	(²)	(²)

¹ Includes Puerto Rico for years 1961-72; Puerto Rico's rate of insured unemployment exceeded 4.5 percent in each of these years.

² Not available.

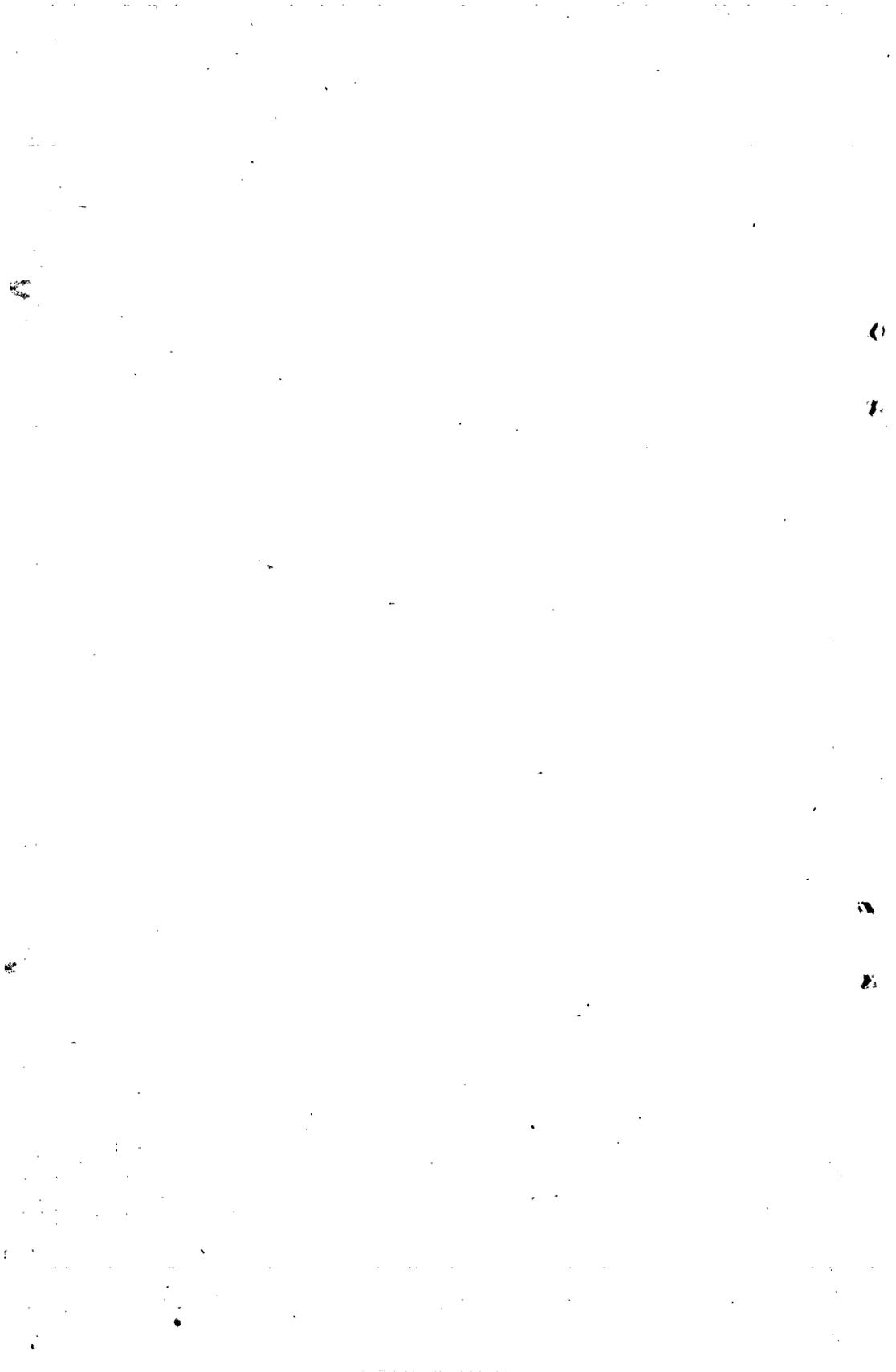
Note: The insured unemployment rate represents the average weekly number of insured unemployed as a percentage of the average number of persons in covered employment.

