

EMERGENCY UNEMPLOYMENT COMPENSATION

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
FIRST SESSION

ON

S. 1274

A BILL TO AMEND THE WAR MOBILIZATION AND
RECONVERSION ACT OF 1944 TO PROVIDE FOR
AN ORDERLY TRANSITION FROM A WAR
TO A PEACETIME ECONOMY THROUGH
SUPPLEMENTATION OF UNEMPLOY-
MENT COMPENSATION PAYABLE
UNDER STATE LAWS, AND
FOR OTHER PURPOSES

AUGUST 29, 30, 31, SEPTEMBER 1, 3, AND 4, 1945

[REVISED]

Printed for the use of the Committee on Finance



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

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EMERGENCY UNEMPLOYMENT COMPENSATION

WEDNESDAY, AUGUST 29, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to call, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senator George (chairman), Walsh, Barkley, Byrd, Radcliffe, Lucas, McMahon, Vandenberg, Taft, Millikin, and Hawkes.

The CHAIRMAN. The committee will please come to order.

I believe we invited the members of the Postwar Committee to sit with us. If they come in, we will ask them to have seats and take part in the hearing.

The hearing this morning is on S. 1274, and on the general subject covered by that bill, which is a bill to amend the War Mobilization and Reconversion Act of 1944 to provide for an orderly transition from a war to a peacetime economy through supplementation of unemployment compensation payable under State laws, and for other purposes.

(S. 1274 is as follows:)

[S. 1274, 79th Cong., 1st sess.]

A BILL To amend the War Mobilization and Reconversion Act of 1944 to provide for an orderly transition from a war to a peacetime economy through supplementation of unemployment compensation payable under State laws, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the War Mobilization and Reconversion Act of 1944 is hereby amended by adding at the end thereof the following new title:

"TITLE VII—TEMPORARY RECONVERSION UNEMPLOYMENT BENEFITS

"DEFINITIONS

"SEC. 701. When used in this title—

"(a) The term 'reconversion period' means the period (1) beginning with the fifth Monday after the date of enactment of this title, and (2) ending June 30, 1947;

"(b) The term 'State' includes the District of Columbia, Alaska, and Hawaii;

"(c) The term 'compensation' means cash benefits payable to individuals with respect to their unemployment, exclusive of any payments with respect to dependents;

"(d) The term 'State weekly benefit amount' means the amount of compensation to which an individual is entitled (exclusive of any portion thereof payable with respect to dependents) with respect to a week of total unemployment, under the provisions of a State unemployment compensation law;

"(e) The term 'adjusted weekly benefit amount' means the sum of (1) the State weekly benefit amount of an individual, and (2) any supplementary compensation payable with respect to a week of total unemployment under an agreement or regulation pursuant to this title.

"AGREEMENTS WITH STATES

"Sec. 702. (a) The Director is authorized on behalf of the United States to enter into agreements with any State, or with the unemployment compensation agency of any State, under which such State agency will make, as agent of the United States, payments of compensation as authorized in this section with respect to unemployment occurring in the reconversion period.

"(b) Any such agreement shall provide—

"(1) for supplementing the amount of compensation payable to any individual during his benefit year in such amount that compensation will not be denied to any individual, by reason of exhaustion of his benefit rights, until he has been paid an amount of compensation equal to twenty-six times his adjusted weekly benefit amount; and

"(2) for such payments as are necessary to provide compensation on the basis of their adjusted weekly benefits amounts to individuals entitled to the maximum State weekly benefit amount payable under the State unemployment compensation law of any State in which such maximum State weekly benefit amount is less than \$25: *Provided*, That the adjusted weekly benefit amount of each such individual shall be determined by an appropriate extension (with a maximum adjusted benefit amount of \$25) of the method used under the State unemployment compensation law in determining the State weekly benefits amounts of individuals entitled to less than the maximum State weekly benefit amount; and

"(3) for the payment of compensation to any individual who performed services as a civilian in the employ of the Federal Government, including any wholly owned instrumentality thereof, and to any individual who performed services, in employment as defined in title II of the Social Security Act as an officer or member of the crew of a vessel, equal to the compensation which would be payable to such individual under the District of Columbia Unemployment Compensation Act, as amended (as supplemented under paragraphs (1) and (2) of this subsection), if such services had been performed in the District of Columbia and had not been excluded from the definition of employment in such Act; and

"(4) for the payment of compensation to any individual who performed services in handling, drying, packing, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, equal to the compensation which would be payable to such individual under the State unemployment compensation law (as supplemented under paragraphs (1) and (2) of this subsection) if such services had not been excluded from the definition of employment in such law.

"(c) Any State which enters into an agreement to pay compensation in accordance with subsection (a) of this section may include in its agreement provision for—

"(1) payment of compensation to individuals on the basis of adjusted weekly benefit amounts which do not exceed \$25 and do not exceed two-thirds of the individual's previous weekly earnings, as defined and determined by the State unemployment compensation agency;

"(2) payment of compensation to any class or classes of individuals who would be entitled to compensation under the State unemployment compensation law except for existing or prior exclusions from the definition of employment in such law, or except for existing or prior limitations of coverage in such law based on the amount of pay roll or number of employees of, or the duration or frequency of employment by, the employing unit, such compensation to be in the same amounts, on the same terms, and subject to the same conditions as are provided in such law (including payments thereunder with respect to dependents), together with supplemental payments made in accordance with subsection (a) of this section.

"PAYMENTS BY THE DIRECTOR

"Sec. 703. If a State fails to enter into an agreement with the Director or fails to make payments specified in section 702 (b), the Director, in accordance with regulations prescribed by him, shall make payments to individuals under conditions, for period, and in amounts, substantially equivalent to payments which would have been made to them from Federal funds had the State made

payments under an agreement meeting, but not exceeding, the requirements of such subsection. Final determinations by the Director of entitlement to such payments shall be subject to review in court in the same manner and to the same extent as is provided in title II of the Social Security Act, as amended, with respect to decisions by the Social Security Board under such title.

"REDUCTIONS OF BENEFITS

"SEC. 704. Any agreement under this title shall provide that compensation otherwise payable to any individual under the State's unemployment compensation law will not be denied or reduced for any week by reason of any payment made pursuant to such agreement or section 703 and that no compensation shall be paid under such agreement on account of any employment or service which may be the basis for payments under any Federal law providing unemployment compensation.

"ADMINISTRATION

"SEC. 705. (a) Determination of entitlement to supplementary payments of compensation made by a State unemployment compensation agency under an agreement under this title shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in such manner and to such extent.

"(b) For the purpose of payments made to a State under title III of the Social Security Act, as amended, the administration by the unemployment compensation agency of such State of an agreement under this title shall be deemed to be a part of the administration of the State unemployment compensation law.

"PAYMENTS TO STATES

"SEC. 706. (a) Each State entering into an agreement under this title shall be entitled to be paid an amount equal to the total of all supplementary payments made in accordance with such agreement.

"(b) In making payments pursuant to subsection (a) of this section, there shall be paid to the State, either in advance or by way of reimbursement, as may be determined by the Director, such sum as the Director estimates the State will be entitled to receive under this title for each calendar quarter; reduced or increased, as the case may be, by any sum by which the Director finds that his estimates for any prior calendar quarter were greater or less than the amounts which should have been paid to the State. The amount of such payments may be determined by such statistical, sampling, or other method as may be agreed upon by the Director and the State agency.

"(c) The Director 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, at the time or times fixed by the Director, in accordance with such certification from the funds appropriated to carry out the purposes of this Act.

"(d) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury, upon termination of the agreement or the reconversion period, whichever first occurs.

"(e) An agreement under this title may require any officer or employee of the State certifying payments of disbursing funds pursuant to the agreement, or otherwise participating in its performance, to give a surety bond to the United States in such amount as the Director may deem necessary, and may provide for the payment of the cost of such bond from appropriations for carrying out the purposes of this Act.

"(f) No person designated by the Director, or designated pursuant to an agreement under this title, as a certifying officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to the payment of any compensation certified by him under this title.

"(g) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this title if it was based upon a voucher signed by a certifying officer designated as provided in subsection (e).

"SEC. 707. The State unemployment compensation agency of each State shall furnish to the Social Security Board, for the use of the Director, such informa-

tion as the Director may find necessary in carrying out the provisions of this title, and such information shall be deemed reports required by the Social Security Board for the purposes of section 303 (a) (6) of the Social Security Act.

"TRANSPORTATION ALLOWANCES

"**SEC. 708.** In order to facilitate the placement of unemployed workers in jobs and to reduce the burden on communities and unemployment insurance funds, the United States Employment Service is authorized to provide transportation, including transportation of dependents and household effects, for civilian workers who have been employed in activities essential to the war effort, from the place of such employment to any place at which the United States Employment Service certifies there are available suitable job opportunities: *Provided*, That the cost of such transportation shall not exceed for any worker the amount allowable for civilian employees of the several departments and independent establishments of the Federal Government under the Standard Government Travel Regulations upon transfer from one official station to another."

SEC. 2. (a) Section 700 (a) of the Servicemen's Readjustment Act of 1944 is amended by striking out the word "weeks" which occurs after the word "fifty-two" and inserting in lieu thereof the following: "times his allowance for a week of total unemployment,".

(b) Section 900 of such Act is amended to read as follows:

"**SEC. 900.** (a) The allowance for a week shall be—

"(1) \$25, plus—

"(2) \$5 if the claimant has one or more dependents: less that part of the wages payable to him for such week which is in excess of \$3: *Provided*, That where the allowance is not a multiple of \$1, it shall be computed to the next highest multiple of \$1; and

"(b) As used in this section the term 'dependent' means any dependent as defined in the Servicemen's Dependents Allowance Act of 1942, as amended, who, in the week for which an allowance is claimed, has not received \$5 or more either as wages, or as an allowance under this title, or under any Federal or State unemployment or disability compensation law;

"(c) The Administrator may find an individual to be a dependent of the claimant if the claimant has certified the facts required by the provisions of this section."

(c) This section shall become effective with respect to unemployment which occurs after the first Sunday of the first calendar month which begins after the date of enactment of this Act.

The CHAIRMAN. Senator Kilgore, the author of the bill is present, and, Senator, we will be very glad to have you proceed with your statement.

**STATEMENT OF HON. HARLEY M. KILGORE, UNITED STATES
SENATOR FROM WEST VIRGINIA**

Senator KILGORE. Mr. Chairman, in appearing before the Senate Committee on Finance today, I am speaking in behalf of the immediate passage of S. 1274 which was introduced by Senators Murray, Wagner, Guffey, Thomas of Utah, Pepper, and myself in July 17, 1945.

Senator BARKLEY. Mr. Chairman, I would like to suggest to the Senator that I have read the bill, and it seems to me unnecessarily involved and complicated in language. If you will simplify it, Senator Kilgore, in your testimony I will appreciate it. I realize it is probably drawn on the basis of the Social Security Act and involves a lot of terminology that you will have to read the act to understand.

It seems to me, upon reading it, it can be vastly simplified so as to make it a little more understandable.

Senator KILGORE. The handicap in drafting the bill was the background of the social-security law within which we had to stay, and for that reason, wherever possible we had to use the language of the social-security law, which I will admit is somewhat involved.

Senator BARKLEY. There are some parts of it that not only a Philadelphia lawyer but a Paducah lawyer could not understand.

The CHAIRMAN. All right, Senator, you may proceed.

Senator KILGORE. Since this bill embodies a program recommended by President Truman on May 28, 1945, Mr. Chairman, I would like permission to insert the President's message at this point in the committee record.

MESSAGE FROM PRESIDENT TRUMAN—COVERAGE OF UNEMPLOYMENT
COMPENSATION DURING POSTWAR TRANSITION PERIOD

May 28, 1945

The PRESIDENT pro tempore. The Chair lays before the Senate a message from the President of the United States, which will be read.

The Chief Clerk read as follows:

To the Congress of the United States:

The Congress and the executive branch of the Government have already moved to prepare the country for the difficult economic adjustments which the Nation will face during the transition from war to peace.

First. The Congress has created the Office of War Mobilization and Reconversion to coordinate the reconversion activities of all Federal agencies, and that Office has established basic reconversion policies.

Second. Specific laws have been enacted by the Congress setting forth the policies and providing the administrative machinery for contract termination, plant clearance, financial aid to business, and the disposition of surplus property.

Third. Our military and civilian agencies have prepared themselves to expedite industrial reconversion and reemployment.

Fourth. As part of an over-all program for returning veterans the GI bill of rights provides "readjustment allowances," weekly cash benefits to veterans until they are able to obtain jobs.

Fifth. Congress has permitted business to carry back postwar losses against excess-profits-tax payments during the reconversion period.

Sixth. Congress has established support prices for agricultural products so that farmers will be protected against a postwar collapse of income.

There remains however, a major gap in our reconversion program: the lack of adequate benefits for workers temporarily unemployed during the transition from war to peace. I urge the Congress to close this gap.

I am confident that, with appropriate measures, we can avoid large-scale and lengthy unemployment during the transition period. However, some temporary unemployment is unavoidable, particularly when total demobilization becomes possible. Even if reconversion proceeds rapidly, no amount of planning can make jobs immediately available for all displaced personnel. We must provide maximum security to those who have given so fully of themselves on the fighting and production fronts. The transition from war to peace is part and parcel of the war and we cannot shirk our obligation to those temporarily unemployed through no fault of their own.

To produce what is needed for the Pacific war we must appeal to the workers to accept and remain in jobs which they ultimately must lose when munitions production ceases. The Government has thus incurred a moral obligation to these workers and to those who have stuck faithfully to their posts in the past.

To fulfill this obligation; we must rely principally upon our existing system of unemployment insurance. However, the existing State laws embrace three major defects:

First. Only about 30,000,000 of our 43,000,000 nonagricultural workers are protected by unemployment insurance. The absence of protection for Federal Government employees—in navy yards, arsenals, and Government offices—is particularly inequitable, since these workers are subject to risks of unemployment similar to the risks of those who work for private employers. Lack of protection for employees of small establishments and for maritime workers also constitutes a serious shortcoming in the present programs.

Second. The weekly benefit payments provided under many of the State laws are inadequate to maintain purchasing power and to provide a reasonable measure of economic security for the workers. Most States fix a maximum rate of \$15 to \$18 a week. This is clearly inadequate to protect unemployed workers against ruthless cuts in living standards, particularly if they have families.

Third. The length of time for which benefits are paid is too short. In nearly one-third of the States, no worker can receive more than 16 weeks of benefits in any year, and many workers do not qualify even for this length of time.

Therefore, I recommend specifically that Congress take emergency action to widen the coverage of unemployment compensation and to increase the amount and duration of benefits, at least for the duration of the present emergency period of reconversion. Basically, this can be accomplished only by amending the Social Security Act so as to induce State laws to provide more adequately for anyone who is unemployed.

To be sure, the States have large sums in the unemployment fund. But, since changes of State laws cannot be effected overnight, I propose that the Congress, during this emergency period, extend the coverage of unemployment compensation to include Federal employees, maritime workers, and other workers not now insured. Moreover, I see no feasible way to make benefits payable to such workers, unless they are financed entirely by the Federal Government during the present emergency. The benefits should appropriately be administered by the States.

I also recommend that Congress provide, through supplementary Federal emergency benefit payments, minimum standards for the weekly rate and duration of unemployment benefits. Every eligible worker should be entitled to 26 weeks of benefits in any one year, if his unemployment continues that long. The maximum payment, at least for the worker who has dependents, should be raised from present levels to not less than \$25 per week. In this connection, Congress will no doubt wish to reexamine the readjustment allowance provisions of the GI bill of rights. All payments should be made through the existing unemployment compensation machinery of the several States, just as payments to veterans are now made.

These provisions are essential for the orderly reconversion of our wartime economy to peacetime production. They are badly needed for the duration of the reconversion period.

Decent unemployment benefits would serve as a bulwark against postwar deflation. By assuring workers of a definite income for a definite period of time, Congress will help materially to prevent a sharp decline in consumer expenditures which might otherwise result in a downward spiral of consumption and production. Adequate unemployment insurance is an indispensable form of prosperity insurance.

Congress will soon deal with the broader question of extending, expanding, and improving our social-security program, of which unemployment insurance is a part. Although such improvement is fundamental, congressional deliberations on the broad issues will take time. On the specific issue of unemployment benefits, we may not have time available. We are already entering the first phase of reconversion; we must be prepared immediately for the far larger problems of manpower displacement which will come with the end of the war in the Pacific.

I earnestly hope, therefore, that the appropriate committees of Congress will undertake immediate consideration of the emergency problem.

HARRY S. TRUMAN.

Mr. Chairman, my testimony will be limited to a general discussion of the need for S. 1274 and its principal provisions. Certain of the executive agencies, notably the Office of War Mobilization and Reconversion, the Social Security Board, and War Manpower Commission have at my request, furnished me with selected technical data pertinent to the bill. With your permission I would like to offer these data as well as certain special analyses as a series of exhibits to be included as part of my testimony. I shall not undertake to go into technical details of administration or statistics since I am sure you will be calling on Government and private experts for this purpose.

Mr. Chairman, the Chairman of the Social Security Board stated that he would be glad to discuss the technical and administrative details of the bill with the committee, and various other officials of Government departments may go into the technical details. I do not care to burden the committee this morning by going into the technical and administrative details. I will go chiefly into the question of the need for the bill.

IMPENDING RECONVERSION UNEMPLOYMENT

The readjustment period following the end of the Japanese war involves a major job of shifting to peacetime production following the cut-backs in war contracts. Almost inevitably this means temporary interruptions in business and employment. No matter how fast the reconversion is achieved, there is likely to be a period of a year or more during which production will continually fail to absorb a large part of the Nation's labor force.

For labor this means a severe shock. Millions of lay-offs are occurring in munitions industries as well as in the subsidiary industries.

According to one set of estimates prepared by the War Manpower Commission unemployment will reach a peak of approximately 8½ million by December 1946 and by July 1947 will still be above 7½ million.

Those figures are included in exhibit Ia which I am filing with this statement.

Whatever one's individual idea may be of the size of the unemployment during the next 2 years it is clear that we are faced with stupendous reemployment problems. Munitions production will decline from their 13½ billion dollar level under 2 billion in less than a year. (See exhibit Ib.)

Government war expenditures which skyrocketed from a billion dollars a year in 1939 to about eighty-five billion in 1944 (see exhibit Ic) will within the coming 2-year period fall to a few billion dollars. Looked at from the human viewpoint some 9,000,000 servicemen will be returning to civilian life and will find themselves part of a labor force which has been expanded by roughly 11,000,000 persons during the war period or from 52½ million in 1939 to 63½ million in 1945. (See exhibit Id.) In addition to 9,000,000 veterans who will seek reemployment there will possibly be an equal number of laid off in munitions industries as well as in the service industries attached to war-swollen production areas.

In certain sections of the country which have been devoted almost entirely to munitions production, new "depressed areas" will develop in which business becomes practically nonexistent and unemployment almost complete. The returning war veterans, nearly all of them seeking jobs, are adding more labor to a wartime-inflated labor force.

It is true that in addition to the normal growth of the labor force by about 3 to 4 million some 6 to 7 million workers entered the labor market during the war emergency.

Of course, many wartime emergency workers are retiring from the labor market after the war. At least half a million persons beyond age 65 can reasonably be expected to drop out of the labor market after the strenuous years of war production. Many of the 600,000 servicemen's wives will undoubtedly become homemakers exclusively, although they may stay in the labor market temporarily until their soldier husbands find satisfactory peacetime jobs. Many of the younger workers under age 20 will decide to return to school in order to complete their training or education.

On the other hand, a very large proportion of the handicapped and marginal workers are going to cling tenaciously to their newly won status of self-support. It will be a bitter experience for many of them if they find themselves pushed out of the labor market by a shortage

of jobs. Comparable with this group may be some hundreds of thousands of veterans who have suffered war injuries of one kind or another and who will require special placement and employment opportunities after the war. Probably many of the older married women will also want to remain in the labor market indefinitely. These women are available for work; many have proved highly satisfactory employees in wartime; and most of them do not have a full-time job in the home.

This is why reconversion unemployment occurring soon after the end of the Pacific war will cause such a shock to the economy. If business in the next year should fall to the level of March 1939, with only 43,000,000 jobs at prewar weekly hours, but with 57,000,000 job seekers after allowing for men in the armed forces, the resulting insecurity and unemployment can best be left to the imagination. There would be such a scramble for jobs and such cutthroat competition on the part of veterans, war workers, young workers, old workers, men workers and women workers, white workers and colored workers, that the general safety and stability of the Nation might be endangered. If there is one thing certain after this war, it is that we cannot afford to go back to prewar employment levels, wages, earnings, and incomes. The first and most vital postwar problem which faces us is how to insure that we do not fall back to that level.

The creation of full employment for many millions is a task of substituting a tremendous consumer market for the huge war purchases of the Federal Government. Unless thriving construction and consumers goods industries replace munitions industries, full employment will not be achieved. Unemployment compensation is only one small part of a large program to provide for full production, full employment and full consumer purchasing power: A program embodying the ideas of some of my colleagues and myself is contained in exhibit II:

WHY EMERGENCY UNEMPLOYMENT COMPENSATION LEGISLATION?

Unemployment benefits were designed as a form of monetary relief. It is a stopgap bolstering consumer purchasing power of the unemployed, alleviating individual hardships until the economic system can provide jobs for able and will willing workers.

The basic monetary protection required by all types and classes of workers during a violent transition period of the type we are describing is unemployment benefits, adequate both in duration and amount to tide the workers over their readjustment. Those benefits should be paid promptly, after a short waiting period, to persons who are unemployed. In this way all workers, whether unemployed or not, will have a sense of security and consciousness of a resource which will support the family's income while necessary industrial changes are taking place.

We now have a system of unemployment benefits but this system is inadequate even on an emergency basis. The President in his message of May 28, pointed out that it was defective in coverage, size of benefits paid, and duration. S. 1274 seeks to correct these defects on an emergency basis, make comparable improvements in the GI bill of rights and in addition to provide emergency reemployment travel allowances. A detailed summary of its provisions is contained in exhibit III.

Mr. Chairman, I have just returned from one of the hottest spots in the employment set-up, I believe even hotter than Detroit, Senator Vandenberg, and that was the west coast, which until now, has never been an industrial section, and where they have a high concentration of airplane factories and shipyards, and the cut-backs in that area are causing very severe dislocations.

For example, in the State of Washington, the Unemployment Compensation Commissioner—and, incidentally in that State they have a law which provides for the identical payments contained in this bill—has been busily engaged for some time in setting up places for registration of these workers in high-school auditoriums and in armories where armories are available in these industrial centers where they are being laid off by the thousands on no notice at all.

We are also faced with this problem, I think, as has happened to me several times recently: Owners of plants and workers have come and requested that we continue the wartime contracts, to keep from causing too much suffering. Well, we cannot go ahead and make munitions cheaper if we do this.

Incidentally, the laws, as Senator Vandenberg commented before we started the session, have changed materially in a number of States. I have prepared a chart which shows the present status of those laws, and I have furnished the members of the committee with the chart as an exhibit, and prepared a chart as an exhibit which shows the changes since you last considered the question of unemployment compensation, changes that have taken place in the various States, by State.

Now, Mr. Chairman, I hold no brief for this bill as a solution to many problems of unemployment compensation. It is designed solely to meet a few simple aspects of the broad and complicated problem of unemployment compensation. It only expands the present system on an emergency level in order to meet pressing reconversion needs.

The principles of the present system remain unchanged by the bill. The bill does not —

1. Give \$25 every Thursday to everyone. An applicant must be able to and available for work as now required under State law, and must have earned wages high enough so that the percentage rate yields at least this figure.

2. It does not federalize unemployment compensation.

Senator HAWKES. Mr. Chairman, may I ask Senator Kilgore how long a period of employment is equivalent to \$25 a week before he is eligible?

Senator KILGORE. Under most State laws, it is based upon a high quarter's earnings in a base period. It follows the social-security set-up.

Senator HAWKES. You mean it is based upon a 3-months' prior period of employment?

Senator KILGORE. Yes.

Senator HAWKES. Thank you.

Senator KILGORE. Now the bill does not federalize unemployment compensation. It leaves the administration in the hands of the State, and it also leaves the expenditures of the administration, except in certain mandatory classes, in the State. The State does not have to pay it, except in certain mandatory classes, and it allows them to administer the supplementary benefits if they so choose. In other words, they may not choose to use any supplementary benefits. It

also leaves in force, except in certain specific categories not now covered in any State, the terms and conditions under which unemployment compensation can be paid.

Senator VANDENBERG. Senator, while it does not federalize unemployment compensation, is there much doubt in your mind, if we proceed to standardize rates across the country for the next 2 years, that that system would continue thereafter?

Senator KILGORE. Yes; there is very serious doubt in my mind that it would continue. I think what would probably happen, Senator Vandenberg, would be that the States, of their own volition, would tend to standardize their rates, and administer them by States. That is one reason why we stayed completely out of any interference with the present State set-up, except to offer them supplementary assistance in the bill, rather than endeavor to force, to thrust, it upon them.

Senator VANDENBERG. There is no incentive in this bill for the States themselves to increase their own rates?

Senator KILGORE. No.

Senator VANDENBERG. It is quite the contrary. The State that has not come up to what we might call an increase in level of unemployment compensation actually gets the cash advantage for its dereliction.

Senator KILGORE. You are absolutely right, Senator. I want to take that up a little later, what I think should be a suggested amendment that should go in the bill.

Senator VANDENBERG. All right.

Senator LUCAS. Do you discuss the mandatory cases?

Senator KILGORE. Yes; I am going to do that a little later.

Senator BARKLEY. Before you get to that, you mentioned the fact that the State can accept or not as it pleases.

Senator KILGORE. As to its own covered people.

Senator BARKLEY. In other words, if the State does refuse to enter into this agreement provided for in the bill as to those that are covered by its own laws, this bill does not apply so as to supplement what they get.

Senator KILGORE. They do not have to accept it, if they do not want it, and they, incidentally, do not have to raise their rates.

Senator BARKLEY. Does the Federal Government proceed to pay the difference directly in case there is no agreement at all, Senator?

Senator KILGORE. On certain mandatory classes and for all presently covered workers it does.

Senator BARKLEY. They are very limited though?

Senator KILGORE. It is limited to these groups. Now, it does not take the place of permanent amendments to the unemployment compensation system which are now being studied by the Congress. There is no effort in the bill to amend the unemployment-compensation system as it now stands.

It does not correct many of the defects which the sponsors believe exist in the present State unemployment compensation laws, such as the harsh disqualification provisions and the inevitable inequities which exist under a State-by-State system.

To put it very simply, the sponsors do not feel that there is time enough, because of the pressing need for immediate action, to request and ask for a complete overhauling of unemployment compensation as a first action of Congress.

In other words, this is purely emergency legislation for a definite period of 2 years.

SIZE AND DURATION OF UNEMPLOYMENT BENEFITS

It has been generally recognized that under an adequate unemployment insurance system benefits should be large enough to compensate for a fair proportion of wage loss (50 to 75 percent) up to a reasonable maximum and should be sufficient, without other public aid, to provide minimum living needs.

The States started out with low maximum size of benefit and duration provisions. Despite liberalization of some State laws, the system as a whole has failed to liberalize particularly in keeping with war conditions.

Senator HAWKES. Mr. Chairman, may I ask the Senator a question right here?

The CHAIRMAN. Yes, Senator Hawkes.

Senator HAWKES. Are you going to discuss the eligibilities of the individuals later on? If you are, I will not interrupt here. What I have in mind is this. I have talked with a great many people who are in favor of this law, and some who are opposed to it, and all of them have in mind the question of whether the individual should have the right to refuse one perfectly good job because he does not want to take it, and yet come to the Government and have the Government pay him unemployment compensation.

Senator KILGORE. As I stated before, on those technical things which occur in the State, I prefer to wait until later and let one of the experts who knows all the State laws take that up, because the bill still leaves, except within the limited mandatory groups, the various requirements of the States in effect, as to whether or not a man gets anything. In other words, it depends upon the law in effect in the particular State involved, as to whether he is disqualified or not, unless he comes within the mandatory classes.

Senator HAWKES. That is perfectly agreeable to me, sir.

Senator BARKLEY. The bill does not change the eligibility as described in the State law?

Senator KILGORE. That is right, as to the people covered by the State laws.

Senator BARKLEY. Except in the mandatory cases.

Senator KILGORE. Except in the mandatory cases. It does not change the eligibility qualification covered by the State laws.

The CHAIRMAN. On those not covered by the State laws, such as the Government workers in arsenals, and so forth, you adopt the District of Columbia system?

Senator KILGORE. The District of Columbia qualification system and disqualification system, that having been passed by the Congress as the law governing the District.

We adopted that as probably the best example of how the thing should be administered.

Senator RADCLIFFE. Senator Kilgore, following out what has just been said, does the bill attempt to give any consideration to the fact that many of the people have migrated again to different parts of the country and some might prefer to stay in their new homes, and some would like to go back to where they did live?

Senator KILGORE. Yes; or to go elsewhere where there is a job.

Senator RADCLIFFE. Does it attempt in any way to cover that field?

Senator KILGORE. Yes; it covers it by the transportation feature.

For instance, the complaint I ran into in California and Washington was the statement that, either directly or indirectly, a great number of their migrants had been brought in to them at Government expense, and a lot of them felt that those people who could not find a job in California, and for whom there was no possibility of building a job, that the Government, having brought them in there, should also take the responsibility of helping them get out.

Senator RADCLIFFE. Let me ask you this: Suppose a man moved from one State to another in order to do more work, and there is no opportunity for him in the place where he has been working but there is an opportunity, a suitable opportunity, in the place where he did live; in those cases the Government is willing to help in the matter of transportation; is that right?

Senator KILGORE. Yes.

Senator RADCLIFFE. Suppose the individual does not want to go back; suppose he prefers to stay where he has migrated, what would be the effect in that case?

Senator KILGORE. The effect would be that he would stay there with the hopelessness of being able to get a job or get his unemployment compensation.

Senator RADCLIFFE. You have unlimited discretion in that respect?

Senator KILGORE. The bill does not force him to move. I do not believe you could force him to move under the American system.

Senator RADCLIFFE. I wondered if you had unlimited discretion.

Senator KILGORE. The last time we attempted to write a bill to do that, we were charged with just about everything in the world on the question of totalitarianism from that viewpoint. So, I do not think there is any way to cure that.

Senator LUCAS. If he remained, he still would be entitled to unemployment compensation?

Senator KILGORE. He might still be entitled to unemployment compensation if he qualified under the State law.

Senator LUCAS. Then he would be on his own.

Senator KILGORE. Under the State regulation. In one place, in the West, they have a ruling, for instance, if a man stays 4 weeks on unemployment compensation and there is no job for him and no job in prospect, and there are jobs elsewhere and he has refused to apply for the job or hold himself in readiness to accept employment, then his rights are barred. I ran into that in one part in California or Oregon—I forget which it was. That is a question for local adjustment.

Senator BARKLEY. Your bill does not provide for transportation just to get him out of the State where he is but he has got to be headed for a job; is that right?

Senator KILGORE. There must be a prospect of employment at the place to which he is going.

Senator HAWKES. Senator, what does a prospect of employment mean? Does it mean a real opportunity for a job?

Senator KILGORE. It means a real opportunity through the Employment Service.

Senator HAWKES. In other words, it is actually a job.

Senator KILGORE. It is actually a job there that he could get, if he could fill it.

Senator VANDENBERG. Is there any substantial difference, Senator, between that provision for migratory workers and the provision in the bill as it passed the Senate?

Senator KILGORE. Yes, there are some differences.

Senator VANDENBERG. The Senate has already approved that general principle. We collided with the House; isn't that the fact?

Senator KILGORE. This is a little closer drawn and does not allow as much leeway as the other one did.

Senator VANDENBERG. In other words, if the Senate approved this provision in its own bill a year ago it ought to approve this provision now?

Senator KILGORE. That is right. It is a little more tightly drawn in this bill than in the other one.

Senator VANDENBERG. I would like to clear my mind on this because it is fundamental to the whole thing. Under your proposal you are standardizing across the country a rate of compensation at \$25. Let me make a couple of comparisons. The average weekly wage of workers covered by unemployment compensation in Arkansas is \$26.99. In California, it is \$51.97. Now, let us take another comparison—

Senator KILGORE. All right; wait just a second.

Senator VANDENBERG. Let me give you one more. In Michigan, it is \$55.18, and in Mississippi it is \$21.91. My question is: Does your bill ignore those differentials or do those differentials continue?

Senator KILGORE. Those differentials continue, because there are two factors that govern the amount of compensation paid. If the State so elects, he may receive not to exceed two-thirds of his average weekly wage during the base period, but in no case to exceed \$25. Take the wage of \$27 you refer to, that would mean an average compensation of \$18, you see, or two-thirds of the \$27.

In other words, it does not boost the \$27 man. He cannot get more than two-thirds of his wage during the base period.

Senator VANDENBERG. So, as a matter of fact, the differential in actual wages remains?

Senator KILGORE. Oh, yes.

Senator VANDENBERG. I think that is a very important thing to make plain.

Senator KILGORE. The differential remains, Senator, except for the fact that there is a ceiling. He cannot get two-thirds of the \$55 a week; he can only get less than one-half of it—he gets \$25. That would be his maximum. If the two-thirds would not equal \$25, then he gets \$23 or whatever the figure may be.

Senator WALSH. If his wage was \$45, two-thirds of that would be \$30, and he could get only \$25.

Senator KILGORE. He could get \$25.

Senator RADCLIFFE. Senator Kilgore, we know there has been a movement going on for a number of years from the rural districts, especially from the farms, to the cities, and many people are insisting on living in the cities when there are no opportunities for employment there and when they are fitted to work on the farms, they having had experience doing that sort of work and also having engaged in gainful occupations in rural districts. I realize this is a difficult matter to handle, but does this bill in any way discourage that tendency?

Senator KILGORE. This bill does discourage that tendency, and it probably encourages some of them to go back to the farm. Not finding a job in the city they might decide to go back to the farm where living is cheaper and eventually stay there. There is an incentive to get them back to their normal employment by sort of cushioning the shift in the transition period by unemployment compensation.

Senator RADCLIFFE. I realize the difficulty in many specific cases. I think most people are agreed there could be a rather wholesome readjustment in that respect, if it can be carried out.

Senator KILGORE. The minute you start out with that everybody will say, "Regimentation to the 'nth' degree."

Senator MCMAHON. The War Manpower Commission made the estimate that there were 7,000,000 who changed their residences; 3,000,000 changed their residences in the State and 4,000,000 changed their residences from one State to another. Can you give an estimate as to how many of them are in the three Pacific coast States?

Senator KILGORE. Here is a map, of which we will have enough to go around, prepared by the Bureau of the Census, which shows the migration increases, where the increase of population by migration has exceeded certain percentages, which I will furnish the committee. You will find in some portions of California, and also some portions of Washington and Oregon, there have been increases of 15 or more percent by migration from the Eastern States into those areas, whereas in the East you will find great areas in which there has been a loss or decrease by migration in excess of 15 percent.

Senator VANDENBERG. What is the Michigan figure? Can you give it to me?

Senator KILGORE. The Michigan figure is given by areas all over Michigan. You will be interested in this exhibit. It shows where the increase has taken place, and I am furnishing you a complete statement of the Bureau of the Census as one of the exhibits in connection with this statement. It is based upon number of counties, the counties in which there has been an increase and the population changed. Now, the population change in counties of the United States between 1940 and 1943 was over 15,000,000 up to 1943 (see exhibit VIIIa), and it has increased vastly since then.

You asked, for instance, about the west coast States. The statistics on the State of California show an in-migration of workers, not population but actual workers, in excess of 800,000 from other States, as of—I believe it was March 1 this year, largely concentrated into three areas, San Francisco, Los Angeles, and San Diego. The job picture there, according to one set of statistics prepared by a professor of Leland Stanford University who had been detailed by the Governor, as chairman of the committee, to study it, showed a jobless population, including the men coming back from the service, of around 1,000,000 people that they could not at present find jobs for, unless additional jobs could be obtained.

Senator MCMAHON. The census has adopted a polling technique somewhat modeled after the Gallup Poll.

Senator KILGORE. You must realize in that migration, Senator McMahon, you have got a tremendous military service migration. In the State of California, for instance, it showed some 35,000 mi-

grants from other States who were inducted into the services from the State of California.

Senator McMAHON. The census has adopted a polling technique somewhat modeled after the Gallup Poll. Do you know whether or not they have made any investigation by way of polling as to how many of those people intend to remain in those States?

Senator KILGORE. Yes. I do not have the exact figures right now, but in some places as much as 65 percent of them would like to remain. In California, for instance, and in Washington, I think, as much as 65 percent of them would like to remain. However, the question of a job enters into that very strongly.

Senator BARKLEY. Let me ask you about this agricultural situation now, which was Senator Radcliffe's question.

Senator KILGORE. Yes.

Senator BARKLEY. Many thousand farm boys left the farm and went into industrial centers to work in war plants. They did not own farms, they lived with their parents, and if they were not drafted for any reason they went into these war plants. Under the law of each State they are required to attempt to get a job, if they are entitled to be compensated for the failure to get one. Take a man who had moved into Detroit, or into Louisville, or Chicago, or Seattle, from a farm and has worked for a year or two in a war plant and he makes an honest effort to get a job and he cannot get one, he would be entitled to the compensation. Suppose he goes back to the farm, where he came from, he does not get any pay particularly, he just helps the family on the farm, does he still get compensation for the time that he works on that farm?

Senator KILGORE. He might be classified as partially employed, because the migrant rule that they work under still applies and the benefits accruing from California, say, can be paid by Maryland. Those benefits can follow him back, and if he is still honestly interested in a job and there are no jobs available, he can certainly get it, or he can take part-time work and get a portion of his unemployment compensation.

Senator BARKLEY. And if he happens to be a young man who has left the farm to get what were supposed to be high wages during the war period in war plants and he goes back to the farm without seeking a job, he goes back there to stay, he is not entitled to compensation; is he?

Senator KILGORE. If he does not seek a job, if he does not register for employment and agree to accept a job when it is offered him and continue his registration, naturally he does not get the money.

Senator BARKLEY. He would have to seek and fail to obtain work in an industrial plant in order to enjoy the compensation?

Senator KILGORE. That is right.

Senator BARKLEY. He could not go back home and work there and get the compensation?

Senator KILGORE. He can seek agricultural employment if he wants to.

Senator HAWKES. He can seek any kind of employment?

Senator KILGORE. He can seek any kind of employment and he is still complying with the law, provided that he comes within the class covered by the State and provided he meets the requirements of that

particular State, otherwise the requirements of the District of Columbia hold on the other classes.

The CHAIRMAN. On that point, Senator, under all the State laws he must go and register with an employment agency?

Senator KILGORE. Yes.

The CHAIRMAN. Some of the States, of course, require that he report to that agency.

Senator KILGORE. Yes; at intervals.

The CHAIRMAN. Report on the progress of his efforts to obtain work.

Senator KILGORE. Yes; at weekly or biweekly intervals.

The CHAIRMAN. Under this bill, where is the registration to take place? In his State, if he is under covered employment in his State?

Senator KILGORE. Yes.

The CHAIRMAN. Suppose he has gone to Detroit, will he just go out and register in Detroit?

Senator KILGORE. He will register in Detroit, and then migrate back to his own State and his benefits will be paid there, and he is then picked up by the employment office in his own State because he has to reregister there.

The CHAIRMAN. Suppose he registers in Detroit, and back in the State where he came from there is reasonable work?

Senator KILGORE. All right, he gets his classification back there, and he registers for employment at that office in which there is work.

The CHAIRMAN. Suppose he does not want to go back there?

Senator KILGORE. He does not have to.

The CHAIRMAN. Suppose the wages are not quite so high there and he does not want to go back?

Senator KILGORE. He does not have to.

The CHAIRMAN. He just stays where he is and registers, and if he remains unemployed, he gets the full benefit that he is entitled to?

Senator KILGORE. That is right, he gets the full benefit that he is entitled to.

Senator BARKLEY. That would mean he would get the full benefits in Detroit under the law under which he registers in Detroit although there was a job back in Tennessee for him which he did not want?

Senator KILGORE. That is right; a job commensurate with his skill. You could not make a man who is a machinist take a job digging a ditch and call it commensurate skill.

The CHAIRMAN. What is suitable employment is covered by each State?

Senator KILGORE. Yes.

The CHAIRMAN. Certain standards are set.

Senator KILGORE. Yes.

The CHAIRMAN. At the same time if he has the election to register in some place where high wages have prevailed and does not want to go back to his own State although he is covered under the State system, I don't know what would happen.

Senator BARKLEY. The description "suitable" does not mean it has just got to be something that suits the man himself.

Senator KILGORE. No, it means something he can do physically and something that is suitable to the type of work for which he is trained.

Senator VANDENBERG. "Suitable" means more than that.

The CHAIRMAN. Senator, the Postwar Committee on Economic Policy and Planning, through Dr. Jacobstein, has made a very brief an-

alysis of the benefits and coverage. I think each Senator has it before him, but I would like to call attention to it and ask you if it is substantially the provision in your bill. I will read it—it is very brief:

The benefits under your bill, the bill before this committee, that is, the agreement that the State is invited into, must provide a maximum adjusted benefit amounting to \$25 by the extension of the State benefit formula, and the duration of 26 times the adjusted weekly amount of a benefit year.

I suppose there is no question about that.

Senator KILGORE. No.

The CHAIRMAN. Dependency allowances provided in any particular State not counted in State amount subject to adjustment.

Now, in a great many of the States the weekly payment is related to the amount received while employed.

Senator KILGORE. That is right.

The CHAIRMAN. And in many States it is 50 percent of that.

Senator KILGORE. Yes.

The CHAIRMAN. The agreement may provide for raising weekly benefit amounts to not more than two-thirds of the weekly wage provided for in this bill.

Senator KILGORE. Senator, it is still left up to the State.

The CHAIRMAN. That is an option?

Senator KILGORE. That is an option. It is left up to the States as to how they want to administer it.

The CHAIRMAN. Suppose, for instance, the State of Georgia allows 50 percent of prior earnings in the case of unemployment, it may, in this agreement, if it wishes to, allow 66 $\frac{2}{3}$ percent?

Senator KILGORE. It may do that, or it may stick to its 50 percent.

The CHAIRMAN. I understand, however—

Senator HAWKES. Mr. Chairman, may I interrupt there?

Is it conceivable that any State would choose to stay on a 50-percent basis while other States go to 66 $\frac{2}{3}$ percent?

The CHAIRMAN. I don't know about that, Senator.

Senator BARKLEY. Not if the Federal Government is going to pay the difference.

The CHAIRMAN. I don't know. Some of the States might say, "That is going to give us a troublesome problem and therefore we will just stick to our present formula." It depends very much on how the State officials look at it.

With reference to the coverage, the agreement must also provide payment to Federal civilian workers and to maritime workers. That brings in your uncovered classes now.

Senator KILGORE. Yes.

The CHAIRMAN. The basis of the amount of such compensation to such workers is the District of Columbia law.

Senator KILGORE. That is correct.

The CHAIRMAN. That is also the case in your bill?

Senator KILGORE. That is right.

The CHAIRMAN. Payment to agricultural workers is based on the State law provisions.

Senator KILGORE. That is right.

The CHAIRMAN. That also applies to processing workers?

Senator KILGORE. That is right. By the way, the bill follows exactly the definition of processing workers used in the social-security legislation.

The CHAIRMAN. I understand that.

Now, there comes another optional clause with respect to coverage. The agreement may provide for the extension of coverage to any excluded service or employing units, if the State wishes to do that.

Senator KILGORE. That is right. In other words, it may take up municipal, county, and State employees if it wants to.

Senator VANDENBERG. Before you leave that point, will you tell me how your bill differs from the provisions in the Senate bill a year ago for workers not presently covered by compensation laws?

Senator KILGORE. Of course, it differs in amounts and terms. There are quite a few differences. It differs in the question of transportation, when transportation can be furnished, because that other bill was drawn with the idea that the Japanese war would probably last a year longer, and we might probably have work in the West when we did not have it in the East. There are quite a number of changes in that.

Senator VANDENBERG. Does your bill cover workers who were not covered by the Senate bill of a year ago?

Senator KILGORE. No, I do not think so. My recollection is it does not cover anybody not covered by that bill.

Senator VANDENBERG. That was my recollection.

The CHAIRMAN. The maximum in the other bill, Senator Vandenberg, you recall was \$20, and it was all put on a State basis.

Senator VANDENBERG. Yes, I recall all that.

Senator KILGORE. Yes.

Senator LUCAS. May I ask one question, Mr. Chairman, with respect to the coverage agreement on Federal civilian workers and maritime workers? Does the State have anything to do with that?

Senator KILGORE. No.

The CHAIRMAN. Not now.

Senator KILGORE. The State does not have anything to do with that. May I call the committee's attention to one very vital thing that has never been brought up, that is, on the Federal worker and maritime worker? Had we paid unemployment compensation benefits in the respective States for those workers, that would have been paid by the Federal Government directly in the way of pay-roll tax. In other words, we would have already expended that money had we had them covered.

May I give you an example from the West?

There are in the State of Washington 65,000 Federal workers of a temporary nature. Now, the reason they were not originally covered was the fact that originally Federal workers were all under civil service and they had their own working plans. That was the permanent personnel. Now, we were raised from a million—or a little over a million Federal workers total at the outbreak of this war—to 3,000,000. That 2,000,000 were put in service temporarily, and they, of course, paid into their retirement funds amounts which they can withdraw, but it was put in purely on a temporary basis. They have no job security of any kind.

The CHAIRMAN. That was for the duration and 6 months thereafter.

Senator KILGORE. That was for the duration and 6 months, thereafter, that is all.

The CHAIRMAN. And unless, of course, they continue to pay into the retirement fund for 5 years or more, they simply get their money back, they get no retirement benefits.

Senator KILGORE. That is right, they get no retirement benefits at all. We cover them in this, so we believe, in making it mandatory in those classes we are simply carrying out an obligation that we probably should have provided for before, and at no expense to the Government.

The CHAIRMAN. The Federal-civilian-worker category is intended to include those temporary employees that have been put on by any agency of the Government?

Senator KILGORE. Yes.

The CHAIRMAN. For instance, the Post Office.

Senator KILGORE. Yes.

The CHAIRMAN. In order to serve the temporary need during the war.

Senator KILGORE. In order to serve the temporary need during the war, that is right. That applies to any other department of the Government.

Senator LUCAS. That is a direct obligation of the Federal Government?

Senator KILGORE. Yes.

The CHAIRMAN. Yes.

Senator LUCAS. That will be controlled by the Federal Government?

Senator KILGORE. That is right, under the regulations which the Congress placed in the District of Columbia.

Senator LUCAS. The States will have nothing to do with that at all?

Senator KILGORE. The States will have nothing to do with it.

Senator LUCAS. Does the bill provide that?

Senator KILGORE. It can be administered in the State in which the worker is located. The payments are in toto from the Federal Government and the regulations are the regulations in the District of Columbia.

Senator LUCAS. Under the bill then the State will administer the fund that is furnished by the Federal Government for these mandatory classes?

Senator KILGORE. If they so elect. If not, the Federal Government will administer it through such agencies as it may designate.

Senator LUCAS. The State government can accept that responsibility and the Federal Government would be bound under the law to follow whatever the State lays down with respect to furnishing funds to these mandatory classes?

Senator KILGORE. Provided, of course, they have uniformity of treatment, that they follow the law as laid down to govern unemployment compensation in the District of Columbia.

The CHAIRMAN. That is the maximum of \$20, as I recollect it.

Senator KILGORE. \$20 for 20 weeks under the present modification.

Senator BYRD. What about the Federal employee that is entitled to retirement?

Senator KILGORE. He goes ahead and gets his retirement.

Senator BYRD. He does not get his unemployment pay?

Senator KILGORE. Unless he is fired or laid off by reason of the shutting down of the plant he is taken care of under his regular retirement plan.

Senator BYRD. He is not eligible for this?

Senator KILGORE. I believe he is if he is laid off.

Senator BYRD. What covers that? A great many may have to be laid off.

Mr. JACOBSTEIN. He would be covered under the bill.

Senator KILGORE. He would be covered under the bill. He is not now covered by anything.

Senator BARKLEY. A large majority of the temporary employees who have gone on the Government pay roll would not have accumulated 5 years' contribution.

Senator BYRD. I am speaking of those who have accumulated 5 years, for which the Federal Government contributes substantially to their retirement fund. Does that particular employee come under this fund?

Senator KILGORE. The permanent employee?

Senator BYRD. The permanent employee.

Senator KILGORE. Covering the period of a temporary lay-off, yes, he can be covered under this.

Senator BYRD. Is that right? Because the Government pays from 60 to 70 percent of the retirement fund.

Senator KILGORE. Unemployment compensation for an able-bodied man not eligible for retirement is just the same as if he is a Federal employee.

Senator BYRD. Here is a question where the retirement fund is contributed on the basis of 40-60, 40 percent by the employee and 60 percent by the Government. If the Government pays on the basis of 60 percent on retirement when he leaves the service he will then get 6 months' additional pay.

Senator KILGORE. Not if he retires.

Senator BYRD. Suppose he is laid off? He gets his retirement pay whether he is laid off or not, if he is eligible for it.

Senator KILGORE. If he is eligible for retirement pay, that is credited up against what he can draw.

Senator BYRD. A lot of the permanent employees will be laid off.

Senator KILGORE. You will not find it in the bill. That is an administrative question, pure and simple. I do not get your point. If a Government employee is eligible for retirement and takes his retirement, naturally he cannot get anything else.

Senator BYRD. Well, it should be in the bill, should not it? He would be unemployed in the sense he is out of a job.

Senator KILGORE. You must realize he has to credit any money he receives against the question of compensation.

Senator BYRD. Where is that in the bill?

Senator KILGORE. It is not in the bill. It is provided for in various regulations.

Senator BYRD. But this is a new feature. You have taken over the Federal employees for unemployment payment. If you do that it should be put into the bill, as to what it means.

Mr. JACOBSTEIN. May I answer that, Senator?

Senator KILGORE. I wish you would.

Mr. JACOBSTEIN. Since the Federal employees are going to be covered now in accordance with the law of the District of Columbia, therefore, if you want to know what is going to happen to the Federal employee you have to read the District of Columbia law just as you would if you want to know what is going to happen in Connecticut.

Senator BYRD. What would happen to an employee that was covered by the retirement fund?

Mr. JACOBSTEIN. He would be regarded as any other employee. If he is unemployed he makes application for unemployment compensation?

Senator BYRD. In other words, he gets two payments, or payments from two different sources?

Mr. JACOBSTEIN. No; he gets one unemployment compensation.

Senator BYRD. But he is entitled to the retirement fund which has been contributed to 60 percent by the Government.

The CHAIRMAN. I think what Senator Byrd has in mind is this: Suppose you had a regular civil service employee who has worked for 10 years and paid into the retirement fund, he is entitled to receive payment from that fund.

Senator KILGORE. When he has reached the age of 62.

The CHAIRMAN. He is entitled, under civil service, to get some payment from that fund.

Senator KILGORE. He must have reached the age of 62.

The CHAIRMAN. He would not get any retirement benefits when he is merely laid off?

Senator KILGORE. No; he would not get any retirement payments if he is merely laid off, until such time as he applies for retirement and meets the qualifications for retirement. If he is laid off without applying for retirement he does not get the retirement pay but he is entitled to the unemployment-compensation feature.

Senator BYRD. If he is severed from employment with the Government for whatever reason he gets retirement pay, because he has contributed to that retirement pay.

Senator KILGORE. Only when he has reached a certain age and he must be placed on the retirement list.

Senator BYRD. Is that man eligible then for this other fund?

Senator KILGORE. Not if he has retired.

Mr. JACOBSTEIN. He takes himself out of the labor force.

Senator BYRD. He might not take himself out of the labor force.

Mr. JACOBSTEIN. In other words, if he does not want to retire and does not want to take himself out of the labor force, then, under the laws of the District of Columbia, he applies for unemployment compensation.

Senator BYRD. And he can get it?

Mr. JACOBSTEIN. Yes.

Senator KILGORE. But not retirement pay, too.

Senator BYRD. Yes; he can. You cannot take his retirement pay from him because he has contributed to that. He has given 5 percent of his annual salary to it.

Senator KILGORE. How can a man meet the requirements of applying for a job and at the same time had retired from a job?

Senator BYRD. That is what I am asking you.

Senator KILGORE. He cannot do it.

Senator BYRD. I know you cannot take the retired pay from him, because that is a contract.

Senator KILGORE. If he retires he gets the retired pay, but nothing more than that.

Senator BYRD. Such a person under this bill can get two compensations.

Senator KILGORE. I think the other laws prevent that.

Mr. JACOBSTEIN. Senator Byrd, if a man is now working in the Federal Government and he says, "I want to retire," that means he does not want a job, and, so, he gets his retirement pay.

Senator KILGORE. And under the rulings of the District of Columbia, having said, "I don't want a job", he is not eligible for this money because of that very statement.

Senator BYRD. That is not the answer you made before.

Mr. JACOBSTEIN. Yes. He has got to come to the employment office and say, "I am out of work. I want a job."

Senator BYRD. Suppose there is no job with the Federal Government available for him?

Mr. JACOBSTEIN. And he is not retired; then, he gets compensation.

Senator BYRD. Suppose a man retires, suppose he gets his retirement pay and then he wants to go back to work and applies for work with the Federal Government and cannot get it?

Mr. JACOBSTEIN. Frankly, I do not know what would happen in that kind of situation. I would have to reread the District of Columbia law, which has recently been modified.

Senator BARKLEY. Let me ask you if this is not the situation: A man reaches 62, he has been contributing anywhere from 5 to 20 years or more into a fund which entitles him to retirement pay, when he does retire he has earned that? That is something to which he is entitled?

Senator KILGORE. Yes.

Senator BARKLEY. Now, if he applies to some private institution for work, feeling that he is still able to do something, and he fails to get a job in a private institution, he would continue to draw his retirement pay which he has earned, but he would also draw compensation under this bill.

Senator KILGORE. He would have no basis for it.

Mr. JACOBSTEIN. He would have no basis for it.

Senator HAWKES. Suppose this man answered all the requirements for retiring and retired, and actually got the job? You see, Senator Barkley, you picture him as applying for a job and not getting it. Supposing he actually got a job and held it for 4 months, then could he draw his retirement pay from the Government and also put himself on the records for unemployment compensation and ask that unemployment compensation be paid to him?

Senator BARKLEY. I do not think so.

Senator HAWKES. How would you keep the man from doing it?

Senator BARKLEY. The law does not say so.

The CHAIRMAN. The State laws take care of that.

Senator KILGORE. The District of Columbia regulations would keep him from doing that.

Senator HAWKES. If you are sure that is right, then, that answers the purpose of my question.

The CHAIRMAN. I think you will find that State laws take care of that kind of a situation.

Senator KILGORE. In order to answer the other question that Senator Barkley raised, in order to go back into Federal employment, we have had it happen right here in the Senate Office Building, men who were retired and when they were needed they would come back and go off retirement temporarily. You remember we had some controversy about getting them back on retirement. They would work

a while and then get retired again, men who were too old to work ordinarily.

Senator BYRD. Could the gentleman to the right be given a memorandum by the committee to look into that?

Mr. JACOBSTEIN. I will look into that.

Senator BYRD. What is the cost that the passage of this bill would place on the Federal Treasury?

Senator KILGORE. There are all kinds of estimates, but the Social Security furnished some estimates which run from \$1,121,000,000 to \$1,941,000 as the cost of it.

Senator BYRD. What is the maximum?

Senator KILGORE. Depending on the quantity of unemployment.

Senator VANDENBERG. Those estimates do not include the transportation of the migratory workers?

Senator KILGORE. No.

Senator VANDENBERG. Is there any estimate on that factor?

Senator KILGORE. No; there is not. The Social Security Board say they are unable to make estimates on that at the present time.

Mr. JACOBSTEIN. Senator George, in that file I gave you, you have estimates by the Social Security Board which runs the figure up to \$2,000,000,000 for the 23 months' period. This bill covers 23 months. The maximum unemployment, if you assume as high as 10,000,000 unemployment, the cost to the Federal Government would be \$2,000,000,000. The Social Security Board provided me with an estimate based on three assumptions: low unemployment, medium unemployment, and high unemployment. You will find that in the file I gave you. These are the Social Security figures and not mine.

Senator VANDENBERG. That only covers part of the bill.

Mr. JACOBSTEIN. There are some figures not included in that figure, because they could not estimate how much money would be expended in travel allowances and how much the States would liberalize.

Senator BARKLEY. The more the States liberalize the more it would cost the Federal Government.

Mr. JACOBSTEIN. I mean liberalize in the sense of coverage, to take in everybody.

Senator BARKLEY. To bring the compensation up from \$18 to \$22 then the United States Government would put up only \$3.

Mr. JACOBSTEIN. That is right.

Senator VANDENBERG. That is my objection to the bill. There is nothing in this bill that does that in its present form; is that right, Senator Kilgore?

Senator KILGORE. What is that?

Senator VANDENBERG. If the State is going to increase its own compensation rate, there is nothing to cover that so long as the bill stands in its present form?

Senator KILGORE. That is correct, yes.

Senator VANDENBERG. I understand you agree that the bill ought to be changed.

Senator KILGORE. So as to reward some States?

Senator VANDENBERG. To reward a State which has already done its job.

Senator KILGORE. Yes.

Senator VANDENBERG. Instead of penalizing it, as is the present result.

Senator KILGORE. That is right.

Mr. JACOBSTEIN. That would raise the cost further to the Federal Government.

Senator KILGORE. That is correct.

Senator BARKLEY. If the State did not raise its own compensation, so long as this Federal subsidy or supplementary appropriation is made there would be considerable pressure on the State to raise its own compensation.

Senator BYRD. What is your estimate, Senator Kilgore?

Senator KILGORE. The estimates I have here show up to June 1947. From October 1945 to June 1946, on a high unemployment assumption—

Senator BYRD. What is the source of the estimate?

Senator KILGORE. Social Security; \$805,400,000 for that period, and from July 1946 to June 1947, \$1,135,600,000; or a total of \$1,941,000,000.

Senator BYRD. How much unemployment is that based on?

Mr. JACOBSTEIN. 10,000,000—at its peak.

Senator KILGORE. 10,000,000, at the high unemployment.

Senator BARKLEY. Under your bill, according to the figures here, the low unemployment would be a total of \$1,120,000,000, and high unemployment \$1,910,000,000. That includes both mandatory and voluntary features.

Senator KILGORE. Yes, that includes both mandatory and voluntary features.

Senator HAWKES. That does not include transportation?

Senator KILGORE. That does not include transportation, no.

Senator BYRD. Does that take into consideration that the States may liberalize their laws to take in additional employees?

Senator KILGORE. It takes in the laws as they are now in the States.

Senator BYRD. I think the States are going to take advantage of this fund, if it is coming from the Federal Government, to the fullest extent.

Senator KILGORE. I understood you to say that the States would liberalize their own payments from their own funds. I say that is taking into consideration that they would contribute then what they are contributing now.

Senator BYRD. Can the States take in additional coverage, though?

Senator KILGORE. Yes.

Senator BYRD. For the low-employment period you have \$1,120,000,000 a year. What is that based on? On what unemployment figure?

Senator KILGORE. On 10,000,000 unemployment.

Senator BARKLEY. The total period is from October 1945 to October 1947, the total period. That would be over 2 years.

The CHAIRMAN. It would be 21 months—to June 1947.

Senator KILGORE. Under this bill the figures I have here show \$1,186,000,000 for the civilian plus \$255,000,000 for the veterans, making a total of \$1,941,000,000.

Senator BYRD. That includes the Federal employees?

Senator KILGORE. It includes everything.

Senator BYRD. It does not include the traveling expense?

Senator KILGORE. It does not include the travel.

Senator BYRD. How much unemployed is that based on?

Senator KILGORE. That is based on 10,000,000 unemployed.

Senator BYRD. The high unemployment is based on 10,000,000?

Senator BARKLEY. That is right.

Senator KILGORE. That is a high point or peak. That does not mean you might not have a peak greater than that, but the high-point unemployment for the entire period.

Senator BYRD. You have low unemployment in one place and high unemployment in another place.

The CHAIRMAN. The last two sentences on that sheet, Senator Byrd.

Senator KILGORE. It is based on a 6,000,000 unemployed peak for the low unemployment figure, and a 10,000,000 unemployed peak for the high unemployment figure. This average unemployment runs through that period.

Senator VANDENBERG. No; that is the peak.

Senator KILGORE. Yes; that is the peak—not the average.

Senator BYRD. If there is more than 10,000,000 unemployed, of course it gets worse.

Senator KILGORE. Yes, it gets worse.

Senator HAWKES. Senator, may I ask you this question?

As I understand it, the States can change their classification and definition of coverage; can they not?

Senator KILGORE. Certainly.

Senator HAWKES. Are there any limits established by your bill beyond which the State cannot go in extending its coverage?

Senator KILGORE. No.

Senator HAWKES. Then you have got another factor of possible expense in there if that be so.

Senator KILGORE. It cannot go beyond the scope of the bill, of course, as to amounts.

Senator HAWKES. It does not have to go beyond the scope of the bill. In other words, if they extend their coverage and bring more people in under this bill the expense would be greater, and there is a factor there that you haven't got here.

Senator KILGORE. These estimates here are based not on what is the coverage by the State now plus this but based upon all the coverage that could be placed on it.

Senator HAWKES. In other words, this is the maximum outside figure, if they placed the maximum coverage possible on it?

Senator KILGORE. And for 10,000,000 unemployed.

Senator HAWKES. And for 10,000,000 unemployed?

Senator KILGORE. That is right.

Senator HAWKES. Thank you.

Senator McMAHON. Suppose the State now pays \$15—

Senator KILGORE. \$15?

Senator McMAHON. Let us assume that.

Senator KILGORE. Yes.

Senator McMAHON. Then, we will say they reduce it to \$10. Is there any prohibition against the State reducing the amount which it will pay?

It seems to me, since they would be able to draw that much more out of the Federal Treasury they would reduce the amount which they would pay out of the State.

Senator KILGORE. I think that is a very good Connecticut suggestion, but I had never thought of that.

Senator McMAHON. Why isn't there an inducement to the States to reduce the amount so they would take a greater amount out of the Federal Treasury?

Mr. JACOBSTEIN. There is no prohibition in the bill against it.

Senator BARKLEY. How can the Congress prevent the State from fixing its own compensation figure?

Senator KILGORE. I do not see how you can.

Senator BARKLEY. We can say we will not pay any more than the difference between the present State compensation and two-thirds or \$25, whichever it may be.

Senator KILGORE. Senator McMahon, there is one thing that has had to be avoided throughout in drafting the bill, and that is anything that tends to federalize a system; in other words, take the control away from the State.

Senator McMAHON. Yes, but we could withhold the payment of the benefits provided for by the Federal Government under this bill to any State which reduced its present level of payment, could we not?

Senator KILGORE. Oh, yes.