TABLE 6.—EXHAUSTION OF REGULAR UNEMPLOYMENT
BENEFITS: 1960-73

Year	Total exhaustions ¹ (millions)	Exhaustions as percent of all beneficiaries
1960.....	1.6	26.1
1961.....	2.4	30.4
1962.....	1.6	27.4
1963.....	1.6	25.3
1964.....	1.4	23.8
1965.....	1.1	21.5
1966.....	.8	18.0
1967.....	.9	19.3
1968.....	.8	19.6
1969.....	.8	19.8
1970.....	1.3	24.4
1971.....	2.0	30.5
1972.....	1.8	28.9
1973 ²	1.5	29.0

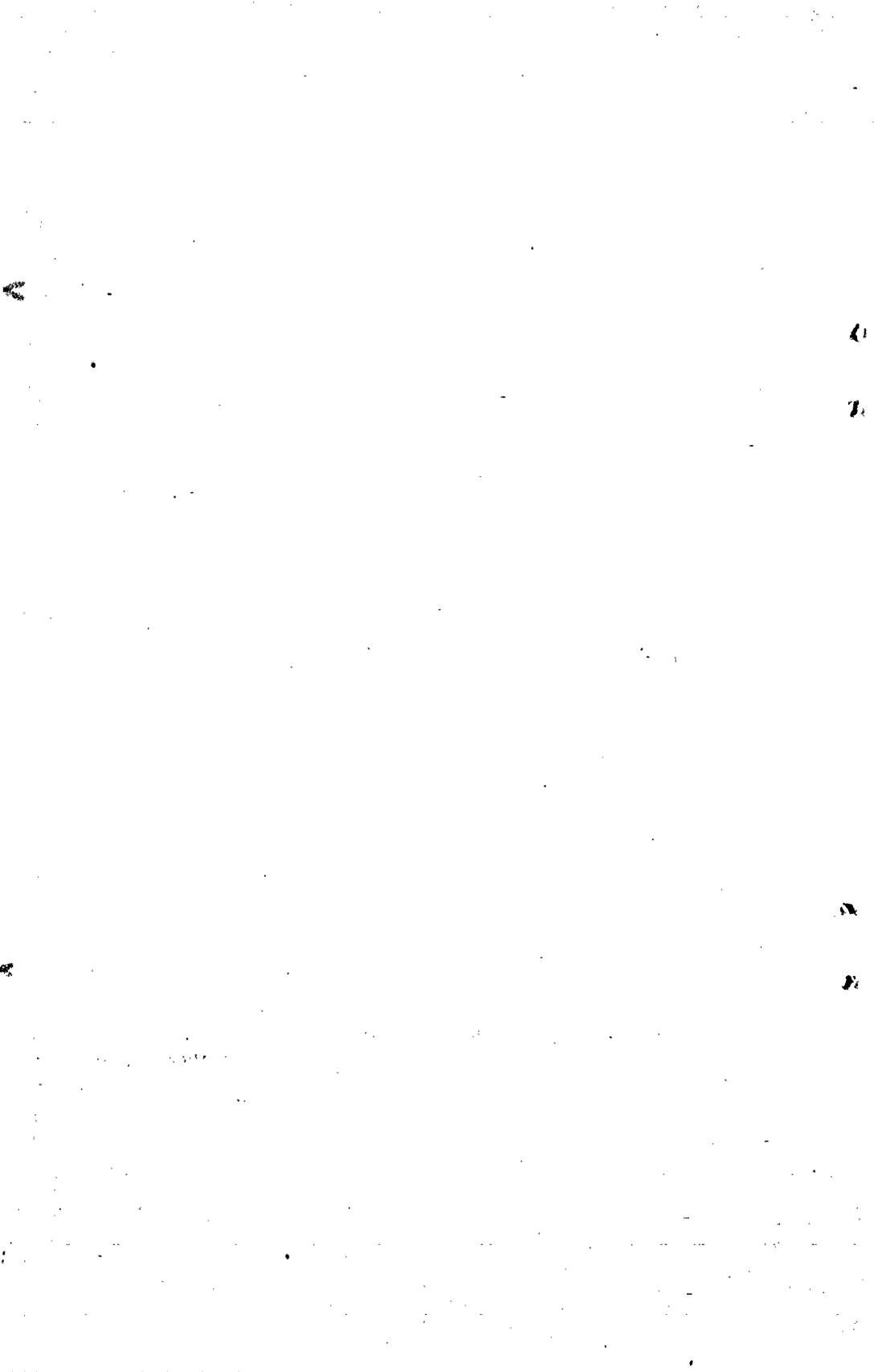
¹ Number of persons who were unemployed for a sufficiently long period that they received all of the benefits for which they were eligible under the regular State unemployment program.

² Estimated on the basis of data for January through October.



Appendix A

**Federal-State Extended Unemployment Compensation Act and
Amendments**



**Federal-State Extended Unemployment Compensation Act and
Amendments**

EXCERPT FROM PUBLIC LAW 91-373, AUGUST 10, 1970

* * * * *

**TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT
COMPENSATION PROGRAM**

SHORT TITLE

SEC. 201. This title may be cited as the "Federal-State Extended Unemployment Compensation Act of 1970".