Senator HAWKES. It seems to me Senator Barkley's suggestion was an extremely good one; that is, that the payments be made on the basis of the existing State law compensation at the time the bill becomes law.

Senator BARKLEY. There are two sides to that. If you do that and the State reduces its own compensation, you would still pay the same amount.

Senator HAWKES. Let us say not less than the present.

Senator BARKLEY. In view of the fact that a year ago all the States came here and told us they were amply able to take care of the situation and induced Congress to do nothing about it except loan them some money if they ran out, it is much less likely for them to reduce their own compensation. If they had not come here and said they were able to take care of it, Congress was ready to pass a completely federalized unemployment compensation act for war workers. I do not think that is a fear that any of us may entertain very seriously.

Senator KILGORE. Now, Mr. Chairman, if I might go ahead—

The CHAIRMAN. Yes; you may go ahead.

Senator KILGORE. Exhibit IV contains technical data describing the present State system. Its inadequacies were described very pointedly by a leading business publication as follows. On April 28, 1945, the editors of Business Week stated:

At any continuous level of unemployment, drains on reserve funds will decline during the first few years as workers exhaust benefits. So, with 6,000,000 unemployed, present aggregate reserves of over \$6,000,000,000 would last almost indefinitely. As many as 9,000,000 unemployed year after year would drain reserve funds in 10 years or a little less. But, as we said 3 years ago, "It was never contemplated that funds would be built up to take care of workers during a severe depression. At best, unemployment insurance was looked upon as a stopgap—a temporary economic alleviator."

And as a stopgap the system today hardly measures up, for, with the average beneficiary receiving little more than one-third or so of his former weekly wages, and with, at most, two-thirds of the eligibles on the rolls at any one time, less than 25 percent of the income of laid-off insured workers would be maintained.

That is under the present system.

In spite of increases which have been made in some States, the maximum weekly benefit rate in most States provides less real purchasing power today than it did when benefits first began in 1938. The cost of

living index of the Bureau of Labor Statistics, in June 1945, was 29 percent above the 1935-39 average (see exhibit V). The President's Committee on the Cost of Living, in its report last November, found that this index has a downward bias of 3 to 4 points—which means that the actual cost of living now is about one-third higher than in prewar years. For the family dependent on unemployment benefits, this does not tell the whole story. The prices of food and clothing, which represent a larger proportional part of the expenditures of such family have risen 30 and 44 percent, respectively.

The chart over there is based upon the 1935-39 level, which was practically maintained up to 1939, and shows the general trend based upon 100 percent as of 1935, and would indicate that as of this date, in 1945, general living costs are 129 percent of what they were in 1939. On food it is 141.1 percent, and on clothing 145.4 percent.

Now, we must remember, with the exception of a few States, unemployment compensation in States was supposed at least to be based upon price levels as of the time the bills were passed. A few have raised them. For instance, Washington last year went to \$25 a week for 26 weeks. That is the State of Washington. New Jersey has \$22 for 26 weeks. New York and Illinois has \$20 for 26 weeks, and Maryland has, with its dependency features, \$25 for 26 weeks, but dropping without dependents to \$20 for 26 weeks under the same standard of wage. As I say, those are in the upper brackets and are based upon what we might call a prewar standard for all the rest of the States.

Senator VANDENBERG. Can you make that same argument on behalf of raising all Government pensions?

Senator KILGORE. I think you probably could, except for the fact, Senator, that some Government pensions have been automatically raised. For instance, Army and Navy pensions are based on three-fourths of the pay, and with the pay raise that took place as you got the rest. I do not think there are any real pensions aside from those, disability pensions. The rest of the so-called pensions are retirements.

Senator VANDENBERG. Those are what I am talking about.

Senator KILGORE. Yes; well, that would, of course, require a greater Government contribution, and in fact some of those people are really suffering. On the other hand, Senator Vandenberg, a raise of retirement would run perpetually, whereas this is intended for a stopgap during which we hope prices will level off.

Senator VANDENBERG. This will be perpetual.

Senator LUCAS. Senator Kilgore, I notice in one of the charts prepared by the experts, Illinois, during the January session of the legislature, raised the rate of benefits from 20 to 25 weeks, a maximum of \$20 a week.

Senator KILGORE. \$20 a week for 26 weeks.

Senator LUCAS. Yes; as I understand it, that is the maximum that they can obtain under the eligibility rules for compensation based purely upon need in Illinois. Now, as to the Federal Government, what would be the additional amount that the Federal Government could supply to the State of Illinois under this bill?

Senator KILGORE. \$5 a week for the 26 weeks.

Senator LUCAS. Nothing more?

Senator KILGORE. That is right. That is only for the high-earning brackets.

Senator LUCAS. In other words, there is nothing in this bill which would permit the individual who is now, say, on the basis of need obtaining \$15 a week to reach the \$25 bracket.

Senator KILGORE. Except based upon the two-thirds of his earnings, they could adopt this policy.

Senator LUCAS. I understand that. I am talking about the fellow in Illinois today, for instance, on the basis of need, who is receiving, say, \$15 per week, and that is all he is receiving on the basis of need. That is all he could receive under this bill. Let me put it this way: Can he receive any more under this bill?

Senator KILGORE. Yes.

Senator LUCAS. Could he go to the \$25 mark?

Senator KILGORE. They can run it up to two-thirds if it does not exceed \$25, based upon the base period of this bill, by agreeing to the contract, by agreeing to accept the provisions of the bill.

Senator LUCAS. Does not that result in quite a good deal of discrimination, from the standpoint of the present law?

Senator KILGORE. I do not know what the present law is, whether it is 50 percent of earnings, or 60 percent, or 70 percent of earnings that limits him to his \$15.

Senator LUCAS. The point I am trying to make is simply this: Under the Illinois law at the present time we will say he is entitled to \$20 a week, but because of certain financial conditions he is only getting \$10 per week, and that is all he will get. Now, we raise each and every Illinois man up to \$25, as the maximum he can get.

Senator KILGORE. Yes.

Senator LUCAS. Will this \$10 raise to \$25 be a proportionate raise?

Senator KILGORE. He will be raised proportionately, because that \$10 is based upon his base pay, and this is based on the base pay, so his raise would have to be a proportionate raise if they contract. In other words, he would not get arbitrarily \$25.

Senator LUCAS. That is the point I am making.

Senator KILGORE. Because it would apply the same scale that Illinois uses in computing it, not to exceed \$25.

Senator LUCAS. There is nothing in this law which would change the computing law in Illinois?

Senator KILGORE. It is not the computing law, it is the computing system.

Senator VANDENBERG. There is another discrimination against Illinois, and I would like to hear Senator Kilgore discuss it, because I think he is sympathetic with the point I am making. You have got 9 States paying \$16 for 16 weeks maximum, and you have got 19 States, which includes practically all the industrial States—

Senator KILGORE. You have got two States paying \$15 for 14 weeks, too.

Senator VANDENBERG. I grouped them all at \$16 or less. There are 9 of them that pay \$16 or less for 16 weeks or less and there are 19 States which pay \$20 for at least 20 weeks. Under this law the States that are only paying \$16 get a compensatory payment on precisely the same basis as the States that pay \$20, and therefore the States that pay \$20 are also going to contribute to the States that only pay \$16. I think the Senator from West Virginia is prepared to make a suggestion on that.

Senator KILGORE. I will make a suggestion before I get through.

Senator VANDENBERG. He is going to make a suggestion for leveling off that situation. I do not see how it is defensible.

Senator KILGORE. I am not going to make that suggestion, I am going to make a suggestion to the committee as to the modus operandi for leveling it off in some way, to give a reward to the States that have been farsighted in the way of recoupment of some kind.

Senator VANDENBERG. When are you going to do that?

Senator KILGORE. I will be up to it in just a minute or two.

Senator LUCAS. Let me ask one further question with respect to the State of Illinois, or with respect to, say, a State that only has 20 weeks of compensation. Under this law we go to 26 weeks.

Senator KILGORE. Under this law, we go to 26 weeks; yes.

Senator LUCAS. Who takes care of the difference on that 6 weeks?

Senator KILGORE. The Government has to do that.

Senator LUCAS. The Federal Government has to take care of it all?

Senator KILGORE. Has to take care of the entire pay in accordance with the amount that the State regulations would pay the men.

Senator BYRD. You mean to take care of the State matter?

Senator BARKLEY. How does that fit in with the present law that we passed last year where the State ran out of the funds before the period was up and we made a loan to it?

Senator KILGORE. The State in that case mortgaged its future income.

Senator BARKLEY. The House did not take that view of it.

The CHAIRMAN. Oh, yes.

Senator BARKLEY. For instance, if the State ran out of funds with which to pay its own compensation for the period provided under its own laws we provided that we would loan them enough to finish out the period.

Senator KILGORE. Which was, however, worse discrimination than the one complained of by Senator Vandenberg because the man who was on before was getting paid by the earnings of future workers.

Senator BARKLEY. There is no way to pass a law like this without discrimination against somebody.

Senator HAWKES. There is one thing we have got to do and that is to try to have the discrimination as little as possible.

Senator KILGORE. That is right.

Senator HAWKES. Look at the State of New Jersey. It has got \$22 a week for 26 weeks. Under the present law, all they would get would be \$3 a week.

Senator KILGORE. All they would get is \$3 a week, whereas the State of Mississippi or the State of Arizona would get \$10, shall we say, for a period of 14 weeks, and \$25 for a period of 26 weeks.

Senator HAWKES. That discrimination is too much, I can tell you, to satisfy the people of New Jersey.

Senator VANDENBERG. Michigan has gone up to \$28.

Senator KILGORE. The State of Washington has gone up to \$25 for 26 weeks on a flat sum.

Senator HAWKES. Yes.

Senator KILGORE. The greatest factor limiting the payment—

Senator BYRD (interposing). Before you leave that subject, may I ask a question? Would not this be the effect, that no State would increase its allowances or its time?

Senator KILGORE. It would probably be so. The bad features, Senator Byrd, is this, that these States have based their pay-roll tax on this low scale and when they do something like this they do not have the reserves and they are simply deceiving the worker.

Senator BYRD. One very bad result it seems to me is this: A State that has \$15 a week for 16 weeks, the Federal Government comes in and makes it \$25 for 10 weeks additional.

Senator KILGORE. That is right.

Senator BYRD. That would increase the compensation in Connecticut.

Senator KILGORE. Not for 2 years.

Senator BARKLEY. Not for 2 years, but they would have to continue after the 2 years is up.

Senator BYRD. This bill would not stop at 2 years.

Senator KILGORE. It automatically stops in 2 years.

Senator BYRD. It automatically stops, but it is going to be continued, like a lot of these other things that are going to have expiration dates. When you once start giving money out of the Federal Treasury and giving it to the States, it does not stop.

Senator VANDENBERG. In the State of Michigan, for example, we established this higher level, and in the lower States they do not have this higher level.

Senator KILGORE. I question, Senator Vandenberg, whether you know who has been taxed.

Senator VANDENBERG. Well, I do, too. I know somebody has.

Senator KILGORE. Because the big bulk of the pay roll tax was charged up on contract prices for war material.

Senator VANDENBERG. That is true.

Senator KILGORE. The fact remains that the Federal Government paid it.

Senator VANDENBERG. Yes. And the fact remains in these States, entirely aside from war business, there has been a level of payment toward an objective which has infinitely higher than in many other States, and we are now about to be penalized for having done that. Is that correct?

The CHAIRMAN. You paid the same tax, based on the pay roll.

Senator KILGORE. The employer pays the tax, but it is charged up to the Government.

Senator VANDENBERG. I am not talking about the tax; I am talking about the objective. You are coming to that, you have told me for the last 15 minutes.

Senator KILGORE. That is right.

The greatest factor limiting the payment of an adequate unemployment benefit is the arbitrarily low ceilings placed by State law. Exclusive of special dependency benefits only the State of Washington and Hawaii pay \$25 as a maximum weekly benefit. As exhibit IV shows, 13 States have maxima of only \$15 or \$16, 31 States pay \$18 to \$20 as a maximum, and 5 pay a maximum of \$21 to \$22. The average of the State maxima is therefore between \$18 and \$28 a week. This same exhibit shows that about half the workers were at their present State maximum. If the proposal embodied in S. 1274 were made law, three-fourths of all workers now receiving the maximum would get increased benefit amounts. Only one-third of the Nation's workers would be limited by the \$25 national maximum.

I would like to point out that in 1944 the average weekly benefit amount was \$15.90 (exhibit IV) while the average weekly wage was \$44.21. This means that on the average, workers under State systems while getting compensation received only 35 percent of their lost weekly wages. If S. 1274 were enacted and the State took full advantage of it, the average payment would be increased by about \$5 per week raising the national average compensation to almost 50 percent of lost wages which is considered by experts as the desirable standard.

No one knows how long it will take to reconvert to peacetime production or to reemploy workers laid off because veterans will resume their old jobs. However, unless benefits are payable for a duration sufficient to enable the unemployed labor force to live more adequately until business has a fair chance to reconvert, substitute Government action for the provision of purchasing power must be taken.

In the reconversion period one of the prime things relied upon is an unemployment compensation to protect workers. Yet in a rather good year of employment like 1941, about 50 percent of the eligible unemployed workers under State unemployment compensation laws failed to be reemployed before exhausting their benefit rights.

Provisions of existing laws for even the maximum duration of benefits do not measure up to the responsibilities which will be placed on unemployment insurance in the reconversion period. In 14 States benefits may be drawn for only 16 weeks or less. Only 5 States assure 26 weeks of benefits to all eligible workers, and in 4 of these the actual maximum may be less than 26 weeks because the duration is related to earnings and employment.

In 37 States the duration of benefits is related to the amount of employment or earnings which the worker had in a previous period, with a specified maximum duration. The other 14 States have a uniform duration of benefits for all claimants.

Nor is the existence of variable and uniform duration of benefits an adjustment to local conditions. Georgia, Mississippi, and North Carolina provide uniform duration of benefits; Louisiana, Texas, Missouri, and Arkansas do not; New York and Ohio provide uniform duration; Maryland, Michigan, and Pennsylvania do not. Uniform duration of benefits is simple to understand and treats all eligible workers within the State alike; consequently, it will go further to supply workers with that security which is needed and business and the community with a solid foundation upon which plans for economic prosperity must rest.

Provision of uniform duration of up to 26 weeks if needed would benefit workers in all but one State.

If the adjustment period is as brief as is hoped, the increased duration of benefits will not cost much, since workers will get jobs and not use up their benefit rights; if it is longer, increased duration of benefits will be well worth the cost. The reconversion period will be just the time when such protection is necessary if unemployment compensation is to fulfill its function.

It has been said that increasing duration of benefits to about 26 weeks a year will result in malingering and preference for benefits instead of jobs. Such statements suggest that the shorter the duration of benefits, the more effective would be the program and that probably no program at all would be the most effective. Full employment of the war years has already obliterated from the minds of some

the reason for the enactment of unemployment compensation—the fact that unemployment is not caused by individual frailty but by economic circumstances. Moreover, mere extension of potential duration does not automatically provide benefits for longer periods; workers who refuse suitable employment will be disqualified from receiving benefits. Adequate duration of benefits will go a long way in aiding the worker in search of a job; it will go a long way toward maintaining our standard of living, purchasing power, and employment.

In other words, there is a perfect lack of uniformity now. States with the same type of benefit and with the same type of income have lack of uniformity under the present set-up. You cannot say it is regional while you have Mississippi and Arizona in the low class, and certainly you cannot say the economy is the same. On the other hand, in the 18-weeks-at-\$18-a-week class, you have Iowa, Texas, and Nebraska with different economies there, and you get over in the 26-week group there, for instance, and you have got Maryland and the State of Washington in the \$25 class and certainly they have different economies.

INADEQUACY OF EMPLOYEE COVERAGE UNDER EXISTING SYSTEM

There is no doubt in the minds of various committees of Congress that the present unemployment compensation coverage is wholly inadequate. You, Mr. Chairman, in reporting on June 23, 1944, for the Senate Special Committee on Postwar Economic Policy and Planning, and on S. 2051 for the Committee on Finance on August 3, 1944; Mr. Doughton reporting for the House Ways and Means Committee on August 21, 1944, and the House Special Committee on Postwar Economic Policy and Planning in its third report on August 14, 1944, all clearly indicated the need for coverage of those groups within the system. According to exhibit VIa, the total employed labor force 52,200,000 in the United States in an average week of 1944, only about 29,000,000 were covered by State unemployment compensation laws and an additional 1,400,000 were covered by the Railroad Unemployment Insurance Act. The more important of the groups not covered and which can be covered from the viewpoint of administrative feasibility of coverage at this time are:

Federal employees	2,970,000
State and local government employees.....	2,900,000
Employees of small employers.....	2,000,000
Maritime employees.....	400,000
Agriculture processing employees.....	300,000

Senator TAFT. You do not cover that in this bill. That would be a tax measure then, if you want to extend the unemployment-insurance tax.

Senator KILGORE. We do not extend the tax. We simply give the coverage as an emergency proposition in the hope that the tax will eventually be covered in all the States.

Senator TAFT. In those cases, you mean the Federal Government will have to pay the whole thing?

Senator KILGORE. Will have to pay the whole thing. But let me call your attention, Senator, to one thing—that had they been covered the Federal Government would have to pay it anyway on the Federal employees and maritime employees, because they would have paid it directly in the pay-roll tax.

Senator TAFT. We passed it last year and could not get it through the House. I am talking about agricultural and domestic labor particularly.

Senator KILGORE. No; they are not covered.

Senator TAFT. Do you cover them here?

Senator KILGORE. Not the agricultural labor; not the farm worker, but the people who work in the canneries and packing houses are covered who have not been covered heretofore.

Senator TAFT. How can you do that without levying another tax?

Senator KILGORE. You do not have to levy a tax.

Senator TAFT. You mean the Federal Government pays it all?

Senator KILGORE. The Federal Government pays it all.

Senator TAFT. You would set up a Federal administrative system, then.

Senator KILGORE. No. The bill provides very simply that it shall be administered by the State or upon the regulations in force in the District of Columbia that were passed by Congress if the States will so elect to do it. If they will not, then, of course, we will have to designate some Government agency to make the disbursement; but if they do, then they have an employees' service through which they can operate.

Senator TAFT. Are you proposing that the State can set up a different standard or operate under a different law as to agricultural employees or canning employees than they do set up for their own covered employees?

Senator KILGORE. Yes. You must realize your agricultural and processing people are covered by many State laws anyway. The Federal employees are not, and the maritime employees are not.

Senator BARKLEY. Outside of these categories to which you have referred, the eligibility of all employees is based upon the State law?

Senator KILGORE. Yes.

Senator LUCAS. With respect to the mandatory process that you are now speaking of, the State administers as to those classes after we furnish the money, and there would be two separate standards in the State for the unemployed, one under the District of Columbia laws and one operating under the State of Illinois laws.

Senator KILGORE. Yes.

Senator LUCAS. So the cannery comes under the State laws.

Senator KILGORE. The cannery worker comes under the State law, and the Federal employee and maritime worker comes under the Federal.

Senator LUCAS. The Federal employee working in the State of Illinois would get one compensation.

Senator KILGORE. I will agree with you, Senator Lucas, but it is not half as bad. The present set-up that they propose is a bad set-up; because here is a machinist, we will say, who comes from the State of Connecticut and goes to work in the State of Mississippi in a shipyard; and going back to Connecticut, maybe to wait for his job back there, he would be paid out of the Federal Treasury on the basis of Mississippi, while some other worker who had been so fortunate as to be in Connecticut would be paid on the Connecticut basis out of the same fund for the same work.

Senator LUCAS. You are talking now about more or less migratory workers.

Senator KILGORE. The big bulk of the Federal employees that come within this class have been migratory workers. The stable worker is the permanent civil-service employee. Just as Senator Byrd knows, in the shipyard at Norfolk you have a certain permanent civil-service personnel there, but the big bulk of the workers are migratory workers from the State of West Virginia or Maryland, or some other place, and migrated with solicitation, as you well know.

Senator LUCAS. Regardless of the importance of the point you made, the Federal worker would be paid under the laws of the District of Columbia, while the defense-plant worker in Illinois would come under the Illinois laws.

Senator KILGORE. Yes.

Senator LUCAS. There would be two methods.

Senator KILGORE. Yes; because one had been originally set up and they accepted it.

Senator LUCAS. There is another discrimination which would take place.

Senator KILGORE. I do not think it is discrimination. I think the other method would be discriminatory.

Senator LUCAS. There are no two State laws alike, so there is a discrimination to start with.

Senator KILGORE. That is right. You start with discrimination on a Federal pay roll, and this is an attempt to as nearly as possible correct that discrimination. It is a discrimination between two different groups of employees.

Senator LUCAS. The only point I make is the State that administers the bill in regard to Federal employees in the mandatory class would be administering it under two different theories, and there would be that further discrimination.

Senator TAFT. Don't you think it is just as important to extend this to all workers now?

It is important, is it not, at the same time we do this, that we extend this unemployment compensation to domestic servants and agricultural laborers and some other classes?

Senator KILGORE. That is permissible, but that would be up to the State.

Senator TAFT. You can force the States to do it by extending the tax to the employers of such labor. That is the way to do it. We did not do it last year because the House would not start it.

Senator KILGORE. That is right.

Senator TAFT. It seems to me if you take the whole problem at once it ought to be all done at once, and do it now.

Senator KILGORE. That is what we are trying to stay away from—is to go into the many details that are necessary in order to make an over-all correction of the law in the future.

Senator TAFT. Do you favor the Wagner-Murray-Dingell provisions that are before this committee?

Senator KILGORE. I have not studied them.

Senator TAFT. Setting up a complete Federal system and abolishing the State systems altogether.

Senator KILGORE. I would not want to commit myself at this time on that.

Senator TAFT. That bill is before this committee as an alternative to this.

Senator KILGORE. No; it is not an alternative, because this is designed as an emergency proposition, pure and simple.

Senator BARKLEY. All of which, it seems to me, illustrates the fact that the whole system at this time is full of inconsistencies. The country has got to meet the problem some day as a national proposition.

Senator KILGORE. You must admit that it is a series of compromises. We are facing a proposition which this is designed to correct, in an effort to save time.

Senator LUCAS. Pardon me for interrupting, but you will always have that discrimination and those inconsistencies as long as you have States.

Senator KILGORE. Does the Senator suggest that we abolish the States?

Senator LUCAS. No. The Senator, a moment ago, hesitated on the question asked by Senator Taft.

Senator KILGORE. It is because, Senator Lucas, I have not had the time to study the bill that is before the committee, and I did not want to say anything about it unless I knew more about the details.

Senator BARKLEY. My objection is not to be interpreted as an endorsement of the Wagner-Murray-Dingell bill. I have had the feeling for a long time that the question of unemployment compensation as a permanent policy, as well as the question of old-age pensions, must some day be dealt with as a unified American problem, so as to treat all people in the same class, wherever they live, in the same way.

Senator KILGORE. Senator, I think you are absolutely right. I think Senator Radcliffe will have to admit that the only way you can cushion any shock is by the widest possible coverage, so that what is hit one place can be cushioned some place else. I think that is the whole theory of insurance, isn't it?

Senator RADCLIFFE. I think it is, but the assumption of the Federal Government paying on the basis of compensation is a question that a lot of us cannot accept.

Senator KILGORE. In theory, the wider you can spread the risk the better off you are.

Senator RADCLIFFE. Yes; that is a good insurance idea; of course, the wider you can spread the risk the better off you are. That fits in with sound insurance principles, provided you do not run into some other principles that you ought to consider and tackle.

Senator KILGORE. According to exhibit VIe, civilian employment in the Federal Government rose from 1.1 million in January 1941 to about 3 million in June 1944 and dropped to 2.9 million in May 1945. The majority of Federal employees have only war-duration appointments, and many are now in the process of being laid off. Many of these employees left jobs in private industry to take work in navy yards, shipyards, and arsenals, and have been doing work essentially the same as civilian workers in the same occupations. Such civilians are protected by unemployment-compensation legislation. The workers employed by the Federal Government will not be protected unless Congress acts now. The problem of Federal workers is, however, not confined to the manufacturing establishments of the United States. Most of the workers hired by the Government during the war will lose their jobs at the end of hostilities; many of them formerly covered by unemployment-compensation laws have lost their rights as a result

of their Federal employment and will have nothing to fall back on until they can be reemployed.

The position may be taken for Federal workers that they should be placed in the same position that they would have been had they engaged in war work for a private employer and therefore payments should be made to Federal employees on the basis of laws of the States in which they reside and work for the Federal Government. Under this type of provision, it is claimed, there would be no discrimination either for or against Federal employees as compared with their neighbors working for private employers. Actually, the shoe is on the other foot. The Federal workers, where placed under State laws, would be discriminated against; that is, a Federal employee working in a Navy plant in one State may get a much lower benefit for a shorter duration than another Federal worker in another Navy plant which is across the State line who is getting the same rate of pay and who would get a higher benefit for a longer duration. For the Federal Government to consider placing employees employed by it under 51 State compensation systems is almost unthinkable. The Federal Government would not only be creating inequities and injustices for Federal workers but would be giving up jurisdiction in a field in which it has always exercised its sovereignty of power.

S. 1274 provides mandatory and uniform treatment for Federal and maritime employees and for mandatory coverage under State laws of agricultural processing employees. In this connection the committee may well give consideration to several things about the provision covering Federal and maritime workers as if they were under the District of Columbia law. It is my understanding now, after examination of the amendment and its administrative considerations, that somewhat better provisions may be administratively desirable. One suggestion has been made that more specific benefit determination provisions be written in the law. I believe that the disqualifying provisions of the District of Columbia law could be retained; and there might be substituted in lieu of the eligibility and the benefit provisions of the District of Columbia law the following:

1. Eligibility: At least 90 days of Federal employment and a waiting period of 1 week of unemployment.

2. Benefits according to the following table:

Last regular weekly wage:	<i>Weekly benefits for total unemployment</i>
Under \$19.50	\$10
\$19.50 and under \$24	13
\$24 and under \$28.50	16
\$28.50 and under \$33	19
\$32 and under \$37.50	22
\$37.50 and over	25

3. The benefits for 1 week of partial unemployment could equal the difference between the partial wages and the weekly total unemployment benefit plus \$3.

About 400,000 maritime workers are excluded from unemployment compensation. These workers have engaged during the war in service comparable in danger to that in the armed services, yet, unlike other workers engaged in industry and commerce, they have no protection against wage loss when unemployed.

The maritime problem is a complicated one which is, in many respects, different from normal civilian employment. When a seaman

is on a ship he is usually not working within any State at the time; he may have left a particular State where he signed his articles and may dock at several ports in different States; he may go from one State to another and may return and get his benefits in still another State; his family may be living in a different State. It is obvious that a simple uniform method of dealing with them is necessary.

The legislative history of unemployment insurance for seamen which I need not relate here is indeed one full of frustrations of effort to secure good legislation. Despite the recognition of the need by the Senate Postwar Planning Committee, the Senate Finance Committee, and various House committees in 1944, nothing has yet been done. There is very good reason why maritime employees should be covered by a national system of unemployment insurance.

Approximately 3,000,000 workers are still without coverage because they work for small employers. These workers have generally not had the same increase in wages as those employed by large firms; many of them, moreover, will lose their jobs, because a returning veteran has a prior right to it or because of the uncertainties that many small businessmen are facing in this period. Employers of one or more employees are already covered by Federal old-age and survivors insurance and by 13 State unemployment compensation laws. Coverage under the unemployment compensation program need be no great administrative burden on small employers, since they are already reporting under old-age and survivors insurance. The success of the 13 States in covering these workers also demonstrates that the additional administrative job for State agencies is no real obstacle.

In their periods of unemployment, farm workers, too, need the type of protection offered by an unemployment compensation program. While the administrative problems inherent in covering all agricultural workers, may be too great to attempt at this time, there is good reason why, at a minimum, workers on industrialized farms should be included under unemployment compensation. This work is in many ways similar to work in manufacturing establishments. The administrative task of including these workers under an unemployment compensation program should create no problem. In this connection, it should be recalled to the attention of the committee that the Senate recognized the need for coverage of these workers in labor laws during the debate on the Lea rider to the War Labor Board appropriation for the fiscal year 1946. This rider excluded agricultural processing workers from the consideration by the War Labor Board. The Senate finally consented to the Lea rider as passed by the House of Representatives only as a matter of expediency and not as a matter of principle.

DISQUALIFICATION

One of the worst features of existing laws is the disqualification provisions. The administration of these provisions, moreover, will be the most troublesome in the reconversion period. Workers will be changing jobs that they will have held for years. They may find newly acquired skills of little aid to them in a peacetime economy. Jobs will develop in localities far distant from the places in which they now live. Hours of work will change and with them the take-home pay. The entire labor market will be in a state of flux. The old Murray-

Kilgore bill of last year attempted to remedy this situation by creating national standards of qualification and disqualification. S. 1274 in basing itself entirely on the present State administration does not contain remedies for this situation. I felt I would be lax in my presentation if I did not call this problem to your attention. A more extended discussion is contained in exhibit VII.

VETERANS' BENEFITS

The GI bill now pays an unemployed veteran with at least 90 days of military service \$20 for each week of total unemployment for a period ranging from 24 weeks to 52 weeks, depending on his length of military service. The effect of S. 1274 would be to raise unemployment compensation paid to a single veteran by \$5 and would make a total allowance of \$5 per week for dependents of a veteran. Reference has already been made to provisions in the bill which would correct certain inequities which now exist in the present GI bill of rights.

From figures furnished me by the Office of War Mobilization and Reconversion it appears that of the 12,200,000 persons in military service in July 1945, 60 percent had no dependents, 25 had 1 dependent, and 15 percent had 2 or more dependents.

However, the record should show that the veteran who comes back and who has two dependents—for example, a wife and child—at home will get less unemployment compensation under the GI bill of rights than his wife had been getting in her monthly allotment check while he was in the military service. In other words, such a veteran comes home and joins his family; he becomes quite an expense to his family if he is unemployed. In terms of money income his family was better off when he was in the Army. Under the allotment law the Government recognized that it requires more than \$20 a week for a veteran's wife to take care of herself and two or more children. If there is more than one child the veteran would get considerably less while unemployed than his family got while he was in the Army.

Furthermore, the situation is made worse by the fact that while in the service the veteran was drawing a salary, rations, clothing, lodging and the like. Yet while an unemployed ex-serviceman he is adding his living expenses to the family budget, although the family income has not been increased.

TRAVEL ALLOWANCES

The bill authorizes the Director, through the United States Employment Service, to pay the cost of transportation, including that for dependents and household effects, to civilian war workers from their place of war employment to any place at which the Employment Service certified that there are suitable job opportunities.

Senator HAWKES. Senator, may I interrupt there and ask you if there is a correct definition or understanding as to what a war worker is? I have heard so many arguments and there are so many businesses that have contributed to the war that I am mixed up

What is meant by a war worker?

Senator KILGORE. It seems to me that the definition applied by the War Manpower Commission would have to apply here, that is, a man who was actually working in a plant making munitions or equipment of war under Government contracts.

Senator HAWKES. Equipment that went into the prosecution of the war?

Senator KILGORE. Yes.

Senator TAFT. That applies to the contractor or subcontractor.

Senator KILGORE. Yes, the contractor or subcontractor, the plant being engaged in the manufacture of material of war for the United States Government on a contract or on a subcontract from a prime contractor. I think that is the definition placed by the War Manpower Commission on it, and that would be the definition of an actual war worker under this travel allowance.

Senator HAWKES. What I am getting at is this: Suppose you have got a plant—I know many of them—where half of the people in that plant are working on the regular business of the organization and the other half are working on certain production for the prosecution of the war; where does that leave the people working in that plant?

Where, you might say, the plant was doing 65 percent war work is what I have in mind right now, and where 35 percent are working in other lines of business. Are they war workers?

Senator KILGORE. It is the plant alone, it is the worker in the plant, the men who are working on war contracts.

Senator HAWKES. You feel that is perfectly clear, do you?

Senator KILGORE. I believe it is. I feel it is as clear as we can get it.

Senator VANDENBERG. This does not cover a clerk in a war agency, for instance, who loses his job and wants to go home?

Senator KILGORE. I do not think so; no.

Senator LUCAS. What about the 35 percent of those in the factory who have not been engaged in the war effort? They are not covered?

Senator KILGORE. They are not covered on the transportation end.

Senator LUCAS. Well, they are covered on the other phases of the bill?

Senator KILGORE. Oh, yes, but I am speaking only of transportation.

Senator McMAHON. It is more likely that the employees who are on the civilian work, the 35 percent, would have been the old employees who are more likely not to avail themselves of the migratory feature.

Senator KILGORE. Those are the people who are on the regular job which they had before, because that is the same work that they were doing before, and they are going to do it then.

The CHAIRMAN. Suppose we have got a plant that is producing 70 percent for the war directly, making materials going into the Army, every employee in that plant is doing part of that job.

Senator KILGORE. Then, he is a war worker.

The CHAIRMAN. Take the textile mill.

Senator KILGORE. Yes.

The CHAIRMAN. Take the textile mills doing 70 percent, say, for the war, or 65 percent, but there is not a separate group that is doing the war work, they are all doing the same work but only a portion of that product goes into civilian use and the other goes to the Army, are they all war workers?

Senator BARKLEY. There might be a certain factory making munitions, war equipment for the Government in which the civilian con-

sumption would not be anything, and there might be another group segregated making something for civilian consumption; if there were such segregated groups, they would not be covered by this?

Senator KILGORE. Frankly, Senator George, under the limitations here I think the most liberal construction possible should be placed upon it.

The CHAIRMAN. That is in the discretion, anyhow, of the administrators of the act.

Senator KILGORE. That is in the discretion of the administrators of the act. You have one prime limitation; that is, he must have certification that there is employment available at the other place and no employment available at the place where he now is.

Senator VANDENBERG. You are sure, are you, Senator, that a worker in a war agency, we will say here in Washington, is not a worker entitled to transportation under this act?

Senator KILGORE. I do not think he is.

Senator LUCAS. I think of another example where they help make plowshares that go directly to the requirements for the purpose of increasing agricultural production in the war effort. Are those people war workers?

Senator KILGORE. I do not think so.

Senator BARKLEY. That would depend on whether they made them out of swords.

Senator KILGORE. Yes. The cost of such transportation is not to exceed that which is allowed Government employees under standard Government travel regulations upon official transfer from one State to another. The certification by the Employment Service constitutes a reasonable administrative safeguard.

The provision is designed to relieve burdened areas and unemployment compensation funds by transferring workers from depressed areas to jobs in more prosperous areas. In this connection I should like to insert for the record the fact that Great Britain has had a somewhat similar provision in its unemployment insurance law for many years, and on the basis of its experience in prewar days, it would seem that a travel-allowance feature met with some success. I should also like to point out that during the war Canada and Britain furnished transportation to war jobs. A statement of such legislation and experience is included as exhibit VIIIc.

The purpose of these allowances is to facilitate the transfer of workers to jobs from depressed areas and communities. During the reconversion period there probably will be many communities and areas which will be faced with overwhelming problems in connection with unemployment.

Mr. Chairman, with respect to this point, let me quote from the report of the Senate Committee on Finance, Seventy-eighth Congress, second session, on S. 2051, Senate Report No. 1035, page 6:

The impact of worker migration for which the States are not responsible, will not hit each with equal severity.

The amount of migration by war workers from their home areas to war production areas was tremendous; exhibit VIIIa contains a memorandum on this migration which I have received from the War Manpower Commission.

National operation of the Employment Service will be as important in the reconversion period when further great shifts in workers must

be achieved. The employment service in California, which already has hundreds of thousands of surplus workers, may be wholly inadequate in meeting the problem of migration alone. The effectiveness of a national system cannot be achieved if there are 51 State employment services rather than a single national system during the reconversion period.

As far as the travel provision of the bill is concerned, I should like to suggest several amendments for consideration by the committee. First, the provision should apply to all civilian workers. Second, the words "place of such employment" on lines 5 and 6, page 10, of the bill should read "place at which he is located at the time of his application for work with the Employment Service."

These changes would simplify the administration of the provision greatly and would place all workers in the reconversion period on the same basis. In addition, these changes would remedy an inequity which would otherwise be created by the words "place of such employment." For example, a large number of war workers have already left war areas in California for elsewhere. If these war workers applied for work and transportation outside of the places in California where they were engaged in war work, they could not get the transportation allowances under the bill as it now stands. Obviously this situation would be an anomaly.

I have obtained from the Social Security Board estimates of the possible cost of S. 1274 exclusive of travel benefits. The latter should receive specific appropriation after experience has shown the need and the desirable limits of the travel-allowance program. These estimates which are given in detail in exhibit IXa show the cost of the mandatory features would run from three-quarters to one and a quarter billions of dollars, depending on the unemployment load. If the States took advantage of all the voluntary features the cost would still be under \$2,000,000,000 at a high estimate of unemployment.

Mr. Chairman, I cannot leave the subject of cost without commenting that the State reserves are bulging and under any system of equity they should be called on first to pay decent benefits.

However, as President Truman has pointed out, "Changes in State laws cannot be made overnight." Reconversion unemployment is already upon us and I would therefore not urge compulsion on the States to institute the proposed \$25, 26-week scale from their own reserves.

Mr. Chairman, I am glad to note that the chairman of the House Ways and Means Committee, the Honorable Robert L. Doughton of North Carolina has introduced in the House a bill, H. R. 3736, which is substantially similar to S. 1274. I believe that if this committee were to enact S. 1274 in a perfected form, and the House were to enact H. R. 3736, the differences could be readily ironed out in conference. However, I am sure you and the committee members would like me briefly to mention these differences.

These differences are briefly as follows:

First, S. 1274 amends the GI bill of rights, while H. R. 3736 does not. I believe that this is explained by the fact that the House Ways and Means Committee does not have jurisdiction over the GI bill of rights as does the Senate Finance Committee.

Senator TAFT. Senator, I do not want to interrupt, but going back to the subject I mentioned before of the clerk in the war agency, it

seems such civilian workers who have been in activities that are essential to the war effort have transportation allowances made to them. That applies to the civilian employees from the State Department who travel from one State to another. I understood the interpretation included Government workers as the bill was written.

Senator KILGORE. I may be wrong on that, but I doubt it.

Senator VANDENBERG. Then we do not know the answer to my question.

Senator KILGORE. As to whether clerks in the Federal agencies are eligible for this transportation?

Senator VANDENBERG. It is either "Yes" or "No," one or the other.

Senator TAFT. I do not see why they are not civilian workers engaged in activities connected with the war effort.

Senator KILGORE. I may be wrong on that.

[Continuing:] 2. H. R. 3736 would provide for the treatment of Federal and maritime workers on a basis of State standards, while S. 1274 would provide for uniform national standards for this group. That is the point I raised some time ago to get uniformity of compensation, the same as you have uniformity of pay, paying it all out of the same fund. You will recall that in my testimony I made certain additional recommendations for perfecting and simplifying the operation of S. 1274 in this respect.

3. S. 1274 provides for agricultural processing workers on a mandatory basis, while H. R. 3736 leaves their inclusion up to the States.

4. S. 1274 provides for travel allowances.

5. H. R. 3736 provides that title IX of the Social Security Act be amended so that the act is automatically extended to cover employees of one or more. I believe this step is needed. It was not included in S. 1274 because of the House prerogative on tax legislation.

6. H. R. 3736 does not become effective until there are 600,000 compensable claims under State unemployment compensation laws. This provision would make H. R. 3736 effective shortly, if passed, because of the mounting unemployment. S. 1274, in turn, would become effective approximately 5 weeks after its passage. I would recommend to the committee that in view of the mounting unemployment and the practical occurrence of VJ-day several weeks ago that retroactive payments be made for unemployment which occurred after the first Sunday following the informal VJ-day of August 14, 1945.

In addition to the above suggestions for improvement of S. 1274, I would like to finally recommend that the committee consider an amendment whereby States which have carried out the Social Security Board recommendations of raising their maximum to \$25 per week and their duration to 26 weeks be reimbursed for all payments above the \$20 per week and 20-week duration standard.

Senator VANDENBERG. Is the answer to the \$64 question?

Senator KILGORE. It may be.

Senator VANDENBERG. Will you repeat that as to the amendment?

Senator KILGORE. That they amend it by reimbursing the States for the amounts they pay out under their own law above the \$20 per week and the 20-week standard which is in there.

Now, that question of amendment is up to the committee, whether they want to lower it or not, but that seems to me would be protection and at the same time hold out some reward to the States that, shall I say, complied with their promises made last year to a committee of the

Senate. In other words, they would benefit from their own unemployment compensation and not be penalized as they now are.

There are two thoughts behind the suggestion. First, that the States which have carried out the Social Security Board recommendations should not get less benefits because of their taking these recommendations seriously. Secondly, I feel that unless this emergency legislation includes such a provision it may reduce the incentive for the coming State legislatures to raise their State standards to the \$25-26 week level. For without such a provision, if the States liberalize their own laws during the next year and a half, they would assume a burden which the Federal Government would be undertaking in any event.

Now, the suggestion on the amount that was thrown out requires more study. Probably, the reimbursement should run into a little lower bracket, or the differential should be, but certainly I feel that, for instance, States like Maryland, Washington, New Jersey, and New York should not be penalized.

Senator McMAHON. Senator, that is illusory, though, because those States like my own, Connecticut, that have \$28 a week are really the States that are paying the money into the Federal Treasury by way of taxation.

Senator KILGORE. I agree with you.

Senator McMAHON. When you say to the State of Connecticut or the State of New Jersey, "We are going to reimburse you for everything you pay above \$20 a week under your State law," you are handing it to them with this hand but you are taking it away in the way of increased taxation that you pay in Michigan and we pay in Connecticut.

Senator BARKLEY. Some of these other States evidently would not pay it.

Senator KILGORE. My thought on that was this: Strange as it may seem, some of the States that are in the higher bracket are States where even in normal times you have sudden flurries of rather widespread unemployment. That is customary in industrial States, and to help them out and not exhaust their reserves those repayments would be a good idea, to go into their reserves.

Senator LUCAS. Haven't they thought of that—when they passed the law?

Senator KILGORE. Yes.

Senator LUCAS. I do not see why the Federal Government should do what you suggest?

Senator KILGORE. Well, that is just a suggestion to the committee. It is not in the bill.

Senator BARKLEY. Your bill provides for the reimbursement of States which have paid this increased amount. In other words, as they paid their own compensation they paid on behalf of the Federal Government, and it was contemplated that the Federal Government did not advance to the States enough money to pay all this in advance, that they go ahead and pay it, and then the Government reimburse them for what they paid out, which represents the difference between what they paid and the \$25, or the two-thirds.

Senator KILGORE. Yes; or whatever the amount comes to.

Senator, I have consulted with a number of unemployment compensation commissioners in the various States and they say that the ques-

tion of the administration of the act is not difficult at all, that they can go ahead and pay and make regular settlements with the Government on a reimbursement basis and operate without cash advances at all, because practically all the States, in their opinion, are in shape to do that.

Senator BARKLEY. I do not suppose there is any way to avoid it, and it may not be an objection to this provision, but do you recall any other instances in which the Government of the United States has turned money over to the States without in some way regulating how it is to be paid out?

Senator KILGORE. Well, I can recall where there were supposed to be controls and the controls were not very good.

Senator McMAHON. The road fund.

Senator BARKLEY. The road fund is very well controlled. It is extended on any roads that are not approved by the Roads Department of the Federal Government. There is theoretical control.

Senator KILGORE. But the actual expenditure is in the control of the State road commission.

Senator BARKLEY. The Federal Government puts up half of whatever the State allows and turns it over to the State, but there is a control on the qualifications of those who are to disburse it. I do not think that is true in this matter.

Senator KILGORE. Senator Barkley, may I say this, that the unemployment compensation personnel in every State and qualified under a certain Federal law. In other words, in the social security laws they have certain qualification standards they must meet in order to operate, and it will be handled by those employees. For instance, the Administrator is not just a political appointee, but he must, under the merit system prescribed by the Federal Government, meet the requirements of the Federal Government as to his qualifications, and the employees of his department have to do that.

Senator BARKLEY. They are not under the United States Civil Service.

Senator KILGORE. They are under what you might call a parallel civil service and merit system which is officially recognized by the Federal Government.

Senator VANDENBERG. Have you any information as to the attitude of the State authorities generally toward this measure?

Senator KILGORE. No, sir; except one. I talked with the unemployment compensation commissioner of the State of Washington, which happens to have a very similar law.

Senator LUCAS. How long has that been on the statute books?

Senator KILGORE. It was passed in their legislature last winter.

Senator LUCAS. In January?

Senator KILGORE. Yes, sir. He is very much in favor of it, although, it does not help the State of Washington except in this way, that it does take care of 65,000 Federal pay-roll employees at the Puget Sound Navy Yard, and various other Federal installations there which they cannot take care of, and also helps them get rid of the migrant situation where there is no work for them, and he favors it for that reason. And he says, the migrant came in there on Government transportation.

Senator TAFT. Senator, you have inserted in here this dependency question, and you have not discussed it at all. The unemploy-

ment compensation was based on the theory it was a contract right. A man earning his wages earned that additional sum purely as a contract right. It was not a relief proposition at all; it had no relation to his needs. He might have an income of \$10,000 and still he gets it.

Senator KILGORE. I was discussing dependencies with reference to veterans.

Senator TAFT. You have inserted in here a dependency clause.

Senator KILGORE. Only for the veteran. The veteran gets a \$5 additional allotment for his dependencies. That is in recognition of the following-out of the present allotment plan in the Army, and it just simply follows the same pattern.

Senator BARKLEY. In effect, that is an amendment to the GI bill.

Senator KILGORE. In effect, that is an amendment to the GI bill, pure and simple.

The CHAIRMAN. The committee has invited all the State governments and unemployment-compensation administrators to come down here, and they will come later in the week.

Senator LUCAS. Under this amendment with respect to the GI bill of rights, the GI is based on the same basis as the defense worker, with the exception of the dependencies; is that right?

Senator KILGORE. No, Senator Lucas. The soldier is not placed in the same status; he is raised above that status, in that his limitation is 52 weeks as compared to the defense workers' 26 weeks. He is raised from \$20 to \$25 plus \$5 additional for the dependencies.

Senator TAFT. That is 52 weeks in 2 years?

Senator KILGORE. It is 52 weeks in a 2-year period.

The CHAIRMAN. It might be the same for the defense workers or any other workers.

Senator KILGORE. I do not see how, Senator George. In other words, he draws unemployment compensation for the maximum, you see. He has to have a work base.

The CHAIRMAN. In the case of the Federal worker, he does not; does he?

Senator KILGORE. Yes; he has to have a work base in there, because his pay is based on the work he did under the rulings of the District of Columbia.

The CHAIRMAN. All of the changes you make in the GI bill are just to raise the amount?

Senator KILGORE. Just to raise the amount and take care of dependencies which was not done adequately in my opinion.

The CHAIRMAN. \$25 instead of \$20, and then \$5 additional for dependencies?

Senator KILGORE. Yes.

Senator McMAHON. Senator Kilgore, bearing upon Senator Barkley's observation that this was unusual, in that the Federal Government was appropriating money without exercising any control, in Connecticut I have been told a fellow making \$1.15 an hour as a machinist and going, we will say, to his own unemployment compensation office for a period of 3 weeks, they would offer him 40 cents an hour and he refuses that and he is cut off the unemployment compensation rolls. There may be no answer to it. It may be strictly a matter for the people of Connecticut to get angry with their State administration about. There is nothing in this bill that limits the

right of the State, before it drew down this money, to maintain a system which, at least, would not try to substitute a 40-cent-an-hour job for a \$1.15 job, the penalty being that he would go off the rolls; is there?

Senator KILGORE. I do not think they could step in there and intervene in that matter safely, and therefore nothing is attempted in the bill in that respect.

Senator LUCAS. Would you step in, in the example I gave awhile ago, with respect to the Federal employee that is being paid under the laws of the District of Columbia?

Senator KILGORE. That is right.

Senator LUCAS. I do not know how it would work out, but it seems to me where there are a lot of shipyards and a lot of employees of the States are going to be paid on the scale of the District of Columbia—

Senator KILGORE. Not merely shipyards but navy yards also.

Senator BARKLEY. That is simply because there is nothing in their standards under which those people can be covered?

Senator KILGORE. That is right. For instance, say a machinist was prevailed upon to leave the State of Illinois and go to the State of Mississippi to work in a shipyard; the Federal Government would have paid him if he stayed in Illinois \$20 for 26 weeks.

Senator TAFT. Yes; but he would just go to any place where he expected the most, or where a series of special conditions existed—in Mississippi, maybe higher wages and maybe other things and lower unemployment compensation. That was his own choice.

Senator KILGORE. In the big bulk of those cases they were there because they were strongly solicited to go there.

Senator TAFT. Your bill establishes the principle of uniformity throughout the country. I take it the reason for the differences in the States is that the States feel if they get this too high they encourage unemployment, people do not work, and in some places people think they will get lower wages than elsewhere. That is the justification, as I see it, for the different standards in the different States. Do you think we should change that? It is not a question of what they have got or what the Federal Government paid, it is a question of local policy. It is a question of how much they think they can pay a man that is not working and hope to encourage employment.

Senator KILGORE. Yes.

Senator TAFT. Your bill really adopts the uniformity principle.

Senator KILGORE. No; not wholly a uniformity principle, because it still leaves the State differentials in there, a certain amount of State differentials in the application of the law. It establishes a ceiling to which the State can go.

Senator TAFT. It occurred to me, when you said in effect the Federal Government would pay \$5 to every State which paid \$20, that that would tend to a uniformity.

Senator KILGORE. It includes some of the high States who were paying disproportionately, and I thought it should be amended and some medial level struck. I suggested \$20 for 26 weeks.

Senator TAFT. It seems to me you could amend your bill so some States could pay \$15. You say that is not enough, and it may be that probably it isn't, but we might amend the bill somewhat by simply paying a proportion of what the State pays.

Senator KILGORE. And extend it for 26 weeks.

Senator TAFT. You would probably have to extend the weeks, too.

Senator KILGORE. There is a reason behind the 26 weeks, Senator. That is the estimated time for reconversion of plants. This is not an ordinary shut-down that is taking place. The big bulk of these plants are going to have to be reconverted to something else. For instance, recently I saw a shipyard trying vigorously to get a contract to build railroad ties in order to keep their employees going, and it was going to take some time to reconvert their shops and shop equipment into the making of railroad ties, to lay the trackage, and do all the other work. Senator Vandenberg probably knows how long it is going to take to completely move the machinery in a plant like, shall we say, the Lincoln Park and replace it with all the microscopic readjustments that have to be made. Mr. Hoffman, of Studebaker, gave me an estimate on Studebaker, which is similar to Lincoln Park, of 6 weeks in order for them to put their full assembly line into operation. That is the reason for increasing it to 26 weeks. It was because of that extraordinary situation which had arisen. If you look at the States that were raised, you will find that every one of the five have been largely involved in war-work conversion.

Senator TAFT. Is not Ohio \$21 now?

Senator KILGORE. I must apologize for one feature in that chart, Senator Taft. Ohio and West Virginia are both 21 weeks, and Ohio is \$21 and West Virginia \$20; but getting it on one piece of cardboard, we just split it in 2-week brackets and \$2 raises. You have a chart there which shows the exact amounts.

Senator BARKLEY. Are you apologizing for West Virginia being in the same class as Ohio?

Senator TAFT. We stand together.

Senator LUCAS. Senator Kilgore, will you explain the chart on the wall?

Senator KILGORE. That is intended to show the coverage by unemployment compensation at the present time of the total labor force of 64,000,000. The average working force, actually working was a little less than that, but that was taken on an average day throughout the year. The total work force was a little over 64,000,000, the labor force.

Under that you have 30,000,000 covered by State and railroad unemployment compensation. Of the 30,000,000, 14.7 million were entitled to maximum benefits under State compensation and 11,000,000 entitled to the \$25 maximum under this bill.

Now, you will see that there were 34,000,000 not covered. Included in the 34,000,000 there are 12,000,000 veterans that have to be covered.

Senator LUCAS. You have still got 22,000,000 left.

Senator KILGORE. Yes.

Senator LUCAS. What happens to the 22,000,000?

Senator KILGORE. A large part of that number are covered into this bill. The major portion are covered into this bill. The Federal workers are covered, the maritime workers are covered, and the State may cover the processing and agricultural workers under the benefits of the bill. The benefits of the bill, if the States elect to do it, may be extended to the employees less than the present maximum number.

For instance, I ran into an extremely valuable war plant the other day that only had four employees, but it was doing a little job that,

if it shut down, it would be shutting down the Puget Sound Navy Yard, Mare Island, and Hunters Point, because it was doing just one little job for those people, but it was important work.

Senator LUCAS. If 30,000,000 people are covered through State unemployment compensation and there are practically 22,000,000 that are not covered, then the 2,000,000 will have to be taken care of by the Federal Government directly.

Senator KILGORE. In some way.

Senator LUCAS. Not directly?

Senator KILGORE. Through the State.

Senator LUCAS. I am talking about money.

Senator KILGORE. The money will come from the Federal Government.

Senator LUCAS. The money end of it will all have to come from the Federal Government?

Senator KILGORE. Yes.

Senator LUCAS. So we are taking care of, by the Federal Government, 45 percent of the total that will be unemployed on that basis.

Senator KILGORE. There is a certain amount of selfemployed in there that are not covered. There are a great number of agricultural workers in that working force that are not covered. I think I have a detail of it.

Senator BYRD. Have you made any allowances for them in this estimate of cost?

Senator KILGORE. Yes; that has all been taken into consideration.

Senator BYRD. Is that itemized for the benefit of the committee?

Senator KILGORE. Yes.

Senator BYRD. How much is allowed for liberalizing laws?

Senator KILGORE. That was all taken into consideration.

Senator BYRD. That can all be itemized?

Senator KILGORE. Yes.

Senator LUCAS. Have you a break-down of it?

Senator KILGORE. Senator Lucas, let me give you the complete break-down here. Your total labor force for the average week in 1944 was 64,200,000.

Senator BYRD. How many were employed? You do not mean 64,000,000 were actually employed?

Senator TAFT. That includes the Army and everything.

Senator KILGORE. That includes the Army. That includes all the employees now.

Senator LUCAS. Senators, too?

Senator KILGORE. Yes. You had an unemployment figure of 800,000 in the United States in 1944. You employed labor force, therefore, was 63,400,000, including the armed forces—all of them, of which there were 11,200,000 at that time in the armed forces. The actual labor force, exclusive of armed forces, was 52,200,000. That was your civilian labor force. The groups covered by unemployment compensation under State unemployment-compensation laws would cover 29,000,000, and railroad unemployment insurance covers 1,400,000, or a total coverage of 30,400,000 workers in the civilian group out of the 52,000,000, which leaves, as you say, 21,800,000 not covered.

Now, the groups presently not covered are Federal and maritime employees, 3,300,000. That is the seamen plus the Federal employees. Employees of small employers excluded by size of firm, restrictions by State laws, 2,000,000. There were 300,000 processing workers—

that is, workers in plants which process agricultural products—and there are 2,200,000 truly agricultural workers who work on farms, and of course they are not even covered by this bill.

Senator BYRD. You mean there are only 2,000,000 agricultural workers?

Senator KILGORE. Two million two hundred thousand.

Senator BYRD. That is the maximum?

Senator KILGORE. That is what we have got.

Mr. JACOBSTEIN. That is those who hire themselves out.

Senator KILGORE. It is the employees. I did not understand your question.

Then you have the employees of State and local governments, 2,900,000. Domestic workers and employees in nonprofit institutions, 1,600,000. Then you have 5,000,000 self-employed farmers and 4,500,000 other self-employed in that group of 21,000,000.

Senator LUCAS. What is the total group over which the Federal Government would have jurisdiction?

Senator KILGORE. It is mandatory for the 3,300,000 Federal and maritime and for the 300,000 processing workers. The rest of it is optional with the State. As to the 2,000,000 employees of the smaller employers, if the State wants to take them under their protecting wing and cover them, we will take care of the situation.

Senator BYRD. We will take care of all the expenses and the State will pay nothing?

Senator KILGORE. They will have to cover them under their own unemployment-compensation laws, and we will make up the difference for them; that is, the Federal Government will.

Take the first one, in the State of Mississippi: if they decide they want to pay them \$15 a week for 14 weeks, we will make up the funds to take care of the rest of them.

Senator BYRD. They have to make their regular payment?

Senator KILGORE. They have to make their regular payment.

Senator BYRD. The only difference is the Federal workers.

Senator KILGORE. Yes. The real difficulty applies to the processing workers, who, as you know, were temporary seasonal people largely, anyway.

Senator BARKLEY. Senator, out of the 52,000,000 who have been actually employed, exclusive of the Army and Navy, there were a large number of people who ordinarily would not seek employment and were not working ordinarily—the young men and women who left school in order to get the high wages and the older people who ordinarily would not seek employment; the housewives whose husbands were in the Army and Navy—is there any reliable estimate on the number of those who will go into the prewar ordinary vocations or lives and will not be seeking employment in the labor market?

Senator KILGORE. Well, of course, there are a great number of superannuated employees. For instance, in the coal mines we have men of 60 and 70 who will be automatically excluded from the employment market when the war is over, on the return of the younger men. There is a whole lot of retired railroad employees that came back into the service who will go out.

Senator BARKLEY. They have not lost their benefits have they?

Senator KILGORE. No; they have not lost their benefits. They will just go back to where they were before. I do not have any accurate figures on those.

Senator BARKLEY. I have seen various estimates running up to as much as 4 million.

Mr. JACOBSTEIN. From 3 to 5 million.

Senator KILGORE. I think you can get estimates of around 5 million. Of course, there are a lot of housewives who will go back to being housewives. There are estimates as to the number of soldiers' wives who are now working in plants and who will go back home and quit their work altogether.

The employment figure, of course, will be cut below the 64 million.

Senator TAFT. Also, if you cut the hours of work from 48 to 40, that is 5 million jobs.

Senator KILGORE. Yes.

Senator HAWKES. Under this bill, if a civilian worker is unemployed for a year and yet is registered for employment, he would get 26 weeks at \$25 from the State and Federal Governments; is that right?

Senator KILGORE. No; not necessarily.

Senator HAWKES. I mean if he qualifies.

Senator KILGORE. If he qualifies for the maximum he gets 26 weeks at \$25.

Senator HAWKES. Now then, what I want to get at is suppose he has not gotten any employment by the end of that year, does he come in for another 26 weeks after that?

Senator KILGORE. No; I believe every State in the Union, including the District of Columbia, have an earning period on which they go back for their base.

Senator HAWKES. That is very true, but you also stated that the States had the power to change this coverage.

Senator KILGORE. If they change their laws to take an additional advantage here, they are going to have to change their qualifications and their regulations as to their own people as well as these others.

Senator TAFT. They can pay \$50 a week if they want to.

Senator KILGORE. Certainly.

Senator BARKLEY. If they extend it to a period beyond the 26 weeks then this law would not apply?

Senator KILGORE. That is right.

Senator HAWKES. It would not in a given year, but my point was if a man stayed out of employment for a whole year, could he then come in for another part of the 26 weeks?

Senator KILGORE. In some of the States, and I think New Jersey is the same, you are allowed to draw a certain amount which is based upon previous earnings of employment prior to the time you were laid off. If he comes in and draws payment for 26 weeks and he gets no further work for 26 weeks more, he has no base in there to compute it upon. You would have to pass a law to get it, because he is paid under the rules of some States, and all of them have some earning base that you must go back to.

Senator LUCAS. He can be paid 26 weeks compensation at any time during the 2 years?

Senator KILGORE. He can be paid 26 weeks compensation at any time during the 2 years if unemployment occurs.

Senator BARKLEY. Suppose after being unemployed, he decides not to be in a hurry about seeking a job, suppose he registered and the 26 weeks expired, and then he decides to go back to work and he applies for a job and cannot get one, then does he qualify under this law?

Senator KILGORE. If I get you clearly, Senator Barkley, you mean the worker does not apply for a job.

Senator BARKLEY. Yes.

Senator KILGORE. Of course, if he does not apply for a job, then he cannot get unemployment compensation.

Senator BARKLEY. Not for that period, but suppose he decides he wants to rest for a while and he will not apply for a job for several months and then during the 2-year period he does apply and he is unable to get a job, what would happen in that case?

Senator KILGORE. There isn't a State in the Union, including the District of Columbia, in which any payments under this can start until he has applied for a job.

Senator BARKLEY. I understand, but suppose he decides to take a vacation voluntarily?

Senator KILGORE. Suppose he has a couple of thousand dollars and he decides he is going to live on that, then under the law he would not be entitled to it.

Senator BARKLEY. Suppose before the 2-year period is up, he decides that he wants to resume an occupation, and then seeks employment and is unable to obtain it, would he qualify under the bill, if he did qualify under the State law?

Senator KILGORE. He would qualify if he qualified under the State law.

Senator BARKLEY. He doesn't have to apply the next day he gets out of a job in order to get under this bill?

Senator KILGORE. That is right. The 26 weeks is computed from the time he is first authorized to draw it. If he can get part-time employment, he can be compensated under this law up to \$3 more.

For instance, if he gets a part-time job at \$15 a week, he can draw \$13 under the law, if he is entitled to \$25.

Senator HAWKES. Senator, I want to get clear the point I have in mind. I do not think I am clear on it myself yet. If a man sought employment and could not get it, he could get 26 weeks under this plan of yours?

Senator KILGORE. Yes.

Senator HAWKES. Then that 26 weeks is up, and he took a 4-month rest as Senator Barkley is talking about, and then he got a job for 3 months at the end of a year. My question is, Can he then go back in the next year and get that part of 26 weeks unemployment compensation that is left up to this period; up to June 30, 1947? I would think he could under your bill.

Senator KILGORE. Wait a minute. You say he draws the full 26 weeks the first year?

Senator HAWKES. Yes; he draws the full 26 weeks the first year.

Senator KILGORE. Then he gets 3 months employment?

Senator HAWKES. Then he lays off for a few months and then he works for 3 months.

Senator KILGORE. He works for 3 months and gets laid off again?

Senator HAWKES. Yes.

Senator KILGORE. That would depend upon the law in the State where it occurs. In other words, let us put that same man in the State of New Jersey.

Senator HAWKES. Yes.

Senator KILGORE. Where he gets \$22 for 26 weeks. Now, if he could qualify for anything under the law of the State of New Jersey and

they paid him their share, the Federal Government would be required under the law to go ahead and pay him the difference.

Senator LUCAS. I thought under this bill we could only pay a maximum of 26 weeks. Under your last answer, we pay the 26 weeks and the man lays off for some months and then works 3 months and goes back and applies for a job after he has been laid off again, and he cannot get it then he gets more compensation.

Senator KILGORE. You have to work a base period before you start drawing again on your earnings, where the pay-roll tax would have justified the payment of the further unemployment compensation.

Senator TAFT. In nearly every State you have to go back to work for a while before you can draw a second compensation.

Senator KILGORE. That is right.

Senator HAWKES. If he works 3 months, I think that will establish a right under this law, at least under New Jersey law.