PAYMENT OF EXTENDED COMPENSATION

State Law Requirements

SEC. 202. (a)(1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

Individuals' Compensation Accounts

(b)(1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's benefit year. The amount established in such account shall be not less than whichever of the following is the least:

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law,

(B) thirteen times his average weekly benefit amount, or

(C) thirty-nine times his average weekly benefit amount, reduced by the regular compensation paid (or deemed paid) to him during such benefit year under such law; except that the amount so determined shall (if the State law so provides) be reduced by the aggregate amount of additional compensation paid (or deemed paid) to him under such law for prior weeks of unemployment in such benefit year which did not begin in an extended benefit period.

(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

EXTENDED BENEFIT PERIOD

Beginning and Ending

SEC. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

(1) shall begin with the third week after whichever of the following weeks first occurs:

(A) a week for which there is a national "on" indicator, or

(B) a week for which there is a State "on" indicator; and

(2) shall end with the third week after the first week for which there is both a national "off" indicator and a State "off" indicator.

Special Rules

(b) In the case of any State—

(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, and

(B) no extended benefit period may begin by reason of a State "on" indicator before the fourteenth week after the close of a prior extended benefit period with respect to such State.

(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State (or all the States), the Secretary shall cause notice of such determination to be published in the Federal Register.

Eligibility Period

(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the weeks in his benefit year which begin in an extended benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period.

National "On" and "Off" Indicators

(d) For purposes of this section—

(1) There is a national "on" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 4.5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

(2) There is a national "off" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 4.5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

State "On" and "Off" Indicators

(e) For purposes of this section—

(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded 4 per centum.

(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either subparagraph (A) or subparagraph (B) of paragraph (1) was not satisfied.

For purposes of this subsection, the rate of insured unemployment for any 13-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

Rate of Insured Unemployment; Covered Employment

(f)(1) For purposes of subsections (d) and (e), the term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by all State agencies (or, in the case of subsection (e), by the State agency) to the Secretary, by

(B) the average monthly covered employment for the specified period.

(2) Determinations under subsection (d) shall be made by the Secretary in accordance with regulations prescribed by him.

(3) Determinations under subsection (e) shall be made by the State agency in accordance with regulations prescribed by the Secretary.

PAYMENTS TO STATES

Amount Payable

SEC. 204. (a)(1) There shall be paid to each State an amount equal to one-half of the sum of—

- (A) the sharable extended compensation, and
 - (B) the sharable regular compensation,
- paid to individuals under the State law.

(2) No payment shall be made to any State under this subsection in respect to compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

Sharable Extended Compensation

(b) For purposes of subsection (a)(1)(A), extended compensation paid to an individual for weeks of unemployment in such individual's eligibility period is sharable extended compensation to the extent that the aggregate extended compensation paid to such individual with respect to any benefit year does not exceed the smallest of the amounts referred to in subparagraphs (A), (B), and (C) of section 202(b)(1).

Sharable Regular Compensation

(c) For purposes of subsection (a)(1)(B), regular compensation paid to an individual for a week of unemployment is sharable regular compensation—

(1) if such week is in such individual's eligibility period (determined under section 203(c)), and

(2) to the extent that the sum of such compensation, plus the regular compensation paid (or deemed paid) to him with respect to prior weeks of unemployment in the benefit year, exceeds twenty-six times (and does not exceed thirty-nine times) the average weekly benefit amount (including allowances for dependents) for weeks of total unemployment payable to such individual under the State law in such benefit year.

Payment on Calendar Month Basis

(d) There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

Certification

(e) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit

or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the Unemployment Trust Fund.

DEFINITIONS

SEC. 205. For purposes of this title—

(1) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

(2) The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to 5 U.S.C. chapter 85), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to 5 U.S.C. chapter 85) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

(4) The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) The term "benefit year" means the benefit year as defined in the applicable State law.

(6) The term "base period" means the base period as determined under applicable State law for the benefit year.

(7) The term "Secretary" means the Secretary of Labor of the United States.

(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico.

(9) The term "State agency" means the agency of the State which administers its State law.

(10) The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

(11) The term "week" means a week as defined in the applicable State law.

APPROVAL OF STATE LAWS

SEC. 206. Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (10) (added by section 121(a) of this Act) the following new paragraph:

"(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1970;"

EFFECTIVE DATES

SEC. 207. (a) Except as provided in subsection (b)—

(1) in applying section 203, no extended benefit period may begin with a week beginning before January 1, 1972; and

(2) section 204 shall apply only with respect to weeks of unemployment beginning after December 31, 1971.

(b)(1) In the case of a State law approved under section 3304(a)(11) of the Internal Revenue Code of 1954, such State law may also provide that an extended benefit period may begin with a week established pursuant to such law which begins earlier than January 1, 1972, but not earlier than 60 days after the date of the enactment of this Act.