Senator KILGORE. It is covered here in the words of the agreement.

Any such agreement shall provide for supplementing the amount of compensation payable to any individual during his benefit year in such amount that compensation will not be denied to any individual by reason of exhaustion of his benefit rights until he has been paid an amount of compensation equal to 26 times his adjusted weekly benefit amount.

Senator HAWKES. That is in his benefit year.

Senator KILGORE. That is in his benefit year.

Senator HAWKES. Therefore, if he goes to the next year and if he establishes the conditions or complies with the conditions required by the State, he can come back again?

Senator KILGORE. If he has established another benefit year under the State law it would apply to him.

Senator HAWKES. That is the point I wanted to bring out.

Senator BARKLEY. So a given individual during a given period might draw 52 weeks supplementary compensation out of the Federal Government?

Senator KILGORE. I do not see how he could under the law.

Senator BARKLEY. If the State law permitted him to have two periods of unemployment for which he was paid.

Senator KILGORE. Yes.

The CHAIRMAN. We have gone a little past 1 o'clock. We might meet at 2:30.

Senator LUCAS. I would like to have a little further explanation of that on his return.

Senator KILGORE. Senator Lucas, I said at the outset that a social-security representative, the Chairman of the Board, would come up here and go into the details of all of the States and its application. He will be available tomorrow and he will go into all of these technical details of the administration.

The CHAIRMAN. The committee will recess until 2:30.

(The exhibits submitted by Senator Kilgore are as follows:)

EXHIBIT IA

(Source: War Manpower Commission, August 22, 1945)

UNEMPLOYMENT 1945-47

Unemployment is expected to increase sharply over levels prevailing during the war period. Indications are that unemployment will climb throughout the remainder of 1945 and 1946 and reach a level of 8.6 million in the last quarter of

1946. A reversal in trend is expected in 1947 with unemployment dropping to 7.7 million in the second quarter of 1947. Estimates of unemployment by quarters are shown below:

[Quarterly averages in millions]

Quarters	1945	1946	1947
I.....		6.0	8.5
II.....		6.5	7.7
III.....	3.4	7.7	
IV.....	5.0	8.6	

These estimates are based on the explicit assumption that there will be no Government outlay for goods and services not needed in its regular activities, i. e., the Government will not participate in the economy for the purpose of creating jobs. The estimates are further based on the assumption that only about 1½ to 2 million of the "emergency war workers" (housewives, students, older people, etc.) will still remain in the labor force by the middle of 1947. The net strength of the armed forces will drop to 7.2 million by the second quarter of 1946 to 4.0 million by the fourth quarter of 1946, and 3.0 million by the second quarter of 1947.

Agricultural employment will expand because many of the servicemen who will be released from the armed services will want to return to the farms. Further, many of the workers employed during the wartime in such activities as shipbuilding and aircraft who came from rural areas will be returning to farm work as industrial jobs become limited. This increase in agriculture employment does not necessarily imply an increase in output but rather represents a considerable degree of underemployment.

In the construction industry there will be a strong upward trend throughout this period, reaching a level of 2 million by the second quarter of 1947. Employment in such activities as trade and service will increase over prewar levels in the same proportion as the increase in the total labor force. The levels of employment in transportation and public utilities, although lower than wartime peaks, are assumed to be at levels considerably above those existing before the outbreak of the war. Federal Government employment is expected to drop rapidly and by the second quarter of 1947 will total about 1 million less than on VJ-day.

EXHIBIT Ib.—Actual volume¹ of munitions production and war construction in June and July 1945, and estimated volume¹ from August 1945 through June 1946²

	1945							1946	
	June ¹	July ¹	August	September	October	November	December	First quarter	Second quarter
Munitions and war construction, total.....	13.4	11.5	10.0	4.0	3.3	3.0	2.6	2.3	1.8
Munitions, total.....	12.7	10.9	9.5	3.6	3.0	2.8	2.4	2.2	1.8
Aircraft.....	3.1	2.7	2.4	.4	.3	.3	.3	.4	.4
Ships, total.....	2.2	1.8	1.8	1.5	1.2	1.2	.9	.8	.6
Construction.....	1.6	1.2	1.2	.9	.6	.6	.3	.2	.1
Maintenance and repair.....	.6	.6	.6	.6	.6	.6	.6	.6	.5
Guns and fire control.....	.6	.4	.3	.1					
Ammunition.....	1.7	1.5	1.1	.3					
Combat and motor vehicles.....	1.2	1.0	.7	.1	.6	.5	.5	.4	.3
Communications and electrical equipment.....	.8	.7	.6	.2					
Other equipment and supplies.....	3.1	2.8	2.6	1.0	.9	.8	.7	.6	.5
War construction, total.....	.7	.6	.5	.4	.3	.2	.2	.1	

¹ Volume of production and construction is stated in terms of quarterly rates, measured in billions of dollars with unit costs standardized at June 1945 levels.

² Forecasts are preliminary and subject to revision, but represent the best judgment of the procurement agencies as of Aug. 14, 1945.

Source: Office of War Mobilization and Reconversion.

EXHIBIT Ic.—*War bites deeply into expanding United States output, seasonally adjusted annual rates*

[Billions of dollars]

Period	Gross national product	Government and private nonwar expenditures	Government war expenditures	Period	Gross national product	Government and private nonwar expenditures	Government war expenditures
1939: 1st half.....	86.0	84.8	1.2	1942: 1st half.....	139.1	103.8	35.3
2d half.....	91.2	89.7	1.5	2d half.....	163.9	100.2	63.7
1940: 1st half.....	94.2	92.4	1.8	1943: 1st half.....	183.2	102.7	80.5
2d half.....	100.0	96.3	3.7	2d half.....	192.3	107.8	84.5
1941: 1st half.....	113.1	103.8	9.3	1944: 1st half.....	197.4	110.0	87.4
2d half.....	127.9	110.6	17.3	2d half.....	200.1	114.9	85.2

Source: U. S. Department of Commerce, Survey of Current Business, April 1944 and February 1945.

EXHIBIT Id.—*Labor force*¹

[In thousands]

Month and year	Labor force	Employment	Unemployment	Armed forces
March 1941.....	53,150	46,000	5,950	1,200
March 1942.....	56,160	50,230	3,230	2,700
March 1943.....	60,290	51,230	1,060	8,000
March 1944.....	62,160	50,490	870	10,800
March 1945.....	63,660	50,830	830	12,000

¹ Excludes estimated number of persons in institutions.

Source: U. S. Bureau of the Census, except for armed forces (BLS).

EXHIBIT II

FULL EMPLOYMENT—THE FIRST OBJECTIVE OF DOMESTIC POLICY

In the week of August 6, the pace of world events was dramatically accelerated, first by the use of the most deadly weapon known to man, the atomic bomb, and secondly, by Russia joining her allies in the war against Japan. These two developments have made imminent the end of World War II. We can no longer afford any delay in putting our house in order, either for political and military security throughout the world or for economic security at home.

Congress and the Executive have already taken some major steps for achieving international security. The development of the atomic bomb demands that these steps be implemented rapidly since the consequences of war have become incredibly devastating.

On the domestic front little progress has been made toward achieving economic security. Piecemeal measures have been taken both by the executive and legislative. But the pressing task of achieving a smooth transition to a stable post-war economy of full employment has hardly been begun. The fate of the American economy, and in fact of world peace, depends on whether we in the United States move forward rapidly into full employment and economic security. Upon Congress rests the responsibility of enacting a legislative program which will insure our progress toward this goal.

In order to formulate and carry out such a legislative program, we must appraise the current status of our economy and recognize the magnitude of the economic tasks ahead. The American economy has never provided stable full employment under modern conditions of high labor productivity and mass production. A review of economic conditions between the First and Second World Wars makes this clear. The First World War ended with an unstable price structure, followed by a disorganization of agriculture. By 1926, when many thought economic conditions were booming, the great construction industries began to decline, and within 3 years the steady depression, new industrial developments, and an expanding labor force continued to raise the level of output needed for full employment. Thus in 1939, although we reached the production level of 1929, there were 7,000,000 more unemployed. Although the problems of a stable peacetime full employment economy remained unsolved between the two world wars, we were learning more and more about the workings of our economic system and the tech-

niques of stabilizing it. During this war, we have learned about the great capacity of our economy during the impact of Government action and national necessity.

Today we are faced with the task of creating millions of new job opportunities and of substituting a large consumer market for the huge war purchases of the Federal Government. Over 9,000,000 veterans must be absorbed into peacetime production. An additional 9,000,000 war workers directly engaged in munitions industries also must find peacetime employment. Steel, coal, agriculture, and other basic industries not engaged in the production of munitions, face depression and unemployment unless thriving construction and consumer-goods industries replace munitions industries. Ever rising industrial productivity and an expanding labor force have set much higher the levels of production at which full employment can be achieved. If full employment is to be attained in the postwar period production will have to be at least two-thirds higher than it was in 1929 or 1939, and 15,000,000 more jobs will have to be provided than were provided in the last prewar year of 1939.

There are some of short memory who today urge on the Federal Government a do-nothing policy toward insuring full employment. Such a policy would ignore the accumulated problems which were not solved between the First and Second World Wars and the lessons derived from this war. Within 5 years such a policy—or lack of policy—would confront this country with an economic crisis far more severe than all previous ones. Such a crisis would not only jeopardize internal economic stability, but might well threaten world peace if the most powerful of all industrial nations faltered and went into a economic tailspin.

Extensive Federal action is essential at this time: First, to meet the Federal Government's responsibility in recognized areas of public interest such as social security, health, education, housing, and community services; but even more, to assure job opportunities through flourishing business activity. This may involve many new measures but represents no break with the heritage which made us a great nation. It is an American tradition that the Government, representing all the people, takes the economic steps necessary for the country to fulfill its destiny as a growing and prosperous nation. This tradition dates back to the first commerce acts after the Revolution, the homestead acts of the reconstruction period, the great banking and antitrust acts at the turn of this century, and the agricultural, financial, labor, and social security legislation of the 1930's.

THE ECONOMIC BILL OF RIGHTS AS SET FORTH BY THE LATE PRESIDENT FRANKLIN DELANO ROOSEVELT

No one better recognized and understood the Government's fundamental responsibility for the welfare of its citizens than our late President. On January 11, 1944, Franklin Delano Roosevelt, applying the best of our heritage to the time when the duties and sacrifices of war would be ended and the Nation could return to the pursuit of peacetime prosperity and well-being, set forth a postwar economic policy.

"In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second bill of rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed.

"Among these are—

"The right to a useful and remunerative job in the industries, or shops or farms or mines of the Nation;

"The right to earn enough to provide adequate food and clothing and recreation;

"The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

"The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

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In the election campaign of 1944, the leaders of both parties reaffirmed the obligation of the Federal Government as the instrument of all the people to guarantee postwar domestic prosperity and economic security.

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AN ECONOMIC PROGRAM FOR THE RECONVERSION AND POSTWAR PERIOD

In an endeavor to define an over-all program which would meet the immediate economic problems of the reconversion and postwar period, Senator Pepper joined me in outlining a series of fundamental steps. We then consulted with many of our Senate colleagues, in fact, over two dozen, who welcomed this program and made valuable suggestions for its improvement. A number of them endorsed it in detail; others gave their wholehearted approval to its general objectives and expressed interest in further study of its details. Some of these discussions have been publicized widely and sympathetically in the press in reports which have covered partially the points of the proposed legislative program.

The outline presented here, which is based on the original outline prepared by Senator Pepper and myself and which embodies many subsequent suggestions, has the full approval of many of our colleagues. Because the recess made it impossible to consult with the many other Senators who previously indicated their interest in this type of program, I have not attempted at this time to list the names of those who have studied and approved it. This outline is put forward as a suggestion of the types of Federal action which will be needed to provide the prosperity and economic security which are our goals. It is my hope that it will be a contribution to the urgent public discussions and that it will, in some appropriate form, be carried out by the Congress when it reconvenes.

1. *Clearly establish the responsibility of the Federal Government for guaranteeing the economic bill of rights to all Americans.*—In addition to declaring this responsibility, provide for the development and collection of economic data basic to the formulation of full-employment programs, including an immediate census of employment and business opportunities.

2. *Guarantee equal opportunity to all Americans.*—Assure that Americans shall not be discriminated against because of race, color, political, or religious creed in exercising their political and economic rights.

3. *Provide war veterans with full security, training, medical care, and job opportunities.*—The soundest guaranty of jobs for veterans is a successful national full-employment program. In addition, increase veterans' maintenance, training, and unemployment compensation. Make special provision for improving veterans' medical care, social security, housing, etc., in all major economic and social legislation. Strengthen Federal executive and legislative bodies concerned with veterans' problems and provide continuous scrutiny of such problems.

4. *Provide emergency reconversion measures geared to full employment.*—Through the Office of War Mobilization and Reconversion, dovetail completed or curtailed war contracts with the release of men, materials, and facilities for peacetime production, including needed community and resource development for which funds should be appropriated at once. Facilitate absorption of war veterans and movement of workers to peacetime production by an improved United States Employment Service and payment of transportation costs to migrant workers. Protect returning veterans and war workers and maintain high national purchasing power through price control, emergency unemployment compensation, and wage rates increased through free collective bargaining to offset loss of pay from return to the normal workweek.

5. *Continue a stable and profitable agriculture at high production levels.*—Continue into peacetime wartime production and minimum price guaranties. Provide rural communities with adequate health, education, and other facilities and help farmers adopt the most advanced production techniques. Provide programs of loans and other assistance to small farmers and make provision for farm tenants and laborers displaced by mechanization.

6. *Create expanded opportunities for business.*—Assure adequate credit facilities and so dispose of surplus goods as to expand production and in particular assist small business and local industry; also strengthen other Federal activities concerned with small business and local industry. Provide expanded technical and informational services for business. Stimulate business activity by freeing it from the restrictive effects of cartels and monopolies.

7. *Guarantee a high level of scientific research activity in the interests of all the people.*—Provide for continued and expanded Federal support of research in national defense, health and medical care, basic science, and all other programs in the public interest which are not being carried out by commercial and non-profit institutions. Provide for democratic control of all Federal research programs, by having the men in charge full-time Government employees directly responsible to the President and the Congress. Through free publication and Government ownership of patents, guarantee that the results of federally financed research will not be perverted to private ends by monopolies and other interests at the expense of the common good.

8. *Promote a high wage level insuring the continued expansion of industrial and agricultural production.*—Centralize Federal activities concerned with labor welfare. Do not weaken any present guaranties of collective bargaining rights. Raise minimum wage-hour standards and broaden their coverage and through collective bargaining promote adoption of the annual wage.

9. *Expand foreign trade to provide jobs and an increasingly high standard of living at home and abroad.*—Expand our commercial and agricultural foreign trade service, and initiate a system of insured private capital loans and investments abroad. In addition to Bretton Woods and Export-Import Bank programs, provide long-term loans for foreign rehabilitation and industrial development leading to increased trade with the United States.

10. *Institute a national housing program insuring a large and sustained volume of private and public construction.*—Provide large annual construction of housing to eliminate slums and make available low-cost homes to middle-income groups whose needs have not hitherto been adequately met by public or private construction.

11. *Stabilize at high levels construction of community facilities.*—Public construction should not be considered as compensatory for, nor dependent and following upon, failure of private employment in various industries, but should be appraised as a necessary continuing aspect of full employment and national welfare. Therefore provide funds immediately and formulate programs for health centers, hospitals, schools, libraries, roads, airports, river and harbor development, etc.

12. *Establish a national health program and broaden the social-security system.*—Provide adequate medical care and protect all Americans from the financial loss and hardships incident to illness, accident, unemployment, old age, and death.

13. *Create additional educational and training opportunities for all Americans.*—Provide Federal aid to education, as well as scholarships and fellowships designed to expand the Nation's scientific and medical personnel.

14. *Promote the development and balanced use of natural resources with a view to expanding industrial, agricultural, and employment opportunities.*—Establish coordinated regional resource development programs, and programs developing and stabilizing at high levels coal and other minerals production. Give immediate financial support to resource improvements already planned.

15. *Adopt a fiscal policy geared to full employment.*—Pass tax measures which will be genuine incentives to business expansion rather than to mere profit accumulation, promote purchasing power of the lowest income groups through exemptions, and reduce the great concentration of wealth which has been accelerated during the war.

LEGISLATIVE IMPLEMENTATION

Such an over-all legislative program should be implemented and put into effect within 1 year after VJ-day if Congress is to discharge fully its responsibility with respect to our domestic and international security. Certain features of this program are immediately urgent; in fact, they are behind schedule, as for example provision for the human aspects of reconversion. For some features of the program, no legislation has as yet been drafted. A major task lies ahead for the Congress.

EXHIBIT III

I. *Provisions of emergency reconversion unemployment compensation bill.*—Section 1 of this bill creates a new title in the 1944 Reconversion Act containing the following items:

1. Section 701 (a) : The reconversion period is defined as the period from the fifth Monday after the date of enactment to June 30, 1947, inclusive.

2. Section 701 (b) : State is defined to include the District of Columbia, Alaska, and Hawaii.

3. Section 701 (c) : Compensation is defined to be cash payments to individuals for unemployment, exclusive of payments for dependents.

4. Section 701 (d) : State weekly benefit amount is defined to be the amount payable for a week of total unemployment under a State unemployment compensation law, exclusive of dependents' benefits.

5. Section 701 (e) : Adjusted weekly benefit amount is defined to be the sum of the State weekly benefit amount and the supplementary benefit for a week of total unemployment payable under this act.

6. Section 702 (a) : The Director of the Office of War Mobilization and Reconversion is authorized to make agreements with a State or a State unemployment

compensation agency so that the State agency can make compensation payments as authorized by sections 702 (b) and (c).

7. Section 702 (b) (1): The agreement shall provide supplementary benefits, out of Federal funds, to any eligible unemployed workers entitled to benefits under a State law so that each worker is entitled to benefits for 26 weeks. This provision leaves unchanged the varying qualifying requirements of the different State laws that provide every claimant who meets the State's qualifying requirement shall receive benefits for the duration to which he is entitled under the State law supplemented so that he will not exhaust his benefits until he has been paid an amount of benefits equivalent to benefits for 26 weeks of total unemployment in a benefit year. Thus, in my own State of West Virginia, where each worker with annual earnings of \$300 or more is eligible for benefits for a duration up to 21 weeks, S. 1274 would give him the right to at least 5 more weeks of benefit.

8. Section 702 (b) (2): The agreement shall provide for the raising of the maximum weekly benefit amount to \$25 by extending the relationship between benefits and wages now included in State unemployment compensation laws. This paragraph in the bill provides that the supplementary payment shall be such as is necessary to provide an adjusted weekly benefit amount up to a maximum of \$25 to an individual entitled to the maximum State weekly benefit amount payable under the State unemployment compensation laws in which the maximum is less than \$25.

The adjusted maximum is to be determined by an appropriate extension of the method used under the State unemployment-compensation law in determining State weekly benefit amounts of individuals entitled to less than the maximum.

The bill does not provide for paying each eligible unemployed employee a uniform amount of \$25 a week. Benefits would still be related to the person's previous wages and would not be modified in any respect except to give recognition to the fact that many persons now receive low benefits solely because of the low ceilings on benefits which can be paid. Thus, in a State like Tennessee, which pays benefits approximately one-half of an individual's previous weekly wage, at the present a person earning \$30 or more per week can only get \$15 per week in benefits. Under this bill not a single cent more would be paid to any eligible unemployed individual in Tennessee earning less than \$30 per week. But a person earning \$40 per week in Tennessee would get \$20 per week in benefits instead of the present \$15. An individual earning \$50 or more in wages per week would receive \$25 per week of total unemployment.

Another example of the effect of enactment into law is my own State of West Virginia. The maximum weekly benefit amount in West Virginia is now \$20 based on annual earnings of \$1,800 or more. This bill would raise the maximum for any worker with annual earnings of \$1,800 to earnings of \$2,700 or more.

In a State using a percentage of high quarterly wages to compute the weekly benefit rate, the maximum provided will merely be raised to \$25 and the same percentage used in computing the amounts above the existing maximum; in a State using a table in its laws to compute benefit rates, the table will be extended by a continuation of the relationship between wages and benefits already incorporated to a ceiling of \$25.

The following table illustrates the total amount which would be paid under the bill to an unemployed person in a particular State which now provides benefits of one-half of wages up to a ceiling of \$15. No change would be made in the amount of benefits paid to individuals below the maximum paid by the State.

TABLE 1.—*Illustrative unemployment benefits under the bill in a State which at the present time provides benefits of 50 percent of wages up to a maximum of \$15 per week*

Average weekly wage of unemployed individual	Total benefit (State plus Federal)	Amount paid by State	Amount paid by Federal Government
\$20.....	\$10	\$10	\$0
\$30.....	15	15	0
\$40.....	20	15	5
\$50.....	25	15	10
\$60 or more.....	25	15	10

For a State which now pays 60 percent of wages up to a ceiling of \$20, the bill would work out as shown in the following table:

TABLE 2.—*Illustrative unemployment benefits under the bill in a State which at the present time provides benefits of 60 percent of wages up to a maximum of \$20 per week*

Average weekly wage of unemployed individual	Total benefit (State plus Federal)	Amount paid by State	Amount paid by Federal Government
\$20.....	\$12	\$12	\$0
\$30.....	18	18	0
\$40.....	24	20	4
\$50.....	25	20	5
\$60 or more.....	25	20	5

9. Section 702 (b) (3): The agreement shall provide for paying unemployment compensation to Federal and Maritime employees, as if their service were included under the unemployment compensation law of the District of Columbia and shall provide for the payment to agricultural processing employees of unemployment compensation under the provisions of the respective State laws. The benefits payable to Federal and Maritime employees would be the same as those payable to other workers covered by the District of Columbia law and supplemented on the same terms as to duration of benefits and as to maximum amount provided above.

10. Section 702 (c) (1): Any State entering into an agreement may include in it provision for payment of compensation on the basis of adjusted weekly benefit amounts which do not exceed \$25 and not in excess of two-thirds of previous weekly earnings. Thus, a State is given the option of liberalizing its benefit payments below the \$25 ceiling. However, no individual may receive benefits of more than two-thirds of his weekly wages, and in no case above \$25.

For a State which elects to pay up to two-thirds of wages up to a ceiling of \$25 per week, the bill would work out as shown in the following table:

TABLE 3.—*Illustrative unemployment benefits under the bill in a State which at the present time provides benefits of 50 percent of wages up to a maximum of \$15 per week and which under the bill increases its payments to 66⅔ percent of wages up to a maximum of \$25 per week*

Average weekly wage of unemployed individual	Total benefit (State plus Federal)	Amount paid by State	Amount paid by Federal Government
\$10.....	\$6.66	\$5	\$1.66
\$20.....	13.33	10	3.33
\$30.....	20.00	15	5.00
\$40.....	25.00	15	10.00
\$50.....	25.00	15	10.00
\$60 or more.....	25.00	15	10.00

11. Section 702 (c) (2) provides that any State may include in the agreement provision for the payment of compensation to any individuals who would be entitled to compensation under the State unemployment compensation law who are now excluded by reason of any provision of law defining employment or by any provision limiting coverage based on pay roll, number of employees of the duration, or frequency of employment. Such compensation must be in the same amounts, on the same terms, and subject to the same conditions as are now provided in the State law for employees already covered together with the supplementary benefits under this act. In this way the State may elect to cover employees in small firms, agricultural employees, domestic-service employees, employees in nonprofit institutions, State employees if the State so wishes. A State may elect to cover all or any part of these groups now unprotected by the law.

12. Section 703: If a State fails to enter into an agreement, or fails to make payments specified in section 702 (h), the Director can make the supplementary

payments to individuals. Final determinations of entitlement to such payments are subject to court review in such manner as provided for old-age insurance in the Social Security Act.

13. Section 704: An agreement must provide that unemployment compensation payable under the State law will not be denied or reduced by reason of any payment under the agreement or under section 703. No compensation shall be paid under this agreement based on employment or service under a Federal unemployment-compensation law.

14. Section 705 (a): The determination of entitlement to the supplementary benefits under an agreement shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law. This in substance provides the same uniform treatment for the adjudication of all claims for unemployment compensation payments made by the State.

15. Section 706 (b): The administration by the State unemployment compensation agency under an agreement is deemed the part of the administration of the State unemployment compensation law for the purpose of the administrative grants under title III of the Social Security Act. The purpose of this provision is self-evident. It permits the Social Security Board to grant to each State with an agreement additional funds necessary to finance the State administrative aspects of the agreement.

16. Section 706: This section provides for the administrative details in payments to the States.

17. Section 707: Similar to title III of the Social Security Act, the State unemployment compensation agency is to furnish such information to the Director of the Office of War Mobilization Reconversion as he may find necessary in carrying out the provisions of the title and such information is deemed as reports required by section 303 (a) (6) of the Social Security Act.

18. Section 708: Transportation (including that for dependents and household effects) will be provided by the United States Employment Service to any war worker displaced in the reconversion period from his place of employment to any place at which the United States Employment Service certifies there are available suitable job opportunities. The cost of this transportation must not exceed the amount payable to Federal Government employees upon transportation from one official station to another. The purposes of this provision is to permit the Federal Government to assist in relieving the burden on local areas of unemployment and the burden otherwise placed in State unemployment compensation funds. These allowances will be discussed later in my testimony.

AMENDMENT OF GI BILL OF RIGHTS

Section 2 of the bill amends the unemployment insurance provisions of the Servicemen's Readjustment Act of 1944 (the GI bill of rights) by providing more adequate unemployment insurance benefits to servicemen. At the present time a serviceman gets only \$20 per week while he is unemployed irrespective of whether he is a single person or has several dependents. The bill changes this amount to \$25 for all persons and adds \$5 per week if the serviceman has any dependents. The maximum payment under the bill would be \$30.

The bill also repeals two restrictive provisions of the existing law. At the present time an individual must have served 9½ months or more to be eligible to the full 52 weeks of benefits. For each month of service less than 10 months, the individual's right to benefits is reduced by 4 weeks. Thus, if an individual served only 90 days, he is entitled to only 24 weeks of benefits. This provision is unfair to the serviceman with only 90 days' service who has broken his ties with his employer and his community and cannot find a job when he returns. It will be unfair to servicemen who are discharged at the end of the war with short periods of service and who find themselves unemployed after 24 weeks.

The bill also remedies the defect in the present law which charges an unemployed serviceman with a full week of benefits even if he draws only a partial benefit for a week. Instead of charging the serviceman with weeks of benefits toward the total to which he is eligible, the bill charges only the amount of dollars he has received. This is the customary provision under State unemployment compensation laws.

EXHIBIT IVa.—Selected provisions of State unemployment compensation laws, June 30, 1945¹

State	Coverage Minimum size-of-firm coverage (number of workers)	Eligibility Qualifying base-period earnings for minimum benefits ²	Weekly benefit amount		Duration of benefits ³		
			Fraction of highest quarterly earnings or type of schedule	Maximum	Fraction of base-period earnings used in determining duration	Maximum weeks of benefits for total unemployment	Maximum annual benefits
					U=Uniform for all claimants, otherwise variable		
Alabama.....	8 or more in 20 weeks.....	\$120 (30x).....	1/20	\$20	1/3	20	\$400.00
Alaska.....	1 or more at any time.....	125 (25x).....	1/20	16	1/3	16	250.00
Arizona.....	3 or more in 20 weeks.....	70 (14x) ⁴	1/20	15	2/3	14	210.00
Arkansas.....	1 or more in 10 days.....	66 (22x).....	1/20	15	1/3	16	240.00
California.....	1 or more at any time and \$100 pay roll in calendar quarter. ⁴	300.....	1/20	\$ 20	(⁵)	\$ 23.4	\$ 468.00
Colorado.....	8 or more in 20 weeks.....	150 (30x).....	1/25	15	1/3	16	240.00
Connecticut.....	4 or more in 13 weeks.....	240.....	1/20	\$ 22-28	1/3	20	\$ 440.00-560.00
Delaware.....	1 or more in 20 weeks.....	210 (30x).....	1/25	18	1/4	22	396.00
District of Columbia.....	1 or more at any time.....	150 (25x).....	1/25	20	1/2	20	400.00
Florida.....	8 or more in 20 weeks or \$5,000 quarterly pay roll.....	150 (30x).....	1/20-1/25	15	1/4	16	240.00
Georgia.....	8 or more in 20 weeks.....	100 (25x-40x).....	1/25-1/30	18	U	U 16	288.00
Hawaii.....	1 or more at any time.....	150 (30x).....	1/25	25	U	U 20	500.00
Idaho.....	\$78 or more wages payable in any 1 quarter.....	140 (28x-52x).....	1/25-1/32	18	1/4	17	306.00
Illinois.....	6 or more in 20 weeks.....	225.....	1/20	20	(⁵)	26	520.00
Indiana.....	8 or more in 20 weeks.....	250.....	1/25	20	1/4	20	400.00
Iowa.....	8 or more in 15 weeks.....	90 (18x).....	1/25	18	1/3	18	324.00
Kansas.....	8 or more in 20 weeks or 25 or more in 1 week.....	100 ⁶	1/25	16	1/3	20	320.00
Kentucky.....	4 or more in 3 quarters of preceding year to each of whom \$50 payable in each such quarter; or 8 or more in 20 weeks.....	200.....	(¹⁰)	16	U	U 20	320.00
Louisiana.....	4 or more in 20 weeks.....	90 (30x).....	1/25	18	1/4	20	360.00
Maine.....	8 or more in 20 weeks.....	200.....	(¹⁰)	\$ 20	U	U 20	\$ 400.00
Maryland.....	1 or more at any time.....	210 (30x).....	1/20	20	1/4	26	520.00
Massachusetts.....	1 or more in 20 weeks.....	150.....	1/20	\$ 21	3/10	23	\$ 483.00
Michigan.....	8 or more in 20 weeks.....	250 ¹¹	1/20	\$ 20-28	1/4	20	\$ 400.00-560.00
Minnesota.....	1 or more in 20 weeks (or 8 or more outside cities of population of 10,000 or more).....	200.....	(¹⁰)	20	(⁵)	20	400.00
Mississippi.....	8 or more in 20 weeks.....	90 (30x).....	1/20	15	U	U 14	210.00
Missouri.....	do.....	20 (40x) ¹²	1/25	18	2/3	16	288.00
Montana.....	1 or more in 20 weeks or annual pay roll over \$500.....	150 (30x).....	1/25	15	U	U 16	240.00

Footnotes at end of table.

EXHIBIT IVa.—Selected provisions of State unemployment compensation laws, June 30, 1945¹—Continued

State	Coverage Minimum size-of-firm coverage (number of workers)	Eligibility Qualifying base-period earnings for minimum benefits ²	Weekly benefit amount		Duration of benefits ³		
			Fraction of highest quarterly earnings or type of schedule	Maximum	Fraction of base-period earnings used in determining duration	Maximum weeks of benefits for total unemployment	Maximum annual benefits
					U = Uniform for all claimants, otherwise variable		
Nebraska.....	8 or more in 20 weeks or \$10,000 quarterly pay roll. ⁴	200.....	$\frac{1}{25}$	18	$\frac{1}{3}$	18	324.00
Nevada.....	\$225 or more wages payable in 1 quarter.....	175 (25x-30x) ¹²	$\frac{1}{40}$	⁶ 18-24	$\frac{1}{3}$	⁷ 20	⁸ 360.00
New Hampshire.....	4 or more in 20 weeks.....	200.....	(¹⁰)	⁸ 20	U	⁵ U 20	⁸ 400.00
New Jersey.....	do ⁴	150.....	$\frac{1}{22}$	22	$\frac{1}{3}$	26	572.00
New Mexico.....	\$450 or more wages paid in quarter; or 2 or more in 13 weeks.....	150 (30x).....	$\frac{1}{20}$	15	$\frac{1}{3}$	16	240.00
New York.....	4 or more in 15 days.....	300 (30x).....	$\frac{1}{23}$	¹³ 21	U	U 26	546.00
North Carolina.....	8 or more in 20 weeks.....	130.....	(¹⁰)	20	U	U 16	320.00
North Dakota.....	8 or more in 20 weeks.....	140 (28x).....	$\frac{1}{23}$	20	U	U 20	400.00
Ohio.....	3 or more at any time.....	160 ¹⁴	$\frac{1}{22}$ - $\frac{1}{25}$	⁸ 21	(¹⁵)	⁸ 22	⁸ 462.00
Oklahoma.....	8 or more in 20 weeks.....	120 (20x).....	$\frac{1}{20}$	18	$\frac{1}{3}$	20	360.00
Oregon.....	4 or more in any day in any calendar quarter with pay roll of \$500.....	200 ³	(¹⁰)	⁸ 18	(⁶)	20	⁸ 360.00
Pennsylvania.....	1 or more at any time.....	240 (30x).....	$\frac{1}{25}$	⁸ 20	(⁶)	⁸ 20	⁸ 400.00
Rhode Island.....	4 or more in 20 weeks.....	100.....	$\frac{1}{10}$ - $\frac{1}{15}$	⁸ 18	(⁶)	⁸ 20.25	⁸ 364.50
South Carolina.....	8 or more in 20 weeks.....	120 (30x-40x).....	$\frac{1}{20}$	⁸ 20	U	⁵ U 16	⁸ 320.00
South Dakota.....	do.....	125.....	$\frac{1}{23}$ - $\frac{1}{23}$	15	(⁶)	20	300.00
Tennessee.....	do.....	125 (25x-30x).....	$\frac{1}{20}$	15	U	U 16	240.00
Texas.....	do.....	90 (18x).....	$\frac{1}{20}$	¹³ 18	$\frac{1}{3}$	¹³ 18	324.00
Utah.....	\$140 or more wages payable in 1 quarter.....	150 (30x).....	$\frac{1}{20}$	¹⁶ 25	(¹⁰)	¹⁶ 19	¹⁶ 460.00
Vermont.....	8 or more in 20 weeks.....	180 (30x).....	$\frac{1}{19}$ - $\frac{1}{25}$	20	U	U 20	400.00
Virginia.....	do.....	100 (25x).....	$\frac{1}{25}$	15	$\frac{1}{4}$	16	240.00
Washington.....	1 or more at any time.....	300.....	(¹⁰)	25	(⁶)	26	650.00
West Virginia.....	8 or more in 20 weeks.....	300.....	(¹⁰)	20	U	U 21	420.00
Wisconsin.....	6 or more in 18 weeks or annual pay roll of \$6,000; also employer with more than \$10,000 quarterly pay roll.....	14 weeks employment.....	(²)	20	$\frac{1}{2}$	23	460.00
Wyoming.....	1 or more in 20 weeks and \$150 or more wages payable in 1 quarter or \$500 in 1 year.....	175 (25x).....	$\frac{1}{20}$	20	$\frac{1}{4}$	20	400.00

¹ Provisions of State laws include amendments enacted and reported to the Bureau of Employment Security through June 30, 1945. Except where otherwise stated, all amendments will become effective during 1945.

² In variable-duration States, maximum benefits are limited to the lesser of a specified fraction of base-period earnings or a specified multiple of the weekly benefit amount. Except in the following States, the base period is 4 quarters or a calendar year: Arizona—2-year base period may be extended to include as many as 4 additional quarters; Missouri—2 years; Oregon—base period may be extended by not more than 4 quarters if individual has been incapable of work during greater part of working time in any calendar quarter; Wisconsin—duration roughly equivalent to 1 week of benefits to 2 weeks of employment, the maximum depending on continuity of unemployment and a number of previous employers (but not exceeding 23 weeks based on employment from same employer).

³ Amount shown represents minimum base-period earnings for a claimant who barely qualifies. In some States, a flat amount is specified in the law and in others, a specified multiple of the weekly benefit amount. In the latter States, amount shown is the product of the multiple and the minimum weekly benefit; qualifying earnings would be higher for claimants receiving a higher weekly benefit rate. Where dependents' benefits are provided, the fraction applies to the basic benefit. Qualifying wages must have been earned in a 1-year period in all States except: Arizona—qualifying wages must have been earned in first 3 of last 4 completed calendar quarters preceding first day of benefit year; Missouri—2-year base period; Oregon—base period may be extended by not more than 4 quarters if individual has been incapable of work during greater part of working time in any calendar quarter; Wisconsin—eligibility requirement is 14 weeks of employment, and benefits are in ratio of 1 week to 2 weeks of employment.

⁴ Effective Jan. 1, 1946.

⁵ State law provides for reduction if solvency of fund is imperiled.

⁶ Duration is determined according to a table of base-period earnings, contained in the State law.

⁷ 4 States provide for dependents' allowances: Connecticut—maximum primary benefit is \$22; weekly benefits may be increased \$2 for each dependent up to 3. District of Columbia—weekly benefits may be increased \$1 for each dependent of specified types up to 3; same maximum (\$20) with or without dependents. Michigan—primary benefit plus \$2 per child depend-

ent up to the lesser of \$28 or average weekly wage in high quarter; maximum primary benefit is \$20. Nevada—dependents' allowances of \$3 for 1 or 2 dependents, \$6 for 3 or more; maximum annual benefits not increased, hence weeks of benefits decreased for claimants with dependents—for example, maximum duration is 15 weeks for claimant receiving \$24 maximum weekly payment.

⁸ Weekly benefit based upon a weighted table of high-quarter earnings, contained in the State law. Fractions shown are approximate.

⁹ Wages totaling \$100 in 2 quarters, or \$200 in base period.

¹⁰ Weekly benefit based upon a weighted table of annual earnings contained in the State law.

¹¹ Including wages in at least 2 quarters.

¹² \$175 if computed weekly benefit is less than \$8; 25–30 times weekly benefit amount if computed weekly benefits is more than \$8. Including earnings of 5 times the weekly benefit in some quarter other than that of highest earnings.

¹³ Benefit amounts which are expressed in days of unemployment in New York and in 2-week periods in Texas have been converted into weeks.

¹⁴ And employment in at least 20 weeks.

¹⁵ Duration based on calendar weeks of covered employment in base period; 18 weeks' duration for claimants with 20 weeks of covered employment; 19 weeks' duration for 21–24 weeks of covered employment; 22 weeks' duration for over 24 weeks of covered employment.

¹⁶ Effective July 1, 1945, Utah law provides for adjustment of weekly benefit amount according to Bureau of Labor Statistics cost-of-living index; duration and benefit limits shown are those now applicable. Greatest possible duration is 19 weeks under the upward adjustment; 28.3 weeks under the downward adjustment; when no adjustment applies, 23 weeks uniform. Maximum weekly benefit amount without cost-of-living adjustment is \$20 and minimum \$5. Total benefits payable during benefit year computed as 23 times normal weekly benefit amount; hence, under cost-of-living adjustments, duration in weeks varies inversely with weekly benefit amount. Thus a claimant eligible for the maximum weekly benefit amount and duration (\$20 for 23 weeks) would receive, under the upward adjustment and at present time, \$25 for 18.4 weeks and, under the downward adjustment, \$17 for 27 weeks.

EXHIBIT IVb.—Selected provisions of State unemployment compensation laws as of Dec. 31, 1944, and June 30, 1945¹

(1944 provisions are in "From" columns and 1945 provisions in "To" columns. An asterisk (*) in "From" indicates that the provision was not changed in 1945; hence present provision also applied in 1944)

Social Security Board region and State	Monthly average (1944) of covered employment ¹ (thousands)	Size-of-firm coverage ²		Initial waiting-period weeks		Weekly benefit amount						Duration			
		From	To	From	To	Fraction of highest quarterly earnings or type of schedule		Minimum		Maximum		Fraction of base-period earnings ⁴		Maximum (weeks)	
						From	To	From	To	From	To	From	To	From	To
Total, 51 States.	29, 838. 9														
REGION I															
Connecticut	625. 4	(*)	4 in 13 weeks	(*)	1	1/30	1/25; dependents' benefits.	\$6	\$8-\$12	\$22	\$22-\$28	1/3	1/4	18	20
Maine	172. 9	(*)	8	(*)	1	(*)	Weighted, annual earnings.	\$6	\$5	18	\$20	(*)	U	16	U 20
Massachusetts	1, 363. 8	(*)	1	(*)	1	(*)	1/30	(*)	\$6	18	\$21	(*)	3/10	20	23
New Hampshire	106. 0	(*)	4	(*)	1	(*)	Weighted, annual earnings.	(*)	\$6	18	\$20	(*)	U	U 18	U 20
Rhode Island	231. 1	(*)	4	(*)	1	(*)	1/6 to 1/9 ⁷	(*)	\$6.75		\$18	(*)	* table	(*)	20, 25
Vermont	56. 7	(*)	8	(*)	2	(*)	1/10 to 1/15 ⁷	(*)	\$6	15	\$20	(*)	U	U 18	U 20
REGION II-III															
Delaware	82. 6	(*)	1	(*)	1	(*)	1/25*	\$5	\$7	(*)	\$18	(*)	1/4	20	22
New Jersey	1, 247. 7	(*)	4	(*)	1	(*)	1/22*	\$7	\$9	18	\$22	1/3	1/4	18	26
New York	3, 935. 1	(*)	4 in 15 days	(*)	1	(*)	1/25*	(*)	\$10	18	\$21	(*)	U	U 20	U 26
Pennsylvania	2, 709. 8	(*)	1 at any time	(*)	2	(*)	1/25*	(*)	\$8	18	\$20	(*)	* table	16	20
REGION IV															
District of Columbia	189. 0	(*)	do	(*)	1	(*)	1/25; dependents' benefits.	(*)	\$6-\$9	(*)	\$20	(*)	1/4	(*)	20
Maryland	520. 8	(*)	do	(*)	1	None	1/30	(*)	\$7	\$20	\$20; \$25 if GI maximum increases.	(*)	1/4	23	26
North Carolina	552. 1	(*)	8	(*)	1	(*)	Weighted, annual earnings.	\$3	\$4	15	\$20	(*)	U	(*)	U 16

EMERGENCY UNEMPLOYMENT COMPENSATION

Virginia	427.0	(*)	8	(*)	1	(*)	1/2s	Weighted, annual earnings.	\$7	\$4	(*)	\$15	(*)	1/4	(*)	16	16
West Virginia	334.1		8	(*)	1	(*)			\$8	\$8	18	\$20	(*)	U	U	16	U21
REGION V																	
Kentucky	310.3	(*)	4 in 3 quarters of preceding year to each of whom \$50 payable in each such quarter; or 8.	(*)	1	(*)		do	(*)	\$5	(*)	\$16	(*)	U	(*)		U20
Michigan	1,571.7	(*)	8	(*)	1	1/2s	1/2s	dependents' benefits.	(*)	\$4.81	20	\$20 to \$28	(*)	10 1/4	(*)		20
Ohio	2,015.2	(*)	3 at any time	(*)	2	(*)	1/2s	to 1/2s	(*)	\$5	16	\$21	U	(11)	U	18	22
REGION VI																	
Illinois	2,175.6	(*)	6	(*)	1	(*)	1/2s		\$7	\$10	(*)	\$20	(*)	table		20	28
Indiana	857.8	(*)	8	(*)	1	(*)	1/2s		(*)	\$5	18	\$20	(*)	1/4		18	20
Wisconsin	664.8	(*)	6 in 18 weeks or annual pay roll of \$6,000; also \$10,000 quarterly pay roll.	(*)	2	(*)		Weighted, average weekly earnings. ⁴	\$2, but paid at \$8	\$6, but paid at \$8.	(*)	\$20	(*)	1/2		20-36	23
REGION VII																	
Alabama	415.2	(*)	8	13 1	1	(*)	1/2s		\$2	\$4	(*)	\$20	(*)	1/4	(*)		20
Florida	335.1	(*)	8 or \$5,000 quarterly pay roll.	(*)	1	(*)	1/2s-1/2s		(*)	\$5	(*)	\$15	(*)	1/4	(*)		16
Georgia	496.6	(*)	8	(*)	2	(*)	1/2s-1/2s		(*)	\$4	(*)	\$18	(*)	DD	(*)		U16
Mississippi	158.5	(*)	8	(*)	2	(*)	1/2s		(*)	\$3	(*)	\$15	(*)	DD	(*)		U14
South Carolina	255.8	(*)	8	(*)	1	(*)	1/2s		(*)	\$4	15	\$20	(*)	DD	(*)		U16
Tennessee	484.2	(*)	8	(*)	1	(*)	1/2s		(*)	\$5	(*)	\$15	(*)	U	(*)		U16
REGION VIII																	
Iowa	294.7	(*)	8 in 15 weeks	(*)	2	50 percent ¹³ or 1/2s	1/2s		\$5 ¹⁴	\$5	15	\$18	1/6	1/6		15	18
Minnesota	458.7	(*)	1 ¹⁵	(*)	2	(*)		Weighted, annual earnings.	(*)	\$7	(*)	\$20	(*)	Table		16	20
Nebraska	141.4	8	8 or \$10,000 quarterly pay roll.	(*)	2	(*)	1/2s		(*)	\$5	15	\$18	(*)	1/6		16	18
North Dakota	29.4	(*)	8	2	1	1/2s	1/2s		(*)	\$5	15	\$20	(*)	U		U16	U20
South Dakota	37.1	(*)	8	(*)	1	Weighted, annual earnings.	1/2s	1/2s	\$7	\$6	(*)	\$15	(*)	Table		16	20

Footnotes at end of table.

EXHIBIT IVb.—Selected provisions of State unemployment compensation laws as of Dec. 31, 1944, and June 30, 1945—Continued

(1944 provisions are in "From" columns and 1945 provisions in "To" columns. An asterisk (*) in "From" indicates that the provision was not changed in 1945; hence present provision also applied in 1944)

Social Security Board region and State	Monthly average (1944) of covered employment ² (thousands)	Size-of-firm coverage ³		Initial waiting-period weeks		Weekly benefit amount						Duration			
		From	To	Fraction of highest quarterly earnings or type of schedule		Minimum		Maximum		Fraction of base-period earnings ⁴		Maximum (weeks)			
				From	To	From	To	From	To	From	To	From	To		
REGION IX															
Arkansas.....	181.6	(*)	1 in 10 days.....	(*)	1	(*)	1/26.....	(*)	\$3.....	(*)	\$15.....	(*)	1/3	(*)	16
Kansas.....	259.0	8.....	8 or \$25 in 1 week.....	(*)	1	(*)	1/25.....	(*)	\$5.....	15	\$16.....	(*)	1/3	(*)	20
Missouri.....	715.4	(*)	8.....	(*)	13 1	(*)	1/25.....	(*)	\$3.....	(*)	\$18.....	(*)	1/6	(*)	16
Oklahoma.....	258.7	(*)	8.....	(*)	1	(*)	1/20.....	(*)	\$6.....	16	\$18.....	(*)	1/3	(*)	20
REGION X															
Louisiana.....	388.5	(*)	4.....	(*)	1	50 percent ¹³ or 1/20.....	1/25.....	(*)	\$3.....	(*)	\$18.....	(*)	1/4	(*)	20
New Mexico.....	55.8	(*)	2 in 13 weeks or \$450 in 1 quarter.....	(*)	1	(*)	1/26.....	(*)	\$5.....	(*)	\$15.....	(*)	1/3	(*)	16
Texas.....	1,008.9	(*)	8.....	(*)	13 1	(*)	1/26.....	(*)	\$5.....	\$15	\$18.....	(*)	1/6	16	18
REGION XI															
Colorado.....	154.9	(*)	8.....	(*)	2	(*)	1/25 or 50 percent ¹³	(*)	\$5.....	(*)	\$15.....	(*)	1/3	(*)	16
Idaho.....	67.9	(*)	1 at any time and \$75 in 1 quarter.....	(*)	2	(*)	1/18 to 1/32 ⁶	(*)	\$5.....	(*)	\$18.....	(*)	1/4	(*)	17
Montana.....	72.1	(*)	1 or in excess of \$500 in 1 year.....	13 2	2	(*)	1/25.....	(*)	\$5.....	(*)	\$15.....	(*)	U	(*)	U 16
Utah.....	99.1	(*)	1 at any time or \$140 payable in 1 quarter.....	(*)	1	1/20.....	1/20 ¹⁰	\$5	\$7 ¹⁶	\$20	\$25 ¹⁶	U	(10)	U 20 ¹⁶	19
Wyoming.....	39.7	1 and \$150 in quarter.....	1 and \$150 in 1 quarter or \$500 in 1 year.....	(*)	2	(*)	1/20.....	(*)	\$7.....	(*)	\$20.....	(*)	1/4	16	20
REGION XII															
Arizona.....	88.3	(*)	3.....	(*)	1	(*)	1/26 ¹³	(*)	\$5.....	(*)	15.....	(*)	1/6	(*)	14
California.....	2,191.9	4.....	1 at any time and \$100 in same quarter.....	2	1	(*)	1/20.....	(*)	\$10.....	(*)	20.....	(*)	Table	(*)	23.4

Nevada.....	32.1	(*)	1 at any time and \$225 in 1 quarter.	2	1	$\frac{1}{20}$	$\frac{1}{20}$: dependents' benefits.	\$5.....	\$8-\$14 ⁶	15	18-24 ⁸	(*)	$\frac{1}{8}$	18	⁹ 20
Oregon.....	311.2	(*)	4 on 1 day and \$500 in same quarter.	2	1	6 percent	Weighted, annual earnings.	(*)	\$10.....	15	18.....	$\frac{1}{6}$	¹⁰ Table	16	20
Washington....	569.7	(*)	1 at any time.....		1	$\frac{1}{20}$	do.....	\$7.....	\$10.....	15	25.....	$\frac{1}{8}$	¹¹ Table	16	26
TERRITORIES															
Alaska.....	21.0	8.....	do.....	(*)	2	(*)	$\frac{1}{20}$	(*)	\$5.....	(*)	16.....	(*)	$\frac{1}{8}$	16	16
Hawaii.....	77.1	(*)	do.....	(*)	1	(*)	$\frac{1}{28}$	(*)	\$5.....	20	25.....	(*)	U	(*)	U20

U=Uniform for all eligible workers; otherwise variable.

¹ 1945 provisions (i. e., those in "To" columns) include amendments enacted and reported to the Bureau of Employment Security through June 30, 1945. In general, amendments will become effective during 1945.

² Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

³ Employment of specified minimum number of workers required in at least 20 weeks of a calendar year except where otherwise stated.

⁴ In variable-duration States, maximum annual benefits are limited to a specified fraction of base-period earnings or to a specified multiple of weekly benefit amount, whichever is less. Except in the following States, the base period is 4 quarters or a calendar year: Arizona, 2-year base period may be extended to include as many as 4 additional quarters; Missouri, 2 years; Oregon, base period may be extended by up to 4 calendar quarters, if individual incapable of working during greater part of working time in any calendar quarter; Wisconsin, duration is ratio of 1 week of benefits for 2 weeks of employment in past 52 weeks, the maximum depending upon continuity of unemployment and number of previous employers (but not exceeding 23 weeks based on employment with same employer).

⁵ States provide for dependents' allowances: Connecticut maximum, primary benefit is \$22; weekly benefits may be increased \$2 for each dependent up to 3. District of Columbia, weekly benefits may be increased \$1 for each dependent of specified types up to 3; same maximum (\$20) with or without dependents. Michigan, basic benefit plus \$2 per child dependent up to the lesser of \$28 and average weekly wage in high quarter; maximum basic benefit is \$20. Nevada, dependents' allowances of \$3 for 1 or 2 dependents; \$6 for 3 or more; dependents' allowances will not increase maximum annual benefits and hence will decrease weeks of benefits for claimants with dependents. For example, maximum duration is 15 weeks for claimant receiving \$24 maximum weekly payment.

⁶ 1944, Maine and South Dakota, duration for claimants in lowest annual-wage classes (\$318.58 and under in Maine and \$499.99 and under in South Dakota) is determined according to a table in the State law and ranges from 9.6 to 14.4 weeks in Maine and from 6.8 to 14.8 weeks in South Dakota. For all other claimants, duration is 16 weeks.

⁷ Fractions are approximate. Weekly benefit amount based upon weighted table of high-quarter earnings, contained in State law.

⁸ Duration is determined according to a table of base-period earnings, contained in the State law.

⁹ Weekly benefit amount is average weekly wage in high quarter if less than \$10. With minimum high-quarter wages necessary to qualify, weekly benefit amount would be \$4.81. Amendments effective Apr. 1, 1945, add dependents' benefits up to the average weekly wage—hence, did not affect the claimant at the minimum.

¹⁰ But \$200 or 30 percent of base-period wages, whichever is less, if base-period wages are under \$800.

¹¹ Duration based on calendar weeks of covered employment in base period: 18 weeks' duration for claimants with 20 weeks of covered employment; 19 weeks' duration for 21 to 24 weeks of covered employment; 22 weeks' duration for over 24 weeks of covered employment.

¹² Additional waiting period required after reemployment.

¹³ 1944: 50 percent of full-time weekly wage or specified fraction of high-quarter earnings in Arizona, Colorado (weekly wage fraction is the alternative), Iowa, and Louisiana. 1945: weekly wage alternative removed in Iowa and Louisiana.

¹⁴ 1944: No effective minimum—lesser of \$5 or full-time weekly wage.

¹⁵ Or 8 outside cities of population of 10,000 or more.

¹⁶ Basic limits of \$5 minimum and \$20 maximum weekly benefit amount applicable in 1945, but effective July 1, 1945, Utah law provides for adjustment according to Bureau of Labor Statistics cost-of-living index; 1945 duration and benefit limits shown are those now applicable. Greatest possible duration is 19 weeks under the upward adjustment, 28.3 weeks under the downward adjustment; when no adjustment applies, 23 weeks uniform. Total benefits payable during benefit year computed as 23 times normal weekly benefit amount; hence, under cost-of-living adjustments, duration in weeks varies inversely with weekly benefit amount. Thus a claimant eligible for the maximum weekly benefit amount and duration (\$20 for 23 weeks) would receive, under the upward adjustment and at present time, \$25 for 18.4 weeks and, under the downward adjustment, \$17 for 27 weeks. Upward adjustment of 120 percent of regular rate computed to next higher multiple of \$1 (i. e., a maximum of \$25) goes into effect when index is 125 or more and remains in effect until index reaches 120 or below; downward adjustment of 80 percent of regular rate computed to next higher multiple of \$1 (but not to be reduced below \$12) goes into effect when index is 98.5 or below and remains in effect until index reaches 100 or more.

EMERGENCY UNEMPLOYMENT COMPENSATION

EXHIBIT IVc.—*Distribution of States and employed covered workers (1944),¹ by number of waiting-period weeks, Dec. 31, 1944, and June 30, 1945*

Waiting period	Dec. 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers	
		Number (000's)	Percent		Number (000's)	Percent
Total.....	51	29,838.9	100.0	51	29,838.9	100.0
1 week within benefit year.....	29	13,498.8	45.2	35	22,961.8	77.0
1 week initial, plus additional weeks after reemployment.....	² 3	2,139.5	7.2	² 2	1,724.3	5.8
2 weeks within benefit year.....	17	13,463.9	45.1	12	3,967.4	13.3
2 weeks initial, plus additional weeks after reemployment.....	⁴ 2	736.7	2.5	⁵ 1	664.6	2.2
None.....	0	0	0	⁶ 1	520.8	1.7

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² Alabama, Missouri, Texas.

³ Missouri, Texas.

⁴ Montana, Wisconsin.

⁵ Wisconsin.

⁶ Maryland.

EXHIBIT IVd.—*Distribution of States with specified maximum annual benefits in State unemployment compensation laws, by minimum base-period qualifying wages for maximum benefits, June 30, 1945*

Maximum annual benefits ¹	Minimum base-period qualifying wages for maximum benefits ²							
	Total	\$450- \$630	\$720- \$894	\$930- \$1,117	\$1,200- \$1,366	\$1,440- \$1,620	\$1,716- \$1,840	\$2,000- \$2,240
Total.....	51	7	8	8	5	10	6	7
\$210-\$256.....	10	3	4	2	1	0	0	0
\$288-\$324.....	11	0	2	3	2	3	0	1
\$360-\$365.....	5	0	0	2	0	2	1	0
\$396-\$400.....	11	2	1	0	2	3	1	2
\$420-\$483.....	6	1	0	0	0	1	2	1
\$500-\$650.....	8	1	1	0	0	1	2	3

¹ Includes dependents' allowances in Connecticut and Michigan, in District of Columbia, dependents' allowances disregarded in computing maximum annual benefits; in Nevada no increase in maximum annual benefits for claimants receiving dependents' allowances.

² Intervals stated in actual amounts used by the States.

EXHIBIT IVe.—*Distribution of States and of employed covered workers (1944),¹ by maximum weekly benefit amount, Dec. 31, 1944, and June 30, 1945*

Maximum weekly benefit amount ²	Dec. 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers ³	
		Number (000's)	Percent		Number (000's)	Percent
Total.....	51	29,838.9	100.0	51	29,838.9	100.0
\$15.....	22	5,920.8	19.9	10	1,994.6	6.6
\$16.....	4	2,605.2	8.7	3	590.3	2.0
\$18.....	14	12,699.3	42.6	11	3,987.0	13.4
\$20.....	10	7,988.2	26.7	17	11,730.1	39.3
\$21.....	0	0	0	3	7,314.1	24.5 ⁴
\$22.....	1	625.4	2.1	1	1,247.7	4.2
\$24.....	0	0	0	1	32.1	.1
\$25.....	0	0	0	3	745.9	2.5
\$28.....	0	0	0	2	2,197.1	7.4

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² Maximum includes dependents allowances in Connecticut, District of Columbia, Michigan, and Nevada and upward cost-of-living adjustment in Utah.

EXHIBIT IVf.—*Distribution of States and of employed covered workers (1944)¹ by minimum weekly benefit amount, Dec. 31, 1944, and June 30, 1945*

Minimum weekly benefit amount	Dec. 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers	
		Number (000's)	Percent		Number (000's)	Percent
Total.....	51	29,838.9	100.0	51	29,838.9	100.0
\$2.....	1	415.2	1.4	0	0	0
\$3.....	5	1,996.1	6.7	4	1,444.0	4.8
\$4.....	4	2,741.1	9.2	6	3,708.4	12.4
\$5.....	20	6,486.9	21.7	18	6,446.0	21.6
\$6.....	8	3,003.6	10.1	7	2,242.4	7.5
\$7.....	8	5,383.4	18.0	5	1,200.9	4.0
\$8.....	2	3,374.4	11.3	5	4,366.0	14.7
\$9.....	0	0	0	1	1,247.7	4.2
\$10.....	3	6,438.2	21.6	5	9,183.5	30.8

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² Includes Missouri—actually 50 cents, but paid at rate of \$3.

³ Includes Michigan. Weekly benefit amount is average weekly wage in high quarter if less than \$10. With minimum high-quarter wages necessary to qualify, weekly benefit amount would be \$4.81.

⁴ Includes Iowa. Minimum is lesser of \$5 or full-time weekly wages.

⁵ Excludes Utah. Statutory minimum is \$5 but current effective minimum is \$7, under upward cost-of-living adjustment.

⁶ Includes Utah, see footnote 5.

⁷ Includes Wisconsin. Minimum of \$2 in 1944 and \$6 in 1945 paid at rate of \$8.

EXHIBIT IVg.—Weekly benefit amount for total unemployment and maximum potential benefits in a benefit year for five hypothetical claimants with specified high-quarter and base-period wages, by State, June 30, 1945 ¹

State	Claimant A: High-quarter wages of \$100 and base-period wages of \$200			Claimant B: High-quarter wages of \$250 and base-period wages of \$600			Claimant C: High-quarter wages of \$400 and base-period wages of \$1,000			Claimant D: High-quarter wages of \$500 and base-period wages of \$1,500			Claimant E: High-quarter wages of \$600 and base-period wages of \$2,100		
	Weekly benefit amount	Maximum potential benefits		Weekly benefit amount	Maximum potential benefits		Weekly benefit amount	Maximum potential benefits		Weekly benefit amount	Maximum potential benefits		Weekly benefit amount	Maximum potential benefits	
		Amount	Duration (weeks)		Amount	Duration (weeks)		Amount	Duration (weeks)		Amount	Duration (weeks)		Amount	Duration (weeks)
BASIC BENEFIT															
Alabama.....	\$ 4.00	\$67.00	16+	\$10.00	\$200	20	\$15.00	\$300	20	\$19.00	\$380	20	\$20	\$400	20
Alaska ⁴	5.00	67.00	13+	12.00	200	15+	16.00	256	16	16.00	256	16	16	256	16
Arizona ⁴	5.00	84.00	6+	10.00	100	10	15.00	167	11+	15.00	210	14	15	210	14
Arkansas ^{4,6}	4.00	64.00	16	10.00	160	16	15.00	240	16	15.00	240	16	15	240	16
California ⁴	(?)	(?)	(?)	13.00	208	16	20.00	324	16+	20.00	414	20+	20	468	23+
Colorado ⁴	5.00	66.67	13+	10.00	160	16	15.00	240	16	15.00	240	16	15	240	16
Connecticut ⁸	(?)	(?)	(?)	10.00	160	16	15.00	260	17+	19.00	380	20	22	440	20
Delaware.....	(?)	(?)	(?)	10.00	150	15	16.00	250	15+	18.00	325	21+	18	396	22
District of Columbia ^{4,8}	6.00	100.00	16+	11.00	220	20	18.00	360	20	20.00	400	20	20	400	20
Florida ⁴	5.00	50.00	10	11.00	150	13+	15.00	240	16	15.00	240	16	15	240	16
Georgia ⁴	5.00	80.00	16	10.00	160	16	15.00	240	16	18.00	288	16	18	288	16
Hawaii.....	5.00	100.00	20	10.00	200	20	17.00	340	20	21.00	420	20	24	480	20
Idaho ⁴	5.00	50.00	10	11.00	150	13+	15.00	250	16+	16.00	272	17	18	306	17
Illinois.....	(?)	(?)	(?)	12.50	230	18+	20.00	350	17+	20.00	500	25	20	520	26
Indiana ¹⁰	(?)	(?)	(?)	10.00	150	15	16.00	250	15	20.00	375	18+	20	400	20
Iowa.....	5.00	66.67	13+	10.87	196	18	17.39	313	18	18.00	324	18	18	324	18
Kansas.....	5.00	67.00	13+	10.00	200	20	16.00	320	20	16.00	320	20	16	320	20
Kentucky ^{11,12}	5.00	100.00	20	8.00	160	20	12.00	240	20	15.00	300	20	16	320	20
Louisiana ¹¹	4.00	80.00	12+	10.00	150	15	16.00	250	15	18.00	360	20	18	360	20
Maine ¹²	5.00	100.00	20	9.00	180	20	13.00	260	20	17.00	340	20	20	400	20
Maryland.....	(?)	(?)	(?)	13.00	150	11+	20.00	250	12+	20.00	375	18+	20	520	26
Massachusetts.....	6.00	60.00	10	13.00	180	13+	21.00	300	14+	21.00	450	21+	21	483	23
Michigan ⁸	(?)	(?)	(?)	12.50	180	14+	20.00	250	12+	20.00	375	18+	20	400	20
Minnesota ¹³	7.00	84.00	12	11.00	198	18	14.00	266	19	19.00	380	20	20	400	20
Mississippi ¹¹	4.00	66.00	14	10.00	140	14	15.00	210	14	15.00	210	14	15	210	14
Missouri ⁴	4.00	40.00	10	10.00	120	12	16.00	200	12+	18.00	288	16	18	288	16
Montana ⁴	5.00	80.00	16	10.00	160	16	15.00	240	16	15.00	240	16	15	240	16
Nebraska.....	5.00	67.00	13+	10.00	180	18	16.00	288	18	18	18	18	18	324	18
Nevada ⁴	8.00	67.00	8+	13.00	200	15+	18.00	334	18+	18.00	360	20	18	360	20

New Hampshire ¹²	\$ 26.00	\$ 120.00	\$ 20	9.00	180	\$ 20	13.00	260	\$ 20	17.00	340	\$ 20	\$ 20	\$ 400	\$ 20
New Jersey.....	\$ 9.00	\$ 90.00	\$ 10	12.00	200	16+	19.00	334	17+	\$ 22.00	500	22+	\$ 22	\$ 572	\$ 26
New Mexico ⁴	\$ 5.00	67.00	13+	10.00	160	\$ 16	\$ 15.00	\$ 240	\$ 16	\$ 15.00	\$ 140	\$ 16	\$ 15	\$ 240	\$ 16
New York.....	(?)	(?)	(?)	11.00	286	\$ 26	17.00	442	\$ 26	\$ 21.00	\$ 546	\$ 26	\$ 21	\$ 546	\$ 26
North Carolina ¹³	\$ 5.00	80.00	\$ 16	9.50	152	\$ 16	12.50	200	\$ 16	15.00	240	\$ 16	\$ 20	\$ 320	\$ 16
North Dakota.....	\$ 5.00	100.00	\$ 20	11.00	220	\$ 20	18.00	360	\$ 20	\$ 20.00	\$ 400	\$ 20	\$ 20	\$ 400	\$ 20
Ohio ¹³	\$ 5.00	90.00	18	11.00	242	\$ 22	16.00	352	\$ 22	19.00	418	\$ 22	\$ 21	\$ 462	\$ 22
Oklahoma.....	\$ 6.00	67.00	11+	13.00	200	15+	\$ 18.00	334	18+	\$ 18.00	\$ 360	\$ 20	\$ 18	\$ 360	\$ 20
Oregon ¹³	\$ 10.00	\$ 50.00	\$ 5	12.00	150	12+	15.00	250	16+	\$ 18.00	\$ 360	\$ 20	\$ 18	\$ 360	\$ 20
Pennsylvania.....	(?)	(?)	(?)	10.00	170	17	16.00	288	18	\$ 20.00	\$ 400	\$ 20	\$ 20	\$ 400	\$ 20
Rhode Island ⁴	7.25	48.75	6+	13.00	124	9+	\$ 18.00	205	11+	\$ 18.00	306	17+	\$ 18	\$ 365	\$ 20+
South Carolina.....	\$ 4.00	\$ 64.00	\$ 16	10.00	160	\$ 16	16.00	256	\$ 16	\$ 20.00	\$ 320	\$ 16	\$ 20	\$ 320	\$ 16
South Dakota.....	\$ 6.00	80.00	13+	12.00	160	13+	\$ 15.00	240	15	\$ 15.00	\$ 300	\$ 20	\$ 15	\$ 300	\$ 20
Tennessee.....	\$ 5.00	\$ 80.00	\$ 16	10.00	160	\$ 16	\$ 15.00	\$ 240	\$ 16	\$ 15.00	\$ 240	\$ 16	\$ 15	\$ 240	\$ 16
Texas ¹⁴	\$ 5.00	40.00	8	10.00	120	12	15.50	200	12+	\$ 18.00	\$ 324	\$ 18	\$ 18	\$ 324	\$ 18
Utah ¹⁵	\$ 7.00	115.00	16+	16.00	299	\$ 18+	\$ 25.00	\$ 460	\$ 18+	\$ 25.00	\$ 460	\$ 18+	\$ 25	\$ 460	\$ 18+
Vermont.....	\$ 6.00	120.00	\$ 20	11.00	220	\$ 20	16.00	320	\$ 20	\$ 20.00	\$ 400	\$ 20	\$ 20	\$ 400	\$ 20
Virginia ¹¹	\$ 4.00	48.00	12	10.00	150	15	\$ 15.00	\$ 240	\$ 16	\$ 15.00	\$ 240	\$ 16	\$ 15	\$ 240	\$ 16
Washington ¹²	(?)	(?)	(?)	10.00	150	15	13.00	217	19	18.00	432	24	24	624	\$ 26
West Virginia ¹²	(?)	(?)	(?)	11.00	231	\$ 21	15.00	315	\$ 21	18.50	388	\$ 21	\$ 20	\$ 420	\$ 21
Wisconsin ¹⁶	\$ 8.00	78.00	9+	11.00	170	15+	16.00	256	16	\$ 20.00	390	19+	\$ 20	450	22+
Wyoming.....	\$ 7.00	60.00	8+	13.00	160	12+	\$ 20.00	260	13	\$ 20.00	380	19	\$ 20	\$ 400	\$ 20
BASIC BENEFIT PLUS MAXIMUM ALLOWANCES FOR DEPENDENTS															
Connecticut.....	(?)	(?)	(?)	15.00	240	16	21.00	364	17+	25.00	500	\$ 20	\$ 28	\$ 560	\$ 20
District of Columbia.....	9.00	150.00	16+	14.00	280	\$ 20	\$ 20.00	\$ 400	\$ 20	\$ 20.00	\$ 400	\$ 20	\$ 20	\$ 400	\$ 20
Michigan.....	(?)	(?)	(?)	19.23	180	9+	\$ 28.00	250	8+	\$ 28.00	375	13+	\$ 28	525	18+
Nevada.....	14.00	67.00	4+	19.00	200	10+	\$ 24.00	334	13+	\$ 24.00	\$ 360	15	\$ 24	\$ 360	15

¹ See text footnote 2 for dates when 1945 amendments are effective. See tables 1 and 7 for a statement of the benefit formula in each State, and for States in which benefits here stated may be reduced if solvency of the fund is threatened.

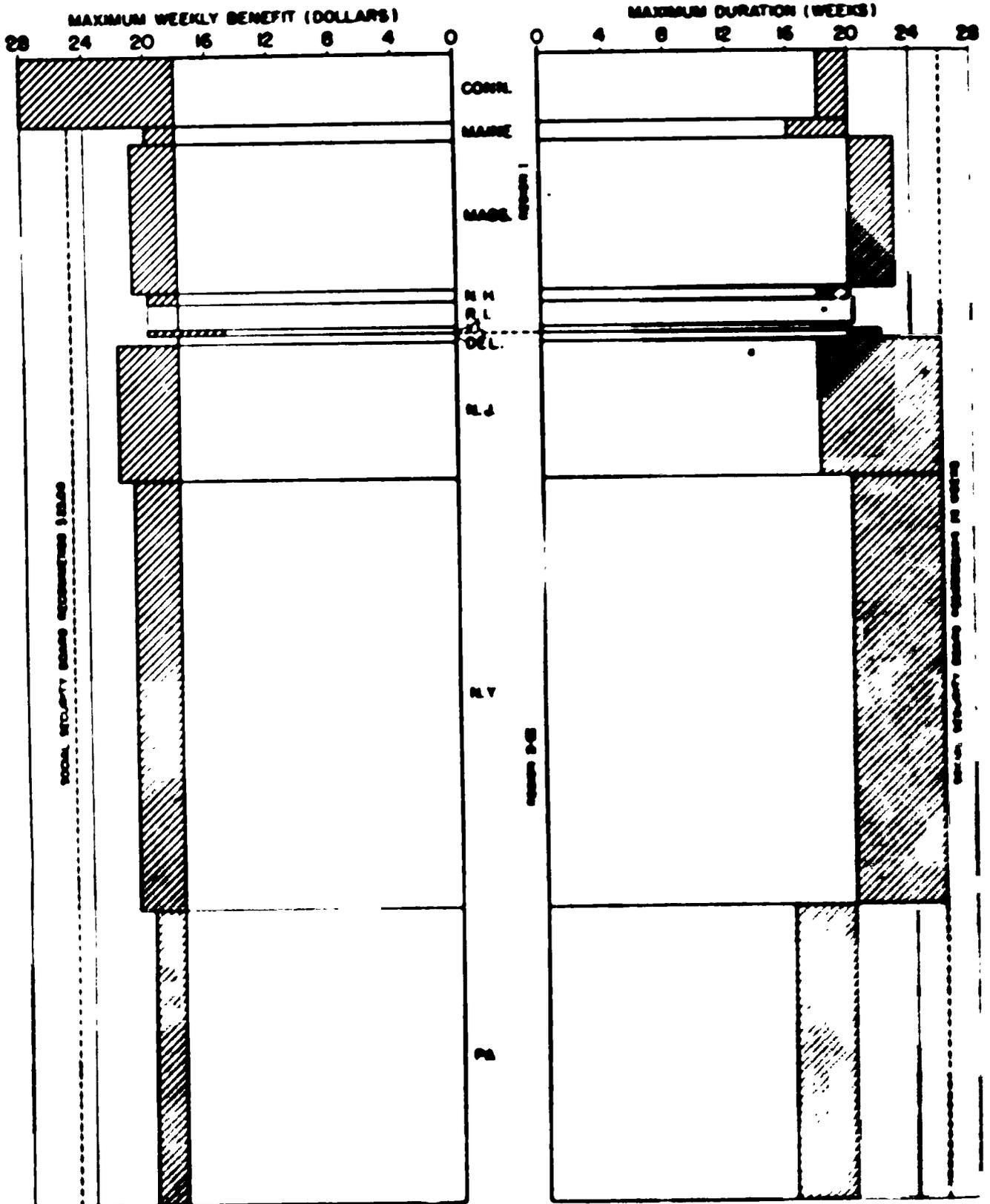
² No legislative session in 1945.
³ Indicates minimum weekly benefit amount, minimum potential annual benefits, or minimum weeks of benefits for total unemployment.
⁴ Indicates maximum weekly benefit amount, maximum potential annual benefits, or maximum weeks of benefits, other than uniform duration.
⁵ No change in 1945.
⁶ Base period of 8 quarters. If in preceding 4 quarters unchanged wage credits were equal to wages assumed for 4 quarters, maximum potential benefits in a benefit year would be doubled, to maximum specified in State law.
⁷ Assumes most favorable distribution of base-period wages in all 4 quarters; concentration in 2 quarters would limit benefits to 8 weeks.
⁸ Indicates ineligible on basis of qualifying wages.
⁹ See below for benefit with maximum compensable dependents under State law.
¹⁰ Indicates uniform duration for all eligible claimants.

¹⁰ Assuming \$150 wage credits in last 2 quarters of base period; otherwise, claimant would be ineligible.
¹¹ No legislative session in 1945.
¹² Annual-wage formula; high-quarter wages not used in computing weekly benefit amount.
¹³ Assuming that A has the minimum employment of 20 weeks and B to E, 25 weeks. If A had 25 weeks he would be eligible for 22 weeks of benefits or \$110.
¹⁴ Actual benefits are paid for 2-week periods at twice the amounts specified.
¹⁵ Benefits are figured with present cost-of-living adjustment above normal scale of \$5-20, since weeks of duration are reduced below the normal of 23 uniform.
¹⁶ Benefits are figured on further assumption that the high quarter represents 13 weeks of employment and all base-period employment was with 1 employer and at the same average wage. Claimant A actually has a minimum of \$6 for 13 weeks, but law provides for payment at the rate of \$8 with reduced weeks of duration.

Source: Administrative Standards Division, Bureau of Employment Security, Social Security Board.

EXHIBIT IVh

CHART 12 - REGIONS I, B-E
 CHANGES IN MAXIMUM WEEKLY BENEFIT AND MAXIMUM DURATION, 1945

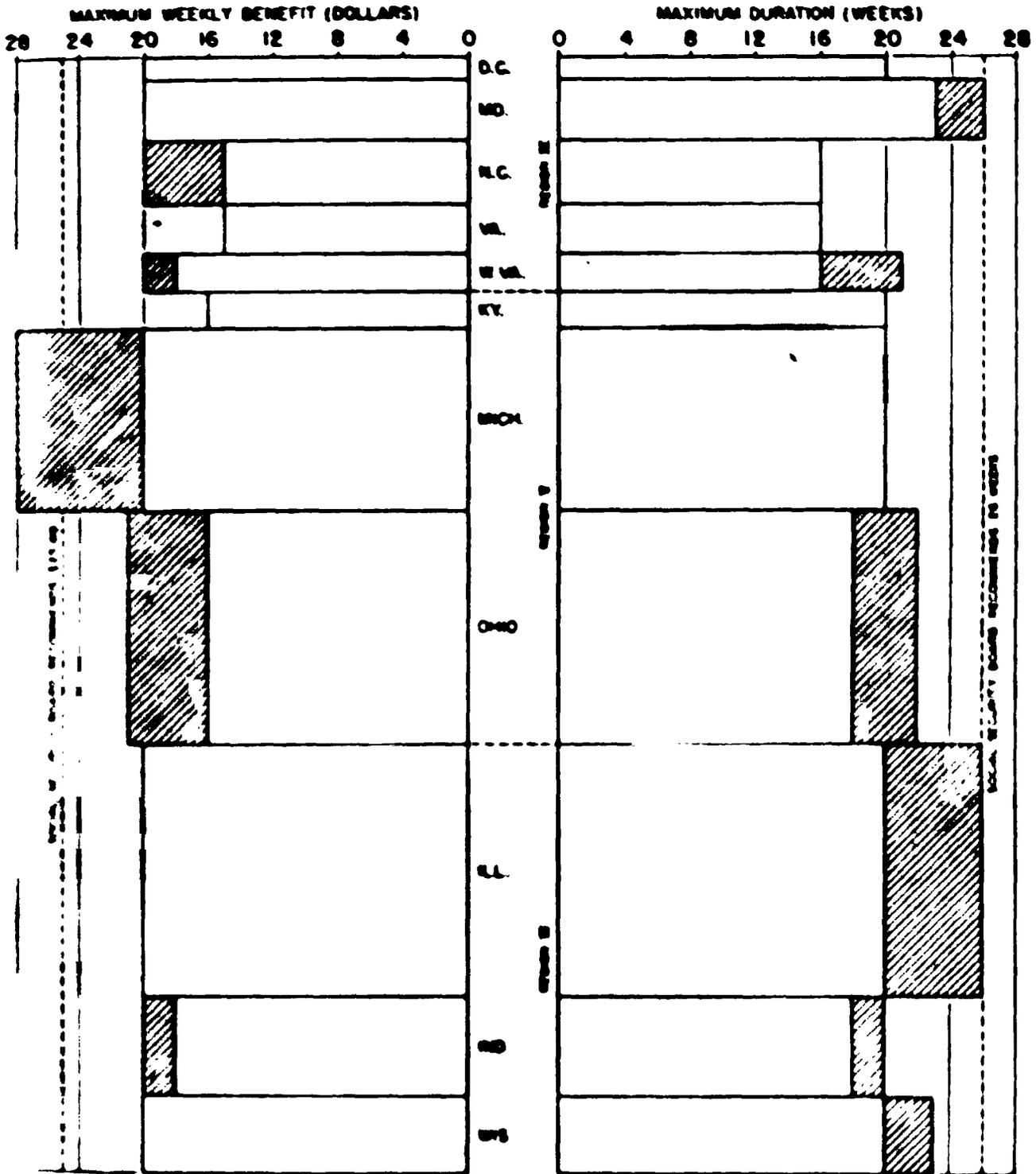


JUNE 30, 1945 PROVISION DEC. 31, 1944 PROVISION

INCREASE NO CHANGE 50% OF 1944 PROVISION TO NUMBER OF COVERED WORKERS 1 THIS OUT OF 50% TOTALS 45% COVERED WORKERS

EXHIBIT IVI

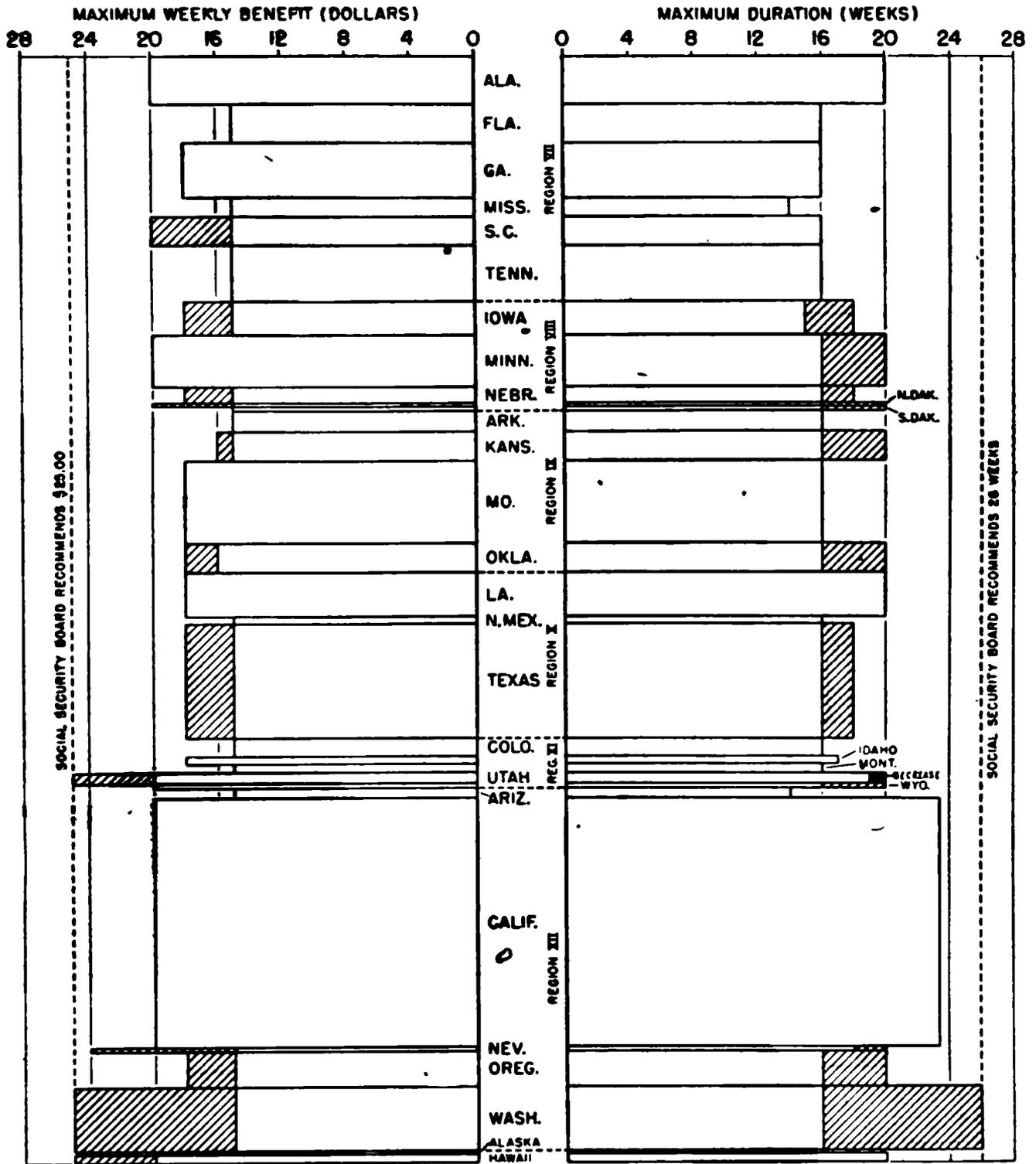
CHART IV - REGIONS II, V, VI
 CHANGES IN MAXIMUM WEEKLY BENEFIT AND MAXIMUM DURATION, 1945



1944 PROVISION 1945 PROVISION
 (Benefit, Duration) (Benefit, Duration)
 (Benefit of 100,000, Duration of 100,000) (Benefit of 100,000, Duration of 100,000)
 (Benefit of 100,000, Duration of 100,000) (Benefit of 100,000, Duration of 100,000)

EXHIBIT IVj

CHART 1c. - REGIONS VII, VIII, IX, X, XI, XII
 CHANGES IN MAXIMUM WEEKLY BENEFIT AND MAXIMUM DURATION, 1945



JUNE 30, 1945 PROVISION DEC. 31, 1944 PROVISION
 INCREASE NO CHANGE
 WIDTH OF BAR PROPORTIONAL TO NUMBER OF COVERED WORKERS
 I THIS UNIT OF WIDTH EQUALS 100,000 COVERED WORKERS

EXHIBIT IVk

CHART 2

PERCENT OF COVERED WORKERS IN STATES WITH SPECIFIED MAXIMUM WEEKLY BENEFIT, DEC. 31, 1944 AND JUNE 30, 1945

PERCENT OF ALL COVERED WORKERS

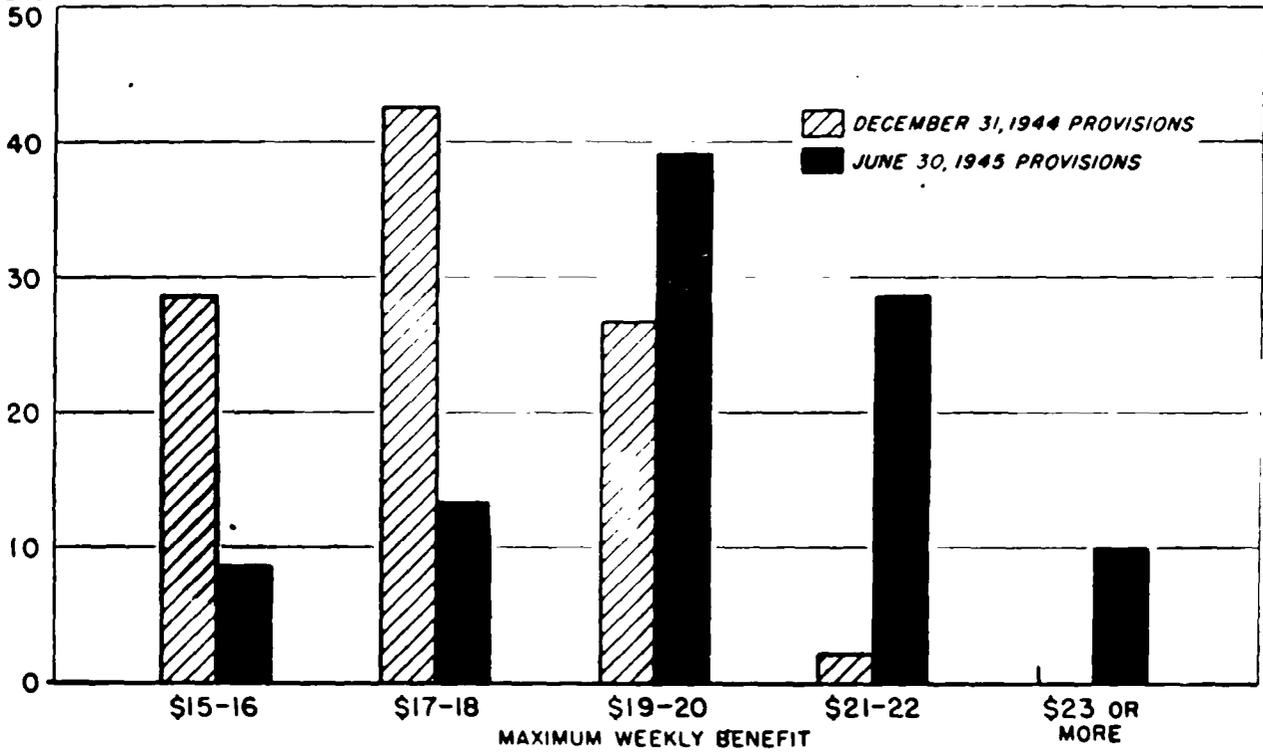


CHART 3

PERCENT OF COVERED WORKERS IN STATES WITH SPECIFIED MINIMUM WEEKLY BENEFIT, DEC. 31, 1944 AND JUNE 30, 1945

PERCENT OF ALL COVERED WORKERS

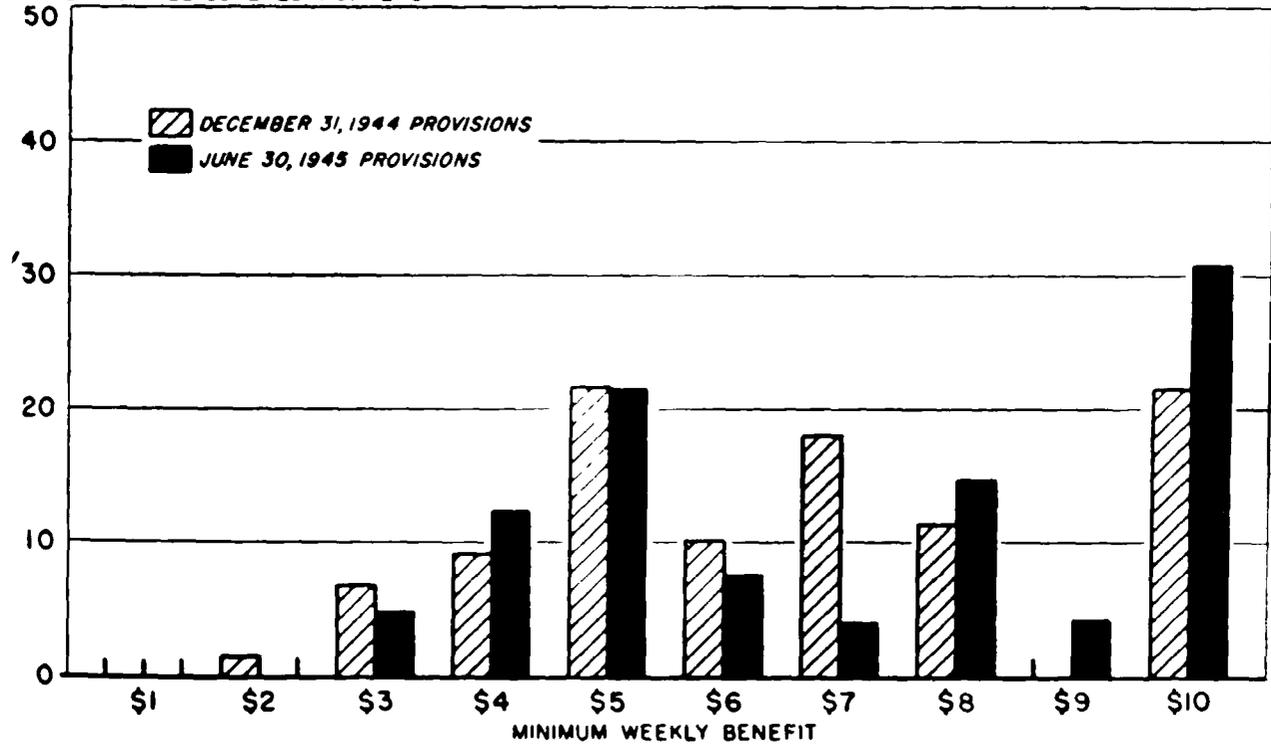


EXHIBIT IVI.—Unemployment compensation claims, first payments, exhaustions, weeks compensated and beneficiaries, by month, January 1940 to July 1945

[United States totals]

	All claims	New claims ¹	Additional claims ¹	Waiting-period claims ²	Compensable claims ²	First payments ²	Exhaustions ⁴	Weeks compensated, all	Weeks compensated for total unemployment	Weeks compensated for part-total unemployment ⁶	Weeks compensated for partial unemployment ⁶	Average weekly number of beneficiaries
1940—January.....	7,238,068	1,200,079	-----	1,645,897	4,392,092	440,147	225,354	4,021,746	3,688,736	230,255	102,583	877,367
February.....	6,609,975	819,180	-----	1,206,527	4,584,268	484,584	231,790	4,324,873	3,988,811	240,417	95,517	985,468
March.....	6,607,719	1,002,912	-----	1,073,310	4,531,497	399,168	259,514	4,581,089	4,198,515	268,160	114,281	1,095,155
April.....	8,051,187	1,452,528	-----	2,102,796	4,495,863	605,133	212,333	4,167,400	3,779,021	285,749	102,471	960,735
May.....	8,234,569	1,003,458	-----	1,581,448	5,649,663	719,815	202,132	5,466,298	4,990,606	331,045	144,538	1,201,004
June.....	7,431,502	947,325	-----	1,236,906	5,247,271	408,737	182,032	5,330,884	4,845,564	308,877	176,388	1,268,566
July.....	8,409,453	1,130,037	-----	1,485,285	5,794,131	473,630	294,373	5,501,392	5,018,224	271,302	211,866	1,219,629
August.....	6,502,699	729,997	-----	1,000,565	4,772,137	478,592	269,865	5,037,410	4,536,311	331,188	169,911	1,125,251
September.....	4,874,923	635,043	-----	691,326	3,558,554	258,115	209,952	3,607,720	3,236,308	219,423	151,989	875,419
October.....	4,717,545	721,293	-----	747,099	3,249,153	238,777	186,830	3,175,137	2,815,343	188,485	171,309	698,148
November.....	4,300,427	680,500	-----	672,859	2,947,068	232,816	160,220	2,894,075	2,530,951	175,110	188,014	675,997
December.....	4,845,964	817,660	-----	788,399	3,239,905	243,377	161,733	2,976,351	2,629,591	164,046	182,714	666,636
1941—January.....	5,849,734	953,088	-----	1,139,481	3,757,165	352,323	192,741	3,737,484	3,343,128	195,951	198,405	825,748
February.....	4,593,925	565,428	-----	709,272	3,319,225	306,528	171,633	3,261,460	2,982,045	155,690	123,725	806,365
March.....	4,365,573	664,031	-----	575,282	3,126,260	230,326	178,754	3,153,960	2,881,259	156,637	116,064	761,736
April.....	5,474,682	1,189,534	-----	1,422,076	2,863,072	349,663	124,718	2,550,992	2,334,429	128,282	88,281	589,598
May.....	4,510,659	606,372	-----	882,558	3,021,729	443,353	100,635	2,967,048	2,726,026	133,510	107,512	659,035
June.....	4,070,340	553,669	-----	656,688	2,859,983	251,899	97,888	2,878,217	2,642,589	123,037	112,591	683,933
July.....	4,338,470	753,721	-----	731,518	2,853,231	268,459	149,421	2,746,803	2,535,106	109,287	102,410	611,067
August.....	3,509,036	515,828	-----	569,911	2,423,297	283,206	132,033	2,439,382	2,244,987	99,083	95,312	571,864
September.....	3,125,053	496,194	-----	448,879	2,179,980	189,234	108,770	2,110,233	1,914,920	95,014	100,299	493,423
October.....	3,173,132	619,004	-----	488,564	2,065,564	185,744	98,673	1,991,970	1,781,112	76,595	134,263	430,016
November.....	3,212,694	610,071	-----	504,728	2,097,895	195,860	84,974	1,937,767	1,723,732	64,473	149,562	470,641
December.....	4,645,348	1,000,053	-----	724,612	2,920,683	254,699	103,293	2,520,061	2,249,784	77,765	192,512	522,982
1942—January.....	5,648,551	1,067,347	-----	1,051,074	3,530,130	405,708	131,450	3,553,489	3,205,235	92,153	253,350	796,598
February.....	4,724,803	620,338	-----	637,110	3,467,355	351,070	119,104	3,351,362	3,095,837	91,184	162,153	837,650
March.....	4,523,782	594,271	-----	465,932	3,463,579	253,091	137,239	3,457,021	3,202,146	104,093	148,755	803,124
April.....	4,257,562	752,336	-----	538,991	2,966,235	300,918	129,252	2,909,578	2,687,515	91,534	128,635	668,262
May.....	3,535,445	582,587	-----	377,105	2,575,753	239,452	114,112	2,571,331	2,363,188	86,706	118,726	609,734
June.....	3,819,987	688,235	-----	574,644	2,557,108	316,274	93,136	2,433,800	2,225,409	73,986	131,121	552,735
July.....	3,754,389	557,349	-----	474,650	2,722,390	281,211	74,615	2,618,500	2,420,786	60,515	133,740	574,867
August.....	2,934,612	238,450	146,400	306,176	2,243,586	189,590	75,348	2,272,292	2,099,540	51,900	118,574	543,087
September.....	2,283,909	164,730	126,727	203,213	1,789,239	117,487	59,590	1,799,870	1,659,887	41,981	95,862	422,709
October.....	1,786,450	147,773	122,530	166,731	1,349,416	87,511	52,686	1,354,074	1,254,785	30,529	67,069	310,431
November.....	1,376,591	125,832	116,247	135,393	999,119	65,580	54,363	923,919	846,958	21,740	53,945	221,549
December.....	1,439,670	157,980	114,739	192,942	974,009	72,246	36,795	912,494	821,241	22,329	59,840	192,578
1943—January.....	1,528,474	212,648	87,735	262,890	965,201	90,683	33,861	954,597	839,151	21,578	66,877	226,778
February.....	1,242,020	120,152	63,070	167,539	891,259	84,126	25,888	834,513	755,470	21,310	39,077	208,626
March.....	1,111,312	107,203	59,131	119,473	825,505	59,544	29,378	811,621	739,101	22,287	34,355	181,527
April.....	877,346	140,701	41,849	123,079	571,717	65,269	20,930	557,280	508,455	15,062	24,428	131,289
May.....	766,136	110,575	45,586	97,458	512,517	53,463	15,394	483,216	430,325	12,975	29,569	119,479
June.....	773,040	135,941	44,907	115,684	476,508	53,711	13,380	445,618	394,565	14,983	31,073	100,266

July	706, 553	112, 195	44, 061	115, 412	434, 885	57, 175	11, 241	404, 626	361, 734	12, 640	30, 116	90, 628
August	603, 202	72, 693	38, 504	81, 726	410, 279	45, 330	11, 856	382, 332	344, 097	10, 575	25, 641	88, 849
September	481, 800	56, 596	33, 765	58, 625	332, 814	30, 827	9, 121	320, 574	298, 669	8, 937	20, 383	74, 579
October	427, 209	60, 880	35, 234	57, 234	273, 861	26, 922	7, 900	254, 507	228, 904	6, 723	16, 497	60, 719
November	474, 366	73, 111	45, 787	70, 258	285, 210	29, 037	9, 069	253, 562	223, 084	7, 242	19, 893	56, 354
December	557, 322	92, 873	48, 899	87, 758	327, 792	37, 152	9, 015	301, 162	266, 084	8, 366	23, 187	64, 392
1944-January	707, 306	122, 945	46, 592	116, 519	421, 250	51, 577	8, 631	364, 298	322, 236	9, 609	29, 190	84, 071
February	697, 174	93, 551	42, 347	94, 869	466, 407	52, 257	8, 977	415, 772	377, 658	11, 934	23, 377	103, 953
March	720, 429	91, 345	41, 303	87, 686	500, 095	49, 193	11, 685	486, 005	441, 756	15, 343	25, 383	112, 156
April	612, 072	104, 979	35, 155	86, 460	385, 478	49, 653	9, 611	361, 044	329, 028	11, 270	17, 221	88, 317
May	648, 526	101, 816	39, 826	88, 395	418, 489	49, 358	9, 050	377, 532	339, 802	11, 057	22, 845	87, 125
June	541, 006	87, 567	30, 470	80, 540	342, 429	49, 591	8, 301	337, 378	302, 345	11, 114	23, 776	77, 857
July	502, 029	76, 192	29, 188	76, 792	319, 857	38, 605	7, 326	284, 620	255, 226	8, 298	20, 122	65, 680
August	509, 949	73, 830	29, 053	72, 438	334, 628	38, 083	7, 908	313, 356	283, 599	7, 022	20, 716	72, 311
September	445, 535	69, 279	27, 447	58, 936	289, 873	31, 059	6, 656	274, 169	248, 888	7, 466	16, 218	63, 273
October	484, 028	82, 255	32, 030	65, 987	303, 756	33, 762	7, 768	275, 753	251, 749	6, 261	15, 836	63, 637
November	539, 398	82, 416	40, 100	74, 606	342, 276	38, 827	8, 122	309, 352	278, 411	8, 937	19, 736	71, 386
December	575, 971	81, 013	42, 103	81, 039	371, 816	40, 941	7, 710	324, 645	292, 852	6, 374	23, 162	74, 915
1945-January	743, 331	105, 394	45, 353	114, 715	477, 869	59, 839	10, 196	454, 086	409, 454	8, 751	33, 023	104, 790
February	615, 263	70, 886	36, 146	81, 328	426, 903	49, 185	9, 105	400, 274	360, 883	8, 997	28, 334	100, 076
March	657, 774	76, 806	37, 981	78, 176	464, 811	44, 294	11, 936	447, 277	404, 688	8, 667	31, 445	103, 216
April	641, 158	116, 333	37, 074	90, 326	397, 425	52, 320	10, 793	378, 072	339, 706	7, 798	28, 266	87, 243
May	837, 832	164, 995	54, 744	123, 387	494, 706	58, 808	8, 334	424, 786	385, 145	7, 922	29, 305	98, 030
June	1, 079, 439	219, 175	50, 282	176, 179	633, 803	108, 625	8, 185	660, 757	515, 171	9, 456	34, 638	129, 405
July	1, 348, 576	203, 516	64, 076	186, 251	895, 584							

¹ New claims for all months from January 1940 through July 1942 represent all initial claims. Break-down by new and additional not available prior to August 1942. New claims reported for the following States represent total initial claims for the months indicated:

Pennsylvania	August 1942 through March 1945.
Maryland	November 1942 through July 1945.
Virginia	August and September 1942.
Ohio	August 1942 through July 1945.
Oklahoma	August and September 1942.
Kentucky	September through December 1942 and January 1943.
Wisconsin	August 1942 through July 1945.
Florida	August 1942 through June 1945.
Indiana	September 1942 through March 1945.
Arkansas	October through December 1942.
Texas	September 1942 through July 1945.

² Waiting period claims for Alaska included in data for compensable claims for all months in 1940, 1941, and January to July 1942.

³ First payments: Wisconsin, January 1940 through June 1945 not reported, data not comparable. Indiana, January 1940 through June 1943 not reported, data not comparable.

⁴ Does not include exhaustions for Wisconsin, January 1940 through June 1945; Indiana, January 1940 through June 1943; Wyoming, January 1941 through March 1945, data not comparable. New York data not reported for July, August, September, 1942, for July, August, September, 1943, and for June, July, August, and September, 1944, and June 1945.

⁵ Weeks compensated for part-total and partial unemployment not reported as follows: Not provided for in State law:

Montana	January 1940 through June 1945.
Pennsylvania	January 1940 through June 1945.
New Jersey	January 1940 through March 1941.
Massachusetts	January 1940 through September 1940.
Mississippi	January 1940 through September 1940.

All claims for less than total unemployment were included in data for part-total for the following States and for periods indicated:

Connecticut	January 1940 through June 1941.
New Hampshire	January 1940 through May 1941.
Rhode Island	January 1940 through December 1942.
District of Columbia	January 1940 through May 1941.
West Virginia	January 1940 through April 1941.
Kentucky	January 1940 through March 1941.
Michigan	January 1940 through May 1941.
Ohio	January 1940 through September 1941.
Indiana	January 1940 through October 1941.
Florida	January 1940 through October 1941.
Minnesota	January 1940 through April 1941.
South Dakota	January 1940 through March 1942.
Louisiana	January 1940 through August 1941.
Texas	January 1940 through June 1941.
Idaho	January 1940 through May 1941.
Washington	January 1940 through May 1941.
New York	Data not available for part-total unemployment January 1940 through June 1945.

⁶ Data not available for partial unemployment:

California	January through June 1940.
Maine	January through September 1940.
New York	January 1940 through June 1945.
Alaska	made no payments for partial unemployment January 1940 through December 1944.

See also footnote 5 re payments for partial unemployment.

EXHIBIT IVm.—Average weekly wages of workers covered by State unemployment compensation laws—estimated percent of covered workers entitled to present State maximum weekly benefit amount and percent who would be entitled to a \$25 maximum under extension of State formula ¹

State	Average weekly wages in 1944 ²	Present maximum weekly benefit amount	Percent of covered workers entitled to present maximum	Workers entitled to \$25 maximum as percent of—	
				Workers entitled to present maximum	All covered workers
United States.....	\$44.21		44.9	75.9	34.0
Alabama.....	33.38	\$20	23.0	66.5	15.3
Alaska.....	93.45	18	75.1	86.4	64.8
Arizona.....	40.10	15	48.1	55.1	26.5
Arkansas.....	26.99	15	25.4	34.2	8.7
California.....	51.97	20	60.3	84.2	50.8
Colorado.....	37.12	15	45.1	46.9	21.2
Connecticut.....	50.31	³ 22	³ 49.9	³ 84.0	³ 41.9
Delaware.....	45.83	18	56.2	69.5	39.0
District of Columbia.....	36.43	20	35.1	69.5	24.4
Florida.....	36.69	15	38.9	50.3	19.6
Georgia.....	31.48	18	20.6	56.4	11.6
Hawaii.....	40.85	25	30.1	100.0	20.1
Idaho.....	34.00	18	27.6	40.2	11.1
Illinois.....	46.59	20	55.0	79.7	48.9
Indiana.....	46.70	20	47.5	74.0	35.2
Iowa.....	36.02	18	36.9	55.8	20.6
Kansas.....	43.51	16	47.6	56.8	27.1
Kentucky.....	26.82	16	26.0	38.4	10.0
Louisiana.....	37.19	18	23.7	64.7	21.8
Maine.....	40.89	20	23.9	68.6	16.4
Maryland.....	43.57	20	56.0	79.5	44.5
Massachusetts.....	41.41	21	51.2	82.0	42.0
Michigan.....	55.18	³ 20	³ 68.5	³ 88.5	³ 60.6
Minnesota.....	39.09	20	29.7	69.0	20.5
Mississippi.....	27.91	15	24.1	38.7	9.3
Missouri.....	38.96	18	39.3	57.6	22.6
Montana.....	36.74	15	47.5	62.1	29.5
Nebraska.....	38.24	18	36.1	57.3	20.7
Nevada.....	45.02	³ 18	³ 57.5	³ 76.6	³ 44.0
New Hampshire.....	33.52	20	17.2	50.5	8.7
New Jersey.....	50.18	22	54.3	87.4	47.5
New Mexico.....	31.31	15	35.2	48.0	16.9
New York.....	47.11	21	47.2	80.9	38.2
North Carolina.....	28.87	20	8.2	57.7	4.7
North Dakota.....	31.50	20	23.3	70.6	16.4
Ohio.....	48.78	21	41.5	76.7	31.8
Oklahoma.....	39.90	18	46.5	70.3	32.7
Oregon.....	48.51	18	46.4	79.3	36.9
Pennsylvania.....	42.75	20	45.7	72.8	33.3
Rhode Island.....	42.14	18	65.2	70.2	45.7
South Carolina.....	26.69	20	12.1	56.9	6.9
South Dakota.....	30.01	15	37.8	43.5	16.4
Tennessee.....	35.66	15	36.5	39.0	14.2
Texas.....	39.19	18	33.9	65.5	22.2
Utah.....	39.41	⁴ 20	⁴ 49.8	⁴ 84.9	⁴ 42.3
Vermont.....	37.06	20	26.7	62.8	16.7
Virginia.....	35.34	15	42.0	42.9	18.0
Washington.....	48.74	25	31.1	100.0	31.1
West Virginia.....	42.89	20	35.4	61.8	21.9
Wisconsin.....	44.08	20	40.2	93.9	37.8
Wyoming.....	39.02	20	42.7	85.0	36.3

¹ "Covered workers" include all workers who earned wage credits under the State law during 1943. The percentages are based on data for all such workers, including those with insufficient earnings to qualify for benefits. If data for the ineligible workers were eliminated and the proportions of eligible workers at the State and \$25 maximums computed, the percentages would be higher than those shown; the percentage of workers entitled to the State maximums who would also be entitled to the \$25 maximum would probably remain unchanged.

² Based on average weekly wage of estimated number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month, and estimated total wages earned in covered employment during all pay periods ending within each quarter. Estimates are based on coverage provisions in effect during fourth quarter of 1943.

³ In Connecticut, Michigan, and Nevada, the maximums shown are the highest benefit amounts to which workers are entitled on the basis of past earnings alone. Workers with dependents in these States can receive benefits as high as \$28 in Connecticut and Michigan and \$24 in Nevada.

⁴ The statutory maximum of \$20 is raised to \$25 when the cost-of-living index is at or above 125, and reduced to \$17 when the index is 98.5 or below.

Source: Program Division, Bureau of Employment Security, Social Security Board.

EXHIBIT IVn.—Percent of weeks of total unemployment compensated at statutory maximum and minimum benefit amount, percentage distribution by amount of payment, and average weekly benefit for total unemployment, by State, 1944

State	Weeks of total unemployment compensated							Average weekly benefit for total unemployment	
	Total number	Percent at— ¹		Percentage distribution by benefit amount ¹					
		Maximum amount	Minimum amount	Less than \$5	\$5 to \$9.99	\$10 to \$14.99	\$15 to \$17.99		\$18 or more
Total.....	3,723,557	58.5	4.4	0.4	8.2	18.3	18.1	55.0	\$15.90
Alabama.....	48,835	41.3	.6	4.0	24.2	30.5	41.3	-----	11.64
Alaska.....	2,068	72.1	2.6	-----	8.9	14.3	76.8	-----	14.21
Arizona.....	7,222	84.9	.6	-----	3.6	11.5	84.9	-----	14.43
Arkansas.....	17,932	44.2	4.2	8.3	25.6	21.9	44.2	-----	11.15
California.....	486,464	67.6	3.2	-----	-----	12.9	11.0	76.1	18.22
Colorado.....	9,834	73.5	1.4	-----	10.3	16.2	73.5	-----	13.36
Connecticut.....	70,621	52.8	.7	-----	4.4	13.5	12.1	70.0	18.87
Delaware.....	3,996	55.8	.7	-----	18.4	15.6	10.2	55.8	14.76
District of Columbia.....	30,377	61.5	.9	-----	4.7	13.3	11.6	70.4	17.78
Florida.....	44,794	52.6	.7	-----	13.3	34.1	52.6	-----	12.96
Georgia.....	32,488	21.1	8.0	8.0	42.7	19.1	9.1	21.1	10.54
Hawaii.....	308	93.5	0	-----	1.6	2.0	0	96.4	19.57
Idaho.....	4,445	24.7	.5	-----	32.5	26.3	16.5	24.7	12.38
Illinois.....	360,703	46.9	.8	-----	3.9	12.8	9.6	73.7	17.55
Indiana.....	100,746	66.4	.2	-----	5.2	14.4	14.0	66.4	16.10
Iowa.....	22,551	49.0	(³)	.1	27.1	23.8	49.0	-----	11.59
Kansas.....	34,512	70.6	1.4	-----	10.3	19.1	70.6	-----	13.42
Kentucky.....	62,475	18.9	13.9	-----	43.9	32.0	24.1	-----	10.50
Louisiana.....	37,836	53.5	.3	1.0	15.9	21.1	8.5	53.5	14.46
Maine.....	24,202	15.1	25.8	-----	54.6	21.7	8.6	15.1	10.49
Maryland.....	38,488	65.3	2.7	-----	6.4	13.9	9.0	70.7	17.43
Massachusetts.....	163,460	63.5	.8	-----	3.8	16.7	16.0	63.5	16.21
Michigan.....	321,446	83.6	(³)	-----	.3	7.0	5.2	87.5	19.03
Minnesota.....	34,182	18.2	1.7	-----	13.2	28.3	28.5	30.0	14.28
Mississippi.....	11,475	34.7	2.1	4.0	31.3	30.0	34.7	-----	11.16
Missouri.....	98,363	57.1	(³)	.6	10.3	17.4	14.6	57.1	15.27
Montana.....	7,879	51.7	4.5	-----	23.9	24.4	51.7	-----	12.34
Nebraska.....	7,735	60.2	.9	-----	14.1	25.7	60.2	-----	12.65
Nevada.....	2,292	93.5	0	-----	.7	5.8	93.5	-----	14.75
New Hampshire.....	12,966	5.2	10.9	-----	35.9	38.8	20.1	5.2	11.14
New Jersey.....	227,206	76.6	1.4	-----	3.6	10.7	9.1	76.6	16.41
New Mexico.....	923	40.7	5.8	-----	32.3	27.0	40.7	-----	11.66
New York ⁴	642,486	64.1	9.4	-----	-----	23.4	12.5	64.1	16.17
North Carolina.....	43,048	8.3	1.5	13.1	58.2	20.4	8.3	-----	7.91
North Dakota.....	844	52.5	5.1	-----	24.2	23.3	52.5	-----	12.10
Ohio.....	71,816	65.2	.2	-----	5.4	22.9	71.7	-----	14.44
Oklahoma.....	24,181	78.4	2.1	-----	5.6	12.8	81.6	-----	14.69
Oregon.....	9,445	93.8	1.3	-----	(³)	6.2	93.8	-----	14.32
Pennsylvania.....	172,449	51.6	9.3	-----	13.3	21.1	14.0	51.6	15.18
Rhode Island.....	69,277	72.9	.1	-----	5.2	11.5	10.4	72.9	16.44
South Carolina.....	22,312	26.8	4.4	4.4	26.8	42.0	26.8	-----	11.15
South Dakota.....	2,120	17.6	40.3	-----	61.7	20.7	17.6	-----	9.50
Tennessee.....	122,703	38.4	6.3	-----	32.1	29.5	38.4	-----	11.45
Texas ⁵	39,948	53.3	6.0	-----	27.1	19.6	53.3	-----	11.55
Utah.....	10,032	83.4	.4	-----	3.8	5.6	3.5	87.1	18.88
Vermont.....	5,480	38.2	1.7	-----	14.7	47.1	38.2	-----	12.29
Virginia.....	27,842	38.2	3.7	3.7	33.4	24.7	38.2	-----	11.13
Washington.....	14,649	79.6	3.8	-----	8.8	11.6	79.6	-----	13.91
West Virginia.....	37,549	42.3	10.0	-----	20.8	23.2	13.7	42.3	14.42
Wisconsin.....	78,388	8.5	3.0	-----	7.0	50.6	29.5	12.9	14.25
Wyoming.....	165	35.0	.7	-----	8.0	15.3	26.3	50.4	15.13

¹ Based on payments for full weekly benefit rate only; excludes residual payments and payments reduced because of receipt of benefits under other programs.

² Based on data for 48 States.

³ Data not available.

⁴ Percentages based on data which include payments for "less than total" unemployment.

⁵ Less than 0.05 percent.

⁶ State law provides for 2-week benefit period; data adjusted for comparability with other States.

Source: Program Division, Bureau of Employment Security, Social Security Board.

EMERGENCY UNEMPLOYMENT COMPENSATION

EXHIBIT IVo.—*Distribution of States and of employed covered workers (1944) ¹ by maximum duration, Dec. 31, 1944, and June 30, 1945*

Type of duration provision, and weeks of maximum duration	Dec. 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers	
		Number (000's)	Percent		Number (000's)	Percent
All States.....	51	29,838.9	100.0	51	29,838.9	100.0
Uniform duration, total.....	15	9,032.3	30.2	14	7,030.9	23.5
14 weeks.....	1	158.5	.5	1	158.5	.5
16 weeks.....	7	2,274.3	7.6	5	1,850.8	6.2
18 weeks.....	3	2,177.9	7.3	0	0	0
20 weeks.....	4	4,421.6	14.8	6	752.4	2.5
21 weeks.....	0	0	0	1	334.1	1.1
26 weeks.....	0	0	0	1	3,935.1	13.2
Variable duration, total.....	36	20,806.6	69.8	37	22,808.0	76.5
14 weeks.....	1	88.3	.3	1	88.3	.3
15 weeks.....	1	294.7	1.0	0	0	0
16 weeks.....	18	7,789.0	26.1	7	1,890.8	6.3
17 weeks.....	1	67.9	.2	1	67.9	.2
18 weeks.....	4	2,763.0	9.3	3	1,445.0	4.9
19 weeks.....	0	0	0	² 1	99.1	.3
20 weeks.....	9	7,082.1	23.8	15	8,385.0	28.1
22 weeks.....	0	0	0	2	2,097.8	7.1
23 weeks.....	2	2,712.7	9.1	3	4,420.3	14.2
26 weeks.....	0	0	0	4	4,513.8	15.1

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² Utah. Maximum possible duration under upward cost-of-living adjustment currently effective is 19 weeks. When no adjustment applies, duration is 23 weeks uniform.

EXHIBIT IVp.—*Distribution of States and of employed covered workers (1944) ¹ by minimum duration, Dec. 31, 1944, and June 30, 1945*

Minimum duration	Dec. 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers	
		Number (000's)	Percent		Number (000's)	Percent
Total.....	51	29,838.9	100.0	51	29,838.9	100.0
Under 2 weeks.....	1	715.4	2.4	1	715.4	2.4
2 to 2.9 weeks.....	3	694.2	2.3	1	88.3	.3
3 to 3.9 weeks.....	2	1,240.0	4.2	3	1,865.4	6.3
4 to 4.9 weeks.....	2	807.0	2.7	1	181.6	.6
5 to 5.9 weeks.....	2	1,752.3	5.9	2	1,675.0	5.6
6 to 6.9 weeks.....	7	3,438.0	11.5	7	2,174.0	7.3
7 to 7.9 weeks.....	8	6,764.7	22.7	6	2,009.0	6.7
8 to 8.9 weeks.....	2	162.4	.5	2	162.4	.5
9 to 9.9 weeks.....	2	2,364.8	7.9	2	4,901.7	16.5
10 to 10.9 weeks.....	5	1,273.6	4.3	6	4,238.2	14.2
11 to 11.9 weeks.....	1	82.6	.3	1	82.6	.3
12 to 12.9 weeks.....	1	1,571.7	5.3	3	2,600.1	8.7
14 weeks.....	1	158.5	.5	1	158.5	.5
16 weeks.....	7	2,214.3	7.4	² 6	1,949.9	6.5
18 weeks.....	3	2,177.9	7.3	1	2,015.2	6.8
20 weeks.....	4	4,421.6	14.8	6	752.4	2.5
21 weeks.....	0	0	0	1	334.1	1.1
26 weeks.....	0	0	0	1	3,935.1	13.2

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² Includes Utah. Minimum under upward cost-of-living adjustment of weekly benefit amount, currently applicable, is 16 and a fraction weeks.

EXHIBIT IVq

PERCENT OF COVERED WORKERS IN STATES WITH SPECIFIED MAXIMUM DURATION, DEC. 31, 1944 AND JUNE 30, 1945

PERCENT OF ALL COVERED WORKERS

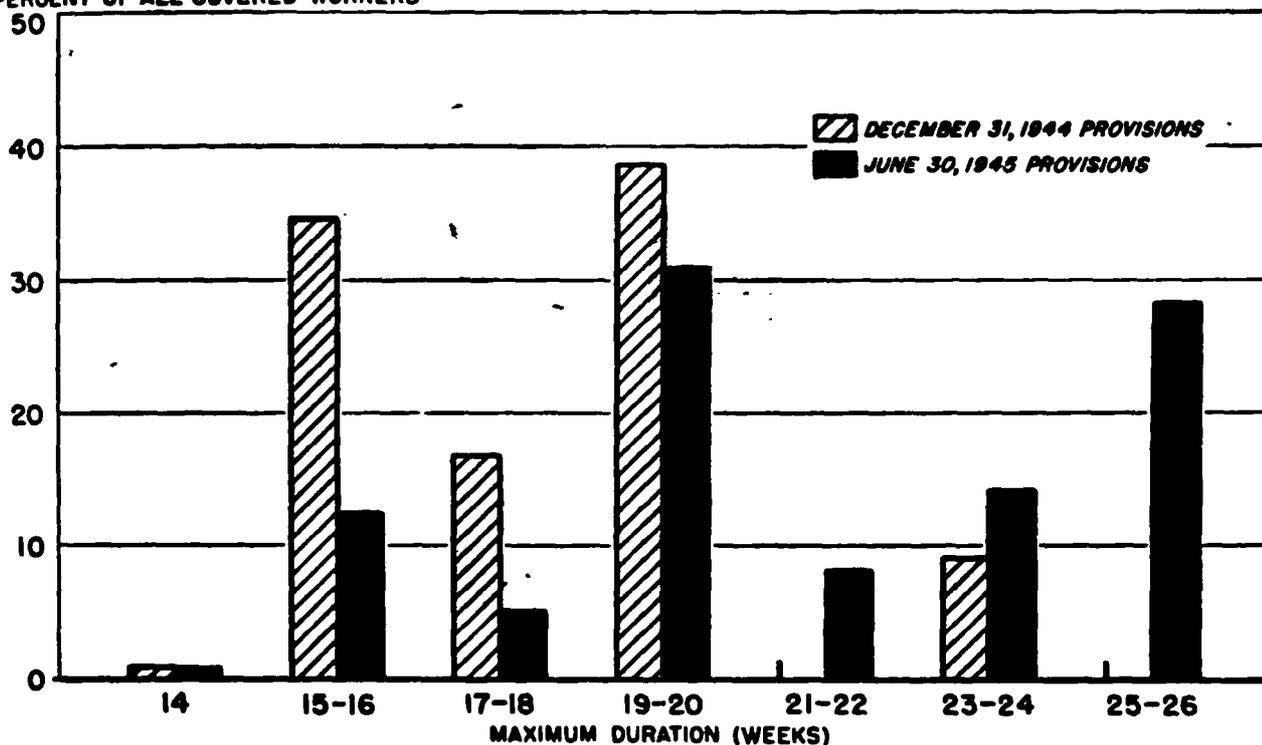


EXHIBIT IVr.—Ratio of exhaustion to first payments

	1940	1941	1942	1943	1944
United States.....	¹ 49.5	¹ 46.4	² 40.2	³ 31.1	³ 19.5
Alabama.....	47.6	44.5	32.5	37.4	27.7
Alaska.....	45.3	25.5	16.3	16.5	25.6
Arizona.....	⁽⁴⁾	⁽⁴⁾	⁽⁴⁾	⁽⁴⁾	28.8
Arkansas.....	54.9	41.5	50.5	44.2	48.1
California.....	52.6	46.3	40.5	32.1	24.8
Colorado.....	52.1	48.9	38.7	17.3	20.9
Connecticut.....	55.1	37.7	22.8	15.2	8.7
Delaware.....	62.6	53.6	45.7	44.0	16.2
District of Columbia.....	38.5	48.7	44.8	29.4	27.5
Florida.....	69.3	55.9	49.1	35.5	21.4
Georgia.....	⁽⁴⁾	⁽⁴⁾	50.1	61.5	37.9
Hawaii.....	62.2	51.3	29.0	3.2	10.7
Idaho.....	63.7	63.7	42.1	40.6	41.3
Illinois.....	40.7	36.6	25.4	18.7	12.5
Indiana.....	⁽⁴⁾	⁽⁴⁾	⁽⁴⁾	⁽⁴⁾	26.1
Iowa.....	60.1	52.6	48.2	45.6	39.9
Kansas.....	66.3	49.9	42.4	27.7	29.8
Kentucky.....	52.0	53.3	38.8	34.7	23.0
Louisiana.....	70.2	64.4	66.0	50.8	37.5
Maine.....	25.8	30.9	26.9	32.9	19.7
Maryland.....	45.0	50.4	33.9	18.2	17.0
Massachusetts.....	48.1	42.8	34.3	17.1	15.2
Michigan.....	27.4	19.7	43.0	29.3	14.7
Minnesota.....	56.5	53.5	47.9	34.8	25.7
Mississippi.....	59.2	47.2	43.7	31.1	30.6
Missouri.....	⁽⁴⁾	⁽⁴⁾	49.1	41.1	22.7
Montana.....	55.7	49.4	36.4	19.7	27.7
Nebraska.....	54.7	47.1	40.6	20.0	27.0
Nevada.....	60.5	59.8	41.4	33.2	28.8
New Hampshire.....	37.9	32.4	24.1	19.5	10.1
New Jersey.....	60.7	47.1	44.2	33.0	20.7
New Mexico.....	54.9	49.2	34.6	28.4	22.8
New York.....	50.1	54.3	42.8	30.8	11.0
North Carolina.....	30.2	44.3	39.3	50.2	24.4
North Dakota.....	59.0	61.9	32.1	23.9	14.9
Ohio.....	48.1	44.9	36.7	23.9	12.0
Oklahoma.....	73.0	63.8	45.5	27.9	25.7
Oregon.....	52.1	42.7	32.0	30.9	18.7
Pennsylvania.....	⁽⁴⁾	⁽⁴⁾	44.8	39.7	29.9

¹ Based on 45 States.
² Based on 47 States.
³ Based on 49 States.
⁴ Data not comparable.

EMERGENCY UNEMPLOYMENT COMPENSATION

EXHIBIT IVr.—Ratio of exhaustion to first payments—Continued

	1940	1941	1942	1943	1944
Rhode Island.....	71.1	57.9	51.8	36.3	28.6
South Carolina.....	42.9	36.1	39.7	35.3	33.7
South Dakota.....	48.3	46.8	53.0	36.9	34.6
Tennessee.....	50.1	44.5	43.2	44.0	33.4
Texas.....	67.5	59.5	56.1	55.8	49.2
Utah.....	53.3	46.6	32.3	17.6	6.6
Vermont.....	49.8	46.4	40.1	34.3	27.4
Virginia.....	39.7	48.4	45.0	35.5	32.9
Washington.....	48.5	42.9	29.4	8.6	9.3
West Virginia.....	45.0	30.7	21.4	20.3	18.6
Wisconsin ⁴					
Wyoming.....	58.7	95.0	(⁴)	(⁴)	(⁴)

⁴ Date not comparable.

EXHIBIT V.—Cost of living—Groups—Average for large cities

[Index numbers 1935-39=100]

Year and month	All items	Food	Rent	Clothing	House-furnishings	Fuel, electricity, and ice	Miscellaneous
1939.....	99.4	95.2	104.3	100.5	101.3	99.0	100.7
1940.....	100.2	96.6	104.6	101.7	100.5	99.7	101.1
1941.....	105.2	105.5	106.2	106.3	107.3	102.2	104.0
1942.....	116.5	123.9	108.5	124.2	122.2	105.4	110.9
1943.....	123.6	138.0	108.0	129.7	125.6	107.7	115.8
1944.....	125.5	136.1	108.2	138.8	136.4	109.8	121.3
1944—							
Mar. 15.....	123.8	134.1	108.1	136.7	129.0	109.9	119.1
Apr. 15.....	124.6	134.6	108.1	137.1	132.9	109.9	120.9
May 15.....	125.1	135.5	108.1	137.4	135.0	109.8	121.3
June 15.....	125.4	135.7	108.1	138.0	138.4	109.6	121.7
July 15.....	126.1	137.4	108.2	138.3	138.7	109.7	122.0
Aug. 15.....	126.4	137.7	108.2	139.4	139.3	109.8	122.3
Sept. 15.....	126.5	137.0	108.2	141.4	140.7	109.8	122.4
Oct. 15.....	126.5	136.4	(¹)	141.9	141.4	109.8	122.8
Nov. 15.....	126.6	136.5	(¹)	142.1	141.7	109.9	122.9
Dec. 15.....	127.0	137.4	108.3	142.8	143.0	109.4	123.1
1945—							
Jan. 15.....	127.1	137.3	(¹)	143.0	143.6	109.7	123.3
Feb. 15.....	126.9	136.5	(¹)	143.3	144.0	110.0	123.4
Mar. 15.....	126.8	135.9	108.3	143.7	144.5	110.0	123.6
Apr. 15.....	127.1	136.6	(¹)	144.1	144.9	109.8	123.8
May 15.....	128.1	138.8	(¹)	144.6	145.4	110.0	124.0
June 15.....	129.0	141.1	108.3	145.4	145.8	110.0	124.0

¹ Not available.