(2) For purposes of paragraph (1) with respect to weeks beginning before January 1, 1972, the extended benefit period for the State shall be determined under section 203(a) solely by reference to the State "on" indicator and the State "off" indicator.

(3) In the case of a State law containing a provision described in paragraph (1), section 204 shall also apply with respect to weeks of unemployment in extended benefit periods determined pursuant to paragraph (1).

(c) Section 3304(a)(11) of the Internal Revenue Code of 1954 (as added by section 206) shall not be a requirement for the State law of any State—

(1) in the case of any State the legislature of which does not meet in a regular session which closes during the calendar year 1971, with respect to any week of unemployment which begins prior to July 1, 1972; or

(2) in the case of any other State, with respect to any week of unemployment which begins prior to January 1, 1972.

* * * * *

SEC. 905. EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

(a) Title IX of the Social Security Act is amended by striking out section 905 and inserting in lieu thereof the following new section:

"EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

"ESTABLISHMENT OF ACCOUNT

"Sec. 905. (a) There is hereby established in the Unemployment Trust Fund an extended unemployment compensation account. For the purposes provided for in section 904(e), such account shall be maintained as a separate book account.

"TRANSFERS TO ACCOUNT

"(b)(1) Except as provided by paragraph (3), the Secretary of the Treasury shall transfer (as of the close of July 1970, and each month thereafter), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal, in the case of any month before April 1972, to one-fifth, and in the case of any month after March 1972, to one-tenth, of the amount by which—

"(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

"(B) payments during such month from the employment security administration account pursuant to section 901 (b)(3) and (d).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.

"(2) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year beginning after June 30, 1972, there shall be transferred (as of the beginning of the succeeding fiscal year) to the extended unemployment compensation account the total amount of such excess or so much thereof as is required to increase the amount in the extended unemployment compensation account to whichever of the following is the greater:

"(A) \$750,000,000, or

"(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to one-eighth of 1 percent of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

"(3) The Secretary of the Treasury shall make no transfer pursuant to paragraph (1) as of the close of any month if he determines that the amount in the extended unemployment compensation account is equal to (or in excess of) the limitation provided in paragraph (2).

"TRANSFERS TO STATE ACCOUNTS

"(c) Amounts in the extended unemployment compensation account shall be available for transfer to the accounts of the States in the Unemployment Trust Fund as provided in section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1970.

"ADVANCES TO EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT AND REPAYMENT

"(d) There are hereby authorized to be appropriated, without fiscal year limitation, to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of the Federal-State Extended Unemployment Compensation Act of 1970. Amounts appropriated as repayable advances shall be repaid, without interest, by transfers from the extended unemployment compensation account to the general fund of the Treasury, at such times as the amount in the extended unemployment compensation account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Any amount transferred as a repayment under this subsection shall be credited against, and shall operate to reduce, any balance of advances repayable under this subsection."

(b) Section 903(a)(1) of the Social Security Act is amended to read as follows: "(1) If as of the close of any fiscal year after the fiscal year ending June 30, 1972, the amount in the extended unemployment compensation account has reached the limit provided in section 905 (b)(2) and the amount in the Federal unemployment account has reached the limit provided in section 902(a) and all advances pursuant

to section 905(d) and section 1203 have been repaid, and there remains in the employment security administration account any amount over the amount provided in section 901(f)(3)(A), such excess amount, except as provided in subsection (b), shall be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund."

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EXCERPT FROM PUBLIC LAW 92-599, OCTOBER 27, 1972

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AMENDMENT TO FEDERAL-STATE EXTENDED UNEMPLOYMENT
COMPENSATION ACT OF 1970

SEC. 501. Section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new sentence: "Effective with respect to compensation for weeks of unemployment beginning before July 1, 1973, and beginning after the date of the enactment of this sentence (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State 'off' indicator ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof."

* * * * *

EXCERPT FROM PUBLIC LAW 93-53, JULY 1, 1973

* * * * *

SEC. 5. Section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following: "Effective with respect to compensation for weeks of unemployment beginning before January 1, 1974, and beginning after the date of the enactment of this sentence (or, if later, the date established pursuant to State law), the State by law may provide that the determination of whether there has been a State 'off' indicator ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof and may provide that the determination of whether there has been a State 'on' indicator beginning any extended benefit period shall be made under this subsection as if (i) paragraph (1) did not contain subparagraph (A) thereof, (ii) the 4 per centum contained in subparagraph (B) thereof were 4.5 per centum, and (iii) paragraph (1) of subsection (b) did not contain subparagraph (B) thereof. In the case of any individual who has a week with respect to which extended compensation was payable pursuant to a State law referred to in the preceding sentence, if the extended benefit period under such law does not expire before January 1, 1974, the eligibility period of such individual for purposes of such law shall end with the thirteenth week which begins after December 31, 1973."

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EXCERPT FROM PUBLIC LAW 93-283, DECEMBER 31, 1973

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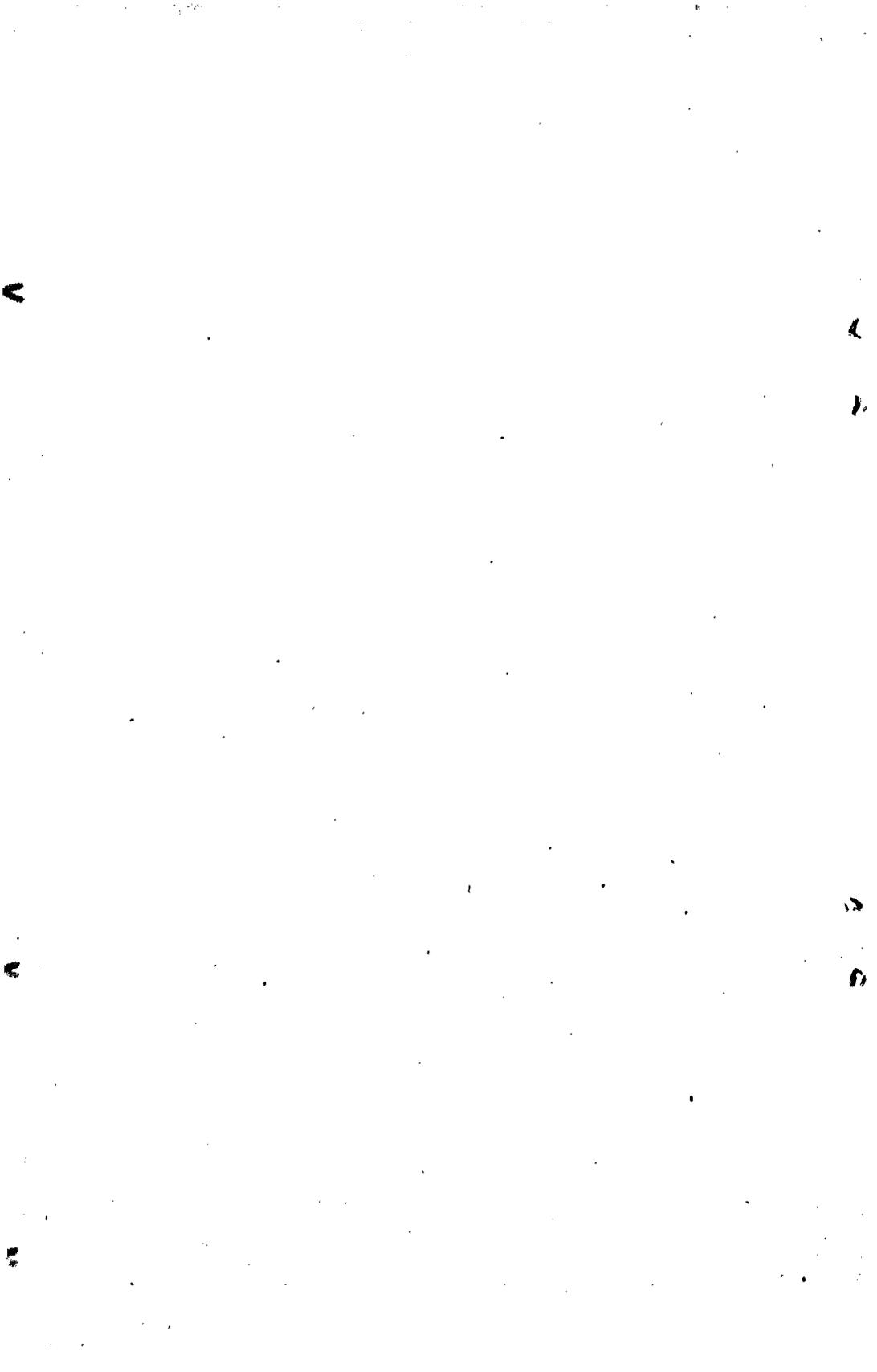
PROVISIONS RELATING TO UNEMPLOYMENT COMPENSATION

SEC. 20. Section 203(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new sentence: "Effective with respect to compensation for weeks of unemployment beginning before April 1, 1974, and beginning after December 31, 1973 (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State 'on' or 'off' indicator beginning or ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof."