EXHIBIT VIa.—Distribution of labor force by coverage status (in an average week of 1944)

Total labor force (average week in 1944).....	64.2
Less unemployed.....	.8
Employed labor force.....	63.4
In the armed forces.....	11.2
Employed civilian labor force.....	52.2
A. Presently covered groups:	
(1) Covered by State unemployment compensation laws.....	29.0
(2) Covered by railroad unemployment insurance.....	1.4
Total covered.....	30.4

EXHIBIT VIa.—*Distribution of labor force by coverage status (in an average week of 1944)—Continued*

Employed civilian labor force—Continued

B. Presently not covered groups:

(1) Federal and maritime employees.....	3.3
(2) Employees of small employers (excluded by size-of-firm restrictions).....	1.0
(3) Agricultural workers:	
(a) Agricultural processing workers.....	.3
(b) Others.....	2.2
(4) Employees of State and local governments.....	2.9
(5) Domestic workers in private homes, employees of nonprofit institutions and miscellaneous.....	1.6
(6) Self-employed:	
(a) Farmers.....	5.0
(b) Others.....	4.5
Total not covered.....	21.6

EXHIBIT VIb

FEDERAL SECURITY AGENCY, SOCIAL SECURITY BOARD,
BUREAU OF EMPLOYMENT SECURITY,
Washington 25, February 5, 1945.

UNEMPLOYMENT COMPENSATION LETTER No. 80

To: All State Employment Security Agencies.

EXTENSION OF COVERAGE TO MAJOR AREAS NOT NOW COVERED

In developing recommendations to the State legislatures which are meeting in 1945, State agencies will wish to give consideration to ways in which the scope of their unemployment-compensation laws can be extended to provide protection to individuals subject to the risk of unemployment who are not now covered. No doubt it is the desire of every State agency to have this protection extended to as many groups of wage earners as it is administratively feasible to cover. The broader the coverage the more effective will be the unemployment-compensation program.

The attached documents on extension of coverage to employers of one or more individuals, and to agricultural workers, employees of State and local governments, and employees of nonprofit organizations will, it is hoped, assist State agencies in considering the desirability and feasibility of extending coverage in these major areas. No attempt has been made here to cover all areas in which coverage might well be extended; other areas, such as that of domestic service, are also worthy of serious consideration.

Sincerely yours,

EWAN CLAGUE, *Director.*

EXTENSION OF COVERAGE UNDER STATE UNEMPLOYMENT COMPENSATION LAWS TO EMPLOYERS OF ONE OR MORE

There is now general agreement that unemployment compensation coverage should be extended to all employers, regardless of size. Experience under the old-age and survivors insurance program and under 13 State unemployment compensation laws with coverage of employers of one or more bears ample testimony to the fact that the administrative problems involved in covering small firms are not insuperable. Extension of coverage to employers of one or more at any time would bring an estimated 3.5 million additional workers under the State unemployment compensation systems. It would increase the benefit rights of other workers already covered by permitting the inclusion of earnings from small firms in the calculation of their benefits.

Origin of size-of-firm restrictions

At the time the Social Security Act was adopted, there was general acceptance of the idea that some size-of-firm restrictions were necessary in the early years of the program and the Federal unemployment tax was limited to employers who employed eight or more individuals in at least 20 weeks in a year. With some notable exceptions, the State legislatures followed suit and adopted this or similar limitations on coverage.

No one ever argued that a worker's need for benefits when unemployed is in any way dependent upon the number of workers any of his former employers happened to employ. They did, however, argue that in the initial years of the unemployment-compensation program, the coverage of workers in small firms would result in administrative difficulties. It was thought that, under some circumstances, it would be difficult to find such employers so that the cost of obtaining compliance with reporting and tax requirements would be excessive in relation to the amount collected; that there was little justification in approaching a point where the number of employing units paying contributions would be as numerous as the individual workers who would benefit from the protection.

The tentative character of the size-of-firm exclusion in the Federal act is illustrated by the fact that the actual number of workers and length of time were determined by compromise. The Wagner-Lewis bill of 1934 proposed to cover employers of 10 or more; the Committee on Economic Security in 1935 suggested covering employers of 4 or more for a "reasonable period of time (any 13 weeks of the taxable year for example)." The advisory council to the Committee on Economic Security recommended requiring 6 or more workers in 13 weeks. The Economic Security Act as introduced in 1935 provided coverage for employers of 4 or more. The bill as adopted by the House restricted coverage to employers of 10 or more, while in the Senate version the number of workers was set at 4. The conference committee agreed upon 8 as a compromise figure for the Social Security Act.

Feasibility of one-or-more coverage

Fortunately, eight States with widely differing economic characteristics did not adopt the size-of-firm limitation.¹ The need of the worker for protection carried more weight with the legislatures of these States than the argument that the task would be difficult. Their faith was justified; no administrative break-down resulted because their coverage was more ambitious than that of other States. The feasibility of coverage for the worker in the small firm was demonstrated both in sparsely settled and in highly industrialized States.

In recognition of this success, on December 30, 1938, when the Board submitted to the President its recommendations for amendments to the Social Security Act, it went on record officially in favor of including employers of one or more under the Federal Unemployment Tax Act. Mr. Altmeyer repeated that recommendation several times in his testimony before the Ways and Means Committee during the hearings on the 1939 amendments. The Fourth Annual Report of the Social Security Board, 1939, termed the inclusion of employers of one or more workers under unemployment compensation laws both "desirable and feasible." Extending coverage in this direction has been advocated in each annual report since then, and the Bureau of Employment Security has so advised in its legislative recommendations.

By October 1, 1944, five additional States² had extended their coverage to include all employers regardless of size, making the total thirteen. As the laws stand at the end of 1944, the District of Columbia, Hawaii, and Washington cover employers of one or more at any time. The others specify minimum pay roll or time limitations. Arkansas requires only 10 days of employment in a year. Delaware, Massachusetts, Montana, and Pennsylvania require employment in at least 20 weeks, and Wyoming has an additional requirement of \$150 pay roll in a calendar quarter. Minnesota covers employers of one or more in 20 weeks within the corporate limits of a city, village, or borough of 10,000 population, but excludes employers outside those limits who are not subject to the Federal unemployment tax. Idaho, Nevada, and Utah define "employer" in terms of size of pay roll; the quarterly pay roll must be \$78 in Idaho, \$140 in Utah, and \$225 in Nevada. In Montana, either one employee in 20 weeks or an annual pay roll of more than \$500 is required for coverage.

¹ District of Columbia, 1935; Pennsylvania, 1936; Arkansas, Delaware, Hawaii, Montana, Nevada, and Wyoming, 1937.

² Idaho, Massachusetts, Minnesota, Utah, and Washington.

The experience of these States indicates that the administrative difficulties in covering employers of one or more are overshadowed by the advantages. Small employers are accustomed to keeping records and making reports for the Bureau of Old-Age and Survivors Insurance and for other Government agencies. Consequently, the ground work has been laid, and the administrative difficulties are not as great as they would have been in the beginning. Even then they were not insurmountable, as the experience of the eight original States proves. The fact that no State has rescinded its provisions gives mute testimony as to the practicability of the coverage.

Need for coverage of smaller units

There can be little question as to the need for extension. In 1941, size-of-firm limitations in State unemployment compensation laws excluded from coverage between two and three million workers covered by the old-age and survivors insurance program. In 1943, the estimate was about 3.5 million workers in the country (table 1). Extension of coverage to employers of one or more workers would have increased the number of covered workers in 1943 by 7.5 percent. The percentage increase by State would have ranged from 50.7 percent in North Dakota with eight or more coverage to only 2.3 percent in New Mexico which covers employers of two or more (table 2). As might be expected, the 17 States which exclude the largest percentage of workers because of the size-of-firm provisions are those which restrict coverage to employers of eight or more workers. If they deleted the size-of-firm limitation, 12 of these States would have a percentage increase in coverage of more than twice the increase for the country. No State with the eight or more workers limitation excludes fewer than 9.2 percent of its workers.

The amount of unemployment experienced by workers employed by small firms is not known. But it has been the experience of States covering small firms that the mortality rate of small businesses is higher than that of larger organizations. Changes in ownership are also more frequent. It might be expected that workers would experience some unemployment when the firm for which they work goes out of business or changes ownership.

Type of coverage provision

If the single worker is to be covered, and his employer taxed, some decision must be made as to whether it is desirable to provide some legislative restriction whereby infrequent and isolated periods of employment are excluded from coverage or whether coverage should be extended to all employing units which at any time during the year have in employment one or more individuals performing services not specifically exempt.

Only three States tax all employers with a worker performing services not specifically exempt—and those three exempt casual labor not in the course of the employer's trade or business. The others restrict the application of the tax to those employers who have sufficient need of a worker or workers either to use his or their combined services for not less than a specified number of weeks, or to pay not less than a specified amount in wages.

These restrictions, like the size-of-firm limitations, were incorporated because it was thought they would make it administratively simpler to recognize and determine subjectivity. It was thought also either that the coverage of incidental employment was not sound policy because the worker performing the employment was not attached to the labor market, or that such employment as might be represented by anything less than the time or amount specified would have little bearing on the worker's benefit rights. Specifically, it is sometimes said that, since a very brief period of employment would not entitle a worker to benefits, the difficulties of covering employers who operate for only a brief time would not be justified in terms of the purpose of the program.

More frequently than not, however, such incidental employment is performed by individuals who are definitely attached to the labor market. If all their earnings within a year were reported, it would be found that they would meet the qualifying-earnings test of the State law and, when unemployed, the test of availability for work. In all States but Wisconsin, a worker's eligibility for benefits is tested, not by his employment with any one employer, but by his total base-period earnings or employment. The wages from an employer excluded by the weeks-of-employment test might make the difference between eligibility and ineligibility for some workers, and substantially increase the weekly benefit amount or total benefits for others. Therefore, failure to cover the scattered employment which they may perform for several employers may well mean that workers will not be able to meet the earnings test even though

their earnings are high or, if they do qualify, it may mean that their benefit rights will represent a very small percentage of their annual earnings.

Moreover, the argument that a limitation on the extent of the employment covered is administratively simpler does not seem to be borne out by experience. The difficulties in deciding whether or not the services of one employee were performed in 19 or 20 calendar weeks, when the record shows only the pay days, for example, may be very difficult.

It may be easier to determine the amount of wages paid than the number of weeks of employment given. But there will be many difficult decisions as to whether the wages paid were just below or just above the required amount—and, if some of the wages were paid in kind, the decision will be even more difficult.

Casual labor

In 8 of the 13 States now covering employers of one or more, "employment" does not include "casual labor not in the course of the employer's trade or business." This exclusion serves to eliminate a great deal of intermittent employment, and seems desirable in connection with complete one-or-more coverage. As it is usually interpreted, this provision excludes occasional, incidental, or infrequent services which do not advance or promote the trade or business of the employer. The painter hired by a householder to paint his house would be excluded, but an occasional clerk hired by a grocery store would not, since his labor, while casual, does promote the employer's business.

Administrative advantages of complete coverage

When there is no limitation on coverage because of the size of the firm or the extent of the employment, the only question to be decided in status determinations is whether or not the services constitute employment. As one agency expressed it, "With that extensive coverage, status determinations can be made by clerks, and not lawyers."

One State which changed from eight or more in 20 weeks to one at any time, responded to a questionnaire from North Carolina in part, as follows:

"A complete 'one or more' coverage presents some advantages over the payroll test or weeks-of-employment test in that we are no longer faced with the necessity for making liability audits or quibbling with the employer over exact payroll counts or amounts in a given week. When our field adviser walks into the employer's place of business, the only question to be determined is whether or not the employment is subject employment. Although the time saved in liability audits probably does not equal the increased effort in securing reports from the small employers, we are completely in favor of complete coverage rather than the use of some qualifying test to eliminate the short-time employment. Our coverage is practically identical with that of the Federal Insurance Contributions Act, and we find this advantageous. Aside from the matter of convenience to the employer, we find ourselves better able to police our accounts by direct clearance with the collector of internal revenue on all account changes."

Complete coverage of all employing units engaged in "employment" permits the elimination of the "contractor tacking" provisions which are so difficult to administer.

Another advantage of complete coverage is closer integration with the old-age and survivors' insurance program. It should be noted, however, that coverage under the two laws will not yet be identical. In addition to differences in the definitions of excluded services which exist in some laws, there is a difference in the definition of the employing relationship which under the State laws is generally broader than that used in determining coverage under the old-age and survivors' insurance program. It is recommended that States adhere to their broader concept.

Promptness of change

If these 3.5 million excluded workers are to be protected against unemployment during the reconversion period, action to extend coverage should be made effective as of the earliest possible date. Workers will not be able to claim benefits based on their wages with such small firms until some time after coverage is effective, because of the time lag between the end of the base period and the beginning of the benefit year. In 23 of the 38 States with size-of-firm restrictions, the lag between the base period and benefit year consists of one completed calendar quarter. In these States, if extended coverage were to become effective January 1, 1945, the newly covered employment would not appear in the base period of any worker who filed his initial claim before July 1, 1945. It would be April 1, 1946, before the entire base period could include the newly subject employment.

The lag is even longer in the other 15 States. Again assuming January 1, 1945, as the effective date for coverage, the earliest dates for an initial claim for benefits based on that employment would be October 1, 1945, in Kentucky; January 1, 1946, in Oregon and Wisconsin; March 1, 1946, in New Hampshire; April 1, 1946, in eight States (Colorado, Connecticut, Illinois, Maine, Maryland, Rhode Island, Vermont, and West Virginia); May 1, 1946, in Virginia; June 1, 1946, in New York; and July 1, 1946, in North Carolina.

TABLE 1.—Estimated number of workers with some earnings during 1943 in industries subject to State unemployment compensation laws,¹ by State

State	Size-of-firm coverage provision ²	Number of workers in covered firms (in thousands)	Number of workers in all firms ³ (in thousands)	Percentage increase, workers in all firms over covered workers ⁴
Total, 51 States		44,800	48,300	7.5
Alabama	8 or more	755	832	10.3
Alaska	do	37	44	17.9
Arizona	3 or more	206	214	4.0
Arkansas	1 or more	383	383	0
California	4 or more	3,887	4,076	4.9
Colorado	8 or more	347	411	18.3
Connecticut	4 or more	1,027	1,068	4.0
Delaware	1 or more	161	161	0
District of Columbia	do	317	317	0
Florida	8 or more	720	839	16.5
Georgia	do	891	985	10.6
Hawaii	1 or more	168	168	0
Idaho	do	136	136	0
Illinois	6 or more	3,532	3,871	9.6
Indiana	8 or more	1,404	1,557	10.9
Iowa	do	522	654	25.4
Kansas	do	505	605	19.8
Kentucky	4 or more	556	592	6.5
Louisiana	do	778	812	4.3
Maine	8 or more	291	334	14.9
Maryland	4 or more	938	975	3.9
Massachusetts	1 or more	1,912	1,912	0
Michigan	8 or more	2,266	2,470	9.2
Minnesota	1 or more ⁵	740	807	9.1
Mississippi	8 or more	355	414	16.7
Missouri	do	1,231	1,407	14.3
Montana	1 or more	133	133	0
Nebraska	8 or more	289	370	7.9
Nevada	1 or more	81	81	0
New Hampshire	4 or more	168	180	7.2
New Jersey	8 or more	1,934	2,137	10.5
New Mexico	2 or more	133	136	2.3
New York	4 or more	5,881	6,256	6.4
North Carolina	8 or more	1,027	1,128	9.8
North Dakota	do	65	98	50.7
Ohio	3 or more	3,165	3,255	2.8
Oklahoma	8 or more	519	615	18.6
Oregon	4 or more	565	591	4.6
Pennsylvania	1 or more	4,193	4,193	0
Rhode Island	4 or more	375	391	4.2
South Carolina	8 or more	470	523	11.4
South Dakota	do	74	106	43.7
Tennessee	do	866	970	12.0
Texas	do	1,874	2,187	16.7
Utah	1 or more	228	228	0
Vermont	8 or more	111	132	19.3
Virginia	do	870	990	13.9
Washington	1 or more	812	812	0
West Virginia	8 or more	519	574	10.6
Wisconsin	6 or more	1,004	1,117	11.2
Wyoming	1 or more	75	75	0

¹ Includes all services which constitute "employment" as defined in the law, regardless of the size of the employing unit.

² Represents number of workers an employer must have to be subject to State law.

³ Figures based on number of workers, with no information as to the number of weeks.

⁴ Percentages based on unrounded data. In States with coverage of 1 or more in 20 weeks, some workers would undoubtedly be added by changing to 1 at any time, but the number could not be ascertained.

⁵ Total, 51 States, has been reduced to adjust for duplication arising from employment of individuals in more than 1 State during the year.

⁶ But employers located outside the corporate limits of a city, village, or borough of 10,000 or more are excluded if not subject to the Federal act.

TABLE 2.—Estimated increase in covered workers in 1945 if size-of-firm restrictions had been eliminated from State laws, in descending percentage increase

State	Size-of-firm provision	Number of workers excluded by size-of-firm limitations (in thousands)	Percentage increase over covered workers, 1943
Total, 51 States ¹		3,500	7.5
North Dakota	8 or more	33	50.7
South Dakota	do	32	43.7
Nebraska	do	81	27.9
Iowa	do	132	25.4
Kansas	do	100	19.8
Vermont	do	21	19.3
Oklahoma	do	96	18.6
Colorado	do	64	18.3
Alaska	do	7	17.9
Mississippi	do	59	16.7
Texas	do	313	16.7
Florida	do	119	16.5
Maine	do	43	14.9
Missouri	do	176	14.3
Virginia	do	120	13.9
Tennessee	do	104	12.0
South Carolina	do	53	11.4
Wisconsin ²	6 or more	113	11.2
Indiana	8 or more	153	10.9
Georgia	do	94	10.6
West Virginia	do	55	10.6
New Jersey	do	203	10.5
Alabama	do	77	10.3
North Carolina	do	101	9.8
Illinois	6 or more	339	9.6
Michigan	8 or more	210	9.2
Minnesota	1 or more ³	67	9.1
New Hampshire	4 or more	12	7.2
Kentucky	do	36	6.5
New York	do	375	6.4
California	do	189	4.9
Oregon	do	26	4.6
Louisiana	do	34	4.3
Rhode Island	do	16	4.2
Arizona	3 or more	8	4.0
Connecticut	4 or more	41	4.0
Maryland	do	37	3.9
Ohio	3 or more	90	2.8
New Mexico	2 or more	3	2.3
Arkansas	1 or more	0	0
Delaware	do	0	0
District of Columbia	do	0	0
Hawaii	do	0	0
Idaho	do	0	0
Massachusetts	do	0	0
Montana	do	0	0
Nevada	do	0	0
Pennsylvania	do	0	0
Utah	do	0	0
Washington	do	0	0
Wyoming	do	0	0

¹ Total, 51 States. Has been reduced to adjust for duplication arising from employment of individuals in more than 1 State during the year.

² Employer becomes subject as of the beginning of the calendar year in which he has 8 or more employees in 18 weeks, and as of the end of the calendar year in which he has 6 or more employees in 18 weeks.

³ But employers located outside the corporate limits of a city, village, or borough of 10,000 or more population are excluded if not subject to the Federal act.

EXTENSION OF COVERAGE UNDER STATE UNEMPLOYMENT COMPENSATION LAWS TO EMPLOYEES OF STATE AND LOCAL GOVERNMENTS

Employees of State and local governments have been excluded from coverage under the Federal Unemployment Tax Act because of the doubt as to whether the Federal Government could levy the unemployment tax on the States. However, there is no reason why State employees cannot be covered under all State laws and employees of local subdivisions under most of those laws. The number of these employees is large and their unemployment a common experience. Un-

fortunately, however, up to the present time practically every State has followed the Federal act and has excluded State and local government workers from coverage, even though many States have gone beyond the coverage of the Federal act in other respects.

Extent of State and local governmental employment

Removal by the States of the exclusion of State and local governmental workers would bring between two and three million additional workers into the unemployment compensation system. In April 1944, there were 3,081,100 State and local government employees in the United States, including both school and nonschool employees. The attached table shows the number of such employees in each State in April and October 1943 and April 1944. In April 1940 the number of State and local government employees—excluding school employees, persons on work relief and employees of contractors—was estimated at 2,057,000. There were 38,853 employing units—States, counties, townships, cities, towns, and villages. Of these units, 48 percent had 10 or more employees and employed 97 percent of the workers. In 1942, 1 of every 40 persons in the country was a public employee of a State or local government. The 12 largest governmental employers in the country are, in descending order, the Federal Government, New York City, New York State, Pennsylvania, Chicago, California, Detroit, Illinois, Ohio, Philadelphia, Texas, and Los Angeles. New York City with 133,000 (exclusive of school employees) had more than twice the number of New York State with 55,900.

These 3,000,000 workers are in a variety of occupations; some of them are performing functions ordinarily thought of as exclusively or primarily governmental. In the group are the elected and appointed administrative and legislative officers, policemen, firemen, school teachers, judges, and employees of corrective institutions. But States and municipalities engage in a great many other activities, some of them identical with those of private organizations. They build roads and bridges, build and operate hospitals, libraries, museums, golf courses, swimming pools, light and power plants, and water supply systems. When a State contracts with a construction company to build a highway or a school, the workmen are protected by unemployment compensation. If the State had constructed the road or building itself, the workmen would have had no protection. In some localities, individual householders must arrange for the removal of their garbage and trash, frequently by contract with a covered contractor; in others, the town contracts with an individual or firm to remove it; while in still others, the municipalities buy the equipment and hire the laborers to do the removing. Only in the first two cases do the workers now have unemployment insurance protection. Other activities not customarily associated with governments which are sometimes performed by governmental units or instrumentalities include street railways, fish hatcheries, liquor stores, printing businesses, and even flour mills.

To carry out these varied governmental and proprietary activities, the government employs carpenters, electricians, janitors, truck drivers, elevator operators, stenographers, cooks, switchboard operators, engineers, and workers with many other skills as well as unskilled labor. All of these workers are engaged in types of work which would be covered if performed for a private corporation.

Highways and hospitals together accounted for more than half the nonschool employees of State governments. No other category includes as many as one-tenth of the total. In counties, almost 30 percent of the employees were engaged in construction and maintenance of highways and slightly more than one-fourth were performing administrative and financial duties. City employees were largely concentrated in the police and fire departments which included over one-fourth of the nonschool employees. However, public service enterprises employ 16 percent of the total number of municipal employees. More than 65 percent of the cities with a population larger than 5,000 own their own water supply systems and 20 percent of them operate light and power plants.

Extent of unemployment

Despite a general impression to the contrary, public employees do suffer from unemployment. Civil-service laws give them some security in their jobs. Not all jurisdictions have civil-service laws, however, while even in those jurisdictions which do, certain groups are frequently outside the system. In addition, government functions needed at one time become obsolete and are discontinued, appropriations are cut and staff reduced accordingly and many public activities are self-limiting or temporary. In the census of March 1940 approximately 1

of every 12 individuals reported out of work was a government worker and 1 of every 11 government workers was reported unemployed.

Another indication that these workers need protection is given by the fluctuations in the level of government employment within a year. If the average number of workers in State and local government nonschool employment in the years 1940 and 1941 is taken as 100, the quarterly index of employment ranges from 97 in January 1940, 96 in January 1941, and 97 in January 1942, to 103 in July 1940, and 105 in July 1941. The greatest fluctuation was in employment in public-service enterprises of cities of over 100,000 population—from 75 in January 1940 to 112 in July 1941, and down to 102 in January 1942.

The need of government workers for protection is illustrated also by experience under the Wisconsin unemployment compensation law. In Wisconsin the ratio of benefits to contributions for government employment has been much higher than the ratio for all industries in the State. For example, the ratio for all industries for 1942 was 26.9 percent while for regular government agencies the ratio was 75.6 percent. This is probably partially due to the fact that under the Wisconsin law, government employees on an annual salary basis are excluded. The data for 1939-42 inclusive are as follows:

Year	Ratio of benefits to contributions				
	All industries	Government agencies (total)	State	County	City
1939.....	29.0	98.2	(¹)	(¹)	(¹)
1940.....	41.6	120.4	151.6	142.6	85.5
1941.....	24.3	85.8	101.3	81.3	81.8
1942.....	26.9	75.6	95.3	78.9	63.8

¹ Break-down not available.

At the present time many workers in public employment as in private industry are temporary employees releasing servicemen. The group in public employment, however, will have no protection when demobilization and reconversion come.

Type of coverage provision

Once the need for coverage has been acknowledged, a decision must be made as to the best method for insuring as extensive and complete coverage as possible. The problem is too complex to permit of solution by the simple deletion of the exclusion from the definition of employment.

The original definition of "employment" in title IX of the Social Security Act excluded "services performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions." When the taxing provision of title IX became subchapter C of the Internal Revenue Code, the exclusion was narrowed to read:

"Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1600;"

There are a few States where the exclusion is somewhat more limited than in the Federal act. New York does not exclude persons employed by State and local governments temporarily and solely for construction, substantial remodeling or demolition of buildings. The Utah law does not exclude State instrumentalities. The Idaho law excludes only services for States and for public institutions or instrumentalities paying wages out of money raised solely by taxation. The Arizona and Ohio laws exclude only government agencies exercising governmental as distinguished from proprietary functions.¹ These variations probably do not cover any significant proportion of government workers. The Wisconsin exclusion is more limited, permitting a somewhat extended coverage of government employees. The definition of "employer" includes the State and first-class cities,

¹ See reference to the Ohio interpretation of this provision in the discussion of covering only employees engaged in proprietary functions on p. 5.

but in the definition of employment, certain services performed for these governmental units are exempt. Other political subdivisions are given specific authorization to elect coverage and the State and first-class cities may elect to cover the services listed in the exemptions. These include:

- "1. Employment as an elected or appointed public officer;
- "2. Employment by a governmental unit on an annual salary basis;
- "3. Employment by a governmental unit on an unemployment work relief project, recognized as such by the Commission;
- "4. Employment by an educational institution supported wholly or substantially from public funds, of any student enrolled in such institution and carrying at least half its full-time schedule in the most recent school term, or of any person as a teacher in such institution;
- "5. Employment directly by the State fair during its active duration (including the week before and the week after the fair); or employment by the Wisconsin National Guard directly and solely in connection with its summer training camps or for emergencies; or employment directly by the conservation commission for emergency fire fighting.
- "6. Employment by a governmental unit in a given week for the removal of snow or ice or for work connected with floods, of an individual who has worked for such governmental unit in 6 or less of the 52 weeks preceding the given week."

Even this provision results in very narrow coverage of governmental employees. In 1942, the average monthly number of government workers covered by the Wisconsin law was approximately 5,000, or about 6 percent of total State and local government employment in Wisconsin.

Problems of elective coverage

It has been suggested that State and local government employees could be covered under the unemployment-compensation laws without amending the definition of "employment" through the provisions for voluntary election of coverage. Excluded types of employment can be covered by election of the employing unit in 46 States—all except Alabama, the District of Columbia, Massachusetts, New York, and Vermont. Wisconsin specifically provides for elective coverage of State and local government employees. The New York exclusion of State and local government service, originally in the section of the law defining "employment" was transferred to the section defining "employer" in 1936, in order to make possible election of coverage. Interestingly enough, the Kentucky Unemployment Compensation Commission is the only State unemployment-compensation agency which has availed itself of the privilege of elective coverage for the benefit of its own employees.

This method of meeting the problem, however, is open to objection. In at least five States, the attorney general has held that governmental units cannot elect coverage. The attorney general of Ohio held that a housing authority may not elect coverage and expend its funds to pay the required contributions unless specifically given such power in the act creating it. The Virginia attorney general issued a similar opinion in connection with the State university. The Kansas attorney general similarly ruled that political subdivisions and instrumentalities did not have the legal power to encumber public funds to pay contributions. As a variation of this reasoning, the Georgia attorney general said that a municipal tax receiver could elect coverage if he paid the contributions from his private funds.

The Illinois attorney general held that a municipality was not an "employing unit" and, therefore, could not elect coverage. In New Hampshire, the attorney general held that only the legislature had the power to speak for the State, and that therefore only the legislature could elect coverage.

Character of mandatory provisions

Inclusion of governmental employment under the mandatory coverage provisions of the laws would be more satisfactory than depending upon elective coverage. It has been suggested that instead of extending coverage to all governmental employment, the extension should be limited to proprietary functions, with individuals performing governmental functions still excluded. Such a provision would result in serious administrative and legal difficulties because of uncertainty as to what functions are governmental and what proprietary. Experience under tax laws which have drawn this distinction has been far from satisfactory. The distinction between the two types of functions lies largely in the degree to which there is general acceptance of the function as a responsibility of the government.

The Ohio unemployment-compensation law has just such a provision, excluding only services in the performance of governmental as distinguished from proprietary functions. In 1939, however, the Ohio Common Pleas Court held that all public employees were excluded, saying, "We may well seriously consider the unfairness and question the logic of any attempt to separate employment into such divisions. We know of no reasonable basis in justice for such a separation. If the law covers one, it ought to cover all persons who work for the taxpayer." Later, an Ohio referee decided that a board of park commissioners maintaining a system of public parks was performing governmental functions, and was, therefore, exempt. There seems to be no advantage to be gained by a differentiation which results in so many border-line areas necessitating an administrative or court determination. If there are any specific activities which a State legislature does not wish to cover under the unemployment-compensation law, it would be much better to specify them in the law rather than adopt a provision which will be hard to administer. The highly unsatisfactory character of the Ohio provision as a device for giving protection to the group is illustrated by the fact that in 1942, 66 was the maximum number of government workers reported as in covered employment for any quarter. Since the last quarter of that year, none have been reported.

The solution which seems the most satisfactory is to amend the law to cover services performed for the State government, for political subdivisions of the State, and for instrumentalities of the State or its subdivisions. Coverage should be provided by positive action, and not by merely deleting the exclusion in the definition of "employment." Governmental units should be added to the types of organizations now mentioned in the definition of "employing unit." In addition, a paragraph should be added in the law stating specifically that, notwithstanding any other provision in the law, all services for the State, political subdivisions of the State and instrumentalities of the State or its subdivisions, constitute employment for an employer, except for employment by a governmental unit on an unemployment work relief project (and any other exceptions the State may wish to add). Such a positive statement is desirable to eliminate the possibility that some services would be excluded by other sections of the law such as the provisions excluding agricultural labor, or service for nonprofit educational and charitable institutions.

If the State constitution contains restrictions on the power of the State to tax local subdivisions which will prohibit the State from covering employees of local subdivisions under the mandatory provisions of the law, another solution may have to be found. Some State constitutions provide that the State cannot impose taxes upon cities, counties, towns, or other municipal corporations for a "municipal purpose." Levies imposed by the State on municipal employees in connection with employees' pension plans have been held unconstitutional on the ground that the levy is for "a municipal purpose." Unemployment Compensation taxes might be determined to fall in the same category. On the other hand, their application is so general and they are earmarked for such a broad social need that their purpose might not be termed solely "municipal." Before deciding whether or not local governmental units can be covered, States with such constitutional provisions may find it advisable to obtain the opinion of the attorney general.

Even though mandatory coverage of employees for local governmental units is not possible under the State constitution, those employees who work for the State government can be covered and an effort made to bring the local subdivisions into the system by voluntary election. This would be facilitated somewhat if the "local subdivisions" were included in the definition of "employing units" and explicit provisions were made for the election of coverage by such units.

State and local governmental employment for selected months, by State, 1943-44

State	Employment				
	April 1943	October 1943	Percentage change from April 1943 to October 1943	April 1944	Percentage change from October 1943 to April 1944
Continental United States ¹	3, 101, 900	3, 056, 000	-1.5	3, 081, 100	+0.8
Alabama.....	49, 100	48, 700	-.8	48, 800	+.2
Arizona.....	12, 300	12, 200	-.8	12, 300	+.8
Arkansas.....	31, 800	31, 600	-.6	31, 700	+.3
California.....	192, 100	188, 500	-1.9	190, 700	+1.2
Colorado.....	31, 800	31, 400	-1.3	31, 600	+.6
Connecticut.....	43, 100	42, 300	-1.9	42, 800	+1.2
Delaware.....	7, 000	6, 900	-1.4	6, 900	0
District of Columbia.....	15, 800	15, 700	-.6	15, 900	+1.3
Florida.....	50, 400	49, 600	-1.6	50, 100	+1.0
Georgia.....	56, 500	56, 100	-.7	56, 200	+.2
Idaho.....	14, 400	14, 200	-1.4	14, 300	+.7
Illinois.....	162, 100	159, 500	-1.6	160, 900	+.9
Indiana.....	73, 800	72, 800	-1.4	73, 300	+.7
Iowa.....	64, 500	64, 000	-.8	64, 100	+.2
Kansas.....	53, 200	52, 700	-.9	52, 900	+.4
Kentucky.....	48, 500	48, 100	-.8	48, 200	+.2
Louisiana.....	55, 600	54, 700	-1.6	55, 200	+.9
Maine.....	23, 000	22, 600	-1.7	22, 800	+.9
Maryland.....	39, 000	38, 300	-1.8	38, 700	+1.0
Massachusetts.....	112, 900	110, 600	-2.0	112, 000	+1.3
Michigan.....	141, 800	139, 500	-1.6	140, 800	+.9
Minnesota.....	75, 600	74, 400	-1.6	75, 100	+.9
Mississippi.....	41, 700	41, 400	-.7	41, 500	+.2
Missouri.....	77, 100	76, 100	-1.3	76, 600	+.7
Montana.....	16, 100	15, 900	-1.2	16, 000	+.6
Nebraska.....	36, 900	36, 500	-1.1	36, 700	+.5
Nevada.....	4, 100	4, 000	-2.4	4, 100	+2.5
New Hampshire.....	15, 900	15, 600	-1.9	15, 800	+1.3
New Jersey.....	101, 100	99, 300	-1.8	100, 400	+1.1
New Mexico.....	12, 500	12, 400	-.8	12, 400	0
New York.....	375, 500	367, 300	-2.2	372, 600	+1.4
North Carolina.....	65, 800	65, 300	-.8	65, 400	+.2
North Dakota.....	16, 600	16, 500	-.6	16, 500	0
Ohio.....	161, 900	159, 100	-1.7	160, 700	+1.0
Oklahoma.....	51, 700	51, 300	-.8	51, 400	+.2
Oregon.....	31, 100	30, 700	-1.3	30, 900	+.7
Pennsylvania.....	209, 400	206, 200	-1.5	208, 000	+.9
Rhode Island.....	17, 500	17, 200	-1.7	17, 400	+1.2
South Carolina.....	37, 900	37, 600	-.8	37, 700	+.3
South Dakota.....	22, 500	22, 200	-1.3	22, 300	+.5
Tennessee.....	52, 700	52, 100	-1.1	52, 400	+.6
Texas.....	134, 400	133, 100	-1.0	133, 600	+.4
Utah.....	18, 000	17, 800	-1.1	17, 900	+.6
Vermont.....	9, 900	9, 800	-1.0	9, 800	0
Virginia.....	57, 900	57, 200	-1.2	57, 500	+0.5
Washington.....	51, 500	50, 600	-1.7	51, 100	+1.0
West Virginia.....	37, 300	37, 100	-.5	37, 100	0
Wisconsin.....	82, 800	81, 500	-1.6	82, 200	+.9
Wyoming.....	7, 800	7, 800	0	7, 800	0

¹ Excludes data for Alaska and Hawaii.

Source: Bureau of Labor Statistics, Department of Labor.

EXTENSION OF COVERAGE UNDER STATE UNEMPLOYMENT COMPENSATION LAWS TO EMPLOYEES OF NONPROFIT ORGANIZATIONS

One of the major groups of wage earners not now protected by the unemployment compensation program is that of employees for nonprofit institutions. This group includes about a million workers who are employed in hospitals; schools; churches; welfare, literary, scientific, and educational institutions. Many of these individuals do exactly the same type of work as persons in the same occupations working for private firms. They are subject to the same risk of unemployment. Yet persons working for private firms are protected by unemployment compensation; these workers are not.

One of the major reasons for the failure of State laws to provide protection to these workers is doubtless that the Federal Unemployment Tax Act contains a far-reaching exclusion of services for nonprofit organizations. With only slight variations, this exclusion was carried over into all the State laws. However, the Social Security Board for a long time has recommended removal of the exclusion of nonprofit organizations in the Social Security Act. In any event, exemptions of specific types of employment in the Federal acts are no bar to State coverage. State laws are not primarily tax measures; their chief purpose is to pay benefits to workers who suffer wage loss due to unemployment. Consequently the need to provide equitable treatment to all workers is more clear than can be true with regard to any tax law. In a number of instances, notably with regard to the coverage of employees of employers of less than eight, the States have recognized the desirability of extending the State law beyond the application of the Federal statute.

What are the reasons for discrimination against workers for organizations whose objectives are humane, and whose concern is with the welfare of individuals? Most of the reasons which have been given from time to time are based on distinctions from commercial and industrial employers which are assumed to be peculiar to nonprofit organizations.

Need for protection

The claim has been made that individuals working for nonprofit organizations are not subject to the risks of unemployment; that such organizations make provision for their employees; that hospitals have to keep a full staff at all times to be ready for any emergency; that teachers have tenure of office.

As a matter of fact, representatives of hospitals have stated that 400 hospitals closed during the depression; considerable unemployment must have resulted. Even in 1940, the United States census found 22,700 teachers unemployed and seeking work; this includes employees of both public and private schools. No figures are available concerning turn-over among service workers in hospital and private schools and colleges—janitors, elevator operators, switchboard operators, printers, editors, accountants, cooks, maids, cleaning women, laundresses, waitresses, watchmen, gardeners—but no one who has spent any time in a hospital or a college dormitory can have been unconscious of the constant changes in the staff. No fund was available for paying benefits to these people during periods of unemployment.

Source of funds

It is sometimes maintained that employers who sell a product or a service are able to add the cost of the unemployment tax to the selling price, but that hospitals or private schools produce no article for sale to which the cost of unemployment insurance could be added.

The basis for this argument is the thesis that these nonprofit organizations are largely supported by donations and by endowments, and that when people are giving out of generosity, they should not be expected to give money for taxes also.

The answer to this argument lies in the need of the workers for the protection of unemployment compensation. If the workers are subject to the risk of unemployment, their need must be met in some way. In all cases, their jobs will be less attractive than would be similar work in covered employment. Those who become unemployed may have to be assisted by payments made by the same public-spirited citizens who support the nonprofit institution. Obviously, unemployment compensation is the most satisfactory device, both for society and the individuals, for taking care of this risk of unemployment.

If the insurance is necessary, the amount of the contributions becomes as much a legitimate cost of operating the organization as the fuel bills, and can be included in the budget to be raised in the same manner as any other expenses.

Moreover, "nonprofit" is by no means synonymous with "charity." Many of the organizations excluded by this provision do sell services, and could include some or all of the cost of the insurance contribution in the price charged to students or patients.

Tax policy

It has also been argued that taxing nonprofit organizations would mean a complete reversal of tax policy which has prevailed for over a century in England and this country. This policy is based on the thesis that the sick must be provided for, and if private hospitals were not built, the State would have to tax its citizens to build them; if private schools did not teach some of the youth, the cost of their education would increase the taxes for public schools. That is, in-

stitutions perform some of the functions and meet some of the obligations of the State, and thereby "lessen the burden of government." Therefore, since they are directly caring for the sick and educating youth, they should not pay taxes for public hospitals and public schools. In accordance with this thesis, nonprofit organizations have generally been exempt from property, income, inheritance, and estate taxes.

However, this argument falls down when applied to the protection of the employees of such institutions from the hazard of loss of income during periods of unemployment; when these workers lose their jobs, the hospital or school lifts from the State none of the burden of any relief they may need—all of that cost falls on the community, which must meet it out of general taxation, from which the employers who have used the services of these workers have been excused.

Administrative problems

Exclusions are defended on the ground of the excessive cost of administration, particularly in connection with the services of agricultural and domestic workers.

The administrative difficulties in the coverage of agricultural and domestic workers are not present in the case of employees of nonprofit institutions. Churches, hospitals, schools, and colleges are largely in urban communities, have regular pay rolls, keep books, and have clerical facilities for making reports. Most of the employees are paid for weekly or monthly periods, and the value of payments in kind is no more difficult to estimate than for such payments to hotel or restaurant employees.

Religious freedom

Authority of the government to inspect financial accounts of churches and religious organizations is sometimes feared as an invasion of religious freedom.

Many religious organizations, however, cover their employees with workmen's compensation for accidents and all have to comply with sanitary laws, for example. No such compliance or coverage has involved any threat to religious freedom.

Conclusions

Inherent in many of the foregoing points which have been raised as objections to the coverage of persons working for nonprofit organizations is the implication that social security legislation is primarily tax legislation.

However, it was the plain purpose of the Federal tax not to raise revenue for the Federal Government but to encourage the States to pass legislation to protect their citizens from the hazard of loss of earnings in periods of unemployment. Even more plain is the purpose of the State laws to protect individuals and the State itself against the full consequences of loss of earnings by individuals because of involuntary unemployment. Consequently, it is the existence of an employing relationship and the possibility of its being interrupted that afford the guide to the extent to which protection should be extended. Equity and adequacy of protection can be assured only when all individuals similarly situated are similarly protected. There is thus no distinction between manual workers, laundresses, janitors, cooks, elevator operators, printers, etc., that can be based on the type of organization of the employer for whom the services are performed.

In conclusion, the arguments for the exemption of the services of nonprofit organizations in no way justify depriving their employees of the protection of unemployment insurance. The need for protection is as great for the laundress or cook in a hospital as in a hotel, for the janitor in a private boys' school as in a retail store, and for the elevator operator in a YWCA as in a glass factory.

EXTENSION OF COVERAGE UNDER STATE UNEMPLOYMENT COMPENSATION LAWS TO AGRICULTURAL WORKERS

There has always been general recognition of the agricultural worker's need for the protection of the social-security program, and agreement that its benefits must be made available to him as rapidly as possible. In the recent election, there was nonpartisan, noncontroversial emphasis on the need for the extension of coverage under the unemployment-compensation system until all wage and salary workers enjoy its protection.

Historical background

The Social Security Act, as passed in 1935, excluded "agricultural labor" from the definition of "employment." The States incorporated in their own statutes a similar exemption of agricultural labor. As the term was not defined, each State agency was free to interpret the exclusion, as was the Bureau of Internal

Revenue. In the absence of clear definition of "agricultural labor," however, there was bound to be wide variation in interpretation, and controversies in border-line cases.

The Bureau of Internal Revenue adopted as its definition of "agricultural labor" the following:

"Regulations 90—

"ART. 206 (1). Agricultural labor: The term 'agricultural labor' includes all services performed—

"(a) By an employee, on a farm, in connection with the cultivation of the soil, the harvesting of crops, or the raising, feeding, or management of livestock, bees, and poultry; or,

"(b) By an employee in connection with the processing of articles from materials which were produced on a farm, also the packing, packaging, transportation, or marketing of those materials or articles. Such services do not constitute 'agricultural labor', however, unless they are performed by an employee of the owner or tenant of the farm on which the materials in their raw or natural state were produced, and unless such processing, packing, packaging, transportation, or marketing is carried on as an incident to ordinary farming operations as distinguished from manufacturing or commercial operations.

"As used herein the term 'farm' embraces the farm, in the ordinarily accepted sense, and includes stock, dairy, poultry, fruit, and truck farms, plantations, ranches, ranges, and orchards.

"Forestry and lumbering are not included within the exception."

The persistence of controversies over interpretation showed the need for clear demarcation of services which were to be excluded. In 1939 Congress amended the Social Security Act by incorporating in the Federal Unemployment Tax Act and the Federal Insurance Contributions Act a definition of "agricultural labor" greatly limiting, instead of extending, the coverage of farm labor:

"(1) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) In handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"As used in this subsection, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses, or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards."

The wording in the Federal Unemployment Tax Act was adopted in the employment security laws of 30 States, and the substance, in 3 States, the former exemption of "agricultural labor" without a definition was retained in the laws of 17 States (the District of Columbia law does not exempt agricultural labor.) The Bureau of Old-Age and Survivors Insurance estimated that between 550,000 and 850,000 additional farm workers were excluded from coverage of old-age insurance by the change in the definition of "agricultural labor."

Number and distribution of farm laborers

The implications of extending coverage may be gathered by an analysis of the number and distribution of various types of agricultural workers and their relative importance in the total economy. The 1940 United States Census reported 2,227,783 farm laborers and farm foremen in the United States; 4.2 percent of the total labor force of the country. The Census was taken in the week of March 24-30, 1940, a season of low agricultural activity in many States, whereas the seasonal peak occurs in July, August, and September. Many farm workers had undoubtedly found temporary industrial employment during the winter and early spring. Probably between three and five million workers perform services for wages in agriculture during a calendar year. These estimates assume a breakdown into six types of agricultural employment:

Regular hired.....	1, 600, 000
Local seasonal.....	1, 200, 000
Migratory.....	800, 000
Farm managers.....	100, 000
Share croppers.....	500, 000
Industrial, but classified as agricultural by the Unemployment Tax Act.....	300, 000
Total.....	4, 500, 000
Total (omitting share croppers and industrial workers).....	3, 700, 000

In the 1940¹ census, the States reporting 50,000 or more "farm laborers (wage workers) and farm foremen" were:

Texas.....	204, 386	Louisiana.....	68, 122
California.....	173, 584	Virginia.....	68, 103
Georgia.....	106, 350	Florida.....	66, 096
North Carolina.....	80, 902	Missouri.....	64, 597
New York.....	79, 647	Pennsylvania.....	61, 661
Illinois.....	72, 755	Ohio.....	61, 474
South Carolina.....	72, 595	Wisconsin.....	60, 728
Alabama.....	71, 852	Tennessee.....	60, 610
Iowa.....	71, 219	Minnesota.....	58, 763
Arkansas.....	69, 948	Kentucky.....	56, 709

The importance of farm wage and salary workers in the total State economy is indicated by the percentage such workers were of the total labor force reported for the State. The 12 States having the highest percentages were:

Wyoming.....	10. 6	North Dakota.....	8. 9
Arkansas.....	10. 3	Vermont.....	8. 7
Arizona.....	10. 0	Georgia.....	8. 7
South Carolina.....	9. 9	Montana.....	8. 4
New Mexico.....	9. 7	Florida.....	8. 4
Idaho.....	9. 7	Texas.....	8. 3

Unemployment among agricultural workers

The need of the group for unemployment insurance protection is evidenced by the short-term character of much of the employment, and the number of agricultural employees who, when unemployed, are seeking work. The 1940 United States Census figures reflect the seasonal character of much agricultural employment. Data were gathered on the months wage and salary farm workers were actually employed during 1939.

¹United States Census, 1940, vol. III, pt. 1 and 2.

Months worked in 1939 by persons who were wage and salary workers in agriculture (except persons in emergency work) in 1940, United States¹

	Male		Female	
	Number	Percent of total	Number	Percent of total
Total.....	2, 258, 564		129, 841	
Without work in 1939.....	67, 160	3.0	4, 847	3.7
Under 3 months.....	93, 315	4.1	12, 410	9.6
3 to 5 months.....	231, 476	10.2	33, 712	26.0
6 to 8 months.....	428, 791	19.0	34, 438	26.5
9 to 11 months.....	407, 003	18.0	15, 379	11.8
12 months.....	979, 378	43.4	25, 724	19.8
No report.....	51, 441	2.3	3, 331	2.6

¹ These totals differ from those quoted above because derived from tables with industrial rather than occupational classification. In addition to the groups included in the occupational tables, the industrial classification includes "persons employed on farms in other occupations, such as truck and tractor drivers, mechanics and repairmen, and bookkeepers, and persons engaged in agricultural activities other than strictly farm operation, such as cotton ginning, landscape gardening, greenhouses and farm services such as irrigation and spraying." (U. S. Census, 1940, vol. III, pt. 1, p. 11.)

Source: 1940 United States Census, vol. III, pt. 1, table 89.

The census showed that farm workers experience considerable periods of unemployment: 302,893 reported that they were seeking work in the week March 24 to 30, and 123,400 were on public emergency work. Data were secured on the duration of unemployment of those who reported they were seeking work in the census week:

Duration of unemployment of wage and salary workers in agriculture, seeking work in 1940, United States of America¹

	Male		Female	
	Number	Percent of total	Number	Percent of total
Total.....	301, 739	100.0	21, 453	100.0
Less than 1 month.....	7, 443	2.5	401	1.9
1 month.....	19, 351	6.4	1, 072	5.0
2 months.....	17, 792	5.9	1, 134	5.3
3 months.....	34, 343	11.4	3, 592	16.7
4 and 5 months.....	58, 967	19.5	5, 948	27.7
6 to 8 months.....	50, 502	16.7	3, 598	16.8
9 to 11 months.....	21, 595	7.2	1, 294	6.0
12 to 23 months.....	25, 757	8.5	1, 012	4.7
24 to 59 months.....	16, 442	5.4	394	1.8
60 months or more.....	4, 253	1.4	86	.4
Not reported.....	45, 294	15.0	2, 922	13.6

¹ Again the variation in the totals is due to different classification in the census tables.

Source: 1940 United States Census, vol. III, pt. I, tables 91 and 92.

Earnings of agricultural workers

While the present earnings of farm workers are relatively high, cash earnings of farm wage workers and foremen in normal times were low, so that few could save any substantial amount to carry them over periods of no wages. Of the 2,158,704 workers who reported their 1939 earnings, the median annual earnings were \$249.11, while even for those who reported employment in 12 months in 1939, the median was \$332.98.¹

There is great variation in earnings of farm workers, in different sections of the country. From the Census report it is possible to compute the median annual cash earnings, by regions:

¹ United States Census, 1940, vol. III, pt. 1, table 72.

*Median annual cash earnings of farm laborers and farm foremen for the year 1939,
by regions*

	<i>Median earnings</i>
United States of America.....	\$249. 11
Region:	
Northeastern States.....	373. 86
North Central States.....	284. 87
Southern States.....	179. 38
Western States.....	400. 03

Source: United States Census, 1940, vol. III, pt. 1, table 72.

The following figures for 1937 wage rates in industry and agriculture show the disparity between them:

Wage rates in agriculture and industry, 1937

Region	Industry, ¹ hourly	Agriculture (without board) ²		
		Hourly	Daily	Monthly
United States of America.....	\$0. 648	\$0. 163	\$1. 61	\$36. 32
North.....	. 691	. 221	2. 28	44. 05
South.....	. 471	. 121	1. 19	25. 48
West.....	. 699	. 294	2. 76	62. 99

¹ Monthly Labor Review, May 1940, p. 1207.

² Estimates based on rates published by Crop Reporting Service, Department of Agriculture.

These cash earnings are frequently supplemented by payments in kind, typically in the form of room and board, or sometimes housing only. However, there are great variations in these perquisites, all the way from furnishing wood, water, milk, or pasturing privileges, to a substantial building or orchard furnished to a farm manager.

The low earnings of farm laborers indicate that there must frequently be a need for relief to supplement the wage and bring the family income up to a subsistence level. However, such workers are at a special disadvantage, first, because resources for relief are extremely meager in many rural areas, and second, because migratory workers are usually ineligible by reason of the residence requirements which are prerequisites for relief in the States.

The additional exclusions, in States which have adopted the Federal definition of agricultural labor, increase the number of in-and-out farm laborers, who during the off-seasons obtain work in covered employment, without earning sufficient wage credits to be eligible for compensation during periods of unemployment. The Bureau of Old-Age and Survivors Insurance conducted two sample studies in which roughly 57 percent of the migratory farm workers held social-security account number cards; 20 percent of local seasonal workers had had industrial employment at some time, and 7 percent, every year during 1937-39. For such workers, the dovetailing of the peak seasons of agricultural and industrial work means that employers (and in four States, the workers themselves) are contributing to a system from which they can rarely receive any benefit.

Problems of administration

If the agricultural workers are brought into the regular system, the problems needing consideration are largely administrative. Since the exemption of agricultural labor in the 1935 act was based largely on the administrative difficulty of collecting contributions and wage reports from small, isolated farm units, the staff of the Board has given a great deal of thought to the solution of this problem. The Board has devised various stamp plans in connection with old-age and survivors insurance which would so simplify the process of contribution collection that no great burden would fall either on farm employers or on the administrative agency. The practicability of meeting the special problems of State unemployment compensation systems in the collection of contributions and wage reports through such a plan has been demonstrated. In the development of special reporting procedures, the Bureau is ready to give to individual States any assistance it can.

Experience rating presents a special complication in planning a stamp system. Larger farm units, however, might make regular wage reports and pay quarterly contributions, sharing in the experience-rating privilege, while small employers, e. g., those with annual pay rolls under a specified amount, might use the stamp system and be given a contribution rate based on the group experience.

It has been sometimes anticipated that there would be difficulty in determining the employment status of owners of small farms who at some time during the year perform services for wages in agricultural operations, and who later claim benefits as unemployed. This is not a new problem, however, since the State agencies have had to make such determinations with respect to farm owners who lose jobs in industrial enterprises, and satisfactory tests and standards have gradually been evolved to help in making a decision.¹

Character of coverage provisions

In planning the protection of agricultural workers on farms with few employees or on all farms, the question arises as to whether agricultural workers can be included in the general scheme of the State system or should be provided for in a specialized plan.

In 1936, Great Britain established an unemployment insurance system for agricultural workers, separate from the general scheme. The reasons for this were three:

"(a) That agriculture should not be called on to contribute toward the debt (then exceeding £100 million) of the general scheme;

"(b) That agriculture, owing to its low wages, could not afford the contributions of the general scheme;

"(c) That the rate of unemployment in agriculture was lower than that in industry as a whole and that agriculture should be given the benefit of this lower rate of unemployment."²

Sir William Beveridge now recommends, however, that insurance for agricultural workers be made part of a unified system: The debt of the general scheme has been repaid, there has been a rise in agricultural wages in Britain, and the principle is now firmly established that "* * * industries cannot to any substantial extent control their own volume of unemployment and that no industry, accordingly, should contribute less to unemployment insurance because its normal rate of unemployment is below the average."³

There seems to be no reason for a separate system of insurance for agricultural workers in the United States. The reasons which prompted the British to establish a separate system do not apply to the situation in the United States. In this country, the State systems have reserves rather than debts, and make automatic adjustment for differences in wage levels by percentage-of-wages contribution rates.

If the present time is not considered by a State to be propitious for the coverage of all agricultural service, the present broad exemptions may nevertheless be narrowed. Provisions for broad exclusion such as the one in the Federal act could be deleted and a narrower exclusion adopted in its stead.

In Employment Security Memorandum No. 13, "Manual of State Employment Security Legislation," the Bureau has recommended a provision for exemption from coverage that would make it possible to protect the workers on larger farms, and those engaged on small farms in processes more nearly commercial or industrial than agricultural: "Service performed in the employ of an individual owner or tenant operating a farm, in connection with the cultivation of the soil, the harvesting of crops, or the raising, feeding, or management of livestock, bees, or poultry, or in connection with the processing, packing or marketing of the produce of such farm as an incident to ordinary farming operations: *Provided*, Such individual operator of the farm does not employ in such services—or more persons in—different calendar weeks in the current or preceding calendar year."⁴

The 17 States which did not incorporate in their laws the Federal definition of agricultural labor are still free to give a liberal interpretation to the undefined exemption in their statutes, limiting the exclusion to bona fide farm work, and covering commercial and industrial services. In 9 of these 17 States, employers of fewer than 8 workers are not subject and if the exemption in the statute were

¹ See Unemployment Compensation Interpretation Service, Benefit Series, under code 150—Self-employment and Other Employment; Agricultural Pursuits.

² Sir William Beveridge: "Social Insurance and Allied Services," 1942, p. 61.

³ *Op. cit.*, p. 62.

⁴ Manual of State Employment Security Legislation: Employment Security Memorandum No. 13, revised November 1942: Section 2 (i) (6) (A).

deleted entirely, only larger farm units would become liable, and no unique difficulties of administration would be encountered.

Conclusion

It is suggested that States give consideration to the following:

(a) That the exemption of agricultural labor be deleted entirely, in States that are confident that they can solve the problem of applying the provisions of their law to the coverage to such service; or

(b) That States which are not ready to embark on complete coverage of services in agriculture adopt the provision in section 2 (i) (6) (A) of Employment Security Memorandum No. 13, thus limiting the exclusion to services on farms employing fewer than eight workers; or, at least;

(c) That "agricultural labor" be defined and interpreted so as to exclude only services which are wholly and only agricultural, performed by a farm hand employed by a small farmer to do the ordinary work connected with his farm.

EXHIBIT VIc.—Average monthly employment of workers covered by State unemployment compensation laws,¹ by State, 1940-44

[In thousands, data corrected to July 21, 1945]

	Statutory size-of-firm inclusion (number of workers) ²	1940	1941	1942	1943	1944 ³
Total, 51 States.....		23,096.2	26,814.3	29,350.4	30,822.6	29,838.9
Alabama.....	8 or more.....	288.9	365.7	441.1	434.7	415.2
Alaska.....	1 or more.....	12.8	17.9	21.5	22.9	21.0
Arizona.....	3 or more.....	60.3	68.8	87.9	95.3	88.3
Arkansas.....	1 or more ⁴	146.2	176.6	217.7	195.7	181.6
California.....	do.....	1,380.7	1,672.2	1,982.0	2,274.0	2,191.9
Colorado.....	8 or more.....	133.5	149.1	185.7	174.4	154.9
Connecticut.....	4 or more ⁵	494.9	607.5	670.5	675.0	625.4
Delaware.....	1 or more.....	67.6	77.2	83.2	87.0	82.6
District of Columbia.....	do.....	176.8	201.9	199.4	201.5	189.0
Florida.....	8 or more ⁶	252.2	292.5	320.7	358.3	335.1
Georgia.....	do.....	360.6	434.3	472.9	499.8	486.6
Hawaii.....	1 or more ⁷	67.1	88.9	100.0	81.0	77.1
Idaho.....	do. ⁸	63.4	69.6	77.9	68.5	67.9
Illinois.....	6 or more.....	1,799.5	2,045.8	2,128.5	2,203.2	2,175.6
Indiana.....	8 or more.....	609.6	744.8	822.1	893.2	857.8
Iowa.....	do.....	236.1	263.9	282.0	299.9	294.7
Kansas.....	do.....	149.0	176.7	242.4	275.2	259.0
Kentucky.....	4 or more ⁹	265.9	298.7	324.7	323.2	310.3
Louisiana.....	do. ¹⁰	289.5	336.0	371.1	401.7	388.5
Maine.....	8 or more.....	143.5	172.7	194.2	191.8	172.9
Maryland.....	1 or more.....	395.3	481.3	553.3	572.6	520.8
Massachusetts.....	do. ¹¹	1,113.8	1,264.6	1,318.8	1,399.4	1,363.8
Michigan.....	8 or more.....	1,123.9	1,325.7	1,423.4	1,613.8	1,571.7
Minnesota.....	1 or more ¹²	373.3	400.6	437.8	466.7	458.7
Mississippi.....	8 or more.....	116.8	144.2	170.9	164.1	158.5
Missouri.....	do.....	554.1	656.1	719.6	752.1	715.4
Montana.....	1 or more ¹³	73.8	77.2	78.5	74.1	72.1

¹ Average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Excluded railroads and other groups subject to Railroad Unemployment Insurance Act, as of July 1, 1939.

² Number of employees for period specified in law, which makes employer automatically subject to State law; applicable as of June 30, 1945.

³ Data are estimates based on employment trends of identical-firm samples.

⁴ For 1940, 1 or more workers in each of 20 different weeks; for 1941, 1 or more in each of 10 different weeks; effective Jan. 1, 1942, 1 or more in 10 days.

⁵ Coverage changed from 5 or more workers in 20 weeks to 4 or more in 13 weeks, effective Jan. 1, 1942.

⁶ Or total wages of \$5,000 or more in a calendar quarter of the current or preceding calendar year, effective July 1, 1943.

⁷ Coverage changed from 1 or more workers in 20 weeks to 1 or more at any time, effective May 11, 1943.

⁸ And total wages of \$78 or more in calendar quarter.

⁹ Wages of at least \$50 to each of at least 4 workers during each of 3 calendar quarters; or 8 or more workers in 20 weeks of calendar year.

¹⁰ For 1940, or 12 or more in 10 weeks.

¹¹ Coverage changed from 4 or more to 1 or more in 20 weeks, effective Jan. 1, 1943.

¹² Except employers of less than 8 workers located outside the corporate limits of a city, village, or borough of 10,000 or more population.

¹³ For 1940, and total annual wages of \$500 or more; effective Jan. 1, 1941, or total annual wages of \$500 or more.

EXHIBIT VIc.—Average monthly employment of workers covered by State unemployment compensation laws,¹ by State, 1940-44—Continued

[In thousands, data corrected to July 21, 1945]

	Statutory size-of-firm inclusion (number of workers) ²	1940	1941	1942	1943	1944 ³
Nebraska.....	8 or more ²¹	104.1	111.6	139.2	147.2	141.4
Nevada.....	1 or more ¹⁴	24.4	28.1	43.9	38.8	32.1
New Hampshire.....	4 or more.....	104.4	119.3	117.7	109.3	106.0
New Jersey.....	8 or more ²²	974.0	1,127.5	1,228.2	1,297.4	1,247.7
New Mexico.....	2 or more ¹⁶	48.8	53.6	57.7	57.2	55.8
New York.....	4 or more.....	3,313.2	3,654.9	3,908.5	3,983.0	3,935.1
North Carolina.....	8 or more.....	467.2	549.2	585.6	578.9	552.1
North Dakota.....	do.....	27.4	29.7	28.6	28.9	29.4
Ohio.....	8 or more.....	1,507.5	1,789.3	1,933.6	2,059.1	2,015.2
Oklahoma.....	8 or more.....	184.6	207.4	247.0	272.6	258.7
Oregon.....	4 or more ¹⁶	192.1	232.4	285.2	324.0	311.2
Pennsylvania.....	1 or more.....	2,378.7	2,675.1	2,790.9	2,811.4	2,709.8
Rhode Island.....	4 or more.....	204.6	249.7	266.6	249.8	231.1
South Carolina.....	8 or more.....	220.7	267.6	278.8	273.2	255.8
South Dakota.....	do.....	34.6	36.4	42.0	38.0	37.1
Tennessee.....	do.....	317.7	388.3	428.9	468.8	484.2
Texas.....	do.....	672.5	796.7	949.4	1,048.0	1,008.9
Utah.....	1 or more ¹⁷	80.3	90.9	116.2	122.5	99.1
Vermont.....	8 or more.....	48.4	55.1	58.0	58.0	56.7
Virginia.....	do.....	357.8	447.4	497.8	458.5	427.0
Washington.....	1 or more ¹⁸	294.3	391.4	508.8	555.4	569.7
West Virginia.....	8 or more.....	293.3	327.2	353.2	343.4	334.1
Wisconsin.....	6 or more ¹⁹	461.5	536.9	618.4	660.9	664.6
Wyoming.....	1 or more ²⁰	35.0	38.1	38.4	39.2	39.7

¹ Average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Excluded railroads and other groups subject to Railroad Unemployment Insurance Act, as of July 1, 1939.

² Number of employees for period specified in law, which makes employer automatically subject to State law; applicable as of June 30, 1945.

³ Data are estimates based on employment trends of identical-firm samples.

¹⁴ And total wages of \$225 or more in calendar quarter.

¹⁶ Or total wages of \$450 or more in calendar quarter.

¹⁶ And total wages of \$500 or more in calendar quarter.

¹⁷ And total wages of \$140 or more in calendar quarter.

¹⁸ Coverage changed from 8 or more workers in 20 weeks to 1 or more at any time, effective July 1, 1941.

¹⁸ 8 or more workers in current calendar year or 6 or more in preceding calendar year, or, if employer's records do not permit accurate count of workers, total wages of \$6,000 or more in preceding calendar year; effective July 1, 1943, or total wages of more than \$10,000 in calendar quarter.

²⁰ And total wages of \$150 or more in calendar quarter.

²¹ Or total wages of \$10,000 in calendar quarter, effective Jan. 1, 1946.

²² Effective Jan. 1, 1946, coverage changed to 4 or more in 20 weeks.

EXHIBIT VI d.—Estimated employment in executive branch of U. S. Government, by war and other agencies and by States June 30, 1944¹,

State	Number of employees			State total as percent of all areas	War agencies as percent of State total
	Total	War agencies ²	All other agencies		
All areas.....	³ 2,918,289	³ 2,103,798	³ 814,491	100.0	72.1
Washington metropolitan area ⁴	270,019	139,978	130,041	9.3	51.8
Other areas.....	2,648,270	1,963,820	684,450	90.7	74.2
Alabama.....	57,710	43,930	13,780	2.0	76.1
Arizona.....	18,670	11,690	6,980	.6	62.6
Arkansas.....	27,430	19,640	7,790	.9	71.6
California.....	289,060	246,270	42,790	9.9	85.2
Colorado.....	26,980	17,570	9,410	.9	65.1
Connecticut.....	12,530	6,230	6,300	.4	49.7
Delaware.....	2,920	1,900	1,020	.1	65.1
Florida.....	73,470	64,190	9,280	2.5	87.4

¹ Data exclude employees outside continental limits of the United States and those on basis of \$1 per month or year or without compensation.

² Includes Maritime Commission, National Advisory Committee for Aeronautics, The Panama Canal, and the emergency war agencies.

³ Data for individual States were rounded to the nearest 10, and therefore the totals for all areas do not agree exactly with those shown in table 1.

⁴ The Washington metropolitan area includes certain adjacent sections in Maryland and Virginia as designated by the Bureau of the Census.

EXHIBIT VI d.—Estimated employment in executive branch of U. S. Government, by war and other agencies and by States June 30, 1944¹—Continued

State	Number of employees			State total as percent of all areas	War agencies as percent of State total
	Total	War agencies ²	All other agencies		
Georgia.....	70,710	55,760	14,950	2.4	79.9
Idaho.....	9,780	5,910	3,870	.3	60.4
Illinois.....	128,550	75,100	53,450	4.4	58.4
Indiana.....	37,630	24,730	12,900	1.3	65.7
Iowa.....	17,490	6,720	10,770	.6	38.4
Kansas.....	34,290	24,280	10,010	1.1	70.8
Kentucky.....	29,840	16,150	13,690	1.0	54.1
Louisiana.....	41,590	31,510	10,080	1.4	75.8
Maine ³	29,740	25,050	4,690	1.0	84.2
Maryland.....	53,560	39,220	14,340	1.8	73.2
Massachusetts.....	114,170	93,730	20,440	3.9	82.1
Michigan.....	53,290	34,200	19,090	1.8	64.2
Minnesota.....	18,820	4,710	14,110	.7	25.0
Mississippi.....	26,660	19,550	7,110	.9	73.3
Missouri.....	50,730	29,110	21,620	1.7	57.4
Montana.....	8,320	3,030	5,290	.3	36.5
Nebraska.....	27,650	20,020	7,630	1.0	72.4
Nevada.....	6,050	3,740	2,310	.2	61.8
New Hampshire ⁴	3,960	1,860	2,100	.1	47.0
New Jersey.....	83,240	69,810	13,430	2.9	83.9
New Mexico.....	15,840	10,230	5,610	.6	64.6
New York.....	297,420	211,880	85,540	10.2	71.2
North Carolina.....	45,440	28,780	16,660	1.6	63.3
North Dakota.....	5,050	600	4,450	.2	12.0
Ohio.....	111,620	83,410	28,210	3.8	74.7
Oklahoma.....	44,850	34,810	10,040	1.5	77.6
Oregon.....	18,730	10,110	8,620	.6	54.0
Pennsylvania.....	196,910	158,050	38,860	6.7	80.3
Rhode Island.....	25,540	23,280	2,260	.9	91.2
South Carolina.....	51,180	45,120	6,060	1.8	88.2
South Dakota.....	10,240	5,130	5,110	.4	50.1
Tennessee.....	41,190	21,250	19,940	1.4	51.6
Texas.....	144,910	115,280	29,630	5.0	79.6
Utah.....	35,740	31,060	4,680	1.2	86.9
Vermont.....	2,800	460	2,340	.1	16.3
Virginia.....	109,170	95,180	13,990	3.8	87.2
Washington.....	93,230	78,060	15,170	3.2	83.7
West Virginia.....	9,960	3,490	6,470	.3	35.0
Wisconsin.....	21,280	8,250	13,030	.7	38.8
Wyoming.....	5,200	2,270	2,930	.2	43.7
Undistributed ⁵	7,130	1,510	5,620	.3	21.2

¹ Data exclude employees outside continental limits of the United States and those on basis of \$1 per month or year without compensation.

² Includes Maritime Commission, National Advisory Committee for Aeronautics, The Panama Canal, and the emergency war agencies.

³ Portsmouth (N. H.) navy yard included with State of Maine because its physical location, with the exception of headquarters office, is in that State.

⁴ Covers employees in travel status and not assigned to any particular station.

EXHIBIT VI e.—Total paid civilian employment in the executive branch of the Federal Government, January 1939 to May 1945, inclusive

Month	1939	1940	1941	1942	1943	1944	1945
January.....	865,608	939,296	1,153,431	1,703,099	2,864,021	2,820,034	2,888,900
February.....	875,553	939,396	1,173,152	1,805,186	2,944,922	2,827,843	2,918,927
March.....	879,057	949,418	1,202,348	1,926,074	2,978,824	2,837,552	2,920,410
April.....	885,975	959,972	1,251,283	1,970,969	3,005,812	2,853,471	2,914,691
May.....	903,754	980,801	1,306,333	2,066,873	3,030,659	2,866,401	2,897,077
June.....	926,415	1,014,117	1,370,110	2,206,970	3,002,453	2,918,287	2,915,472
July.....	928,865	1,026,572	1,391,689	2,327,832	2,971,716	2,941,209	-----
August.....	934,832	1,039,996	1,444,685	2,450,759	2,837,647	2,908,557	-----
September.....	940,133	1,059,984	1,487,925	2,549,474	2,805,519	2,881,229	-----
October.....	936,562	1,091,931	1,511,682	2,687,093	2,797,513	2,878,270	-----
November.....	935,250	1,114,068	1,545,131	2,739,815	2,822,727	2,876,004	-----
December.....	988,099	1,184,344	1,620,922	2,810,871	2,811,812	2,859,737	-----

¹ Reports prior to June 1943 included all employees whose names appeared on the rolls during the last pay period of the month. Beginning June 1943, the number of employees in active-duty status is reported. Persons on terminal leave and extended leave without pay are excluded. Data beginning June 1943 are for the 48 States and the District of Columbia only. Seasonal postal employees hired for the Christmas rush are included in December 1939 and 1940, but excluded in 1941 and later years.

EXHIBIT VII. MEMORANDUM ON COVERAGE OF MARITIME EMPLOYEES UNDER UNEMPLOYMENT INSURANCE LAWS

There were two reasons for the initial failure to extend the protection of unemployment insurance to maritime workers: First, when the Social Security Act was adopted in 1935, the Congress followed the recommendations of the Committee on Economic Security in its report to the President and transmitted by him to the Congress on January 17, 1935, that the States be assigned primary responsibility for the creation and administration of unemployment insurance systems.¹ The recommendation of the Committee on Economic Security that there be imposed "a uniform pay-roll tax against which credits shall be allowed to industries in States that shall have passed unemployment-compensation laws"² was adopted.

But it was assumed apparently by both the Congress and the State legislatures that, under the doctrine enunciated by the Supreme Court in the *Jensen*³ case, the imposition of a tax on maritime employment would violate article III, section 2, of the Constitution. Title IX of the Social Security Act, the Federal legal structure on which the States were expected to build unemployment compensation systems, therefore excluded from taxable employment "service performed as an officer or member of the crew of a vessel on the navigable waters of the United States,"⁴ and most of the States followed the congressional lead. Those States which did not copy the Social Security Act language apparently did not do so because they regarded the result as in any event the same.

But there was another reason for the exceptional treatment given the maritime industry. The Committee on Economic Security recommended an exception to the rule of State administration of unemployment insurance:

"We are opposed to exclusions of any specified industries from the Federal act, but favor the establishment of a separate nationally administered system of unemployment compensation for railroad employees and maritime workers."⁵

The economic security bill as originally introduced in the House⁶ would have levied a tax on maritime employers, as on other employers engaged in industry and commerce; and since it was assumed that the States would be unable, constitutionally, to levy a tax on such employers, the bill presumably contemplated a Federal system. In the Social Security Act as finally adopted, however, maritime employment was excluded entirely and the records imply that no consideration was given to the creation of a national system. Maritime workers were excluded from the old-age insurance system created by titles II and VIII of the Social Security Act because of anticipated administrative difficulties.⁶ Presumably, there was no discussion of a national unemployment insurance system for the maritime industry for the same reason. Thus, the failure to provide benefits for maritime workers in the initial stages of unemployment compensation history was based on both legal and administrative reasons.

Railroads were originally taxed under title IX of the Social Security Act and all the States except Alabama and Wisconsin covered railroad workers in the scope of their unemployment compensation acts.⁷ In 1938, however, Congress exercised its prerogative to deal with matters affecting interstate commerce to the exclusion of the States by passing the Railroad Unemployment Insurance Act,⁸ by the terms of the Railroad Unemployment Insurance Act there were removed from the coverage of State unemployment compensation systems railroads, certain related employers, and their employees. Such removal was effective with respect to unemployment on and after July 1, 1939. Judging by the failure of the hearings on the railroad unemployment insurance bill⁹ to mention maritime employment, no consideration was given to including the maritime industry along with railroads in the Federal system.

¹ Economic Security Act, hearings before the Committee on Ways and Means, House of Representatives, 74th Cong., 1st sess., on H. R. 4120, p. 21.

² *Southern Pacific Co. v. Jensen* (244 U. S. 205).

³ Sec. 907 (c) (3). Public, No. 271, 74th Cong.

⁴ Economic Security Act, hearings, ut supra, p. 33.

⁵ H. R. 4120, 74th Cong., 1st sess.

⁶ See report of the Social Security Board on proposed changes in the Social Security Act, in Social Security hearings relative to the Social Security Act amendments of 1939, before the Committee on Ways and Means, House of Representatives, 76th Cong., 1st sess., p. 7.

⁷ See Analysis of State Unemployment Compensation Laws, December 1937, Social Security Board Publication No. 13.

⁸ Public. No. 722, 75th Cong., approved June 25, 1938.

⁹ See Railroad Unemployment Insurance System, hearings before a subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, 75th Cong., 3d sess., on H. R. 10127; and Unemployment Insurance System for Employees Engaged in Interstate Commerce, hearings before the Committee on Interstate Commerce, U. S. Senate, 75th Cong., 3d sess., on S. 3772.

In its recommendations of January 1939, the Social Security Board urged the creation of a Federal maritime unemployment insurance system on the ground that it was constitutionally impossible to extend the jurisdiction of the State systems into the maritime field.¹⁰

Further, in a report published by the Social Security Board in April 1939, the conclusion was stated that—

“Conditions of employment in deep-sea shipping in foreign, coastwise, and intercoastal trades render it difficult for State unemployment compensation systems to extend coverage to such employment. Service in these trades is performed on the high seas and on the territorial waters of foreign countries and on waters adjacent to several States. Individuals engaged in such service frequently have no established residence and may become unemployed in any port during the voyage.”¹¹

EXHIBIT VIg

Under S. 1274, temporary reconversion unemployment benefits would be paid to individuals who had been employed in handling, drying, packing, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity. This provision would extend unemployment compensation protection to about 300,000 workers now excluded from the program.

Agricultural processing employment was covered by social security until 1939. Prior to that time, the Social Security Act excluded agricultural labor without defining it in the law. The definition adopted by regulation by the Social Security Board, the Bureau of Internal Revenue, and the State unemployment compensation agencies did not regard processing as agricultural labor. The 1939 amendments, however, wrote into the social security tax law a broad definition of agricultural labor under which the processing of agricultural commodities was excluded. About two-thirds of the States amended their definitions to agree with the new Federal definition. Thirty-five States now exclude these workers in one way or another.

The Social Security Board has never believed that unemployment compensation coverage of these workers presented especial problems of administrative feasibility nor have they represented special problems in those States which have continued to cover them under their State laws.

Agricultural processing is carried on under essentially industrial conditions. The operation of an automatic machine for packing raisins is no more agricultural than employment in a canning factory. The considerations of administrative difficulty which led to the exclusion of agricultural labor from the social-security program are not applicable to processing employment. The Social Security Board has been recommending to the States that they extend coverage to agricultural processing workers without waiting until they feel prepared to cover agricultural employment generally.

EXHIBIT VIh

(Source: Bureau of Employment Security, Social Security Board, August 11, 1945)

COVERAGE OF DOMESTIC SERVICE

The 1935 Social Security Act, in its definition of “employment,” excluded “domestic service in a private home.” The 1939 amendments added exclusion of domestic service in a “local college club, or local chapter of a college fraternity or sorority.” Employment Security Memorandum No. 13 did not follow the Federal act in excluding them. However, 35 States did adopt the further exemption, with variations, and 1 State automatically exempts them through reference to the Security Act.

New York is the only State covering domestic service in private homes. By its definition of “employer,” the statute extends coverage to persons employing four or more employees for at least 15 days in a calendar year, and the definition of “employment” does not exclude domestic service.

Data on the New York experience are available only for the years 1939 to 1943, inclusive:

¹⁰ Hearings relative to the Social Security Act amendments of 1939, ut supra, p. 12.

¹¹ Constance A. Klehel, the Maritime Industry and Unemployment Compensation, Research and Statistics Memorandum No. 1, Social Security Board.

New York: Average monthly employment, amount of taxable wages, contributions, and benefits paid in the domestic service industry, by year, 1939-43

[Data reported by State agency]

Year	Average monthly employment	Total wages	Taxable wages	Contributions	Benefits paid	
					Amount	Percent of contributions
1939.....	22,533	\$30,473,000	\$30,473,000	\$931,076	(1)	-----
1940.....	24,253	32,718,002	32,152,496	868,117	\$662,056	76.3
1941.....	24,116	32,383,624	31,845,203	859,821	636,286	74.0
1942.....	20,896	28,207,651	27,759,500	749,507	733,039	97.8
1943.....	16,957	24,130,127	23,706,109	640,065	181,454	28.3

¹ Data not available.

Average monthly employment ranged between 17,000 and 25,000; taxable wages between \$24,000,000 and \$33,000,000; contributions, between \$650,000 and \$940,000; benefit payments between \$200,000 and \$750,000; and the ratio of benefits to contributions was high; lowest, 28.3 percent; and highest, 97.8 percent. The number of reporting establishments has been between 3,000 and 3,500. The high ratio of benefit payments to contributions is ample evidence of the need of domestic-service workers for the protection of unemployment compensation. The 1942 benefit payments represent 52,769 compensated weeks of unemployment. In 1940 over 10 percent of experienced domestic workers in the United States were reported in the census as unemployed and seeking work.

Probably in no State other than New York would a coverage of four or more bring under the act so many domestic workers in private homes. Possibly California, and a few of the larger cities, have a considerable number of private homes with a retinue of domestic workers. However, in the 22 States covering 8 or more workers, the 2 States covering employers of 6 or more, and even the 8 States covering employers of 4 or more, a comparatively small number of workers would be affected by deletion of the exclusion of service in private homes. The deletion of the exemption of college clubs, fraternities, and sororities might give protection to a considerable number.

The 1940 census reported 2.1 million workers employed in domestic service in private families. Probably a very large percentage of these workers is employed in families employing only one such worker. Again, a large number are part-time or casual workers. This is precisely the greatest difficulty in covering domestic service—that the employing units are small and scattered, and the collection of reports and contributions would be difficult and expensive. It has always been assumed that making reports of wages, including payments in kind, would be too difficult for housewives, but they seem to have done very well in mastering the mathematics of point rationing. However, a stamp system has been considered the most feasible method of collection, for the small units employing domestic workers—as for small farm units. Any States which might pioneer in covering these workers, and experiment with methods of collecting contributions, and paying benefits to them, would perform a useful service by pointing the way to the coverage of these workers throughout the country.

The 1940 census contains the following distribution by States of domestic workers in private families, including both those employed, and those who were experienced workers seeking work:

United States.....	2,327,159	Georgia.....	110,874
Alabama.....	75,061	Idaho.....	4,065
Arizona.....	6,821	Illinois.....	104,264
Arkansas.....	32,239	Indiana.....	41,837
California.....	96,886	Iowa.....	32,655
Colorado.....	12,991	Kansas.....	22,808
Connecticut.....	29,844	Kentucky.....	42,720
Delaware.....	6,935	Louisiana.....	70,711
District of Columbia.....	28,295	Maine.....	15,569
Florida.....	72,662	Maryland.....	45,262
		Massachusetts.....	62,096

Michigan.....	66, 502	Oregon.....	13, 164
Minnesota.....	38, 749	Pennsylvania.....	146, 810
Mississippi.....	52, 419	Rhode Island.....	8, 771
Missouri.....	58, 783	South Carolina.....	55, 795
Montana.....	4, 627	South Dakota.....	6, 670
Nebraska.....	16, 349	Tennessee.....	68, 711
Nevada.....	866	Texas.....	154, 999
New Hampshire.....	8, 770	Utah.....	3, 077
New Jersey.....	67, 842	Vermont.....	7, 923
New Mexico.....	6, 364	Virginia.....	65, 509
New York.....	252, 437	Washington.....	19, 320
North Carolina.....	82, 613	West Virginia.....	23, 812
North Dakota.....	7, 723	Wisconsin.....	39, 612
Ohio.....	99, 064	Wyoming.....	2, 186
Oklahoma.....	33, 097		

EXHIBIT VIIa. DISQUALIFICATIONS UNDER STATE LAWS

There is no place in the unemployment compensation program for imposing disqualifications for refusal of suitable work, voluntary leaving, and discharge for misconduct solely for punitive purposes. Disqualifications properly should prevent the payment of benefits for voluntary unemployment but never completely bar payments to eligible individuals who are involuntarily unemployed, able, willing, and available for work. Unemployment compensation should not be payable for periods of voluntary unemployment, but neither should it act to introduce rigidities in the system or hinder the free mobility of labor, especially in this period. Disqualifications might well be limited to a suspension of benefits for the weeks, up to four or five, which immediately follow the act for which the individual is disqualified. Such suspensions are sufficient to deter workers from voluntarily becoming unemployed and to bar the compensation of voluntary unemployment. Cancellations or reductions in benefit rights, on the other hand, nullify the duration provisions and prevent the compensation of involuntary unemployment. By so doing they withdraw insurance protection from both business and workers and curtail the usefulness of unemployment compensation, particularly for the kind of economic period that is ahead.

Disqualifications under the State laws are imposed when a worker quits his job voluntarily without good cause, when he is discharged for misconduct connected with his work, when he is engaged directly in a labor dispute, or when he refuses to accept suitable work. Amendments to many State laws, however, have shifted the emphasis from paying benefits to workers unemployed through no fault of their own to paying benefits only when the employer is responsible for their unemployment. Emphasis has also shifted from postponing benefits for a certain number of weeks following the workers' disqualifying acts to penalizing workers by canceling their benefit rights. Finally, a whole host of special causes of disqualifications have been written into State statutes. It is necessary that the basic principles be restored. Good cause for voluntarily leaving a job should not be limited to causes attributable to the employer but should include good personal causes. As long as the unemployment is involuntary and the worker is available for work, good personal or family reasons for quitting a job, such as the fact that the conditions are such as to undermine his health, are as valid as reasons attributable to employers.

Workers should be disqualified for benefits merely by suspension of their rights for a reasonable period following a disqualifying act. In January 1938, eight State laws contained disqualifications which canceled part or all benefit rights, and the remaining States contained disqualifications which resulted only in postponement of benefit rights. The reasoning behind postponement of benefits was that the claimant should not be entitled to benefits during any period when his unemployment was directly due to a disqualifying act. After that period, his unemployment would be due not to his disqualifying act but to labor-market conditions, and it would therefore be compensable. Such suspensions are sufficient to deter workers from voluntarily becoming unemployed and to bar compensation for voluntary unemployment. By 1944, however, 19 additional States had included disqualifications which cancel part or all of a worker's benefit rights.

TABLE 1.—Changes in State laws on major disqualifications from unemployment compensation benefits, 1938, 1940, 1944

Disqualifying act	Number of State laws reducing or canceling benefit rights for 3 major reasons		
	January 1938	January 1940	January 1944
Total State laws with 1 or more types of disqualifications.....	8	14	27
Voluntary leaving without good cause.....	5	10	20
Discharge for misconduct.....	6	12	20
Refusal of suitable work.....	6	9	21

Under this philosophy a worker who has committed a disqualifying act is not only deprived of benefits for the period following his act but is further penalized by losing some or all of his benefit rights. If he should become unemployed in the future he may find that, though otherwise eligible for benefits, he has little or no benefit rights on which to draw. Such disqualifications may nullify duration provisions; they are particularly serious in the reconversion period, since cancellation of benefit rights for current disqualifying acts will result in curtailment of benefit rights later when workers are unemployed through no fault of their own. Such curtailment seriously limits the usefulness of unemployment compensation, particularly for the period as the one we are facing.

The seriousness of this situation is shown by some figures on the extent of disqualifications. During 1943, for example, 28 percent of new claims allowed in Colorado were disqualified because of voluntary leaving, discharge for misconduct, and refusal of suitable work. The disqualifications in the Colorado law provide that any worker disqualified for any of these reasons shall have his benefit rights reduced by 3 to as much as 15 weeks; yet duration of benefits under the Colorado law is equal to only one-third of the individual's base-year wages or 16 weeks, whichever is less. If disqualifications of 15 weeks were imposed under this law, the benefits would be payable for only 1 week. This is not an isolated example. Georgia disqualified 11.6 percent of its allowed new claims in 1943 and provides a mandatory reduction of 2 to 8 weeks for voluntary leaving and refusal of suitable work and of 3 to 10 weeks for discharge for misconduct. Disqualification for a single act thus cut down Georgia's 16 weeks' uniform duration of benefits to as few as 6 weeks.

TABLE 2.—Percentage of new claims disqualified in specified States for 3 issues, 1943

State	Percent of allowed new claims disqualified, 1943, because of—			
	All 3 issues ¹	Voluntary leaving	Discharge for misconduct	Refusals of suitable work
California.....	13.0	2.6	0.2	10.2
Colorado.....	28.4	13.9	1.1	8.4
Georgia.....	² 11.6	8.9	2.7	(³)
Maine.....	7.3	3.2	1.3	2.8
Mississippi.....	17.0	(³)	(³)	(³)
Nebraska.....	7.4	5.1	.7	1.6
New York.....	9.9	2.9	.2	6.8
Washington.....	37.3	(³)	(³)	(³)
Wyoming.....	18.8	11.6	1.4	5.8

¹ Includes disqualifications for other issues.

² Includes only disqualifications for voluntary leaving and discharge for misconduct.

³ Data not available.

Special causes of disqualifications, such as disqualifications of women who leave to marry, or because of pregnancy, which have been written into many State statutes should be removed and such cases handled by administrative action which appraises the circumstances surrounding the individual case in order to determine whether the individual is involuntarily unemployed and available for work. The removal of such disqualifications from the statutes eliminates the inequitable treatment that now exists and restores the function of compensating for bona fide unemployment.

EXHIBIT VIIb.—Summary of principal disqualifications for benefits ¹

State	Voluntary leaving		Discharge for misconduct		Refusal of suitable work		Labor dispute
	Weeks disqualified	Benefits reduced	Weeks disqualified	Benefits reduced	Weeks disqualified	Benefits reduced	
Alabama	(3)	(2)	3 to 6	Mandatory, equal	All ³	Mandatory, equal	During progress.
Alaska	Up to 5		Up to 5		Up to 5		All.
Arizona	4	Mandatory, equal	4	Mandatory, equal	do		During stoppage.
Arkansas	Up to 5		Up to 5		do		Do.
California	Up to 4 ⁴		Up to 4 ⁴		Up to 4 ⁴		During progress.
Colorado	3 to 15	Mandatory, equal	3 to 15	Mandatory, equal	3 to 15	Mandatory, equal	During stoppage.
Connecticut	4		4		4		All.
Delaware	All		All		All		During stoppage.
District of Columbia	3		1 to 4		3		During progress.
Florida	Up to 12 ⁵		Up to 12 ⁵		Up to 5 ⁵	Optional up to 3	Do.
Georgia	2 to 8	Mandatory, 2 to 8	3 to 10	Mandatory, 3 to 10	2 to 8	Mandatory, 2 to 8	During stoppage.
Hawaii	2 to 7		2 to 7		2 to 7		Do.
Idaho	All		All		1 to 5	Mandatory, equal	During progress.
Illinois	3 to 7		3 to 7		3 to 7		During stoppage.
Indiana	5	Mandatory, 6	5	Mandatory, 6	5	Mandatory, 6	Do.
Iowa	All ⁶		2 to 9	Mandatory, equal	All		Do.
Kansas	Up to 9		Up to 9		Up to 9		Do.
Kentucky	1 to 16 ⁷	Mandatory, equal	1 to 16 ⁷	Mandatory, equal	1 to 16 ⁷	Mandatory, equal	During progress.
Louisiana	Up to 6		Up to 6		Up to 6		3 ⁸
Maine	1 to 5	Mandatory, equal	1 to 9	Mandatory, equal	1 to 5	Mandatory, equal	During stoppage.
Maryland	1 to 9 ⁹		do		1 to 9		Do.
Massachusetts	All		All		Up to 4	Optional, equal	Do.
Michigan	do		do		3 to 5	Mandatory, equal	Do.
Minnesota	3 to 7		3 to 7		3		During progress.
Mississippi	Up to 12		Up to 12		Up to 12		During stoppage.
Missouri	Up to 4	Mandatory, equal	Up to 8	Mandatory, equal	4 to 8	Mandatory, equal	Do.
Montana	1 to 5 ¹⁰		1 to 9 ¹⁰		1 to 5		Do.
Nebraska	Up to 5		Up to 5			Cancellation	Do.
Nevada	Up to 15		Up to 15		Up to 15		During progress.
New Hampshire	All ¹¹		3	Mandatory, equal	3		During stoppage.
New Jersey	3		3		3		Do.
New Mexico	1 to 13	Mandatory, equal	1 to 13	Mandatory, equal	1 to 13	Mandatory, equal	Do.
New York	6 ¹²		7		All		7 ¹³
North Carolina	4 to 12	Mandatory, equal	5 to 12	Mandatory, equal	4 to 12	Mandatory, equal	During stoppage.
North Dakota	Up to 7		Up to 10		Up to 7		Do.
Ohio	(¹⁴)		3 ¹⁵	Mandatory, 6	All		During progress.
Oklahoma	2		3		2		During stoppage.
Oregon	(¹⁶)		(¹⁶)		(¹⁶)		During progress.

Footnotes at end of table.

EXHIBIT VIIb.—Summary of principal disqualifications for benefits ¹—Continued

State	Voluntary leaving		Discharge for misconduct		Refusal of suitable work		Labor dispute
	Weeks disqualified	Benefits reduced	Weeks disqualified	Benefits reduced	Weeks disqualified	Benefits reduced	
Pennsylvania.....	All		All		All		4. ¹⁸
Rhode Island.....	8		1 to 10		1 to 3	Optional, equal	8.
South Carolina.....	1 to 5 ¹⁷	Optional, equal	1 to 16 ¹⁷	Optional, equal	1 to 5 ¹⁷	do	During progress.
South Dakota.....	(²)	(²)	(²)	(²)		Cancellation	During stoppage.
Tennessee.....	1 to 5		1 to 9		1 to 5		4. ¹⁹
Texas.....	2 to 16 ¹⁸	Mandatory, equal	2 to 16 ¹⁸	Mandatory, equal	2 to 8 ¹⁸	Mandatory, equal	During stoppage.
Utah.....	1 to 5		1 to 9		1 to 5		Do.
Vermont.....	1 to 9		1 or more ¹⁹		6		Do.
Virginia.....	1 to 5	Mandatory, equal	1 to 9	Mandatory, equal	1 to 5	Mandatory, equal	Do.
Washington.....	Up to 4		Up to 4		Up to 4		Do.
West Virginia.....	6	Mandatory, 6 ²⁰	6	Mandatory, 6 ²⁰	4 ²¹	Mandatory, equal ²⁰	Do.
Wisconsin.....	4	(²)	3	(²)	(²²)		During progress.
Wyoming.....	Up to 5	Mandatory, equal	Up to 5		Up to 5	Mandatory, equal	During stoppage.

¹ Unless otherwise noted, the number of weeks of disqualification shown in this table are consecutive weeks following the week the disqualifying act occurred. As used in the table "Cancellation" means that all benefit rights acquired prior to the disqualifying act are canceled; "All" means that the disqualification is for the duration of unemployment due to or following the particular act; in the columns on benefit reduction "Mandatory" indicates a mandatory reduction to be applied in every case; "Optional" indicates that the reduction is optional with the State agency, and "equal" indicates that the reduction must be in an amount equal to the weekly benefit amount multiplied by the number of weeks of disqualification; in the column on labor dispute "During progress" means that the individual is disqualified if his unemployment is due to a dispute in active progress and "During stoppage" indicates that the disqualification is limited to unemployment due to a stoppage of work because of a labor dispute in active progress.

- ² Benefit rights based on employment individual left barred.
- ³ And until individual earns wages equal to 20 times his weekly benefit amount.
- ⁴ For successive disqualifications up to 8 weeks.
- ⁵ And disqualification to continue until individual earns wages equal to 10 times his weekly benefit amount.
- ⁶ Does not apply if individual (a) left work for better employment at which he worked 12 or more weeks; (b) while temporarily laid off he worked temporarily with another employer who knew of his intention to return to his regular work and he did so return; and (c) if he quit work solely and necessarily to care for an ill or injured member of his immediate family, and he offered his services to his former employer upon their recovery.
- ⁷ Actually the usual waiting period of 1 week of unemployment is extended to 2 to 17 weeks of unemployment.
- ⁸ Or during progress of dispute, whichever is shorter.

- ⁹ No waiting period required.
- ¹⁰ Following the waiting period.
- ¹¹ Until individual again earns wages equal to \$2 more than his weekly benefit amount.
- ¹² Following week of leaving or return to labor market.
- ¹³ Or during progress of dispute, whichever is shorter.
- ¹⁴ Individual disqualified for full period of unemployment next ensuing after he left work without just cause and until he has earned in employment wages equal to not less than 4 times the weekly benefit amount.
- ¹⁵ Actually the usual waiting period of 2 weeks is lengthened to 5 weeks, which must be weeks of unemployment.
- ¹⁶ Individual disqualified for week of leaving work, discharge for misconduct, or refusal to seek or accept suitable work, and for all subsequent weeks until he has earned \$50 or more in bona fide employment in 2 separate weeks.
- ¹⁷ Weeks of unemployment in which individual is otherwise eligible.
- ¹⁸ Actually 1 to 8 (2-week) benefit periods—1 to 4 in case of refusal of suitable work—which must follow the filing of a claim and the waiting period.
- ¹⁹ Such number of weeks (but not less than 1) as agency determines.
- ²⁰ Deductions recredited if individual returns to covered employment in his benefit year.
- ²¹ And such additional period as any offer of suitable work continues open.
- ²² Individual disqualified for week of refusal and until he has again been employed within at least 4 weeks and has earned wages equaling at least 4 times his weekly benefit amount.

Source: Social Security Board.

EXHIBIT VIIc.—Distribution of States and of employed covered workers (1944)¹ for 3 major disqualification issues and conditions under which workers are disqualified for voluntary leaving, December 31, 1944, and June 30, 1945

Issue and type of disqualification	December 31, 1944			June 30, 1945		
	Number of States	Covered workers		Number of States	Covered workers	
		Number	Percent		Number	Percent
		Thousands			Thousands	
A. Type of disqualification:						
Voluntary leaving.....	51	29,838.9	100.0	51	29,838.9	100.0
Postponement of benefits.....	31	20,267.7	67.9	34	23,262.4	78.0
Reduction or cancellation of benefit rights ²	20	9,571.2	32.1	17	6,576.5	22.0
Discharge for misconduct.....	³ 50	³ 27,129.1	³ 91.0	51	29,838.9	100.0
Postponement of benefits.....	29	17,196.9	57.7	32	20,886.2	70.0
Reduction or cancellation of benefit rights ²	21	9,932.2	33.3	19	8,952.7	30.0
Refusal of suitable work.....	51	29,838.9	100.0	51	29,838.9	100.0
Postponement of benefits.....	29	19,671.0	65.9	30	20,304.3	68.0
Reduction or cancellation of benefit rights ²	22	10,167.9	34.1	21	9,534.6	32.0
Total number of States which reduce or cancel benefit rights for 1 or more of 3 major issues.....	28	13,682.9	45.9	26	12,703.4	42.6
B. Voluntary leaving—conditions under which disqualified:						
Total.....	⁴ 51	29,838.9	100.0	⁴ 51	29,838.9	100.0
Without good cause.....	⁴ 31	18,519.9	62.1	⁴ 33	21,104.8	70.8
Without good cause attributable to the employer.....	12	6,041.8	20.2	⁵ 12	6,041.8	20.2
Without good cause connected with work.....	8	5,277.2	17.7	6	2,692.3	9.0

¹ Represents average number of workers in covered employment in last pay period of each type (weekly, semimonthly, etc.) ending within the month. Data are preliminary.

² States which reduce benefit rights also postpone payment of benefits.

³ All States except Pennsylvania.

⁴ Includes Pennsylvania—if left work voluntarily without good cause, unless his union rights would be infringed upon if worker remained.

⁵ Includes Iowa and Wisconsin in which 1945 amendments, although retaining this condition, modify its severity by adding exceptions to its operation.

EXHIBIT VIIIa.—MIGRATION DURING THE WAR PERIOD

Production of matériel needed to successfully prosecute the war required expansions in the labor force in most of our important industrial centers that could not be met by the existing local labor supply. To meet these war needs, a migration to war centers of unprecedented proportions took place in the past 4 years.

According to the Bureau of Census estimates recently released, about 15,000,000 civilians changed their county residence since Pearl Harbor. Moreover, since there was a movement of people into and out of the same area and since both of these changes are included in the above figure, estimates of net changes in county population—i. e., the difference between in-migration and out-migration in the same area—will necessarily be smaller. The War Manpower Commission's estimate of net intercounty civilian migration indicates a net movement of 6.7 million persons between April 1, 1940, and November 1, 1943. For the same reasons, the amount of net interstate civilian migration is still smaller. According to the Bureau of Census estimates this figure amounted to 3.4 million persons between April 1, 1940, and November 1, 1943.

As would be expected, those States in which substantial industrial production or other activities related to the war effort were located are the ones where in-migration has been the heaviest. Thus, the net migration of civilians into the State of California amounted to 1,369,000 and is at least four times as great as

that into any other State and accounts for 40 percent of the total net civilian interstate migration. However, substantial net civilian in-migration has also shown for such States as Michigan and Ohio—the net in-migration into each of these States was well over 200,000. In other States, although the number of persons migrating into them was smaller, when considered in the light of their actual population show important relative population gains. Thus, the net civilian in-migration to the State of Oregon was about 140,000 but this represents about 13 percent of the 1940 population of this State. Similarly, in the State of Nevada net in-migration during this period may have been only about 27,000 but this represents almost 25 percent of the State's 1940 population. The State of Arizona experienced a net in-migration of about 77,000, which is 15 percent of its 1940 population.

Of the States where out-migration occurred during this period, Oklahoma shows the greatest out-migration in number of persons—over 300,000, which related to its 1940 population represents a loss of 13 percent. Substantial relative losses of civilian population were also shown for such States as North Dakota (—16 percent), South Dakota (—14 percent), Arkansas (—12 percent), Kentucky (—9 percent), and North Carolina (—7.4 percent). Although in relative terms New York State shows a net out-migration of only 1.6 percent of its 1940 civilian population, in actual numbers this represents over 200,000 persons.

The War Manpower Commission estimates of net intercounty migration reveal population shifts that would not be shown by estimates of net interstate migration. This study shows that in addition to important shifts in civilian population between the States there were notable changes in the distribution of the population within a number of the States between April 1940 and November 1943. Thus, while there was little change in the total population for the State of Texas during this period, there was a highly significant shift in the distribution of the population within the State as the result of civilian migration—one group of counties lost one-half million in population while another group gained almost the same amount. Other States with important internal changes in population because of civilian migration are shown in the tabulation below.

State	Changes in county population		Net interstate migration ¹
	Losses	Gains	
New York.....	421, 200	219, 600	—201, 600
Michigan.....	128, 100	414, 800	+286, 700
Ohio.....	166, 900	404, 900	+238, 000
Pennsylvania.....	361, 700	258, 500	+105, 200
Virginia.....	170, 900	334, 700	+163, 800
Louisiana.....	134, 300	117, 700	—16, 600

¹ In-migration indicated by (+) and out-migration by (—).

The study of intercounty migration clearly reveals that the population shift has been from rural areas to areas which were urban centers in 1940. Thus, of the total net intercounty migration of 6.7 million, almost 40 percent, or 3.9 million, of the out-migration occurred from counties with urban population of less than 25 percent in 1940. These counties accounted for only slightly more than 20 percent of the total population of the country in 1940. On the other hand, almost 60 percent of the in-migration was into counties which in 1940 contained 75 percent or more urban population. In the tabulation below are listed some of the counties that experienced the greatest net gains in civilian population through migration:

Net civilian in-migration Apr. 1, 1940, to Nov. 1, 1943

County:

Los Angeles, Calif.....	506, 000
Wayne, Mich.....	231, 000
Alameda, Calif.....	136, 000
San Diego, Calif.....	134, 000
Cook, Ill.....	124, 000
Contra Costa, Calif.....	123, 000
Norfolk, Va.....	122, 000
Philadelphia, Pa.....	122, 000
King, Wash.....	115, 000
Multnomah, Oreg.....	114, 000

In each of these counties the war-expanding industries were the direct cause for such in-migration. In Los Angeles, for example, there was a tremendous expansion in the aircraft and shipbuilding activities. The in-migration to San Diego reflects the location of large aircraft factories and Government facilities in this area. Wayne County, Mich., in which Detroit is located, was one of our most important production centers for ordnance and aircraft. Similar enumerations of important war activities can be made for the other counties on the list.

The tabulation below presents some of the counties from which there was out-migration during the war period.

Net civilian out-migration, Apr. 1, 1940, to Nov. 1, 1943

County:	
New York City, N. Y.....	284, 000
Luzerne, Pa.....	62, 000
Lackawanna, Pa.....	56, 000
Schuylkill, Pa.....	30, 000
Seminole, Okla.....	24, 000
Forsyth, N. C.....	18, 000
St. Louis, Minn.....	17, 000
Washington, Pa.....	16, 000
Harlan, Ky.....	16, 000
Fayette, Pa.....	16, 000

The out-migration from New York City reflects the fact that this city is more important as a trade and commerce center than as a manufacturing area. Because the New York City labor supply situation was not as short as in other areas, large numbers of workers were recruited from this city for the Manhattan district projects in Washington and Tennessee, for the Kaiser shipyards on the west coast, and for important war production areas in New Jersey and Connecticut. It is significant to note that the five Pennsylvania counties listed as areas of out-migration are all coal-mining areas. These counties were severely depressed prior to the war and their economic conditions did not improve substantially during the war period.

In many of the war-expanded areas the in-migration when measured in actual numbers appears small, but when considered in relation to the 1940 population of these areas it is substantial. The list below includes a number of such areas. They are areas from which out-migration may now be expected. The usual peacetime activities in these areas will not be able to absorb the additional workers that were brought in to work on war production. Such out-migration has already occurred in Elkton, Md., where a large bag and shell-loading facility was shut down a short time ago. Peacetime job opportunities in this community are extremely limited.

<i>Area</i>	<i>War activity</i>
Detroit, Mich.....	Aircraft and ordnance.
Beaumont, Tex.....	Shipbuilding.
Dallas, Tex.....	Aircraft.
Portland, Maine.....	Shipbuilding.
Newport, R. I.....	Naval ordnance.
Evansville, Ind.....	Aircraft and shipbuilding.
Wichita, Kans.....	Aircraft.
Radford-Pulaski, Va.....	Bag and shell loading.
Baltimore, Md.....	Aircraft and shipbuilding.
Macon, Ga.....	Ordnance.
Mobile, Ala.....	Shipbuilding.
Pascagoula, Miss.....	Do.
Portland, Oreg.....	Do.
Seattle, Wash.....	Aircraft and shipbuilding.
San Diego, Calif.....	Aircraft.
Los Angeles, Calif.....	Aircraft and shipbuilding.
San Francisco, Calif.....	Shipbuilding.

The above listing is, however, not complete but rather an indication of the migration patterns which will develop.

Source: War Manpower Commission, Reports and Analysis Service, Aug. 22, 1945.

EXHIBIT VIIIb

[March 23, 1944, Population—Special Reports, series P-44, No. 4]

MAP SHOWING CHANGES IN CIVILIAN POPULATION OF THE UNITED STATES, BY COUNTIES: APRIL 1, 1940, TO NOVEMBER 1, 1943

The accompanying map showing, by counties, the increase or decrease in civilian population between April 1, 1940, and November 1, 1943, was released today by Director J. C. Capt of the Bureau of the Census, Department of Commerce. This map presents in graphic form the changes indicated by the estimates of civilian population (based on registrations for War Ration Book 4) which were published in release No. 3 of series P-44.

Because inductions into the armed forces had exceeded natural increase (the excess of births over deaths) plus net immigration, the total civilian population of the United States was smaller by 3.1 percent on November 1, 1943, than on April 1, 1940. This decrease, however, has not by any means been evenly distributed over the country. As a result partly of civilian migration to centers of war activity and partly of inductions into the armed forces, 2,620 counties; or more than 84 percent of the whole number in the United States, have decreased in civilian population since the 1940 census; and all but 156 of these counties have decreased more than the 3.1 percent which represents the national average. On the other hand, there were 469 counties which increased in civilian population, including 152 in which the increase amounted to 15 percent or more, these being, for the most part, counties containing important centers of war activity.

The distribution of counties in accordance with the extent of increase or decrease and the estimated civilian population in each group of counties for both 1943 and 1940 are shown in the table below.

Area and percent change	Number of counties	Estimated civilian population		Change between 1940 and 1943
		Nov. 1, 1943	Apr. 1, 1940	
United States.....	3,089	127,307,884	131,329,104	-4,021,220
Counties showing increase.....	469	49,398,831	44,540,946	+4,857,885
15.0 percent or more.....	152	11,491,797	8,788,048	+2,703,749
0 to 14.9 percent.....	317	37,907,034	35,752,898	+2,154,136
Counties showing decrease.....	2,620	77,909,053	86,788,158	-8,879,105
0.1 to 3.1 percent.....	156	16,014,433	16,309,184	-294,751
3.2 to 14.9 percent.....	1,286	46,709,291	51,394,947	-4,685,656
15.0 percent or more.....	1,178	15,185,329	19,084,027	-3,898,698

¹ Includes, in addition to the actual counties, the District of Columbia, Yellowstone National Park, and most of the independent cities—a few of these last having been combined with adjoining or surrounding counties.

EXHIBIT VIIIc

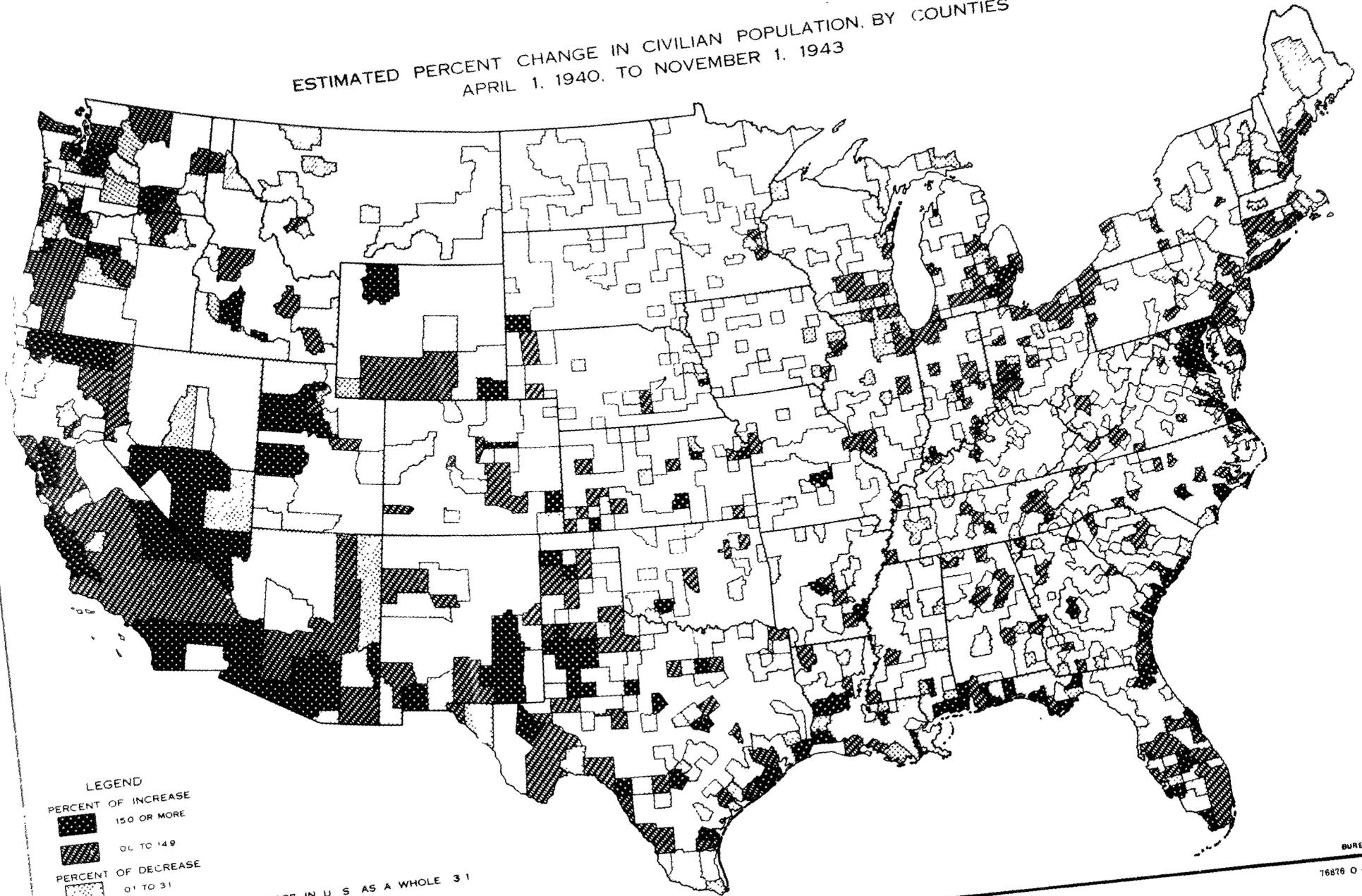
PREWAR PROVISION FOR ADVANCE OF FARES BY EMPLOYMENT EXCHANGE SERVICE IN GREAT BRITAIN

Increasing the geographical mobility of workers by advance of fares was provided for in the Labor Exchanges Act of 1909. Under this act, the Board of Trade (now the Minister of Labour) may make regulations (subject to the approval of the Treasury) authorizing advances by way of a loan towards meeting the expenses of workers travelling to places where work has been found for them by a labor exchange.

Nature of the advance

When the Exchanges were first established it was provided (S. & R. C. 1910) that an applicant who was found employment by an Exchange at a place more than five miles distant from the Exchange or from his home might be given assistance to enable him to proceed to the place of employment. This assistance,

ESTIMATED PERCENT CHANGE IN CIVILIAN POPULATION, BY COUNTIES
 APRIL 1, 1940, TO NOVEMBER 1, 1943



- LEGEND
- PERCENT OF INCREASE
- 150 OR MORE
 - 01 TO 149
- PERCENT OF DECREASE
- 01 TO 31
 - 32 TO 149
 - 150 OR MORE

DECREASE IN U S AS A WHOLE 3 1

which was subject to repayment and was granted on the application of the employer or the worker, was limited to the amount necessary to cover the cost of the fare to the place of employment. It took the form of a warrant or voucher for presentation to the transporting agency, which subsequently claimed the amount due from the Finance Department at the Headquarters of the ministry of Labour, in exceptional circumstances the advance was made in cash. A written acknowledgment of receipt was obtained from the worker in every case.

Workers eligible

Originally the grant of this assistance was confined to persons obtaining employment through the Employment Exchanges, but it was later extended to cover men eighteen years of age and over who obtained employment for themselves, independently of the Employment Exchange machinery, in a district which was not in an area from which workers were being transferred under a Government transference scheme. Advances were also made to applicants whom employers desired to interview before engaging, provided that the employer in question furnished a written agreement to repay the fare or had deposited the amount of fare at the office to which he applied. A worker who, after proceeding to a distant area, failed through no fault of his own to find employment there or to obtain employment for more than a fortnight, could be given an advance of the fare to enable him to return home. Still wider facilities were available to workers living in certain specially depressed areas.

Provision for repayment

In some cases, the employer accepted responsibility for the repayment of the cost of the fare. If he had deposited the amount in advance, the part of the Employment Exchange was confined to the issue of the travelling warrant. If he had only promised to repay, a written agreement was obtained from him and application for repayment was made to him immediately the worker had taken up employment. If the employer had indicated that he would or might recover the cost of the fare from the worker's wages, the Exchange issuing the warrant obtained from the worker written authority for deductions from wages to be made.

Where the employer did not accept responsibility for the repayment of the advance, a written agreement to repay the amount advanced was obtained from the worker. If the employer had promised to assist the Department to recover the fare by making deductions from the worker's wages and paying them over to the Ministry, written authority was also obtained from the worker for these deductions to be made.

Where the worker in respect of whom the advance was made was under twenty-one years of age, the agreement had to be accompanied by a guarantee from the parent or guardian.

Particulars of all advances made were notified to the Headquarters of the Department, to the Divisional Office, to the Employment Exchange in the area which the worker proceeded to take up employment, and as long as the debt remained unpaid or unguaranteed, to the Local Office in any area to which he subsequently proceeded. It was the duty of the Local Office in the area in which the worker was residing for the time being acting under the direction of the Divisional Controller, to take steps for the recovery of the advance. In some cases it was found possible to arrange with employers, with the consent of the workers concerned, to deduct the amount due from the wages of the worker and to pay it over to the Department, but in most cases arrangements had to be made direct between the appropriate Exchange and the worker, in practically all cases these arrangements involved repayment by instalments spread over a period. In certain cases it was considered desirable to resort to legal action in pursuance of the recovery of advances, but such action was only taken on a decision by the Headquarters of the Department.

Not borne by unemployment fund

The Unemployment Act of 1936¹ provides that where any grant or advance as herein made to an insured contributor in whom case the First Maternity Condition is fulfilled,² towards the travelling expenses to a place of employment, the Minister may repay to the Exchange out of the Unemployment Fund a part of the advance or grant as may be provided. The amount to be paid out of the

¹ Further provisions were made under Acts of 1937, 1938, 1939.

² First Maternity Condition of Eligibility, and such circumstances have been paid in respect of it as an insured contributor in respect of the 7 years immediately preceding the date on which a claim for benefit is made.

Fund has been prescribed by the Payment of Travelling Expenses Regulations (S. & R. O. 1936), as one-half of the amount (if any) by which the grant or advance exceeds 4s. This payment out of the Fund may be made whether employment has, or has not, been found for the claimant at the place to which he is traveling. If employment is found for him, and either he fails without reasonable cause to accept it, or he leaves the employment within seven days of taking it up, the sum paid out of the Fund may be recovered from him, or deducted from any benefit to which he is subsequently entitled. The questions (a) whether the insured person had reasonable excuse, and (b) whether recovery should be made by deduction from benefit, are considered when that person makes a claim for benefit. The questions are determined in the same way as any other question arising in connection with a claim for benefit.

References: 1. Acts of Parliament, Statutory Regulations and Orders. 2. "Guide to Unemployment Insurance Acts," H. C. Emmerson and E. C. P. Lascelles (Longmans, Green and Co. 1939), pp. 193-195. 3. "Employment Exchange Service of Great Britain," by T. S. Chegwidan and G. Myrddin Evans (Industrial Relations Counsellors, 1934), pp. 120-122.

(Prepared by Program Division, Bureau of Employment Security, Social Security Board.)

EXHIBIT IXa

ILLUSTRATIVE ESTIMATES OF THE BENEFIT COSTS PAYABLE BY THE FEDERAL GOVERNMENT UNDER S. 1274¹ AND H. R. 3736¹

Illustrative estimates of the benefit costs that would be payable by the Federal Government under the provisions of S. 1274 and H. R. 3736 have been prepared under the following assumptions:

I. PERIOD COVERED

For the purpose of these calculations, it was assumed that the legislation would be effective starting October 1, 1945, and lasting through June 30, 1947. Since H. R. 3736 would not go into effect in all States until there were 600,000 compensable claims in a calendar week, this assumes that such a claim load will be reached by the first week of October 1945. With respect to groups that would be newly covered under the mandatory or voluntary sections of the bills, it was assumed that all necessary information on past earnings would be available for establishing benefit rights by October 1, 1945.

II. LEGISLATIVE PROVISIONS

A. Present State laws

Benefit costs under present State laws were based on the latest provisions of State laws, including all amendments enacted by June 30, 1945.

B. Provisions of proposed bills

Both S. 1274 and H. R. 3736 have two types of provisions—one, mandatory and the other, depending upon voluntary action by the individual States.

1. Mandatory provisions.—(a) Weekly benefit amount:

(1) S. 1274—The Federal Government would finance the cost of raising the maximum weekly benefit amount, exclusive of any dependents' allowances, to \$25 in States where the maximum, exclusive of dependents' allowances, is less than \$25. This is accomplished by raising the ceiling now provided in State unemployment compensation laws to a \$25 maximum and keeping the same general relationship between benefits and weekly wages as provided in the State laws.

(2) H. R. 3736—The Federal Government would finance the cost of raising the maximum weekly benefit amount, inclusive of any dependents' allowances, to \$25 in States where the maximum, inclusive of dependents' allowances, is less than \$25.

2. Voluntary provisions.—

(a) Weekly benefit amount.

S. 1274 and H. R. 3736 both permit raising the weekly benefit amount up to two-thirds of weekly wages, with a maximum of \$25. However, no allow-

¹ 79th Cong., 1st sess. S. 1274 is identical with H. R. 3891. Wherever reference is made to S. 1274 it is also applicable to H. R. 3891.

ance for this provision has been made in the cost estimates, since it is impossible to determine in advance how the individual State unemployment compensation agencies might interpret this provision in relation to their laws.

(b) Coverage of new groups.

Both bills provide for Federal payment of benefits to all groups now excluded from coverage by State laws, if States agree. Thus, while coverage of agricultural processing workers is mandatory under S. 1274, it is dependent upon voluntary State action under H. R. 3736. It has been assumed, for these estimates, that all States would agree to coverage of employees of small and seasonal firms, and coverage of domestic servants, employees of nonprofit organizations, all agricultural workers, etc. The only excluded group remaining would be the self-employed. The estimates presented in column VIII of attached tables 1 and 2, therefore, represent hypothetical costs which would be payable by the Federal Government only in the unlikely event that the States acted to cover all these groups.

III. ECONOMIC CONDITIONS

Three different assumptions were made regarding future economic conditions. These are not predictions, but they do include, within their range, most of the predictions which have been made by responsible organizations for the immediate future. The economic assumptions are expressed in the following patterns of the volume of unemployment for the next 2 years:

Assumption	Unemployment (in millions)				
	June 1945	December 1945	June 1946	December 1946	June 1947
1. Low unemployment.....	1.1	5.5	6.0	4.5	3.0
2. Intermediate unemployment.....	1.1	6.5	8.0	6.5	4.0
3. High unemployment.....	1.1	7.5	10.0	8.5	6.0

These figures represent the volumes of unemployment at particular moments of time. The numbers of different individuals unemployed during the period would be larger than the figures set forth, because of turn-over among the unemployed.

Under these general assumptions, S. 1274 and H. R. 3736 might entail additional Federal benefit expenditures as shown in attached tables 1 and 2.

EXHIBIT IXb.—Funds available in State unemployment compensation trust funds as of June 30, 1945

Total, all States	\$6, 684, 715, 336	Missouri	153, 601, 516
Alabama	65, 809, 330	Montana	17, 431, 768
Alaska	7, 691, 537	Nebraska	25, 225, 118
Arizona	18, 456, 691	Nevada	9, 737, 464
Arkansas	28, 129, 756	New Hampshire	21, 223, 602
California	697, 379, 992	New Jersey	434, 925, 313
Colorado	33, 059, 858	New Mexico	9, 461, 173
Connecticut	170, 158, 447	New York	954, 665, 990
Delaware	14, 408, 249	North Carolina	100, 611, 333
District of Columbia	42, 682, 630	North Dakota	4, 911, 490
Florida	53, 875, 650	Ohio	462, 101, 508
Georgia	76, 309, 502	Oklahoma	46, 003, 048
Hawaii	17, 163, 997	Oregon	69, 413, 151
Idaho	13, 999, 065	Pennsylvania	598, 190, 169
Illinois	501, 888, 282	Rhode Island	70, 270, 620
Indiana	178, 316, 210	South Carolina	36, 977, 961
Iowa	59, 117, 040	South Dakota	6, 215, 365
Kansas	51, 992, 653	Tennessee	80, 275, 644
Kentucky	83, 752, 981	Texas	148, 739, 640
Louisiana	74, 880, 966	Utah	24, 498, 810
Maine	34, 928, 822	Vermont	11, 975, 465
Maryland	122, 780, 740	Virginia	62, 258, 129
Massachusetts	212, 906, 461	Washington	142, 662, 533
Michigan	275, 830, 612	West Virginia	67, 358, 158
Minnesota	85, 427, 406	Wisconsin	173, 342, 241
Mississippi	24, 062, 996	Wyoming	7, 628, 254

Source: Program Division, Bureau of Employment Security, Social Security Board.

EXHIBIT IXc

WAR MANPOWER COMMISSION

BUREAU OF PROGRAM REQUIREMENTS

LABOR MARKET PLANNING DIVISION

FOREIGN LABOR MARKET STUDIES UNIT

MAY 8, 1943.

TRANSIT AIDS TO WAR WORKERS IN GREAT BRITAIN, GERMANY, AND RUSSIA

In Europe all government transit aids to facilitate compulsory transfer to essential work under a war program furnish the worker transportation to new jobs and require the new employer to pay wages at the beginning of the travel period. In Great Britain and Germany the employment service handles the administration of transportation payments; in Russia the personnel office in each government establishment is charged with this task.

In Great Britain the Government finances transfer to the new job and return to the old job. In Russia the Government, in its capacity of employer, assumes the same responsibility. In Germany the employment service advances the transportation to the worker, but the employer, who is frequently but not always the Government, is required to reimburse the employment service and finance the return of the worker to the old job. Partial financing of daily commuting fares has been introduced in Great Britain to permit workers to transfer to remote establishments which do not have readily accessible housing facilities while maintaining their original homes. Government provision for periodic visits home and emergency visits in the case of sickness have also been introduced in Great Britain to maintain the morale of workers who are separated from their families, by war-time congestion. In addition to transportation a per diem allowance is granted in Russia; a special allowance for food during the journey is provided in Germany. Both Russia and Great Britain provide the transferred worker with special financial aid to establish himself in the new area. In Great Britain this allowance is a flat "settling in" grant of 34s 6d (\$8.75). In Russia a more liberal allowance now amounts to 3 or 4 months' wages, depending upon the remoteness of the region.

Financial aids given to families of transferred workers to facilitate moving into the new area depends upon the availability of housing facilities in the new place of employment and the degree of permanence contemplated. In Russia where the problem has been primarily one of relocating factories and permanent resettlement, liberal inducements were given to the families of transferred workers to move and settle within the area within a reasonably short period of time. In Great Britain, however, such financial aid is conditioned upon the availability of adequate housing facilities. Moreover, recognition of the temporary character of many family moves has resulted in the payment of a continued liability allowance which provides the worker with special financial aids for meeting long-term liabilities connected with maintenance of his original home. In Germany, where dialect barriers have constituted an additional problem, families of transferred workers have not been encouraged to move to the new area. The separation allowance granted dependents of the transferred worker is designed to compensate for the extra expenses of maintaining two homes.

GREAT BRITAIN

From the outbreak of the war until the spring of 1940 Great Britain relied upon voluntary methods and indirect compulsion to effect the transference of workers to essential industries. In May 1940, when nation-wide shortages of skilled workers became acute, legislation was introduced to authorize compulsory transference of workers by the employment exchange. This power was not widely used until March 1941.

Coverage

Prior to June 1940, workers (for the most part in shipbuilding and machinery manufacturing industries and in dock transport) who transferred to essential employment were eligible for financial aids under special agreements between trade unions, employers and, in some instances, the employment service. Since June 1940 all workers who transferred to essential work through the employment service have been eligible for transit aids provided such workers were not already receiving comparable financial aids under special agreements.