EXCERPT FROM PUBLIC LAW 93-250, MARCH 28, 1974

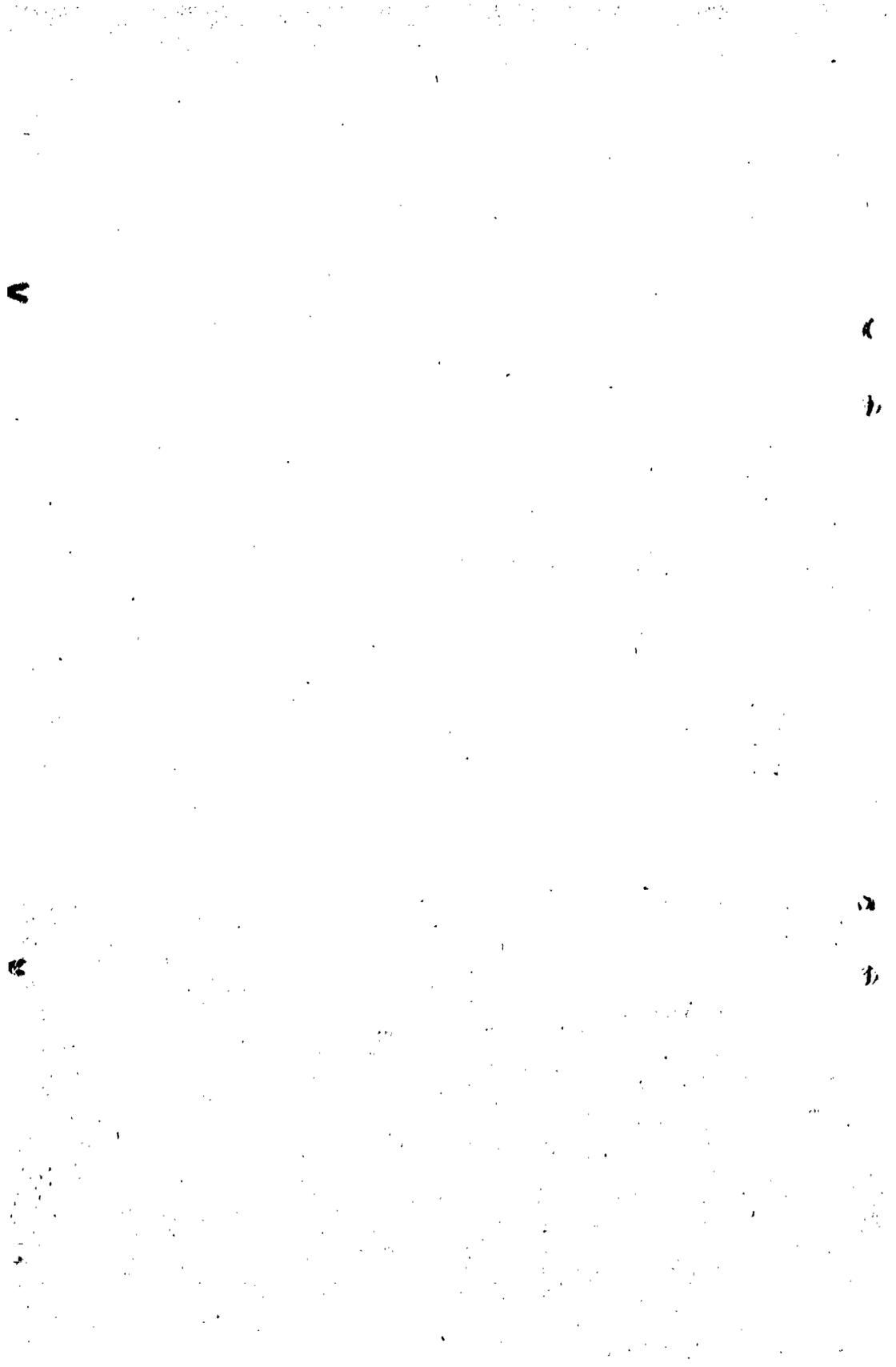
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SEC. 2. The last sentence of section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 (as added by section 20 of Public Law 93-233) is amended by striking out "April" and inserting in lieu thereof "July".



Appendix B

**Emergency Unemployment Compensation Act of 1971 and
Amendments**



Emergency Unemployment Compensation Act of 1971 and Amendments

EXCERPT FROM PUBLIC LAW 92-224, DECEMBER 29, 1971

* * * * *

**TITLE II—EMERGENCY UNEMPLOYMENT
COMPENSATION**
SHORT TITLE

SEC. 201. This title may be cited as the "Emergency Unemployment Compensation Act of 1971".

FEDERAL-STATE AGREEMENTS

SEC. 202. (a) Any State, the State unemployment compensation law of which is approved by the Secretary of Labor (hereinafter in this title referred to as the "Secretary"), under section 3304 of the Internal Revenue Code of 1954, which desires to do so, may enter into and participate in an agreement with the Secretary under this title, if such State law contains (as of the date such agreement is entered into) a requirement that extended compensation be payable thereunder as provided by the Federal-State Extended Unemployment Compensation Act of 1970. Any State which is a party to an agreement under this title may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) Any such agreement shall provide that the State agency of the State will make payments of emergency compensation—

(1) to individuals who—

(A)(i) have exhausted all rights to regular compensation under the State law;

(ii) have exhausted all rights to extended compensation, or are not entitled thereto, because of the ending of their eligibility period for extended compensation, in such State;

(B) have no rights to compensation (including both regular compensation and extended compensation) with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law; and

(C) are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada.

(2) for any week of unemployment which begins in—

(A) an emergency benefit period (as defined in subsection (c)(3)); and

(B) the individual's period of eligibility (as defined in section 205(b)).

(c)(1) For purposes of subsection (b)(1)(A), an individual shall be deemed to have exhausted his rights to regular compensation under a State law when—

(A) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period; or

(B) his rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) For purposes of subsection (b)(1)(B), an individual shall be deemed to have exhausted his rights to extended compensation under a State law when no payments of extended compensation under a State law can be made under such law because such individual has received all the extended compensation available to him from his extended compensation account (as established under State law in accordance with section 202(b)(1) of the Federal-State Extended Unemployment Compensation Act of 1970).

(3) (A)(i) For purposes of subsection (b)(2)(A), in the case of any State, an emergency benefit period—

(I) shall begin with the third week after a week for which there is a State "emergency on" indicator; and

(II) shall end with the third week after the first week for which there is a State "emergency off" indicator.

(ii) In the case of any State, no emergency benefit period shall last for a period of less than 26 consecutive weeks.

(iii) When a determination has been made that an emergency benefit period is beginning or ending with respect to any State, the Secretary shall cause notice of such determination to be published in the Federal Register.

(B)(i) For purposes of subparagraph (A), there is a State "emergency on" indicator for a week if—

(I) the rate of unemployment (as determined under subparagraph (C)) in the State for the period consisting of such week and the immediately preceding 12 weeks equaled or exceeded 6.3 per centum; and

(II) there (a) is a State or National "on" indicator for such week (as determined under subsections (d) and (e) of section 201 of the Federal-State Extended Unemployment Compensation Act of 1970), or (b) there is neither a State nor National "on" indicator for such week (as so determined), but (1) within the 52-week period ending with such week there has been a State or National "on" indicator for a week (as so determined), and (2) there would be a State "on" indicator for such week except for the provisions of section 203 (e)(1)(A) of the Federal-State Extended Unemployment Compensation Act of 1970.

(ii) For purposes of subparagraph (A), there is a State "emergency off" indicator for a week if, for the period consisting of such week and the immediately preceding 12 weeks, the rate of unemployment (as determined under subparagraph (C)) is less than 6.5 per centum.

(C)(i) For purposes of subparagraph (B), the term "rate of unemployment" means—

(I) the rate of insured unemployment (as determined under section 203(f) of the Federal-State Extended Unemployment Compensation Act of 1970), plus

(II) the 13-week exhaustion rate (as determined under clause (ii)).

(ii) The "13-week exhaustion rate" is the percentage arrived at by dividing—

(I) 25 per centum of the sum of the exhaustions, during the most recent 12 calendar months ending before the week with respect to which such rate is computed, of regular compensation under the State law, by

(II) the average monthly covered employment (as that term is used in section 203(f) of the Federal-State Extended Unemployment Compensation Act of 1970) of the State with respect to the 13-week period referred to in subparagraph (B)(ii).

(d) For purposes of any agreement under this title—

(1) the amount of the emergency compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to him during his benefit year under the State law; and

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall (except where inconsistent with the provisions of this title or regulations of the Secretary promulgated to carry out this title) apply to claims for emergency compensation and the payment thereof.

(e)(1) Any agreement under this title with a State shall provide that the State will establish, for each eligible individual who files an application for emergency compensation, an emergency compensation account.

(2) The amount established in such account for any individual shall be equal to the lesser of—

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation; or

(B) thirteen times his average weekly benefit amount (as determined for purposes of section 202(b)(1)(C) of the Federal-State Extended Unemployment Compensation Act of 1970) for his benefit year.

(f) No emergency compensation shall be payable to any individual under an agreement entered into under this title for any week prior to the week following the week in which such agreement is entered into, or if later, the first week beginning more than 30 days after the date of enactment of this Act. No emergency compensation shall be payable to any individual under such an agreement for any week ending after—

(1) June 30, 1972, or

(2) September 30, 1972, in the case of an individual who (for a week ending before July 1, 1972) had a week with respect to which emergency compensation was payable under such agreement.

**PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF
EMERGENCY COMPENSATION**

SEC. 203. (a) There shall be paid to each State which has entered into an agreement under this title an amount equal to 100 per centum of the emergency compensation paid to individuals by the State pursuant to such agreement.

(b) No payment shall be made to any State under this section in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this title.