Transit aids for worker

Travel for beyond daily commuting distance.—The local employment office provides workers transferring to essential work "beyond daily commuting distance" (as defined by the employment service) with a government travel voucher which entitles them to transportation to the new area of employment. At first the employer was required to finance the employee's return to his old job. Now the local employment office in the new area is responsible for furnishing the worker with transportation to the area in which his original job was located if such area is beyond daily commuting distance.

Travel for daily commuting.—Generally, the cost of daily commutation is not provided by the local employment office. Collective agreements in many industries, such as machinery manufacturing, munitions, shipbuilding, and electrical contracting, provide for employer payment of the full, or part payment above a fixed minimum of daily commuting fares.

Recently, however, the Government has provided for part payment above a fixed minimum of daily commuting fares in case establishments are isolated or without readily accessible housing facilities. For instance, the Ministry of Supply furnishes commutation expenses in excess of 3s. a week to remotely located Royal Ordnance factories.

Travel for periodic visits home.—The terms of collective agreements provide for periodic visits home for workers covered by such agreements. The employment service furnishes transportation to permit workers not covered by such agreements to visit their families twice a year.

Travel for emergency visits.—When a worker becomes sick the local employment office may provide his wife or other relative with transportation to visit him, provide him with transportation to return home, or pay the fare of a traveling companion if necessary. A worker called home for serious domestic emergency may also be provided with transportation to return to his job.

Traveling time allowance.—Under union agreements in certain industries (i. e. machinery manufacturing, shipbuilding, electrical contracting) the new employer must pay the worker his regular wage while traveling to and from the new job beyond a specified mileage.

The local employment office in the new area of employment provides workers not covered by such agreements with a traveling time allowance for transfers to

jobs beyond daily commuting distance. Such allowance is a flat sum rate of 6s. (3s. for a worker under 16) for travel of 4 hours, or less than 10s. (7s. for a worker under 16) for travel of more than 4 hours.

Lodging allowance.—Under collective agreements in certain industries (i. e. shipbuilding, machinery manufacturing, building) employers provide lodging allowances or housing facilities to transferred workers. In some instances cash payments by the employer merely supplement the lodging allowance granted by the employment service.

Transferred workers who do not receive lodging allowances under collective agreements are granted such allowances by the local employment office. Unmarried workers without dependents are entitled to a flat "settling in grant" of 34s. 6d.

Temporary loan.—A worker who cannot maintain himself for the first week in a new area may borrow funds up to £1 from the local employment office which must be repaid out of his first week's wages.

Transit aids for dependents

Travel.—The employment service also provides transportation for the dependents of a worker who desire to join him permanently in the new area of employment.

Lodging allowance.—A married worker or single worker with dependents is entitled to receive a lodging allowance up to a maximum of 24s. 6d. per week as long as he maintains a household in the old area.

Continuing liability allowance.—A worker joined by his family may be granted a government continuing liability allowance to meet the costs of rent, mortgage, interest, and storage of furniture in the old area.

Moving expenses.—The local employment office provides for the removal of household effects and may grant a maximum of £2 to cover incidental moving expenses. To be eligible for this aid the worker must be currently receiving a lodging allowance, and his family must be moving into an area where housing facilities are available.

GERMANY

Financial aids to facilitate transfer to essential employment were introduced in Germany simultaneously with the compulsory transfer decree of June 1938. Workers transferred from nonessential to essential employment in other localities were entitled to financial aids to facilitate their transit and to maintain their families in separate households.

Coverage

At first only workers subject to outright conscription were eligible for such allowances. However, when curtailment of nonessential industries and "combining out" of all types of plants became widespread after 1940, workers affected by these measures were also included.

Transit aids for worker

Travel.—During the period of limited conscription, prior to February 1939, the cost of the initial journey of transferred workers to the new job was paid by the employment service and the return journey was financed by the employer to whom the worker transferred. Since 1939 workers have been conscripted for indefinite periods and the employer, who is usually the Government, has been required to furnish transportation to the new job. In case of transfer for a limited period the employer is required to furnish the return fare to the old job.

Lodging and food allowance.—Minimum lodging and food allowances for transferred workers are prescribed by the Government-controlled system of wage rates and individual plant regulations. These rates vary by industry, region, and plant. An allowance to cover travel to the new job is advanced to the worker by the employment service and the amount of such advance is reimbursed by the employer.

Traveling time allowance.—The transferred worker receives his regular wage from the new employer while traveling to the new job, regardless of whether he is transferred for a limited or an unlimited period of time. In event of transfer for a limited period the worker receives traveling time during the return trip to the old area.

Transit aids for dependents

Separation allowance.—Agreements between labor trustees and employers provide for the payment of separation allowances, in addition to regular wages to

compensate workers required by the location of their job to be absent from home during 11 or more hours in each 24-hour period.

The employment service provides a transferred worker with dependents with a weekly separation allowance up to a maximum of 19 marks to compensate for the extra expense of maintaining two homes. The income of the worker's dependents, any separation allowance received under wage regulations, and the amount by which the wages in the new job exceeded the wages on the old job, are deducted from this amount. However, no deduction is made if the increase in wages is the result of increased productivity instead of a higher wage rate.

RUSSIA

In the USSR Government provision for transit aids to workers transferring from one locality or region to another antedated the present war. These aids were initiated in 1927 and were primarily designed to facilitate rapid industrialization of the country.

Coverage

Since 1931, the system of financial aids granted to transferred workers has remained practically unaltered. As long as the transfer is authorized by the Government in its capacity as employer, workers are entitled to financial aids. Workers transferring at their own request are eligible for financial aids only by special agreement.

Originally the payment of transit aids for dependents was based upon the transfer of the worker's family to the new area within a year from the date of the worker's transfer. Since October 1940 payment of transit aids have been conditioned upon transfer within 6 months from such date.

All expenses involved in the transfer of a worker are borne by the establishment to which the worker is transferred. Workers are required to repay advanced allowances in case of failure to report to the new establishment within a reasonable period of time without good cause, quitting without good cause before the expiration of the contract, or discharge for misconduct. If the worker shows cause for his failure to report to duty at the new place of employment he must repay the amount advanced to him less the traveling expenses already incurred. On arrival at the new place of employment, the management is under obligation to provide the worker with adequate housing accommodations.

Transit aids for worker

Travel.—All workers transferring at the request of the Government receive a third-class fare on railroads, a second-class fare on waterways, or, if neither is available, the cost of any other available means of transportation. Where travel consumes more than 24 hours, the transferred worker may be furnished with a second-class fare.

Per diem allowance.—During the period of travel the worker is entitled to receive a per diem allowance amounting to one-thirtieth of the monthly wage at the new place of employment or 2.5 rubles a day, whichever is the greater, up to a maximum of 10 rubles. In calculating this allowance the day of departure and the day of arrival are counted as 1 day.

Traveling time allowance.—In addition to this allowance the worker receives wages during the period of travel plus wages for additional days.

Lodging allowance.—The worker receives a lodging allowance to facilitate moving into the new area. Originally this allowance amounted to 1 month's wages on the new job. Since October 1940, depending upon the remoteness of the region, the lodging allowance amounts to 3 or 4 months' wages.

Transit aids for dependents

Travel.—The Government provides transportation in the same form as that furnished the worker for the members of the worker's immediate family, defined as husband or wife, children, and parents of the worker, supported by him and residing in his household.

Lodging allowance.—Each dependent who moves to the new area receives lodging allowance amounting to one-fourth of the lodging paid to the transferred worker.

Moving expenses.—The Government finances the moving of household goods of the transferred worker and his family to the new area. The worker is allowed 528 pounds (240 kilograms) and each member of the family, 176 pounds (80 kilograms).

(Whereupon, at 1:05 p. m., the committee recessed to 2:30 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2:30 p. m.)

The CHAIRMAN. The committee will come to order.

Is Mr. Scully in the room?

Come around, Mr. Scully. You are our next witness.

STATEMENT OF HON. CORNELIUS SCULLY, MAYOR OF PITTSBURGH

The CHAIRMAN. Mr. Scully, I believe you are the mayor of Pittsburgh, are you not?

Mr. SCULLY. Yes, sir.

The CHAIRMAN. We are very glad to have you here.

Mr. SCULLY. I shall not trespass upon your patience and your good nature very long, Mr. Chairman.

I am here under somewhat of a misapprehension. I thought the person who asked me to come was asking me to come before the other committee. I am prepared on that subject. However, I have a few ideas on this subject which may be of interest to you and which I will be glad to communicate to you.

I feel, gentlemen, that these people whom this bill is designed to help are casualties of the war, in an economic sense. I take it to be the duty of the Federal Government, which conducted this war, happily so successfully, to take care of all the casualties of any kind to the best of its ability, just as it is taking care of my nephew and my son and others who have suffered in this war.

I take it that we in Pittsburgh are better off than a great many of the citizens of the country because our heavy industries have not been called upon to get the great accessions of labor from other parts of the country to the same degree as, for instance, California, Washington, and Oregon, or points in the South.

I feel that we are going to be able very largely to take up our slack in time. I feel that the possibilities are very grave, that immediately we are going to have a rather acute situation. The dislocations are really there. For instance, for example, take an engineering firm I have in mind, on the river. It went into the making of LST boats, and expanded its personnel to eleven or twelve thousand from about 2,500. They are now shut down practically entirely. The replacement of those people presents a problem. A great many of them came from Ohio, West Virginia, Maryland, and other parts of the country, including many from western Pennsylvania. How many will stay and ask us to give them jobs, I can't tell you.

Senator BARKLEY. Let me ask you, will there be any resumption of activity on the part of this company which you mention in the line which they followed prior to the war?

Mr. SCULLY. Yes; I feel that is coming. How fast they will get into that is a question, and how hard it will be on the people to readjust themselves is also a question.

I do feel that you gentlemen approached this thing in the hearing this morning, from the questions I heard you gentlemen put, in a sympathetic manner. Most of your questions were addressed to the practical side of implementing your legislation.

Now, I don't think I need to say very much more, except that my community, and the people I represent feel that this burden is upon the Federal Government. They are relying on you to help out and finish the job that you have done so well up to this time. You won a war. You have done a great job. We feel that this unemployment and this acute situation will be over in a year, and we will then be fairly readjusted to the situation, but in an acute situation as this, we think it should be taken care of by you in the manner which, apparently you have started out in this legislation to do.

We trust very sincerely that you will.

The CHAIRMAN. Thank you, Mr. Scully.

Is Mr. Green here?

(No response.)

The CHAIRMAN. Mr. Popper, how long will your statement take?

Mr. POPPER. I would say approximately 15 or 20 minutes.

The CHAIRMAN. We will hear then from Mr. Popper, and call Mr. Green when he comes in.

STATEMENT OF MARTIN POPPER, EXECUTIVE SECRETARY, NATIONAL LAWYERS GUILD

Mr. POPPER. Mr. Chairman, and members of the committee—

Senator BARKLEY. Mr. Popper, you appear in place of Mr. Kenny?

Mr. POPPER. Yes; on his behalf and for the National Lawyers Guild. I am the executive secretary of the organization.

The bill provides for the payment of supplemental benefits out of Federal funds to workers now covered under State unemployment compensation laws so that every eligible unemployed worker will be entitled to 26 weeks of benefits in amounts determined by State formulas, except that persons with wage credits in excess of those required to entitle them to the maximum under a State law in which the maximum is less than \$25, shall be paid up to a maximum of \$25 based upon an "appropriate extension" of the method used by the State in determining the amount of benefits. It also provides for payment out of Federal funds of unemployment compensation to Federal and maritime workers in the same amounts District of Columbia unemployed workers are entitled to receive under this bill and for unemployment compensation to agricultural processing workers in amounts other workers from the same State are entitled to under the bill. These provisions may at the option of the State be administered by the State unemployment compensation agency by entering into an agreement with the Director of War Mobilization and Reconversion to that effect.

In the event that the State fails to enter into such agreement, or having entered into such agreement, fails to make such payments, the Director of War Mobilization and Reconversion is required to make such payments on behalf of the United States.

In addition to the foregoing mandatory supplemental benefits, in States which have agreed to administer the payment of these benefits, supplemental payments out of Federal funds may also be made, at the option of the State, to any or all workers not now covered under the State law and benefit amounts may be liberalized up to two-thirds of wages but not to exceed \$25.

Should a State not agree to such coverage and liberalization, the Federal Government may not put such provisions into effect.

The bill also provides for the payment of transportation of war workers to places to which they are referred to employment by the United States Employment Service, including transportation for dependents and household, not exceeding amounts payable to Federal employees.

The foregoing provisions of the bill are applicable only for the duration of the reconversion period which is defined therein as the period beginning with the 5th Monday after the date of enactment and ending June 30, 1947.

The bill also amends the Servicemen's Readjustment Act of 1944 so that every eligible unemployed serviceman will be entitled to 52 weeks of benefits at \$25 per week for a single person and \$30 per week for a person with dependents.

Administration of title VII of the bill which relates to supplemental payments to unemployed workers and transportation allowances is vested in the Director of War Mobilization and Reconversion. Where supplemental payments are made by the State unemployment compensation agency under an agreement with the Director, determinations of entitlement thereto are to be reviewed in the same manner as other determinations under the State unemployment compensation law. Where no such agreement is entered into, determination of entitlement are made by the Director of War Mobilization and Reconversion. Such determinations are subject to review in court in the same manner as is provided in title II of the Social Security Act with respect to decisions of the Social Security Board.

ACTION TAKEN BY THE SOCIAL LEGISLATION COMMITTEE

The National Lawyers Guild supports this bill and recommends its immediate passage as representing the very minima necessary for the reconversion period.

It has been estimated that—by various Government sources—we might expect unemployment amounting to anywhere from 8,000,000 to 10,000,000 people by the spring of this year, and it becomes quite obvious that we are at this time unprepared, unless this and other legislation is enacted to meet the serious blows to our economy, and to our human resources as a result of the end of the war.

The committee believes, however, that the administration program for full employment, maintenance of the present wage level and standard of living, and orderly reconversion from war to peace with the least detriment to the human elements, would be more fully effectuated by the following amendments to the bill:

1. Recommendation: That S. 1274 be amended to bring within its mandatory provisions the coverage of all workers not presently covered under State laws.

CONSIDERATION FOR RECOMMENDATION

The Social Security Board has estimated that in an average week during 1944, 12.3 million jobs were not covered under State unemployment-compensation laws. At the present time there are about 4,000,000 workers (Congressional Record, June 17, 1945, p. 7716) employed in the groups to whom coverage is extended under the mandatory provisions of S. 1274. Allowing for any liberalization of the coverage

provisions that may have occurred during the 1945 State legislative sessions, there remain approximately 8,000,000 jobs not covered, unless the State elects to do so. Economic laws which start the depressive cycle when the buying power is taken away from a large segment of the working population do not differentiate between kinds of workers. The failure to provide coverage for these 8,000,000 workers we believe constitutes a weakness in the bill which may ultimately defeat its very purpose to prevent the setting in of a depression by providing purchasing power in the form of unemployment compensation to unemployed workers during the reconversion period.

2. Recommendation: That all provisions for liberalization of benefits shall be mandatory; that the bill provide for minimum benefits of \$15 per week, but not to exceed previous weekly earnings; that other benefit amounts be liberalized on the basis of two-thirds of the worker's previous weekly earnings as determined by the State up to a maximum of \$25; that provisions be made for dependents allowances of \$5 for each dependent provided that the total amount of benefits payable to any individual shall not exceed \$30, but not to exceed previous earnings; that duration of benefits be extended to 52 weeks.

Senator VANDENBERG. Have you any estimate as to what you are recommending would cost?

Mr. POPPER. No, sir. It is impossible to estimate the cost of the bill because so much depends upon exactly in what form the bill is enacted.

In other words, it is impossible to estimate now what would be the cost if some of the provisions are permissive and others mandatory. And apparently at this point, up to this date even, the Social Security Board is in no position to make a complete estimate.

Senator VANDENBERG. They have given us general figures on the bill.

Mr. POPPER. Yes.

Senator VANDENBERG. You have no figures at all on your suggestions?

Mr. POPPER. No. Our whole policy is based on the fact that compensation to be paid must be based on the fact that workers who through no fault of their own are unemployed, and who desire employment and require unemployment compensation, not only to maintain their resources, but also to maintain the national economy.

The cost to the national economy, in our opinion would be much greater if the bill were not enacted.

Senator BARKLEY. What type of employees do you cover in your recommendations? That all employees be covered beyond the 4,000,000 covered in the mandatory provisions of this bill? If so, that leaves about 8,000,000.

Mr. POPPER. Yes. For instance, employees in places of business where there are no more than four employees, they are not covered. We see no reason for that. Domestic workers, farm workers other than processing workers are not covered.

And other categories not specifically now mentioned in either the State law or in the three categories made mandatory under this bill.

Senator LUCAS. How many domestic workers did you estimate, Mr. Popper?

Mr. POPPER. Approximately a million.

Senator BARKLEY. That raises the question whether the Federal Government through the legislation which is, of course, temporary, is

to cover all those not covered either by the Federal or State laws, whether it ought not go the whole distance and cover everybody at its own expense. We cannot compel the States to increase their coverage. As a result, we would pay out of the Federal Treasury necessary compensation for these twelve-odd millions, which would still further create what I describe this morning as a hodge-podge of different conditions and different payments in different fields of unemployment compensation as between the Federal Government and the different States.

Your suggestion, while it arouses a good deal of sympathy in my mind, it does raise the question whether, if we are going to cover by Federal unemployment compensation laws all those not now covered by the States, whether we ought not to revamp the whole thing and just cover everybody by Federal statute, and let the States devote their money to something else. I am not advocating that, but it does raise the question.

Mr. POPPER. Senator, if my remarks have evoked sympathy in your mind for that I am glad, because I assure you that I have sympathy for a permanent unemployment set-up by the Federal Government. We have long advocated and do now support the enactment of such a measure as the Wagner-Murray-Dingell bill, which we feel, and I think you do, is the only manner in which a problem so vast and fundamental as this can be handled in any permanent way.

We are faced with the immediate fact of the ending of the war with Japan and the entry into a reconversion period, and unless we move speedily and enact legislation such as the bill before us, we will find ourselves in the midst of a most serious crisis, leading, unless it is remedied, to a serious depression.

For that reason we do not raise at this time, in relation to this measure, the question of enactment of legislation as fundamental as that suggested by your remark.

Senator LUCAS. You do if you include them all.

Mr. POPPER. What is that, Senator?

Senator LUCAS. If you recommend that we pass legislation including everyone, you do go all the way.

Mr. POPPER. No. Senator Barkley's proposal was meant to indicate unemployment insurance for the whole country, to be permanent, and that you should federalize unemployment.

Senator LUCAS. You believe in that?

Mr. POPPER. We believe in that, but that is not before us now.

Senator LUCAS. But you are recommending that we amend the bill to include all.

Mr. POPPER. To be included under the provisions of this bill; yes.

Senator LUCAS. This is an emergency measure.

Mr. POPPER. Correct.

Senator LUCAS. Do you think that domestic servants should be included under this measure? Are they in an emergency situation?

Mr. POPPER. Yes. There are hundreds of thousands of domestic workers who during the war period, were, because of the war emergency, able to gain employment in factories, and so forth.

The CHAIRMAN. Do you think there are any that can't get a job now?

Mr. POPPER. I know there are many that will not be able to get a job.

The CHAIRMAN. Well, you are just talking.

Mr. POPPER. Senator, with 10,000,000 people in this country—

The CHAIRMAN. I am talking about domestic servants. You are making rash statements that there is unemployment among domestic servants.

Mr. POPPER. Senator, isn't it logical, if we have 10,000,000 unemployed before spring, that tens of thousands of domestic workers will find themselves unemployed?

The CHAIRMAN. A lot of people can get jobs now. If we put stress on people really going back to work, we will get some place.

Mr. POPPER. The reports we get throughout the country are that every day hundreds of thousands of workers are finding themselves without jobs as a result of termination of contracts.

The CHAIRMAN. Yes; but for the most part they can find immediate employment now, except perhaps in some centers of great congestion.

Mr. POPPER. In industrial centers it is a fact that the USES reports a flooding of applications.

The CHAIRMAN. You can get any sort of report. But go ahead.

Senator BARKLEY. Let me ask you if you have any estimate on what proportion of those who were employed in domestic employment prior to the war are going to be willing to go back to that now that they have had a 3- or 4-year period of high wages in industry?

Mr. POPPER. It would seem certain that most anyone who has been able to get a job in a plant, for example, at a more satisfactory wage, would rather work in industry, but the fact remains that if there are 10,000,000 unemployed, many people will be glad to get any job they are in a position to get.

Senator BARKLEY. I understand that and I don't make any complaint of it, but I am wondering, speaking of domestic employees, I am wondering to what extent those who have for the time being abandoned domestic employment and find themselves out of the kind of work they have been doing during the war, to what extent they will be willing to go back to domestic employment throughout the country.

You wouldn't have any estimate on that, of course.

Mr. POPPER. I can only say this: I think it is quite obvious that the average worker is desirous of getting a job at the highest wage possible, and we have to base our thinking on that.

Senator BARKLEY. You believe, in your recommended extension that if one who was domestically employed prior to the war, and who could go back to domestic employment now, but who prefers work in a factory, you believe he or she should be compensated if he or she cannot obtain work in a factory, but can obtain work in a domestic capacity, and refuses to do so?

Mr. POPPER. Well, of course, that is an administrative problem.

Senator BARKLEY. No; it isn't. It is a matter of coverage.

Mr. POPPER. Yes; but I mean, the matter of coverage is based upon the rule which is made in each State, by the unemployment-compensation people. They determine whether or not a worker is qualified if he refuses a certain kind of position.

Senator BARKLEY. That is true. The State authorities administer the law in their State according to the standards fixed by them, but in

none of these States is, I believe, domestic employment covered. There may be one or two, but I don't think there is any State in which it is covered. So that if a man or woman who had been employed domestically for 4 years prior to the war, and then got out to get into a better place at higher pay, and he or she found himself without unemployment in a similar occupation now that the war is over, and could get a job like that which he had previously but would not take it because he preferred some other employment, he would be covered under your suggested amendment, notwithstanding his unwillingness to go back to his former employment, he would still be compensated until he could get a job in a factory.

Mr. POPPER. I think that would depend upon the offer which was made in terms of the amount of wages under the domestic job and under the previous job.

We have a proposal to make on the question of qualification in that regard which I think will cover the matter which you raise.

Senator BARKLEY. You understand that domestic employment draws much higher pay now than it used to.

Mr. POPPER. That is correct. I think our proposal will clarify the question you raise.

Under existing unemployment compensation laws minimum unemployment compensation payments range from \$2 to \$10 per week with 19 States having a minimum of \$5 per week. Maximum payments range from \$15 to \$25 per week with 16 States having a maximum of \$15, and only 1 State \$25, and 1 State \$22. The mandatory terms of this bill provide no liberalization of the benefit amount for unemployed workers who would be entitled under the State formula to benefits ranging between the State minimum and up to but not including the State maximum.

It is believed that the minimum benefits are so low that such payments, for all practical purposes, would be ineffectual to accomplish the objectives of this bill and the administration's reconversion program. Even maximum benefits under most State laws are inadequate, yet no liberalization is provided under this bill for workers who qualify up to the maximum. It would seem at least as important to liberalize benefits for the low-paid wage earner as it is for the higher-paid wage earner.

The considerations which lead the sponsors of this bill to provide dependents' allowances for unemployed veterans apply with equal force to dependents' allowances in the case of other unemployed workers.

With respect to the recommendation that benefits be extended for 52 weeks, it is submitted that the reconversion period will be as trying a time for the nonveteran as it will be for the veteran. Workers other than veterans will of necessity have to learn new skills and find new jobs in an economic setting of complete change from war to peace. In many respects the task of finding a suitable job at a wage substantially equivalent to that which he earned during the war will be infinitely more difficult for the nonveteran than for the veteran. The veteran will have his preferences, his rights to the job which he held before the war, and the just and deserving sympathy of everyone in his favor.

Senator LUCAS. Do you really believe that it is going to be harder for the fellow who has been in a defense factory to get a job than for

a veteran, the veteran who has been away for 3 years, and who has had no opportunity to learn this skill?

Mr. POPPER. Please understand, Senator, that we are in favor and are doing everything possible to support the idea of veterans' preference and the rights of the veterans to be rehired in the job where they were employed before the war. We are pointing out, however, that the problem of the nonveteran who is unemployed will be just as serious, and that, at least in terms of his unemployment problem, is deserving of the same treatment as that accorded to veterans in terms of minimum payment benefits. The idea is not to counter one group against the other, but to indicate that unless both are dealt with in an equitable and sensible manner, economically, that the country suffers.

It is true that veterans are entitled to certain benefits under the statute, and which we support, and which are justifiable; but that at least indicates that the nonveteran will have a more difficult time once his job is taken away from him in a war factory.

Senator BARKLEY. Waiving the priority of the right of the veterans to get their jobs back that they gave up when they went to war, which, of course, does not cover all the cases by any means if an employer who is not bound by the statute to give back the identical or similar job to an employee that left his factory, and is faced with a situation where he has an opportunity to hire a veteran, and a skilled worker who has learned during the war some particular trade, which one of them would he likely prefer?

Mr. POPPER. Well, I suppose it depends upon the employer. I would say that psychologically, as far as the sympathy of the country is concerned, not taking any particular individual case, but basing ourselves on the rights of the veterans in the mills, and the rights of the workers and of the working people who are now losing their jobs, on the whole it would seem, as a result of the various preferences granted to veterans, that his will be somewhat of an easier load in terms of employment.

We begin with the fact that there are 8 to 10 million people unemployed, a restricted labor market, with a considerable portion of veterans who will be entitled to their jobs back, who in many instances will take the place of the worker on the job.

Senator BARKLEY. What I had in mind is the case where an employer starts back to civilian production and he may want a welder or a skilled machinist, one who has become proficient in some war plant, having learned it there under a process of training, and the ex-service-man has been off fighting, or doing something else in the line of his duty, wherever assigned, and he has not become a skilled welder or machinist, and the employer has to decide between those two, which one would he most likely employ, regardless of his sympathies?

Mr. POPPER. It depends upon the employer. If the soldier was a welder before he went into the service——

Senator BARKLEY. That isn't what I assumed.

Senator LUCAS. Whom would you employ under those circumstances?

Mr. POPPER. I would do everything possible to enact the kind of retraining program which would make possible——

Senator LUCAS. Can't you answer that question; answer that one question?

Mr. POPPER. I am trying to answer your last question. If I were an employer I would do everything possible, if there were but one job for two people, to assure that the veteran would be able to attain that kind of skill which would be utilizable by me, and I think that will be the attitude of most employers in the United States.

Senator HAWKES. Suppose you have a need for a man now, and you can't take that time, which one would you hire then?

Mr. POPPER. If it was a matter of producing and not producing, I would have to hire the person who would be able to make my factory go; but that doesn't answer the question raised here. In this situation, involving as it does millions of veterans, the fact still remains that under existing statutes the problem of nonveterans will be at least as difficult and in some instances more difficult than that of the veterans.

All we are asking is that the veterans' rights be maintained and increased. We call for a liberalization of the GI bill of rights, but we say it is logical that this problem faced by the nonveteran be solved on the basis which is, at least, in accord with the problems which he faces in the reconversion period.

The nonveteran will have none of these, but on the contrary will have to yield his job to the returning veteran. While we are entirely in sympathy with the laws granting veterans' preferences, we feel that the workers of the country who, either because of physical unfitness to fight, because he was engaged in essential war work, or because he was too old or too young, had been relegated to the unheroic tasks of producing the implements of war without which the military could not have achieved its brilliant victory, should not be forgotten or treated with less consideration in the Government's human phase of reconversion.

Should unemployment of workers continue for more than 26 weeks during the reconversion period, it is far more likely that it will be nonveteran workers who will still be unemployed. Moreover, should the continued unemployment of nonveterans without the benefit of unemployment compensation to maintain their purchasing power result in the setting in of a depression, the failure to provide such benefits would be equally as disastrous for the veteran and nonveteran alike.

3. Recommendation: That Senate bill 1274 be amended by adding a new section thereto to be read as follows:

Unemployment compensation shall not be denied to any individual otherwise eligible in whole or in part to benefits under this act because of his refusal to accept work, if the work is at a wage rate of less than ——— percent below the average weekly or hourly wage rate earned by such individual during the 12-month period immediately preceding the commencement of the reconversion period. In the event that a State agency disqualifies an unemployed worker for such reason, the benefits to which he would otherwise be entitled, shall be paid by the Federal Government.

Now the blank percent was purposely left blank because we feel that that figure should be determined on the basis of statistics which can be offered by agencies of Government involved, such as the Labor Department, and also labor organizations who are in a better position than we are to indicate exactly what percentage would be equitable.

Senator McMAHON. If a man was making \$2 an hour, and was offered \$1.50, he would still have a right to unemployment compensation because of the 50-cent drop?

Mr. POPPER. No.

Senator McMAHON. In other words that would not be an unreasonable drop, but a drop from \$2 to 30 cents an hour would be; is that your theory?

Mr. POPPER. Yes, sir.

Senator BARKLEY. This bill provides for a maximum of \$25 a week. That is, we put up enough to supplement the State appropriation to make it \$25, or two-thirds of his previous pay if it would produce less than \$25.

Now, what sort of percentage would you suggest? Suppose a man was getting \$2 an hour for 8 hours. That is \$16 a day. That is \$90 a week. If somebody offered him a job that would pay \$50 a week which would be about 50 percent, if 50 percent would be the percentage you suggest, then you suggest that he refuse that and get the \$25 a week instead of working for \$50; is that what your suggestion means?

Mr. POPPER. Except that in terms of figures we have refrained from indicating what that percentage shall be, but urge that it be reasonable.

Senator BARKLEY. You must have some idea as to what an appropriate percentage would be.

Mr. POPPER. Yes. I indicated that a machinist earning \$2 per hour and work at that rate were unavailable, and he was offered a job at \$1.50, which was the prevailing rate for that particular category of work, one could, at this particular moment, at least, feel that it is not the kind of substantial reduction which he should refuse.

On the other hand, if a man were earning a dollar an hour, or \$2 an hour as a machinist, and he were offered work as a laborer at 30 cents an hour, it is our opinion that that man should not be disqualified for refusing to take that job, because we feel to approach the problem from that point of view will create a deterioration in standards of living, in wage rates, and in no sense will bring about the recovery we seek to bring about.

Senator BARKLEY. Suppose that he were offered employment at \$1 an hour, which would be \$8 a day, or \$240 a month. Do you think that he would accept \$25 a week, which would be \$100 a month, in lieu of \$240 a month?

Mr. POPPER. No.

Senator BARKLEY. Or if he refused—

Mr. POPPER. I do not think the American worker would so refuse, but I do suggest that the problem of what would be a reasonable and equitable qualification be based upon more exhaustive statistics.

Senator BARKLEY. Your percentage would have to be pretty low in order to be worth anything.

Mr. POPPER. It has to be pretty low? It would have to be pretty high.

Senator BARKLEY. No; it would have to be pretty low, because otherwise he would accept the employment offered, even though it might involve, in some cases, a 100-percent reduction below the 3-month period, the base period.

Mr. POPPER. We get there into a complicated problem, because it is clear that in many categories of work, involving skilled work, where the American worker is organized, for instance, into labor unions, in that case he would be unable to accept another job, even if it meant a

considerable sacrifice for a short time, his desire being not to depress wage rates which have been won over a long period of effort on his colleagues in a particular craft.

So that I don't think the question can be answered quite that simply.

Senator BARKLEY. It is not a simple matter. It is complicated at best, and in order not to add to the complication, I won't ask any more questions along that line.

Mr. POPPER. I think a better picture of that can be gained based upon the kind of statistics which both the labor organizations and the Labor Department and other agencies of Government would be able to provide this committee.

However, the principle involved is of great importance. It has had a practical effect.

For instance, you have read, I am sure, Senator Vandenberg, in the city of Detroit, for instance, during the past several weeks the USES has refused, or, rather, the unemployment compensation division of the State has refused thousands of workers the right to qualify for unemployment compensation because they have refused to take jobs at very seriously depressed wages in comparison to that which they were getting during the war period. That has resulted in, in Detroit at least, a serious question as to whether or not the policy of the Unemployment Compensation Division of the State of Michigan is not tending toward the depression of wage rates in that State.

That, I think, would be the case in many industrial centers, and it is to meet that kind of a situation that the principle which we have enunciated we believe should be embodied in the bill which is passed.

Senator HAWKES. Have you any figures of the depressed rates under which they refused these jobs and then applied for unemployment insurance?

Mr. POPPER. All we have thus far are newspaper reports.

Senator HAWKES. Whatever you have got.

Mr. POPPER. The point is workers who had been working in war factories manufacturing planes, and so forth, had been offered jobs of different kinds, laborers' jobs, the wage rates being lower.

Senator HAWKES. Have you those figures?

Mr. POPPER. No figures are thus far obtainable in terms of exact figures, but the fact that that situation has developed and has become a serious one is a matter of public knowledge.

Senator BARKLEY. There is also a question of human judgment, because any given man might be offered a job at a considerably reduced rate, and he might feel that if he took that job he would thereby automatically bar himself from a better job that might show up in a week or two; he doesn't know whether to take that job or to browse around to get a better one. It is also a question of human judgment as to whether to take any given job when it is below his usual wage. That would rather freeze him in a situation where he might not have an opportunity for better employment later.

It is hard to write a rule to govern it.

Mr. POPPER. Let's assume that the judgment used by that individual is that he had better not take that job because he will not be able to get a better one. Should that person then be disqualified from receiving unemployment compensation?

Senator BARKLEY. That presents a serious question.

Senator McMAHON. Let us assume that the minimum rate was 65 cents. Let us assume that was enacted. Then would you say that if anybody refused employment at a 65-cent rate that he should be entitled to draw unemployment compensation?

Mr. POPPER. I think if it is a machinist or a skilled worker who has been receiving \$2 an hour, that he might not be affected. I do believe that millions of workers, however, would be affected by a minimum of 65 cents an hour, so that this provision would no longer have practical effect. It would take out of that problematic field millions of people.

The CHAIRMAN. Go ahead with your statement.

Senator BARKLEY. For the record, are you engaged in private practice, or are you with the Government?

Mr. POPPER. Private practice.

CONSIDERATION FOR RECOMMENDATION

Harsh and illiberal construction of eligibility and disqualification provisions in State statutes by unemployment compensation agencies result in the denial of benefits to innumerable unemployed workers. There has been a growing tendency to disqualify workers who refuse employment in their prewar occupation even though the wage rate for that occupation may be as low as one-half or less of the worker's last wage rate, and to disqualify workers who declare they will not accept employment at a wage rate considerably below their previous earnings. The number of individuals so disqualified is constantly increasing and may affect hundreds of thousands of workers during the reconversion period. The reconversion program is not intended merely to provide unemployment compensation to persons necessarily unemployed during the reconversion of this Nation from a fully mobilized war economy to a peacetime economy, but also to assure that peace will not mean for the millions of workers of the country, who have helped to make victory possible, a reversion to unemployment, low wages and a lowering of the standards of living.

These harsh constructions of eligibility and disqualification provisions leave no choice to the worker but to accept a wage rate far below that which he had been earning, thus effectively depressing wages and lowering the standard of living. Unemployment compensation laws should not be permitted to be utilized by selfish forces as an instrument to lower wages and produce cheap labor. To penalize an unemployed worker because he refuses to submit to a substantial reduction in his wage rate is in direct contradiction to the Administration's program to maintain in the peace the wage level found none too high during the war. To effectuate this objective, it would seem imperative that unemployment compensation benefits shall not be denied to an unemployed worker for the period that it will take him, perhaps with the aid of the Government's reconversion program, to secure employment that will ensure to him a living standard during peacetime substantially equivalent to that which he earned during the war.

We have refrained from setting a definite percentage below which a worker should not be required to accept a job or lose his unemployment compensation benefits because it is a question of economic adjustments and labor statistics which labor organizations are better equipped to supply.

4. Recommendation: That S. 1274 be amended to provide that no unemployed worker entitled to benefits, in whole or in part, under the provisions of S. 1274, shall be disqualified for any cause other than the causes set forth in section 800 (a) (1) and (2) of the Servicemen's Readjustment Act of 1944, nor for a period greater than set forth in sections 800 (c) (1) of such act, and that sections 800 (b) and 800 (c) (2) of the Servicemen's Readjustment Act of 1944 be repealed; that in the event that a State agency disqualifies an unemployed worker for any reason other than those herein specified or for any period in excess of that herein specified, the benefits to which he would be entitled but for such disqualification, shall be paid by the Federal Government.

CONSIDERATION FOR RECOMMENDATION

It is particularly important during the reconversion period that no unemployed worker willing to work but unable to find work should be denied benefits. Yet stringent eligibility and disqualification provisions in existing State statutes deny benefits to many unemployed workers for long periods of time through the worker is willing and able to work and his continued unemployment is no longer attributable to the act for which he was disqualified.

Every State law imposes disqualifications for voluntary leaving, for refusal of suitable work, and for unemployment due to a strike, lock-out, or other labor dispute, and all States, except Pennsylvania, disqualify a worker who has been discharged for misconduct. Other disqualifications appear in many States such as disqualification of students, married women, et cetera.

For the period October through December 1944, out of a total of 203,567 claims for unemployment compensation filed by workers with sufficient wage credits, disqualifications, exclusive of labor dispute, receipt of other remuneration, and ability and availability for work issues, totaled 28,396.

During the same period 30,227 claims were denied on the issue of "able to work" and "available for work" (Employment Security Activities, vol. I, No. 5, May 1945, p. 9.

In the case of voluntary leaving some States impose disqualifications from 1 week to the entire period of unemployment following the individual's leaving; in other States accumulated benefit rights are canceled ranging from 1 week to complete cancellation of all wage credits earned from the employer whose service the individual left; other States combine both kinds of disqualification provisions. Similarly harsh penalties are imposed on workers disqualified because of misconduct for refusal of suitable work. In the case of disqualification because of a substantial cessation of work due to a labor dispute, most States disqualify the worker for the period of the stoppage of work.

Senator VANDENBERG. You mentioned misconduct. Do you mean that an employee who loses his employment for misconduct should be entitled to compensation?

Mr. POPPER. No. I am suggesting that the only disqualifications which should be allowed in this bill are exactly those stated in the GI bill of rights.

Senator BARKLEY. That would go beyond the principles of this bill, which are based, except as to mandatory classes, on qualifications

of the various State laws, and your suggestion would result, in many cases, where the applicant who was disqualified under the State law would be paid compensation out of the Federal Treasury and paid entirely out of the Federal Treasury; isn't that true?

Mr. POPPER. That is correct.

Senator LUCAS. You just don't believe this bill goes far enough?

Mr. POPPER. Let me put it this way. We urge the immediate enactment of the bill. We hope the hearings will not be protracted because the situation is critical.

Senator LUCAS. Can't you just answer the question without making a long speech? What you would like to see is this bill amended to cover all workers, and you would like to see the Federal Government take over the unemployment compensation of all the States?

Mr. POPPER. No.

Senator LUCAS. You are talking about all these discriminations and you are advocating that the Federal Government supply the difference.

Mr. POPPER. No.

Senator LUCAS. It means, practically, that the Wagner-Murray-Dingell bill be substituted for this bill.

Mr. POPPER. No, it doesn't mean that at all. We are supporting a bill which is based upon a Federal-State relationship. We are merely indicating that the bill should be strengthened in several respects, which in no sense alters the State-Federal relationship of the bill. There is nothing that I have urged that would federalize unemployment compensation.

Senator LUCAS. You are leading up to that.

Mr. POPPER. On the contrary, we urge that this bill be enacted immediately. We say that in any permanent sense the Wagner-Murray-Dingell bill would be a more secure measure. In effect, we urge that hearings be started on that as soon as possible. But in no sense do we urge that it be substituted for this bill.

While disqualifications for a refusal of suitable work, for discharge for misconduct, and for voluntary leaving may be appropriate in an unemployment-compensation law, we feel that the extent of the disqualification should be related to the probable period of unemployment that might result because of the worker's voluntary act. It is believed that such period should not exceed between 1 to 4 weeks. Section 800 (c) (1) of the Servicemen's Readjustment Act of 1944 provides such period of disqualification. Repeal of section 800 (c) (2) is recommended because it permits the imposition in certain circumstances of disqualifications for an additional period not to exceed eight additional weeks.

Disqualifications for unemployment due to a stoppage of work because of a labor dispute have been inserted on the theory that it would maintain an impartial attitude on the part of the unemployment agencies in the field of employer-employee conflicts. We believe, however, that these provisions have a completely opposite effect. An employer is at liberty to lock out his employees and his experience rating account does not suffer because none of the workers locked out receive unemployment benefits under these provisions. On the other hand we do not know how many workers have been deterred from exercising their right to strike—the most powerful economic

weapon of labor to improve its conditions—because of these provisions which deny benefits to them during such period of unemployment; when the worker does strike, perhaps because of an arbitrary or provocative action of the employer, again the employer's experience rating account is not affected.

These provisions we submit are clearly partisan and entirely in the employer's favor. Repeal of section 800 (b) of the Servicemen's Readjustment Act of 1944 is recommended because that section disqualifies an unemployed veteran whose unemployment is due to a stoppage of work because of a labor dispute.

5. Recommendation: That the administration of title VII of the bill be vested in the Social Security Board rather than in the Director of War Mobilization and Reconversion.

At least we suggest that the committee give serious consideration to that.

That suggestion is based on the thought that the Social Security Board was created and has both the experience and the apparatus which would be conducive to a smooth functioning of this act as soon as it came into effect, and for that reason it would probably be advisable that that agency, which has the personnel and the experience and the apparatus would be the logical agency to administer the bill.

5. Recommendation: That the administration of title VII of the bill determinations of entitlement to benefits under this bill at the administrative level be made by the Social Security Board and that court review in all cases be had in the same manner as is provided in title II of the Social Security Act, as amended, with respect to decisions of the Board under said title.

CONSIDERATION FOR RECOMMENDATION

That there may be uniformity in interpretation and administration of the bill.

Senator LUCAS. One question. How many members does the National Lawyers Guild have?

Mr. POPPER. Approximately 5,000.

Senator LUCAS. Throughout the United States?

Mr. POPPER. That is correct.

Senator LUCAS. With headquarters in New York?

Mr. POPPER. Yes, sir; national office in New York.

Senator LUCAS. What is the object and purpose of that organization?

Mr. POPPER. It is a bar association interested in the welfare, the protection, and in the democratic development of the law.

Senator BARKLEY. As compared to the American Bar Association, it is a little to the left of center?

Mr. POPPER. As compared to the American Bar Association it is progressive.

Senator VANDENBERG. Do you think a tax reduction would be of use in connection with this program?

Mr. POPPER. A tax reduction for wage earners and those with low incomes.

Senator VANDENBERG. You think any tax reduction would be possible under your program?

Mr. POPPER. I certainly think so. As a matter of fact the problem of taxation, which is, I agree, closely related to this, merely means we have

to approach taxation from the point of view of ability to pay something, which we have not yet done. Had we enacted the seven-point program originally proposed by President Roosevelt, I think we would be well able not only to pay for this program, but be in a better position to meet the economic situation generally.

Senator BARKLEY. Is it your position that taxes aren't high enough on large incomes?

Mr. POPPER. Yes. I would say not on corporate incomes. I would say that there are two factors. First, that they are not high enough, and that secondly, refunds which have been provided for, could better be utilized to meet the human problem of reconversion.

The CHAIRMAN. Thank you.

Mr. Green.

Mr. Green, we will be very glad to hear you on this bill before the committee.

STATEMENT OF WILLIAM GREEN, AMERICAN FEDERATION OF LABOR

Mr. GREEN. Mr. Chairman and members of the committee, the measure you have before you to amend the War Mobilization and Reconversion Act of 1944 in order to provide supplementary unemployment compensation during the period in which the industrial plant of our Nation will be converting its facilities to peacetime production represents the barest minimum in terms of legislative enactment that is necessary to meet the human needs of the months ahead. It is the opinion of the American Federation of Labor that much more than is contemplated in this bill could and should be done, but we are in favor of its early passage because it represents the first concrete proposal placed before Congress which measures up to the request made by President Truman in his message of May 28 in which he so clearly outlined the need for action in this field.

You will recall that in this message the President pointed out that Congress has made provision for the coordination of the reconversion activities of all Federal agencies, for policies relating to contract termination, for cash benefits to returning veterans payable until they are able to find jobs, for business to carry back postwar losses against excess-profit-tax payments during the reconversion period, and for the support of prices for agricultural products to protect farmers against a postwar collapse of income.

The President pointed out that there remains a major gap in our reconversion program: The lack of adequate benefits for workers temporarily unemployed during the transition from war to peace.

The American Federation of Labor joins the President of the United States in urging Congress to close this gap.

When the President made this request of Congress, most of us thought we had more time in which to prepare for peace, just as in 1941 we thought we had more time to prepare for the eventuality of war. We did not know that our scientists and workers were even then completing work on instruments that would let loose on our enemy elemental cosmic forces that would bring to a dramatic climax the long heroic efforts of our fighting forces in the Pacific area.

As one commentator remarked, having in mind our lack of preparation for peace, "Japan's quick surrender was retaliation for the atomic

bomb." Japan was not able to develop a defense against this deadly weapon. We have, however, at hand a defense against the threat of unemployment, and depression. That defense is in the hands of Congress to use or to withhold. In large part that defense lies in the provisions of Senate bill 1274, and in the name of the workers of America I urge you to put it to use.

This bill does not disturb the Federal-State relationship of our present unemployment compensation system. There are some who regret that it does not as they feel that the inadequacies of the State laws are so serious there is no value in trying to prop up the rickety structure they comprise.

While in terms of a long-time program for an adequate social insurance system we share that view, we recognize that this is a matter of basic policy to which Congress should give deliberate consideration. There is now no time for the kind of study that such a fundamental change would require. We are therefore urging the support of this emergency legislation because the need for immediate action is imperative.

I point this out particularly because I know that during the course of these hearings there will be arguments presented against this measure based on the so-called issue of States' rights and charges will be made that the enactment of the bill would federalize our present State unemployment compensation systems. I trust the committee will be on guard against such spurious and irrelevant appeals since the bill clearly provides for making the needed payments to unemployed workers through the State agencies in accordance with such agreements with those agencies as their State laws empower them to enter into.

This bill simply provides the means for the Federal Government to assume leadership in order to provide for the needs of unemployed workers in a time of national necessity. Such leadership on the part of the National Government has been proven necessary in times of crisis in the past and is clearly needed in the present emergency. Ten years ago when we were trying desperately to work out of an economic depression, only one State had enacted an unemployment compensation law. With the passage of the Social Security Act of 1935, the Federal Government took the lead and within a short time every State had enacted such a law. In fact it was only in response to a tax measure which was actually something more than "taking the lead" on the part of the Federal Government that the States enacted their unemployment compensation laws.

With respect to the inadequacies of these State laws, I shall not attempt to present any extended analysis, though I shall later present some illustrative examples. Thorough analyses have been made and I assume that competent, technical witnesses will in the course of these hearings present them for your study.

Our position in supporting S. 1274 rests mainly on two propositions: (1) A democratic government has the responsibility to prevent hardship and suffering resulting from involuntary unemployment; (2) the maintenance of our economy depends upon steady purchasing power which would be seriously threatened by failure to supplement the present unemployment compensation benefits to disemployed workers.

I should like to make it clear that the workers in unions affiliated with the American Federation of Labor, as I believe is true of all

American workers, do not place their main reliance for security in unemployment compensation benefits. They place their reliance first on the prospect of steady, productive jobs under good conditions at high wages. They are convinced, however, that it is necessary and proper that their Government provide unemployment insurance so that income will not stop completely in case something happens to their jobs. And something is happening right today to millions of their jobs.

With the announcement of the unconditional surrender of Japan previously prepared telegrams were sent to hundreds of war plants canceling munitions contracts. These were followed by thousands of cancellations of subcontracts. There are jobs in civilian industries waiting to absorb many workers. Some of our older workers will retire. Many younger ones will, we hope, return to school. But very many will have a period of unemployment before they will be able to find work in reconverted industry. The reports and estimates of Government agencies indicate that the number of unemployed will reach about 3,800,000 by the middle of September.

As servicemen are demobilized, unemployment will rise further and will probably reach 8,000,000 by March 1946. After that time, if we have planned wisely, unemployment should decline and our industrial system should be prepared to enter into a program of full employment. It is inconceivable that Congress in the face of this immediate emergency shall fail to make adequate provision for these workers—especially in view of the fact that provision has been made for every other group of our society.

Surely there is no need to argue before the members of the Senate Finance Committee that the continued successful operation of our economic system depends on maintaining mass purchasing power. The savings which workers have accrued during the war years could and undoubtedly will contribute materially to the maintenance of purchasing power, but it is to be hoped that they will not be called upon to rely entirely on these savings, most of which are held in War bonds, to tide them over unemployment. Workers had hoped to keep these bonds until the date of maturity and it is only just that they be permitted to do so as the interest returns are based on this expectation. Moreover, there are a great many workers who have been unable in the face of rising living costs and inadequate wages to save sufficiently to enable them to tide over the period of reconversion unemployment. It must not be forgotten that for millions of workers the war period brought the first steady employment they had known for many years and wages had to go to paying debts or to purchasing items of necessity that their families had long been doing without. It is therefore not only unjust, but economically unsound to rely entirely on individual savings to carry workers through the uncertainties of the months ahead.

There is an element in unemployment insurance that is sometimes overlooked. That is that if the benefits provided are at all adequate, it is just as important for the employed as for the unemployed. If employed workers know that the ever-present risk of unemployment is adequately underwritten they have the confidence to purchase the items that keep industry going.

We expect to make millions of new cars, new radios, new washing machines, and we expect to build millions of new homes. Making and building these will provide jobs—if there are people who can buy them. Unemployment insurance gives the employed worker a sense of security that will encourage him to buy the things he wants and needs—and which he must buy if our mills and factories are to be kept running. But there is not much of such assurance for a wage earner who has been earning about \$45 a week or more, but could draw only \$15 a week for a period of only 14 weeks if he did not find work in the meantime, as in the case of two States. In seven other States he would fare little better, drawing his \$15 for a maximum of 16 weeks.

The necessity for the Federal Government to assume again active leadership in this field in the face of the present emergency is evidenced in the record of recent attempts to meet the need by other means.

You will recall that a year ago Congress had under consideration proposals similar to those contained in S. 1274. The Congress at that time refused to take action, basing its refusal largely on two grounds: (1) There were sufficient funds in the unemployment reserve accounts of the States to meet any contingency, and (2) since no unemployment crisis was impending the States had ample opportunity during the next year to correct the deficiencies in the State laws that were operating to prevent these funds being paid out in benefits adequate to the needs of the reconversion period.

The American Federation of Labor accepted in good faith this decision of Congress. In its sixty-fourth annual convention held in November, the delegates reviewed the report of the committee on social security and unanimously declared in favor of a program to improve the State systems in order to meet their proven deficiencies. In accordance with this declaration, early in December I addressed a letter to each State federation of labor enclosing a memorandum in each instance indicating the changes that would be necessary in each State law to bring it up to the standards adopted by the convention, which were also approved as reasonable and practicable by competent and impartial experts and which were practically parallel to those which have been now recommended by President Truman. In practically all of the 46 States whose legislatures were in session in 1945 improvements in the State laws were presented in accordance with the minimum standards approved by the convention.

These were:

1. To remove limitations on coverage based on number employed.
2. To lift the ceiling on weekly benefits to \$25.
3. To extend the period of maximum duration to 26 weeks.
4. To remove restrictive disqualification provisions and those reducing or canceling benefit rights.

Now, we sent that out to our representatives in every State urging them to present them to the State legislatures and they did.

Senator BARKLEY. Does your statement contain the number of States that followed that advice and acted?

Mr. GREEN. No; it does not.

Senator BARKLEY. You don't have that information?

Mr. GREEN. No; but I can get it.

Senator BARKLEY. I don't think it was many.

Senator TAFT. I understand there were a great many States that acted but they didn't go that far.

Mr. GREEN. There was improvement in a great many States but they didn't make the basic changes proposed.

More than 8 months have gone by since these changes were proposed. Some liberalization of the State laws have resulted, but they have been meager in comparison with the rising need. In fact some of our State representatives have reported that the argument that was so persuasive in Congress last year worked in reverse when presented to the States; namely, that since the solvency of the State funds stopped what they considered the threat of federalization any liberalization of the State laws that would result in drawing materially on these funds for benefits would bring on that threat again.

What is the actual record of accomplishment of the States in meeting the minimum requirements which were recommended nearly a year ago?

First, with respect to extension of coverage to employees working in small firms—only three States took action along this line, raising the total number of States to 16 which provide unemployment insurance protection to workers regardless of the size of the establishment in which they happen to work.

Senator TAFT. Don't we have to extend the tax to do that properly? How far down does the tax go today?

Mr. GREEN. I don't know.

Senator BARKLEY. That would be a matter for State taxation as long as it is under the States.

The CHAIRMAN. No.

Senator BARKLEY. He is talking about the State legislatures having modified their own laws.

The CHAIRMAN. But that is a Federal tax. We tried to get the States to establish a system by giving back to the States practically all that they put in.

Senator TAFT. I think the committee and the Senate was willing to reduce it.

The CHAIRMAN. We recommended that.

Senator TAFT. The House wouldn't do it.

Senator BARKLEY. They had to originate it, and they wouldn't originate it.

Mr. GREEN. Only three of these cover employees of one or more.

Senator HAWKES. Which three?

Mr. GREEN. I haven't them here. I don't know whether my associate has the three or not.

Mr. CRUIKSHANK. What was the question?

Senator HAWKES. Those that reduced the coverage to one or more.

Mr. GREEN. We have three States that cover employees of one or more.

Mr. CRUIKSHANK. There are 16 now which provide unemployment insurance regardless of the size of the establishment in which they work. The three States which were added this year are Alaska, California, and Maryland.

Senator HAWKES. Thank you.

Mr. GREEN. Most of these States are not listed among the more highly industrialized States. Only three of these cover employers of one or more. Twenty-two States including such populous States as Texas and Michigan retain the limit of eight or more.

Senator TAFT. The Federal tax is for eight or more, so if the State wants to pay below that they have to levy a State tax.

Mr. GREEN. Yes.

Senator TAFT. It is almost up to us, having gone so far as to reduce the Federal tax, to cover.

Mr. GREEN. That wouldn't be popular.

Senator TAFT. Oh, I think this committee would do that.

Mr. GREEN. Secondly, what have the States done to lift the ceiling on benefits to the recommended \$25 per week? Twenty-six States increased the maximum benefit amount—in most instances by \$2, \$3, or \$5 amounts. Twenty-five States have made no change in their weekly benefits amounts of \$15 to \$20. Only five States moved to provide the recommended maximum of \$25, two of which went higher for eligible claimants having dependents.

Senator VANDENBERG. What States were they?

Mr. GREEN. Washington and Connecticut.

Mr. CRUIKSHANK. Washington and Utah.

Mr. GREEN. Washington and Utah.

Senator VANDENBERG. Didn't the Michigan Legislature include dependents up to \$28 a week?

Mr. CRUIKSHANK. Yes; but that is only in the case of dependents. I think it is \$22 otherwise.

Senator VANDENBERG. But it did go to \$28?

Mr. CRUIKSHANK. Only in the case of dependents, however.

Senator VANDENBERG. That is what I am talking about. That is what Mr. Green is talking about.

Mr. GREEN. Yes; that is what I am talking about.

Senator VANDENBERG. I want you to include Michigan on the asset side as long as you have it on the liability side.

Mr. GREEN. I have that in mind, Senator.

Ten States still retain the maximum benefit of \$15 per week.

With respect to the recommendation to extend the maximum duration the record is a little better. Of the 14 States providing uniform duration only 1 extended the period to 26 weeks while 1 still held to 14 weeks and 5 kept the maximum at 16 weeks.

Of the 37 States having a variable duration only 4 extended the period to 26 weeks. In this group also 1 State held to 14 weeks maximum while 7 others retained the 16-week limitation.

While 5 States meet the standard of \$25 maximum weekly benefit and 5 States meet the 26-week duration standard, it is to be noted these are not in all cases the same States. In fact, these standards only coincide in two cases and in one there is a sliding scale based on the cost of living index. Strictly speaking, therefore, there is now only 1 State among the 51 States and Territories that meets the recommended standard maxima of \$25 and 26 weeks.

Among the most serious deficiencies of the State laws are the many restrictive disqualification provisions. This is serious not only in its immediate effect but because it brings into unemployment insurance laws a punitive principle that has no rightful place in such legislation and tends to undermine the entire structure. In recent years there has been a marked trend toward increasing these restrictive features which deny to workers their benefit rights.

Those who point to the record of such liberalization of benefit formulas as have been achieved in State laws during the past years as

an argument for relying entirely on action by the States invariably fail to point out that these liberalizations have in most instances been accompanied by increasingly restrictive disqualifications.

It is recognized that unemployment-insurance laws should be so drawn that they do not reward workers who for no good reason quit their jobs, or who are voluntarily unemployed, as that would encourage unnecessary turn-over and put a premium on idleness. All unemployment insurance laws of other countries recognize this necessity. But in our State laws we have gone far afield in this respect. These not only postpone payments for sound reasons, but in many instances completely cancel the earned benefit rights of employees.

For example, last year 20 State laws contained provisions which disqualified workers for benefits when they left their employment without good cause attributable to the employer or connected with their work. This means that no matter how good a personal reason a worker may have—such as keeping his family united or reasons connected with his health or the health or education of his children—he is denied benefits when he becomes unemployed due to such cause.

During the 1945 sessions of the State legislatures this number was reduced from 20 to 18.

Last year 28 States had provisions which reduced or canceled benefit rights on various issues. During the 1945 sessions of the State legislatures only two States succeeded in correcting this situation.

Summarizing the record in this respect we find that during 1945, 13 State legislatures made changes in their major disqualification provisions. Seven of these appear to have liberalized them in some respects, but in six the provisions are made even more restrictive. Many of the States with the most drastic provisions failed completely to amend their laws in this respect. We submit this is a sorry record of accomplishment in face of the assurances so blithely given Congress a year ago that the States could take care of the situation.

Though some improvements in State laws were effected in the legislature sessions of 1945 the net result appears to be that the unjust and discriminatory disparities in benefits between States has been widened. For example, a worker who had been earning in his high quarter an average amount of about \$30 a week and had earned \$1,000 in his base period would be eligible in one State for only \$15 a week for a little over 11 weeks, totaling \$167. With exactly the same earnings record he would be eligible in other States for benefits totaling from \$210 to \$460.

Senator BARKLEY. In that connection can it be said that on the whole the living conditions in those States are comparable, Mr. Green?

Mr. GREEN. There may be some variation.

Senator BARKLEY. But there wouldn't be that much variation.

Mr. GREEN. Not in proportion to this variation.

A worker who had earned as much as \$2,100 in his base period and had been averaging wages of about \$46 a week would in one State be eligible for only \$15 benefits for 14 weeks or a total of \$210. With the same earnings record in another State he would be eligible for benefits of \$24 per week for 26 weeks or a total of \$624—almost three times as much.

Senator VANDENBERG. Doesn't this bill penalize the State that pays \$624 and rewards the State that only pays a hundred?

Mr. GREEN. The bill is susceptible of that kind of interpretation I know, Senator, but we must keep in mind the emergency requirement.

Senator VANDENBERG. I quite agree, but I was wondering if there isn't some way to change the formula, so that you don't totally kill the incentive to the States.

Mr. GREEN. We would change it, if public thinking would accept that, so that we could establish a uniform plan.

Senator VANDENBERG. Even in this emergency legislation is there no way to change the formula so that the \$600 States you are talking about gets some compensation, some assistance beyond just paying the final gap, isn't there some way that that State can be entitled to a contribution in respect to the amount it is already paying?

Mr. GREEN. Well, I have thought about that.

Senator VANDENBERG. I would be interested in knowing what you think on that.

Mr. GREEN. I confess that I don't see how it can be done during this emergency. For instance now a State that is meeting all this requirement, there may be one, it is about one, for instance, one State that is meeting this requirement will in no way be benefited by the appropriations from the Federal Government. The State itself, the community within the limitations of the State limits, will do that for themselves, while other States will be helped by the Federal Government. I imagine that the people in that State will feel that they are just not being treated quite right.

Senator VANDENBERG. That is the point.

Mr. GREEN. That is the point.

Senator VANDENBERG. Not only that, they have got to pay taxes in order to help bring up the others.

Mr. GREEN. But I will confess, because we have waited until this situation is right on us, 3,800,000 out now, 8,000,000 within a short time, we do not have time to even consider some of those inequities to which you refer.

Senator VANDENBERG. You don't think there is any way?

Mr. GREEN. I haven't thought it out as yet.

Senator BARKLEY. It couldn't be done by changing the Federal tax rate because the Constitution requires the tax rate be uniform. The only other way it could be done is to reimburse that State out of the Treasury for some part of that which it had paid out under its own laws.

Mr. GREEN. Yes; that is the one way, because you could not exempt that State from the imposition of the Federal tax because that must be uniform in character.

Workers in the lower-pay brackets are confronted with even greater disparities. A worker, for example, that experienced intermittent employment enabling him to earn in his high quarter only an average of about \$8 per week and accrue wage credits of only \$200 in his base period would be ineligible for any benefits in 11 States. In 33 other States he would be eligible for the minimum which ranges from \$3 to \$10 per week. His maximum annual benefits would range from \$34 to \$120.

Since our recommendations of last December were submitted to the State federations of labor it has become increasingly apparent that an injustice is being done the heroic workers in maritime employment

by their being denied in most instances any protection in unemployment compensation.

Senator TAFT. Did the State of New York extend unemployment compensation to maritime workers?

Mr. CRUIKSHANK. Yes; it has. Some States have provided for it. It is extremely difficult in administration.

Senator TAFT. New York did pass the law?

Mr. CRUIKSHANK. That is right.

Mr. GREEN. Even the most ardent advocates of a policy of independent State action find themselves baffled by the problem of extending coverage to these workers. Only 13 States during 1945 attempted to meet this need, and 6 of them tacitly admitted that Federal action was necessary by making their coverage of maritime workers contingent upon action by Congress or by other States.

There remain 23 States whose laws retain an over-all maritime exclusion. Of these, 10 are coastal States, 1 is on the Great Lakes, 1 on the Ohio River, and 1 on the Mississippi.

We heartily endorse the provision in S. 1274 to provide for payment of unemployment-compensation benefits to Federal employees. It must not be forgotten that the very great number of these workers have been employed in navy yards, arsenals, and Government offices and are subject even more than other workers to the risks of unemployment as these establishments will not for the most part be converted to civilian production.

During the war, under Manpower Commission regulations, backed by the Civil Service Commission, these people were not free to change their jobs or seek employment with postwar opportunities. Many of them will find peacetime employment, but for those who cannot, justice demands they be given the same protection afforded other workers.

Permit me to depart from the statement for a moment to express my interpretation of this travel pay to Federal workers.