(c) Sums payable to any State by reason of such State's having an agreement under this title shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which would have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

FINANCING PROVISIONS

SEC. 204. (a)(1) Funds in the extended unemployment compensation account (as established by section 905 of the Social Security Act of the Unemployment Trust Fund shall be used for the making of payments to States having agreements entered into under this title.

(2) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this title. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(b) There are hereby authorized to be appropriated, without fiscal year limitation, to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title. Amounts appropriated as repayable advances and paid to the States under section 203 shall be repaid, without interest, as provided in section 903(b)(3) of the Social Security Act.

(c) Section 903(b) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(3) The amount which, but for this paragraph, would be transferred to the account of a State under subsection (a) or paragraph (1) of this subsection shall (after applying paragraph (2) of this subsection) be reduced (but not below zero) by the balance of that portion of the advances made under section 204(b) of the Emergency Unemployment Compensation Act of 1971 which was used for payments to such State under section 203 of such Act. An amount equal to

the sum by which such amount is reduced shall be transferred to the general fund of the Treasury. Any amount transferred as a repayment under this paragraph shall be credited against, and shall operate to reduce, any balance repayable under this paragraph by the State to which (but for this paragraph) such amount would have been payable."

DEFINITIONS

Sec. 205. For purposes of this title—

(a) the terms "compensation", "regular compensation", "extended compensation", "base period", "benefit year", "State", "State agency", "State law", and "week" shall have the meaning assigned to them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970;

(b) the term "period of eligibility" means, in the case of any individual, the weeks in his benefit year which begin in an extended benefit period or an emergency benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period or in such emergency benefit period; and

(c) the term "extended benefit period" shall have the meaning assigned to such term under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970.

For purposes of any State law which refers to an extension under Federal law of the duration of benefits under the Federal-State Extended Unemployment Compensation Act of 1970, this title shall be treated as amendatory of such Act.

REPORT BY SECRETARY OF LABOR

Sec. 206. (a) The Secretary of Labor shall conduct a comprehensive study and review of the program established by the Emergency Unemployment Compensation Act of 1971, with a view to submitting to the Congress the report required to be submitted under subsection (b). Such study and review shall be conducted with particular regard to (1) the benefit payments made under such program, (2) projections of benefit payments which will be payable under such program after the period covered by such report, (3) the desirability of continuing such program after the period prescribed in section 202(f), and (4) the funding of the benefits payable under such program and the funding of benefits thereunder if such program should be continued after the period prescribed in section 202(f).

(b) On or before May 1, 1972, the Secretary of Labor shall submit to the Congress a full and complete report on the study and review provided for in subsection (a). Such report shall cover the period ending March 31, 1972, and shall contain the recommendations of the Secretary of Labor with respect to such program, including but not limited to, the operation and funding of such program, and the desirability of extending such program after the period prescribed in section 202(f).

PUBLIC LAW 92-329, JUNE 30, 1972

SEC. 1. Section 202(f) of Public Law 92-224 (relating to termination dates for purposes of the Emergency Unemployment Compensation Act of 1971) is amended—

(1) by striking out "June 30, 1972" and inserting in lieu thereof "December 31, 1972",

(2) by striking out "September 30, 1972" and inserting in lieu thereof "March 31, 1973", and

(3) by striking out "July 1, 1972" and inserting in lieu thereof "January 1, 1973".

SEC. 2. (a) Section 3301 of the Internal Revenue Code of 1954 (relating to rate of Federal unemployment tax) is amended by adding at the end thereof the following new sentence: "In the case of wages paid during the calendar year 1973, the rate of such tax shall be 3.28 percent in lieu of 3.2 percent."

(b) Section 6157(b) of the Internal Revenue Code of 1954 (relating to payment of Federal unemployment tax on quarterly or other time period basis) is amended by adding at the end thereof the following new sentence: "In the case of wages paid in any calendar quarter or other period during 1973, the amount of such wages shall be multiplied by 0.58 percent in lieu of 0.5 percent."

(c) Section 905(b)(1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "In the case of any month after March 1973 and before April 1974, the first sentence of this paragraph shall be applied by substituting 'thirteen fifty-eighths' for 'one-tenth'."

(d) Section 903(b)(3) of the Social Security Act is amended by adding at the end thereof the following new sentence: "No reduction shall be made under this subsection in the amount transferable to the account of any State by reason of emergency compensation paid to any individual for a week of unemployment ending after June 30, 1972."

(e) The second sentence of section 204(b) of the Emergency Unemployment Compensation Act of 1971 is amended to read as follows: "Amounts appropriated as repayable advances and paid to the States under section 203 shall be repaid, without interest (1) in the case of weeks of unemployment ending before July 1, 1972, as provided in section 903(b)(3) of the Social Security Act, and (2) in the case of weeks of unemployment ending after June 30, 1972, as provided in section 905(d) of such Act."