I am of the opinion that the provision in the act which provides for the payment of transportation in certain cases should and does apply to Federal employees the same as to those employed in private industry, and it seems to be reasonably fair and just that it should.

We have workers who have come from Arkansas and Mississippi and South Carolina and many places to work for the Federal Government in offices and agencies and in different capacities. Their home is in those places from which they came. Their service is discontinued. They must return home, or they must return some place else.

Now, they are as much entitled to the help and benefit provided for in this act relating to transportation as those employed in private industry, in my judgment. I think that is a fair interpretation of the transportation sections of the act.

Senator BARKLEY. The act doesn't provide for transportation just to get people back home who have gone away to work. It limits the transportation to those who are, as I said this morning, heading toward a job, those who have registered and are being transported either to their homes or somewhere else in the obtaining of a job.

Mr. GREEN. Yes.

Senator BARKLEY. Now, I suppose the same interpretation would apply to Federal employees. Those who have come here to work temporarily during the war and are going back home, with no particular

thing in mind, or to return to teaching school, or something else, would come under the same provisions and the same limitations that would apply to all other employees that are entitled to transportation. Is that your interpretation?

Mr. GREEN. That is my opinion, yes, because it is reasonable to conclude that they will seek work either at home or some place, and particularly at home. Perhaps at the same place where they were working when they came to Washington or Philadelphia or New York or other places to serve the Federal Government.

Your analysis of it is my analysis, as I view it. You have interpreted it just as I see it.

Senator VANDENBERG. I don't think there is any doubt about that; they have to go "from" the place of such employment to any place at which the United States Employment Service certifies that there are available suitable job opportunities.

Mr. GREEN. Well, you know, coming from Michigan, Senator, that a very large number of people came from agricultural sections, perhaps I may put it that way, and sections in the southland, to work in war material products plants of Detroit.

Senator VANDENBERG. Thousands of them.

Mr. GREEN. Thousands of them.

Now, they were working in these agricultural sections or in the places from which they came at something. I presume they have in their mind that they will go back and begin work at that place. It may be, of course, that the USES might certify them to go to some other place. I suppose there would be a question, in the event that were done, whether they would be entitled to their transportation, if they refused to go to that point. That is a matter of administration.

Senator VANDENBERG. I quite agree with you regarding the importance of this particular section. It would mean more in our particular section than anything else in the bill.

Mr. GREEN. We commend and support the provision for paying travel expenses for workers who cannot find suitable employment in the localities where they are now located. This is particularly important in view of the fact that many workers have during the war been employed in areas where plants were located for security reasons and where little if any postwar employment opportunities exist. They have been recruited from all corners of the Nation and many of them will be able to find employment immediately or return to their former jobs if they have the means of transporting themselves and their families to the place of employment.

Senator VANDENBERG. I suspect many of them had their transportation paid to their jobs in the first place.

Mr. GREEN. Yes; I suspect so.

We believe also that the provisions contained in this measure for liberalizing the provisions of the Servicemen's Readjustment Act of 1944 are sound and justified. The American Federation of Labor supports this proposal as we have supported every measure designed to assist returning servicemen and women to adjust to the necessities of civilian life.

Today the people of America are rejoicing in their victory over tyranny and oppression. First honors go to our gallant and heroic men of the armed forces and to their courageous and able leaders.

But the victory belongs to all the people, for we have demonstrated again, and we hope finally, that a people's government can outfight and outproduce the dictatorships that sometimes seem so efficient and appear so powerful.

While our soldiers and sailors were fighting on distant shores, on faraway seas, and in alien skies, our loyal workers were bending to their tasks at home to keep them supplied with all the varied weapons and equipment necessary in modern warfare. As the fighting men fought for their country, so the workers toiled for their country. They cannot believe that now as millions of them are faced with unemployment that their Nation will let them down. They look to the National Congress to take the lead once again in the emergency that confronts them and to pass this emergency unemployment compensation bill without delay.

That completes my statement, gentlemen. I appreciate the opportunity of presenting it to you.

The CHAIRMAN. Are there any further questions of Mr. Green? If not, we thank you.

Senator BARKLEY. I want to say that I think Mr. Green has made a very fair and comprehensive level-headed statement about this whole problem.

Mr. GREEN. Thank you.

The CHAIRMAN. Thank you.

Mr. Steward.

STATEMENT OF LUTHER C. STEWARD, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. STEWARD. Mr. Chairman and gentlemen of the committee, we are wholeheartedly in favor of the principles as set forth in S. 1274 as a temporary provision during the period of adjustment to peacetime economy for those employees who have lost their positions through a cessation of the activities in which they were engaged which partook of the war effort.

We feel that the bill, including its coverage of civil and Federal employees is very fair, as it will place them somewhat on parity with other wage earners similarly situated.

We feel that there should be, in order to carry out the clear intent of the bill, some clarification in order definitely to indicate the bill's application to civil and Federal employees, as it is contemplated that this group shall be in the mandatory class, and while administration will be in the hands of the officials in all of the States who enter into agreement with the Federal Government, the provisions of the Employees' Compensation Act in the District of Columbia shall apply.

We feel, therefore, that rather than to depend upon the general language of paragraph 3 appearing on page 4 of the bill as to benefits, that the table specifically setting forth the benefits based upon weekly earnings of Federal employees who have lost their positions, as presented by Senator Kilgore this morning, should be written into the bill.

Those listed benefits appear on page 9 of Senator Kilgore's statement and provide for weekly benefits ranging from \$10 per week to \$25 per week, where the range of weekly compensation is from \$19.50

the minimum of \$10 would be paid, to the maximum of \$25 being paid to those who receive \$37.50 per week or more.

Senator LUCAS. Would that change the present law?

Mr. STEWARD. It would merely set forth in detail—

Senator LUCAS. What the law is?

Mr. STEWARD. What the law is; rather than to leave a general provision.

Senator Barkley referred this morning to the fact that the language of the bill was somewhat difficult to understand because it has to be geared to existing statutes.

In the interest of clarity and rather than to depend upon the interpretations of a great many officials who would have before them only the District of Columbia law, if these figures were embodied in the statute specifically, it would not only simplify administration, but would clearly carry out the intent of the Congress.

Senator LUCAS. Let me ask you this on that point: Do you believe that the application of the District of Columbia law in the various States throughout the Union will create any particular difficulty in view of the fact that the laws of those respective States are altogether different than the District of Columbia law?

In other words, in one State your Federal employees might be getting less than what the State law gives and in another State they might be paid more.

Mr. STEWARD. Under the standard provisions as contemplated, as I read the bill, Federal employees wheresoever located, would be paid at the standard rate.

Senator LUCAS. Yes, but it would have to be administered by State officials.

Mr. STEWARD. Yes, who would be paying in some instances to them, on a different formula than private employees.

Senator LUCAS. In every State there would be two formulas, two separate payments, one for the Federal employees, and another for the regular workers that come under the State law. The question in my mind is whether or not Federal employees couldn't be classified in accordance with the State laws rather than to attempt to apply the District law throughout these States.

What is your answer to that?

Mr. STEWARD. In order to attempt to resolve one inconsistency, it would set up many more. For instance, Federal employees working at one Federal activity, but having their residences in two or more States—that frequently occurs where activities are right on State lines—they would then be subject to discriminatory treatment, although they were working side by side and were doing the same kind of work, they would lose their positions under the same conditions, and yet would receive different rates of compensation.

Senator LUCAS. I can appreciate that, too.

Mr. STEWARD. In view of the fact that Federal employees are all grouped under one employer, it would seem to be the best solution of a difficult problem to include them in one category and pay them under one standard.

Senator VANDENBERG. Will you give me the top and bottom figures in that table again?

Mr. STEWARD. Senator Kilgore's minimum for the lowest weekly wage, \$19.50 and the weekly benefit \$10.

The maximum of \$25 would be paid to those who had been in receipt for the necessary base period of \$37.50 or more.

Senator VANDENBERG. Doesn't that pay a bigger percentage of unemployment compensation to the top salaries than it does to the bottom salaries?

Mr. STEWARD. That percentage does rise a little bit; yes.

Senator VANDENBERG. Ought it not to work the other way?

Mr. STEWARD. I would be the last one to object to making it two-thirds all the way along the line.

Senator VANDENBERG. I don't think it is quite fair to put the lowest percentage on the lowest wage.

Mr. STEWARD. It does, however, as soon as you get to \$24 there, the two-thirds applies, and the \$19.50. It is only under \$19.50, of whom there would be a very limited number, that that applies, and where that disparity seems to exist.

In respect to the provision for travel allowance, we feel that the language on page 10 requires clarification. During a colloquy this morning between members of the committee and Senator Kilgore, who was on the stand, there came the question as to the definition of workers.

There is some difference of opinion as to the application of the term, as to those, we will say, engaged in clerical or inside occupations, even though at a recognized establishment engaged in the manufacture of war materials.

We feel very definitely that any civilian employee of the Federal Government who has lost his or her position due to a cessation of activity should receive the benefit of this section.

In fact, the Congress of the United States partially legislated after the First World War in respect of paying transportation home to the employees who had lost their positions that they had held temporarily during the First World War.

It must be borne in mind that large numbers of civilian Federal employees are working under so-called duration appointments at great distances from their homes, where they were actively solicited, subjected to very great pressures to accept positions with the Federal Government as their patriotic duty.

In a great many instances their way was paid. In many instances there was expressed assurance, rarely written, oral as a rule, that their return fares would be provided.

We feel very definitely that the language of the section providing for travel should be so rewritten as to include all displaced Federal employees, and from an economic standpoint they should receive that travel pay to their homes rather than a limitation referring them to a place of employment.

We believe that would probably solve some of the problem on re-establishing migratory workers who have disrupted their former domestic arrangements by moving in great numbers across the country.

Senator VANDENBERG. You mean any civil servant, regardless of the class of employment, should be entitled to transportation?

Mr. STEWARD. To his home.

Senator VANDENBERG. Of course, that changes the character of the bill. It doesn't apply to all workers. It only applies to workers that have been employed in activities essential to the war effort.

Mr. STEWARD. When it is borne in mind that although priorities were established as between different Federal agencies in their relation to the war effort—now, there were a great many frozen in their positions, and a great many others transferred willy-nilly, because it was in the interest of the war effort—it would be difficult, if not impossible, to segregate a single civilian Federal employee who was not tied up with the war effort. To attempt to draw such a fine distinction, it would seem to me, would be difficult, as well as extremely unfair.

Senator VANDENBERG. Would you make the same broad application to industrial workers and apply this act to any worker regardless of whether he had anything to do with the war effort or not?

Mr. STEWARD. We know of many instances where private employers, in a great many instances paid by Government funds, contracted not only to pay the fare and other expenses of their workers to distant points but also contracted to return them.

I feel justice would require that it should apply to all Federal employees by returning them to the place of origin.

Senator VANDENBERG. Regardless of whether they were engaged in war work?

Mr. STEWARD. My definition of "Federal employees" was that all Federal employees are engaged in war work.

Senator VANDENBERG. Well, let's see. Let's personify it.

Let's say someone was working in the Library of Congress.

Was that war work?

Mr. STEWARD. I think so; yes, sir.

Senator BARKLEY. That would depend upon whether the number of employees working in the Library of Congress was increased because of the war.

The mere fact that a vacancy occurred in the Library of Congress and somebody came to fill it, wouldn't automatically mean that they came because of the war.

Mr. STEWARD. No, sir.

But I think it will be found that the vast majority of those who took positions were of duration appointment.

Senator BARKLEY. Of course, the Library of Congress is not the best example of a Government agency.

I think we might assume broadly that any of the Government agencies where there was an exceptional increase in the number of employees after we got into the war that they were engaged in war work. Otherwise, the increased numbers wouldn't have been here.

Senator VANDENBERG. I agree to that.

Mr. Steward is saying everybody is entitled to be covered.

Mr. STEWARD. I think I can make a pretty good case for employees in the Library of Congress.

Senator VANDENBERG. I don't mean to pick them out.

Mr. STEWARD. They have done a great deal of research work for not only Members of Congress but for officials in connection with studies incident to the prosecution of the war.

The CHAIRMAN. Mr. Steward, you mean to say that an employee who came to Washington seeking a job and finally got it as temporary employment should now have his way paid back home?

Mr. STEWARD. Unfortunately, Mr. Chairman, the shoe has been on the other foot lately. They have been dragging the highways and

hedged all over the country for several years to get them to come to Washington.

The CHAIRMAN. They did not have to drag them here. They came. There wasn't any Selective Service Act that brought them here.

Mr. STEWARD. No, sir.

The CHAIRMAN. They came voluntarily.

Mr. STEWARD. A great many of them came under the very definite assurance, and their way was paid in many, many instances.

The CHAIRMAN. By the Government?

Mr. STEWARD. Yes, sir.

Senator BARKLEY. You do not mean Government employees working in departments, do you?

Mr. STEWARD. Yes, sir.

Senator BARKLEY. Their way was paid to Washington?

The CHAIRMAN. Paid as compensation or advancement against salary, or how?

Mr. STEWARD. Where funds were appropriated by Congress that weren't necessarily earmarked, they were spent to pay the way of Federal employees to accept positions in Washington; yes, sir.

The CHAIRMAN. That is no way to spend the taxpayer's money. As every Senator knows, these jobs here in Washington were sought after. People came here seeking these jobs. Some might have been induced to come here.

Now to pay their way back, there is no more reason why that should be done than to pay any worker who goes anywhere for any kind of a job.

Mr. STEWARD. Congress itself established the precedent after the First World War.

The CHAIRMAN. We have established enough precedents in these wars to last a long time.

It seems to me that you are overstressing the thing when you try to include civilian workers of that type and ask the Government to pay their expenses back home.

Mr. STEWARD. When they have been assured by someone who apparently spoke with authority that their way would not only be paid to the job but would be paid back home on the cessation of the war?

Senator BYRD. Who assured them of that?

Mr. STEWARD. Those who have been actively recruiting them in all sections of the country.

Senator BYRD. Name someone.

Mr. STEWARD. I wouldn't attempt to name officials.

Senator BYRD. Who did it? You say it has been done.

Mr. STEWARD. It has been done by recruiting officials of the various departments.

Senator BYRD. Name someone so we can investigate it. You certainly had no authority to make such a statement.

Mr. STEWARD. Well, obviously, I don't want to be put in the position of singling out one person.

Senator BYRD. You say it has been generally done.

Mr. STEWARD. I say it has been done in a number of instances.

Senator BYRD. Can't you quote one instance?

Mr. STEWARD. I would prefer to give you the information off the record. I will be glad to do that.

Senator BARKLEY. Was it a general practice among supervisors or inducers or inductors that went around over the country to get people to come to Washington?

Was it a general practice to tell them their way would be paid back?

Mr. STEWARD. Just how general I wouldn't attempt to say, because that would involve an analysis of a very large picture.

The best of my information is that it was done in a number of instances under authority granted by the Civil Service Commission to departments in the emergency to do some of their own recruiting.

They went quite far.

Senator BYRD. Did the Civil Service Commission approve paying the expenses to Washington?

Mr. STEWARD. The Civil Service Commission wasn't consulted and would have no authority to pass on expenditures of departments.

Senator BYRD. You say they were authorized to do their own recruiting?

Mr. STEWARD. To do their own recruiting.

They did not have to clear initially through the Civil Service Commission in order to avoid delays.

Senator BARKLEY. There were a lot of employees, thousands of them, brought here and taken elsewhere in the Government where the Government did not want to wait to go through the ordinary long-drawn-out civil-service examination, and they authorized certain tests to be made promptly and frequently on the ground to determine the qualification of people.

Mr. STEWARD. And authorized the heads of operating agencies to do their own recruiting, and they would then spot-check the results later.

Senator BARKLEY. They would clear the employee through the civil service, which preserved the form of civil service whether it preserved the substance or not.

That was necessary.

Mr. STEWARD. In order to avoid unnecessary delays.

Senator BARKLEY. Now, let us get back to employees in factories.

Senator HAWKES. Do you mind if I ask a question right there, Senator?

Senator BARKLEY. No.

Senator HAWKES. For instance, if some department hired 10 people in Chicago or Minneapolis or some other place and paid their expenses down here, how was the item charged?

In other words, where was the item put and how was it marked?

Mr. STEWARD. That is getting a little further into departmental bookkeeping than I am prepared to go offhand.

I will say that an examination of the appropriations made by the Congress during the last 5 years would show repeated instances where tremendous sums have been appropriated without any earmarking and discretion left to the operating agency as to the expenditure.

Senator VANDENBERG. I will say that is so.

Senator HAWKES. Would that go into expenses as miscellaneous expenses without any definition of what it was for?

That is what I am getting at, whether any great amounts were charged without any definition.

Mr. STEWARD. We will assume that a department was already spending millions of dollars a year for necessary travel. A few hundred,

or even a few thousand, additional travel vouchers wouldn't attract much attention.

Senator BARKLEY. Would they do that for file clerks and stenographic employees, or did they do that with reference mainly to experts along some line who had to be induced to come here, and that was part of the inducement?

Mr. STEWARD. I think if the committee was interested to find out, the unfilled requisitions made on the Civil Service Commission by departments would give a clear idea of the categories of employment where these measures were probably put to the greatest use.

Senator BARKLEY. These employees in plants that were paid their transportation from their homes to the plant, and that transportation paid back to their homes, and that was charged up to the Government—in other words, it went into the cost of production.

Mr. STEWARD. Yes, sir.

Senator BARKLEY. That has already been paid.

Mr. STEWARD. Yes, sir.

Senator BARKLEY. How are we going to discriminate as between that class whose transportation has already been paid, or has been paid one way, and obligation has been incurred by the corporation to pay it back to their homes—how are we going to find out and discriminate between those as not to pay them twice under this bill?

Mr. STEWARD. I foresee certain difficulties there, it is true.

Senator BARKLEY. So, if they have already been paid and the Government has been charged with it in the price of the product and now we are going to pay it again, that is paying it twice.

Mr. STEWARD. I am thinking of those mainly who get nothing either way.

Senator BARKLEY. I am, too. We have got to face the facts, however, that those might get paid twice.

Mr. STEWARD. Merely as an offhand or curbstone suggestion, eliminating—

Senator BARKLEY. (interposing). That is a matter of administration too, I guess. But certainly nobody ought to be paid twice for one round trip.

Mr. STEWARD. Certainly not. There was just one other thing. In view of the fact that dismissals have already taken place in substantial numbers since unofficial VJ day, and will increase in volume constantly, we feel that a date should be set for the effectiveness of this so as to include within its terms those who have been displaced subsequent to August 14.

With those suggestions which go to clarify one or two sections of the bill, we are heartily in support of the proposal.

I have nothing else, Mr. Chairman.

Senator BYRD. I want to ask you a question in regard to this retirement matter we were discussing: Can an employee of the Government get both unemployment and retirement too under any conditions?

Mr. STEWARD. As I understand it, Senator Byrd, the application of this bill to civilian Federal employees will hit almost entirely during the period for which the legislation is designed, 22 months, upon duration employees.

Senator BYRD. Not necessarily.

Mr. STEWARD. Not necessarily. I mean the great bulk. Should, however, it affect employees within the retirement system who have served over 5 years and who have reached retirement age, when they will become immediate beneficiaries of the Retirement Act, I should say that that portion of the retirement annuity paid by the Government, or \$30 a year of computable service, should be deducted from whatever unemployment compensation they received.

It is obviously the purpose of the legislation not to pyramid benefits.

Senator BYRD. It is not covered in the bill, is it?

Mr. STEWARD. I see nothing in there that covers that. I think that it will not affect a great many; but should it, I will say in all fairness—

Senator BYRD (interposing). You don't think they ought to get both?

Mr. STEWARD. I will say that portion just as though it was earned as impartial employment.

I thank you.

The CHAIRMAN. Thank you, Mr. Steward.

Our next witness is Mrs. Jessica Rhine.

Mrs. Rhine, you represent the Food, Tobacco, Agricultural, and Allied Workers Union of America, CIO?

Mrs. RHINE. Yes, sir.

The CHAIRMAN. We will be glad to hear from you on this matter before us.

STATEMENT OF MRS. JESSICA RHINE, REPRESENTING THE FOOD, TOBACCO, AGRICULTURAL, AND ALLIED WORKERS UNION OF AMERICA, CIO

Mrs. RHINE. Mr. Chairman and members of the committee, I am appearing for the president of our organization, Mr. Donald Henderson, who is unable to appear before your committee today.

STATEMENT OF DONALD HENDERSON, PRESIDENT OF THE FOOD, TOBACCO, AGRICULTURAL, AND ALLIED WORKERS OF AMERICA, CIO

Mrs. RHINE (reading) : The Food, Tobacco, Agricultural, and Allied Workers Union of America, which represents some 80,000 workers under contract in the food, fiber, and tobacco processing industries, supports S. 1274 generally for the same reasons as all other organizations and individuals—because we recognize the necessity for maintaining the living standards and purchasing power of war workers and veterans in order to provide a solid basis for full production and full employment.

In addition, our organization has a particular concern with this measure. It lies in subsection (b) 4 of section 702, which provides for the payment of unemployment compensation to—

any individual who performed services in handling, drying, packing, processing, etc. * * * of any agricultural or horticultural commodity.

We feel this is decidedly a step in the right direction but not enough, because this section, while providing coverage for some 300,000 workers at present excluded from the Federal Social Security Act and most

State unemployment insurance acts, would fail to provide coverage for some additional 2,700,000 agricultural workers who are also excluded from the Federal Social Security Act and most State unemployment insurance acts.

As written, section 702 would give coverage to some 300,000 workers in fruit and vegetable packing houses, dried-fruit-processing plants, bean-cleaning elevators, cotton gins, poultry hatcheries, and nurseries who were excluded from the Federal Social Security Act by the amendment to the definition of "agricultural labor" passed in 1939.

Agricultural workers proper have, of course, been excluded from the Social Security Act from the beginning, just as they have been from the Fair Labor Standards Act and the National Labor Relations Act. The arguments made against their inclusion under F. L. S. A. and N. L. R. A., fallacious as they are, are even less applicable to the question of coverage under the Social Security Act. Certainly, the special circumstances which are usually given for the exclusion of "farm hands" from these two laws—the fact that these workers sometimes get room and board in the case of the F. L. S. A. and a special employer-employee relationship in the case of the N. L. R. A.—have no connection with the right of these workers to protection for old age and against unemployment.

It is obvious that the exclusion of some 3 million agricultural workers and sharecroppers from all social and labor legislation is not based on any valid grounds but on the ability of certain farm and food-processing interests to obtain exclusion through pressure on Congress.

The original injustice done when agricultural workers were excluded from the Social Security Act was carried further in 1939, when the definition of "agricultural workers" was amended to cover those employed in operations which cannot really be distinguished from other industrial operations. This action really was the successful culmination of a general campaign to deprive as large a section of workers as possible from the protective legislation of the past decade.

Attempts to extend the definition of agricultural workers to achieve this exclusion have often been made in the past. The Barden amendments to the F. L. S. A. in 1938, which would have excluded some 3 million industrial workers from coverage, failed. But the extension of the definition under the Social Security Act succeeded in removing one industrial group, the packing-shed workers, from coverage by the act. The passage of the Lea rider, as a matter of expediency for the sake of adjournment, exempted this same group of workers from the control of the War Labor Board. This has brought the powerful farm and food-processing interests closer to their real objective in their campaign, which is to secure the exclusion of these and other industrial workers from coverage under N. L. R. A.

In approaching the problem of how agricultural workers shall be treated under social legislation, the Congress should bear in mind that it sets a pattern which in turn is followed by the majority of States. For when the various States first enacted their unemployment-insurance laws, industrial agricultural workers were included, and exclusion in this field was limited to "farm hands," as it was in the original Federal legislation. But again in 1939, most States followed

the lead of the Federal Government, and the text or substance of the broader definition of agricultural labor, written into the Federal Social Security Act, was promptly adopted by 34 States and Hawaii. Thus industrial agricultural workers were deprived of unemployment insurance in these States—excepting that employees engaged in grading, packing, and processing citrus fruits were left within the provisions of the Florida law.

Because most States have accepted the lead of the Congress on this issue, the original exemption of agricultural workers—without definition—now prevails in only 14 States: California, Connecticut, Kansas, Kentucky, Massachusetts, Montana, Nevada, New Jersey, North Carolina, Rhode Island, Texas, Tennessee, Vermont, and West Virginia.

We would like to call attention to the fact that the only one of these 14 States in which a large number of agricultural workers is employed is the State of California.

The reasons advanced for adding industrial agricultural workers to those originally excluded were (1) that they were "agricultural" labor, and (2) administration would be difficult because of the seasonal and migratory character of the jobs.

Anyone who is familiar with the packing-shed and dried-fruit industries, which include the largest section of these workers, knows that these jobs are industrial in character. The chairman of the Social Security Board points out, in an article written for the Social Security Bulletin, March 1945, that studies made by the Board and by the Bureau of Internal Revenue revealed that—

it was clearly incongruous to exclude a worker employed by a large corporation to operate an automatic machine for packing raisins, while extending coverage to his friend who worked across the road in a canning factory * * *. There is little to distinguish the conditions under which workers perform services in these plants from those in ordinary urban factories. Except for the product handled the work is virtually identical * * *.

Senator Morse stated during the debate on the Lea rider to the War Labor Board, on July 13, 1945, the passage of which detached the packing-shed workers from the jurisdiction of WLB:

Let us not mince words about that, and let us not be misled by the language "in whole or in part of agricultural laborers." We are dealing here, Senators, with a segment of our economy that involves great corporations which are engaged in agricultural processing and packing of food products in this country. We are not dealing with a farm problem at all. We are not dealing with agricultural laborers. We are dealing with a group of big-business processing and packing corporations that will see to it that they have a handful of agricultural laborers, so-called, in their packing sheds, so that this amendment will apply * * *.

In answer to the charge of administrative difficulties, the Social Security Bulletin of March 1945 points out that such difficulties will not arise in the very large plants which have all the modern methods of bookkeeping at their disposal. And in cases where such difficulties might arise, the Board is ready to institute special methods of handling the situation. These methods were described in Unemployment Compensation Letter No. 80, sent to all State employment agencies on February 5, 1945. The fact that 14 States have never changed their coverage also shows that administratively it is feasible to include these workers.

Although this bill still excludes some 2,700,000 workers from any form of social security or unemployment benefits, and the injustice

done to all agricultural workers must ultimately be corrected by legislation of a more permanent character than the measure now under discussion, it is extremely important that the first step be taken to begin the correction in this period.

UNCERTAINTY OF EMPLOYMENT IN RECONVERSION PERIOD

Full employment in agriculture depends, in the final analysis, on full employment and production in the basic industries. In the highly specialized and speculative crop industries in California, the possibility that there may not be a market can be enough to curtail production. And, unfortunately, the general outlook at the moment heightens that possibility.

Furthermore, the ending of the war, the curtailment of the lend-lease program, and uncertainties as to both foreign and domestic demands and needs may lead to a shift in crops, with all the attendant dislocations for labor which that entails. For example, during the war there was a certain amount of conversion in the California-Arizona area, with a shift from lettuce and specialized fruit production to a greater emphasis on carrots, broccoli, and other vegetables. If the industry decides to reconvert to the original crops, the differences involved in planting and harvesting will result in a longer period of unemployment than the usual seasonal slack.

UNFAVORABLE POSITION OF AGRICULTURAL PROCESSING WORKERS

Even without such shifts, the agricultural processing worker finds himself in a highly unfavorable position to face temporary unemployment. Even during the war years, with a highly expanded program of food production and with a scarcity of labor in this field, such factors as crop failures, storm damages, overlapping of seasons due to irregularities in the harvesting periods, and so forth, often led to periods of unemployment. During such periods, not only the worker but the entire community suffers, and local relief agencies are unduly taxed.

It was estimated in 1942-43 that in spite of an average hourly rate of 85 cents in the California-Arizona packing-shed industry, which is the best-paid area for this industry, the average annual earnings of workers did not exceed \$1,500 a year. In addition, the migratory worker's income had to meet the burden of traveling from area to area at his own expense. It is obvious that such annual earnings, which compare unfavorably with the estimated annual earnings of \$1,758 for California workers in nondurable goods industries in 1942, allow no margins for savings, and this group of workers is hardly prepared for an emergency such as they now face.

At this point in our statement I would like to ask your permission to send in within the next few days a supplementary statement dealing, in rather great detail, with the problems facing the agricultural processing workers in the State of California at the present date and the need for their inclusion within this bill.

The CHAIRMAN. You may do so. Get it in as early as you can.

Mrs. RHINE. Yes, sir. It is on the way from California, and I am sure we will have it in to you within a few days.

We want to point out that agricultural processing workers are war workers or have been doing war work during the war period.

AGRICULTURAL PROCESSING WORKERS AS WAR WORKERS

In spite of their unfavorable position as compared to workers in other industries, the packing-shed and other food-processing workers have an enviable record of production during the war. Our organization is proud of the fact that our membership observed its no-strike pledge 100 percent and that these workers actually increased their rate of production and stayed on the job to produce vitally needed foods. Their industries were correctly classified as essential and were listed by the War Production Board production urgency list along with airplanes, bombs, radar, tanks, and other items. Their record of production entitles them to the same consideration and treatment given other war workers.

The "home guard" workers, who depend on picking up other jobs in their communities between seasons in order to amplify their incomes, will also need help as these other employment opportunities become more difficult to obtain.

Perhaps I should explain that the home guard workers are differentiated from the migratory workers.

Workers in the home guard are workers who live in the agricultural communities and work seasonally in agriculture and outside of agriculture in other employment during the slack season of agriculture.

Their exclusion from this legislation would merely throw the burden to the local relief apparatus.

Before going into the subject of travel allowance I would like to emphasize that our organization specifically recommends that this committee amend this bill before you to include the 2,700,000 agricultural workers.

We feel that the bill as it is presently drafted has taken a very substantial step in the right direction by extending coverage to the estimated 300,000 agricultural processing workers, and that these workers must at all costs be included, but we submit that that is not of itself enough and the 2,700,000 agricultural workers that have been left out of the bill should also be included.

Senator MILLIKIN. Has an effort been made in California to get the California Legislature to remedy the condition to which you refer?

Mrs. RHINE. Yes, sir; an effort has been made.

The California Legislature recently enacted a bill to remove agricultural processing workers from the California State unemployment insurance bill California being one of the few States in which agricultural processing workers are included.

That bill was vetoed by the Governor of California, and it is only as a result of the Governor's action that the agricultural processing workers, much less the agricultural workers, are included within this State unemployment insurance bill.

TRAVEL ALLOWANCE FOR MIGRATORY WORKERS

As has already been pointed out, the migratory food workers have had the burden all during the war period of the expense of moving from area to area with the crops. In the fruit and vegetable packing industries, these "fruit tramps" are the most highly skilled and most experienced workers of all. They follow regular routes the year around and generally move their whole families with them.

These workers should by all means be given the benefits of transportation allowances by the Federal Government, as proposed in section 708.

That completes our formal statement, but I should like to take up a little more of your time to express the strong feeling of our organization that the emergency that we face is on us already, that this bill should be enacted with no delay, and that the question of effective date of the bill should certainly receive the consideration of this committee with a view to making the provisions retroactive to August 14 rather than leaving them as proposed to become effective at some date after the enactment of the bill.

I should like, also, to say that yesterday afternoon in the city of Camden, N. J., some 35,000 workers assembled at City Hall Plaza to consider the emergency which they faced by the fact that more than 300,000 people are already unemployed in the State of New Jersey alone.

Members of the Food, Tobacco, Agricultural, and Allied Workers Union of America participated in that meeting in Camden, and I was particularly asked to express to the members of this committee today the urgency with which the workers of the city of Camden, in addition to the entire labor movement, view the present situation, and to ask you to receive this report of their meeting yesterday afternoon as a plea to you to act as quickly and as favorably as you can on this bill so that the unemployed workers may get some relief without further delay.

That completes my statement, Mr. Chairman.

The CHAIRMAN. Thank you very much.

The next witness we have is Mr. Albert Fitzgerald, United Electrical, Radio, and Machine Workers.

STATEMENT OF ROBERT LOGSDON, INTERNATIONAL REPRESENTATIVE OF UNITED ELECTRICAL, RADIO AND MACHINE WORKERS

Mr. LOGSDON. Mr. Fitzgerald could not be present, and asked me to represent the organization.

My name is Robert Logsdon. I am the international representative for the same union, and also president of the St. Louis Industrial Council.

I would like, if I may, to read Mr. Fitzgerald's statement, and then comment on the war cut-backs and closings in my own community, that is, St. Louis, assuring the need for this bill.

STATEMENT OF ALBERT J. FITZGERALD, PRESIDENT OF UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA, CIO

Mr. LOGSDON (reading). For many months the United Electrical, Radio, and Machine Workers has joined with the CIO to warn Government and industry that unless adequate steps were taken to meet the problem of reconversion, mass unemployment would follow. Today, scarcely 2 weeks after the close of the Japanese war, millions have been thrown out of work. Throughout the country United States Employment Service offices have been swamped with requests for jobs, while State unemployment insurance agencies have been deluged with applications for jobless benefits.

Much of this, if not all of it, could have been averted had Congress not defaulted in its obligation to provide for the human aspects of reconversion. Although promises were made in this direction, little or nothing was done during the war for the benefit of the mass of the people and of returning veterans faced with the problem of adjustment from war to peace. By contrast, Congress passed legislation to take care of business in the reconversion period. The revenue acts in general and the Tax Adjustment Act of this year in particular guaranteed corporations huge postwar tax refunds and at the same time permitted them to build up vast reserves sufficient in themselves to weather the storms of reconversion. In addition, a very liberal Contract Settlement Act provided business with additional funds once war contracts were terminated. Favorable legislation was also passed dealing with the disposition of surplus property and with the removal of Government property from the plants of private contractors.

While these measures were being adopted to safeguard the interests of business in the transitional period from war to peace, nothing was being done to take care of the human aspects of reconversion. Of course, there was a lot of talk about tackling this problem. Congressional committees even held public hearings on it. At these hearings the testimony of experts was respectfully listened to and the warnings of the CIO duly recorded.

As a result of this do-nothing policy the Nation today is faced by a serious economic crisis. Millions of workers have been laid off following the wholesale and abrupt cancellation of war contracts. Under the circumstances, the time for action has come. National purchasing power must be maintained at the high levels needed for a full production-full employment economy. Part and parcel of a well-developed plan of full production-full employment is an adequate system of unemployment insurance.

We in the UE consider the pending Kilgore emergency unemployment-compensation bill (S. 1274) a step in that direction. Designed to increase the amount of unemployment benefits to \$25 a week and the duration of time to 26 weeks, the proposed measure has our endorsement and support.

That the present State unemployment compensation system is inadequate both as to coverage and rates of payment has long been recognized. As far back as 1943, a group of experts, surveying the existing system in 11 States, warned of the inadequacy of the benefit provisions of the State laws in case of unemployment after the cessation of hostilities (report of the New York Joint Legislative Committee on Industrial and Labor Conditions, Legislative Documents (1943) No. 39, p. 101). Again, in 1944, the Federal Social Security Board noted in its annual report that unemployment benefits were "too short in duration and too small in amount" (Social Security Board, Ninth Annual Report, 1944, p. 7). Virtually the same observation was made by President Truman in his message to Congress on May 28 when he said that "weekly benefit payments under many of the State laws are inadequate" and that the "length of time for which such benefits are paid is too short."

The UE agrees fully with the President's conclusion. Conducting a study of its own in States where the bulk of the electrical machine industry workers are employed, it found most States fixing a maxi-

imum rate of \$18 to \$20 a week. Such a rate is clearly insufficient to protect unemployed workers from ruthless cuts in living standards, particularly when they have families to support. In addition, our survey showed that in a little less than one-half of the States, to be exact, in 43.5 percent, no worker can receive more than 20 weeks of benefits in any year, and many workers do not qualify even for this length of time. Furthermore, our study revealed that maximum total benefits range from a low of \$240 to a high of \$572, hardly enough to maintain purchasing power or to provide the worker with a reasonable measure of economic security. In a State like Missouri, where the unemployment of electrical workers, especially in the St. Louis area, is very acute, maximum total benefits come to only \$288. These benefits are computed on the basis of a maximum weekly rate of \$18 paid over a maximum period of 16 weeks.

The following table, taken from the Commerce Clearinghouse Unemployment Insurance Service report of June 26, 1945, gives weekly maximum and minimum benefit rates, the maximum length of time such rates are paid, and the maximum total benefits in those States where the bulk of the workers of our industry are employed:

State	Weekly benefits		Maximum weeks payable	Maximum total benefits
	Maximum	Minimum		
Arkansas.....	\$15.00	\$3.00	16.0	\$240.00
California.....	20.00	10.00	23.4	468.00
Connecticut.....	22.00	6.00	18.0	396.00
Delaware.....	18.00	7.00	22.0	396.00
Illinois.....	18.00	7.00	26.0	360.00
Indiana.....	20.00	5.00	20.0	400.00
Iowa.....	18.00	5.00	18.0	324.00
Kansas.....	16.00	5.00	20.0	320.00
Kentucky.....	16.00	5.00	20.0	320.00
Maryland.....	20.00	7.00	26.0	520.00
Massachusetts.....	18.00	6.00	20.0	360.00
Michigan.....	28.00	10.00	20.0	560.00
Minnesota.....	20.00	7.00	20.0	400.00
Missouri.....	18.00	3.00	16.0	288.00
New Jersey.....	22.00	9.00	26.0	572.00
New York.....	21.00	10.00	26.0	546.00
North Carolina.....	20.00	4.00	16.0	320.00
Ohio.....	16.00	5.00	18.0	288.00
Pennsylvania.....	20.00	8.00	20.0	400.00
Rhode Island.....	18.00	6.75	20½	364.50
Vermont.....	20.00	6.00	20.0	400.00
West Virginia.....	20.00	8.00	21.0	420.00
Wisconsin.....	20.00	8.00	20.0	400.00

Senator HAWKES. Would there be anything to the statement I heard that the average electrician in the New York area made \$18 a day?

Mr. LOGSDON. The people who make \$18 a day—and I think that statement is quite true—are the construction electricians who are members of the International Brotherhood of Electrical Workers.

Although our name is United Electrical Radio and Machine Workers of America, it means the electrical manufacturing plants. We do not have any construction electricians in our organization at all.

We in the UE favor the pending legislation not only because it increases the amount and duration of unemployment benefits but also because it extends the coverage of those benefits to new categories of workers. Under the proposed emergency bill, Federal and maritime workers will be eligible for insurance benefits. This will assure hun-

dreds of thousands of workers when unemployed of a definite income for a definite period of time. The extension of the coverage to these new workers will help maintain purchasing power and by so doing make possible a greater market for radios, electrical equipment, and household appliances.

The proposed Kilgore bill has another commendatory provision—the payment of transportation allowances to workers referred to employment in another city by the United States Employment Service.

The pending legislation does not correct all of the abuses in State unemployment compensation laws. Many States have been insisting that workers hitherto making from 60 cents to 70 cents an hour take jobs paying 40 cents to 50 cents an hour or else be disqualified from compensation benefits. Such practices will tend to degrade the entire wage levels of the States concerned.

An adequate unemployment compensation bill is of vital concern to every American worker. With the termination of war contracts millions were and are still being laid off. Today they stand face to face with the devastating effects of unemployment on the health and happiness of their families. Not that Congress has not been warned of such a possibility. During the past year congressional committees have heard testimony conservatively placing the number of postwar unemployed anywhere from 5 to 10 million. Recently, the War Manpower Commission estimated that unemployment would reach a level of 8,000,000 by Christmas. This estimate, like so many others, is based on optimistic assumptions regarding the number of women and older workers who will leave the labor force.

That the WMC estimate regarding postwar unemployment erred on the side of optimism is becoming increasingly evident in the light of what is happening today. Reports coming in to the UE national office from all over the country indicate wholesale lay-offs. The electrical-machinery industry, which saw an increase in employment from 250,800 in 1939 to 836,600 in 1944, is being particularly hard hit. In the metropolitan area of New York 50,000 electrical, radio, and machine workers lost their jobs 1 week after VJ-day, 10,000 in Dayton, 10,000 in Chicago, and 29,000 in Missouri, Iowa, and Kansas. For the Nation as a whole, the number of unemployed in the electrical-machinery industry came to 233,000—and this only 1 week after the collapse of Japanese resistance.

Reports coming to us concerning the duration of unemployment vary in respect to different plants and different areas. Some large units have shut down entirely and will not reopen. Others are operating with small maintenance crews and promise little in the way of reemployment at some future date. Still others, working with a fraction of their former labor force, say they intend to rehire in 60, 90, or 120 days depending on the speed with which they can reconvert.

In this connection it is important to note that the War Production Board recently estimated that it would take the electrical-machinery industry 6 months to reconvert for the production of mechanical refrigerators at a minimum rate and 12 months at capacity; 5 months for domestic electric ranges at a minimum rate and 9 months at capacity; 6 months for domestic sewing machines at a minimum rate and 9 months at capacity; and 2 months for domestic cooking and heating stoves at a minimum rate and 5 months at capacity. In the

light of these reconversion estimates and reports coming into the UE national office regarding the prospects of reemployment, the proposed legislation lengthening the period of unemployment benefits to 26 weeks seems a very modest provision.

Those who wish to scuttle even such moderate proposals are advancing the argument that workers have enough savings to meet the present situation. Evidently they are unacquainted with studies that have been made on the size and distribution of wartime savings, studies which conclusively show that workers, particularly in the lower family income groups, have little or no savings to fall back upon in order to tide them over periods of unemployment.

That the workers have no sizable backlog of savings to meet the stress of months of total unemployment can be seen if we turn to a survey made by the UE on August 22 and 23, about 1 week after VJ-day. A questionnaire was distributed to UE members in the New York metropolitan area asking them to state what their yearly earnings were, the income contributed by others in the family who were working during the year, and the amount of money the family had in savings at the present time. About three-fifths of those responding to the questionnaire had just been laid off.

Our survey showed that the average family savings of most workers in our industry—their so-called reserve fund—was pitifully insufficient to meet the exigencies of total unemployment; 66.9 percent of those who answered our questionnaire fell in the family income group making \$3,000 and under a year. Their average family savings came to only \$214.52. But even this does not tell the whole story. Break down this family income bracket into its component parts and the amount of average family savings decreases proportionately. For example, in the family income group under \$2,500 the average savings totaled \$136.54, while in the group under \$1,500 they came to only \$76.32. These figures clearly indicate that workers just don't have enough savings to tide them over weeks and months of complete joblessness.

The following table shows average family savings among UE family income groups as of August 22-23, 1945:

Family income group:	Average amount of family savings
Less than \$1,500	\$76.32
\$1,500 to \$2,000	119.22
\$2,000 to \$2,500	239.30
\$2,500 to \$3,000	358.52
Over \$3,000	1,163.99

Further counterbalancing the small backlog of savings that workers' families in the electrical-machine industry have is the amount of money owed by them on furniture, household equipment, loans, and so forth. We have every reason to believe that such outstanding obligations cut heavily into the existing reserve, particularly in the lower family income brackets. Thus, to speak of workers having sufficient funds to meet the stress of total unemployment is to indulge in the same wishful thinking that assumes away the seriousness of the current economic crisis.

One way to stop the present situation from deteriorating further is to assure unemployed workers a definite income for a definite period. Although this in itself will not be enough to avert a deep-seated de-

pression, it will nevertheless prevent an immediate and sharp decline in consumers' expenditures. In this way it will tend to arrest the downward spiral of consumption and production. Moreover, it will help to keep up the morale of American citizens who defended their country in its hour of need. Working on the production line and fighting in the foxholes, they deserve from a grateful Nation adequate protection in times of adversity, particularly when such times come about through no fault of their own. They must not be allowed to go hungry or sell apples on street corners.

We in the UE see in the passage of the proposed emergency unemployment compensation bill the first step in the development of an extended, expanded, and improved social-security program. The adoption of the Wagner-Murray-Dingell bill is part of the full production, full employment economy, without which true peace cannot be achieved. For a better and more secure world we must lick the growing avalanche of mass unemployment. We cannot afford to wait until it licks us. The measures we adopt must not be too little and too late.

STATEMENT OF ROBERT LOGSDON—Resumed

Mr. LOGSDON. On Monday, August 27, when the USES office opened in St. Louis at 8 a. m., a multiple line seeking jobs extended from the entrance on Broadway and Locust Street, down Locust Street to Fourth and around Fourth midway of the block.

The doors were opened at 8. By 10:30 a. m., the four huge floors of the USES could hold no more. On orders of Tom Gaukel, WMC supervisor, the doors were closed until some of the thousands inside could be served. There was good reason for Gaukel's action.

The line outside was as long as at 8 a. m. and the impatient, pressing crowd of job seekers could have easily been panicked. When the day was over, a new record of 14,000 men and women had flowed through its offices.

Such was St. Louis day before yesterday.

The impact of plant closings and lay-offs in the St. Louis area has been tremendous. The largest industrial plants in the city have been closed because of the termination of war work. The U. S. Cartridge Co. which employed 17,000 workers only 6 weeks ago is closed. The situation is worsened in St. Louis because William H. Davis denied severance pay of 1 to 4 weeks' pay to laid-off U. S. Cartridge workers after the company and the union agreed upon such a program. Thus the 17,000 laid-off workers from that plant were denied \$2,500,000 in lay-off pay despite company and union agreement. It is interesting that Davis based his decision on the fact that Government unemployment insurance made severance pay unnecessary. Peak employment at this plant was in excess of 40,000.

The Emerson turret plant, where employment reached a peak of 7,500, is now down to 200 men in the clean-up gang. The Curtiss-Wright plant, which employed 12,000 here only a few months ago, is permanently closed and that firm has abandoned St. Louis after stirring production record in the construction of war planes.

McQuay-Norris bullet-core plants, which had a maximum employment of 7,500 are through. McQuay-Norris Navy ordnance plant,

which employed 2,000 men and women on radar work, is closed and the workers released. The Atlas Powder Co.'s Weldon Springs plant, which employed 5,500 at the peak, is being swiftly liquidated. The G. M. shell plant had a top employment of 3,000 only 6 weeks ago but is now closed and the workers are all laid off.

There are many smaller war plants in the city which have closed permanently, such as the Paper Converters Co., which had 225 Negroes on the pay roll and made bomb racks; the Gund Manufacturing Co., which manufactured fuses and employed 100 people; and the hundreds upon hundreds of guards who were employed to guard plants engaged in war work. The little feeder plants, machine shops, and special departments of established businesses, all of which employed a substantial number of war workers, have now closed leaving thousands jobless.

The effect of these plant closings can be seen in the records of the United States Employment Service and the Unemployment Compensation Commission offices in St. Louis. Total peak employment in the St. Louis area was 687,600 on November 1, 1943. By March 15, 1945, this had already decreased to 662,600. Between March 15, 1945, and VJ-day there were a total of over 70,000 job reductions in the St. Louis city and county area alone. Many of these are accounted for by the reduction of employment at the U. S. Cartridge plant. Since VJ-day it is estimated that an additional 50,000 have been laid off from their war jobs or other jobs which were dependent on war industry.

Up to March 15, 1945, 141,000 St. Louis men and women entered the armed services. Since that time approximately 10,000 military personnel have been discharged from the service and have returned to the St. Louis area. Therefore the greatest bulk of men in service to be discharged in this area is yet to come. In the fact of this large bulge in unemployment, on August 27 the United States Employment Service in St. Louis reported approximately 10,500 unfilled openings, largely in retail and wholesale trade, leather products, food, and iron and steel. About 8,000 are for men, the remainder for women.

Senator MILLIKIN. I should like to ask how many were employed normally prior to the war in the St. Louis area?

Mr. LOGSDON. Prior to the war I have the exact figures.

On the 1st day of March 1940 the employment in St. Louis was 533,019.

Senator MILLIKIN. Is the addition largely accounted for by people coming into the area or have you employed people like women who have not been accustomed to working in normal times?

Mr. LOGSDON. Both ways.

For instance, the USES sent out trucks, sound wagons, to rural communities and they brought in a large number of people.

Then there were people who had the difficulty in securing jobs in normal times, women over 35 and men over, say, 50 or 55.

In addition to that there was certain percentages of women coming out of the homes.

Contrast these figures with the fact that since August 14, 1945, up to August 27, 1945, approximately 37,000 men and women have jammed the United States Employment Service office in search of jobs and applying for unemployment compensation. On Monday, August 20,

more than 9,000 people went through the United States Employment Service. On Monday, August 27, approximately 14,000 people went through the Employment Service. This shows the continuing impact of additional lay-offs as they permeate down through the economic structure.

Between August 14 and August 25, 21,704 new claims were filed with the State Unemployment Compensation Commission in the city of St. Louis. Figures are not yet available for the number of claims filed on Monday, August 27, 1945, but with a crowd of over 14,000 it can easily be seen that it was exceedingly high. It was necessary for the United States Employment Service to lend much of its own personnel to help the Unemployment Compensation Commission take claims in the face of this deluge of job seekers.

It should be noted that the plants which closed are the plants with the highest wage scales. This is natural since they are in war industries. This will result in a tremendous loss of purchasing power in St. Louis. It is estimated that, because of the long hours worked, the average St. Louis war worker made \$40 per week. At the present time our figures indicate that there are 60,000 St. Louis workers able to work and wanting to work for whom there are no suitable jobs. Every indication is that this figure will increase to 100,000 by the first of the year. We anticipate a peak of unemployment of around 125,000 in the St. Louis area next spring with a gradual drop thereafter.

If we assume that there will be an average of 100,000 unemployed in the coming year, it will cut purchasing power in St. Louis at the rate of \$4,000,000 per week. There is no need of stressing here the effect of such a drastic reduction in purchasing power upon our economy.

Peacetime St. Louis plants are now operating at employment which is as high as any attained in the history of such old-time St. Louis plants as Wagner Electric, Emerson Electric Division, Century Electric, St. Louis Car, and the many St. Louis shoe factories whose employment is larger in number today than prior to the war. This means that such plants will have little use for the tremendous number of displaced war workers but will be able to produce a greater quantity than prior to the war without the addition of a single man or woman to their working forces. The fact that only a part of the 10,500 jobs now available in St. Louis are in wholesale and retail trades shows what a forlorn hope it is that displaced workers can find jobs in that direction. An interesting tendency in the Midwest is the ever increasing number of self-service markets, particularly supermarkets, in the grocery retail field, which permanently displace workers from peacetime jobs and severely limit job opportunities to new workers.

The abandoned war plants under peacetime conditions, at best, will offer employment only to a fraction of the number of those who have been laid off from war work. For instance, the U. S. Cartridge plants at one time afforded jobs to over 40,000 St. Louisans. In addition to this, the General Motors shell division gave employment to 3,000 additional workers in the same set-up of buildings. Now the Adjutant General of the Army is to take over this set-up of buildings, with an Army record center with jobs for about 6,000 under civil service. Not only is the number of jobs available under such a plan restricted to about 15 percent of the war work total in the same plants, but many

of these 6,000 will be transferred from other record centers to St. Louis. Thus the number of jobs made available is actually far less than 6,000. In addition to this, all of these new jobs will be available only to ex-servicemen. Although we have no objection to giving the servicemen preference in any or all of these jobs, the fact remains that jobs or substantial unemployment compensation must be made available to the tens of thousands of displaced workers from this plant.

Again, take the example of the Amertorp plant, which at the peak of torpedo production had a working force of 5,500. This plant will soon be used in its entirety by the American Can Co. for can production and employment will never exceed 900 in that business. Let us look at the Atlas powder plant near St. Louis. Five thousand five hundred production workers found employment here during wartime. When the present curtailment is finished and the plant closed, all this plant will have that is of any value for private industry is a large steam plant located 35 miles from the city limits. These samples show that uses now intended for closed war plants in St. Louis will offer no solution to the tremendous unemployment problem which faces us. There must be an outpouring of new private industry here to absorb surplus workers.

The large number of female workers employed in war industry will not simply evaporate from the labor market. Almost one-third of the total employment in this labor market area were women workers on March 15, 1945. Our union has made spot checks among female workers in such large plants as U. S. Cartridge and Emerson Turret. We find that around 70 percent of such women hope and intend to remain in industry. Good reasons are given by those who wish to remain on the jobs. Some of them have children to support, others have husbands in the service, still others have husbands employed in retail and associated trades where the pay rates are simply too low to maintain a decent standard of livelihood for a family.

Negroes have been eliminated wholesale from industry. The largest single concentration of Negro workers was in the U. S. Cartridge plant where 3,300 colored workers have been permanently laid off. Since these workers, because of the St. Louis pattern of discrimination by industry to Negroes, had the least seniority, not only have they been eliminated by the closing of war plants but were also the first to be laid off by the cut-backs in peacetime plants. The entire Negro community here of about 115,000 faces an unemployment problem of the greatest magnitude.

A substantial part of the working force at U. S. Cartridge, Emerson Turret, and the other war plants resulted from the migration of rural and farm labor from surrounding territories. Most of these workers intend to remain in St. Louis. In spite of their absence from the farms, production of foodstuffs has increased. Tractors are used in ever greater measure in all phases of plowing instead of for merely breaking up the ground in the spring. Each tractor operated by one man displaces at least four men with teams in plowing. The development of the cotton picker and other advanced farm machinery will add to this trend. Even if these people wanted to go back to the farm there would be no place for them there. They remain a St. Louis problem and must be treated as such.

The problem of lay-offs and unemployment is not confined to the giant war plants which closed. Each of these plants had subcontractors feeding parts into the stream of its production. Some of the subcontractors may have employed several hundred men. Others were machinists who opened small shops in vacant store buildings and in their basements. In either case the net result is a shop which is closed and workers looking for jobs. We estimate that a minimum of 5,000 workers have been displaced as a result of the wholesale closing of subcontractors' establishments.

The men who were employed in work of this type will inevitably come into competition with the displaced workers from the war plants and will add to the general confusion. If we assume the \$4,000,000 weekly loss in pay rolls is anywhere near correct, this means that retail and wholesale establishments and service trades will find a much tighter market for their merchandise or services. The result of the loss in spending power by the public will be a chilling of any impulse by such industries to expand their sale and service forces. They will tend, rather, to restrict such forces to a minimum in the interests of maintaining the profits of their respective businesses.

We might sum up the situation in war work in St. Louis in this manner: 255 out of 262 prime contracts have been canceled in the St. Louis area. The seven remaining contracts are not large projects. Some 60,000 are now unemployed here. We look forward to the unpleasant certainty of around 100,000 unemployed citizens by January 1. We see no immediate expectancy of any substantial portion of this unemployed group being absorbed by business or industry.

The Missouri unemployment-compensation law provides for the payment of a maximum of \$18 per week and a minimum of \$3 per week to laid-off workers, dependent upon their earnings, for a maximum period of 16 weeks. The largest amount any unemployed worker can draw in a period of 1 year is \$288. If the earnings of the 100,000 unemployed would have amounted to \$200,000,000 at war work and they drew the maximum sum of \$288 each from the Missouri unemployment compensation their purchasing power will be cut to about $\frac{1}{8}$ of their regular earnings. Since many of them will not receive the maximum of \$18 per week, the actual amount will be even less than 12 percent of normal earnings or normal purchasing power. We have already shown that we cannot expect St. Louis industry or business to absorb any large percentage of the unemployed within the 16-week period permitted by Missouri law. This means that unless these payments are supplemented by Federal aid, we will again face the specter of hunger, apple selling, and food riots in our city. At present-day prices, which are far inflated in relation to prices when the Missouri unemployment-compensation law was established, \$18 will not permit the recent survival of a family, much less an American standard of living.

The question may be raised what about the war bonds purchased by the workers? In the first instance, this factor may be greatly exaggerated. With an average of around \$40 a week, and this means take-home pay, it was not possible for a great number to establish a sizable backlog of war bonds. After a pay check has been worked over by social-security deductions, War Chest donations, Blue Cross hospitalization check-off, war-bond deductions, and the 20-per-

cent income tax deductions, it has no inflated look. Even if some of the laid-off workers do have war bonds which were gained at the price of hard work at long hours, it is a moot question whether or not the interests of the Nation will be served by the demand that they redeem these war bonds. The proposal for unemployment insurance of \$25 for a period of 26 weeks would add substantially to the solution of the problem in St. Louis. While it would not make possible an American standard of living for such workers, it would make a decent survival standard possible. The jobs of these workers are as much casualties of the war as are the destroyed ranks and planes which were lost in battle. If our people are to patiently wait for jobs to become available, nothing less than this proposal can be offered them in good conscience.

The maximum additional amount required above the present Missouri total of \$288 is \$362. This is a small amount to pay to save the family of a war worker whose production made victory possible.

I would like to add one more point.

The city of St. Louis has passed a \$67,000,000 war-bond issue for postwar improvement in the city.

In the city of St. Louis there is relatively good relationship between the city administration and labor. There is an active committee of 12 proposed of 4 city administration officials, and 2 from the A. F. of L. and 2 from the C. I. O. and 2 from the chamber of commerce.

We worked together to get that Army job in St. Louis. We have worked together to hold work there.

We worked together on this \$67,000,000.

However, it will only give jobs to 8,000. Right now we have only 20 percent of it ready for work.

We have proposed another bond issue of \$300,000,000 to give jobs to 40,000. However, to do that we have got to expand the city limits of the city and that is a very difficult job to do.

The point I am making is this. All of this will give relief to craft workers in the building trade. It will give no relief to factory workers who have no skill in that particular type of work.

That is all I have, unless some questions.

The CHAIRMAN. Thank you very much.

Mr. LOGSDON. Thank you.

The CHAIRMAN. We have another witness, Mr. Arthur Stein. I believe Mr. Stengle went home because of some illness in his family.

All right, Mr. Stein, come around and have a seat.

STATEMENT OF ARTHUR STEIN, SECRETARY-TREASURER, UNITED FEDERAL WORKERS OF AMERICA, CIO

Mr. STEIN. Mr. Chairman and Senators, the United Federal Workers of America, in common with all of the CIO, favors strongly the immediate liberalization of the duration and amounts of unemployment compensation benefits. We believe these benefits should reach at least \$25 a week for 26 weeks through Federal aid. We believe that the present level of State unemployment-compensation benefits is generally too low in amount to meet the high cost of living, and too short in duration to meet the extended period of reconversion unemployment. If American democracy is to set an example to the world, I do not

think we can afford to find ourselves in a situation where millions of American workers are forced to resort to charity to support their families, or to live below the minimum decent standard which we associate with the American way.

Apart from the desperate human needs of American workers in the period of reconversion, our national policy should be such as to maintain as much as possible the present level of purchasing power, in order to avoid serious deflation and economic depression.

We advocate the principle of Federal aid to the States because both employment and unemployment were national problems, recognized as such even before the war and made more Nation-wide in scope by the war itself.

However, I have come here primarily to testify in behalf of the employees of the Federal Government, to ask for their inclusion under this system of unemployment compensation. Before the war it was argued, perhaps with some justification, that Federal workers did not need unemployment insurance because of the relatively stable nature of their jobs. No one seriously holds this view at the present time. Estimates of lay-offs in the Federal Government range from one to two million. There are workers who have given more than efficient service during this war, as recognized by President Truman in his statement on VJ-day. Many of them have done so at considerable personal sacrifice. For instance, I should like to remind the committee that the 15 percent increase in base pay rates and full time-and-a-half compensation for overtime work, both of which were in existence for workers in private industry throughout the war, did not become law for the Federal service until June 1945. Federal workers who are now becoming unemployed have the same needs for their families as do the industrial workers of the country. Furthermore, the deflationary effect on the national economy of one to two million unemployed Federal workers will be as great as if they had been steel workers or munitions workers. In short, I can see no reason why Federal workers should not be included in the provisions of an unemployment compensation system.

There has been some question as to whether, if unemployment compensation is extended to employees of the Federal Government, they should be covered under the separate State plans or by a uniform national scale of payment. We are highly in favor of the latter method; first, as a matter of equity and justice, since Federal workers are paid when they work on a uniform scale and because they have a single employer; and, second, because we believe that the cost of administration of the uniform national system of operating through the States would be far less. We propose that an unemployed Federal worker in any State may apply to the nearest unemployment compensation office and after proper certification receive his unemployment compensation benefits from that office, with the State to be fully reimbursed by the Federal Government.

We suggest that the unemployment benefits to be paid follow a schedule such as the one submitted herewith. This schedule is in proportion to the full-time weekly or bi-weekly earnings of the employer but it does not in any case exceed two-thirds of the full-time earnings and it does not go higher than \$25 a week with a duration of 26 weeks.

Proposed weekly schedule of unemployment-compensation benefits for Federal workers

Most recent earnings for full week's work	Most recent earnings for full 2 weeks' work	Weekly benefit amount
Less than \$15.....	Less than \$30.....	\$10
\$15 to \$16.49.....	\$30 to \$32.99.....	11
\$16.50 to \$17.99.....	\$33 to \$35.99.....	12
\$18 to \$19.49.....	\$36 to \$38.99.....	13
\$19.50 to \$20.99.....	\$39 to \$41.99.....	14
\$21 to \$22.49.....	\$42 to \$44.99.....	15
\$22.50 to \$23.99.....	\$45 to \$47.99.....	16
\$24 to \$25.49.....	\$48 to \$50.99.....	17
\$25.50 to \$26.99.....	\$51 to \$53.99.....	18
\$27 to \$28.49.....	\$54 to \$56.99.....	19
\$28.50 to \$29.99.....	\$57 to \$59.99.....	20
\$30 to \$31.49.....	\$60 to \$62.99.....	21
\$31.50 to \$32.99.....	\$63 to \$65.99.....	22
\$33 to \$34.49.....	\$66 to \$68.99.....	23
\$34.50 to \$35.99.....	\$69 to \$71.99.....	24
\$36 or more.....	\$72 or more.....	25

NOTE.—Weekly benefit amount is not more than $\frac{2}{3}$ of the earnings for a full week's work.

The amount of earnings on which the unemployment compensation amount should be based should be the amount of the worker's last full-time weekly or biweekly pay check. This differs somewhat from the methods which now prevail in the computation of benefits for industrial workers by the States, where the benefit amount is computed on the basis of earnings over a considerable period. The reasons for suggesting this simpler method are:

1. There has been very little fluctuation in the pay received by the average Federal worker over the past year, particularly among the per annum employees who are paid on an annual basis, and therefore an averaging process is not necessary.

2. The Federal Government maintain no centralized pay record for its employees. A man who has worked in two or more departments in the past year or even in two or more different establishments of the same department is not covered by any single pay-roll record, and experience has shown that it may take several months for the Federal Government to prepare a statement of earnings going back for as long as a year.

Finally, we advocate a provision for paying transportation costs of dismissed employees of the Federal Government either back home or to a new job. I think this is necessary to avoid a situation which prevailed after the last war when Mr. Bernard Baruch paid the expenses of members of his department out of his own pocket. It is necessary in order to permit the quickest relocation of the people who left their homes to serve the Federal Government in such centers as Washington or the west coast. Many of them will be able to find jobs at home but will not be able to get such jobs because they will not have the money to get back. As I indicated earlier, for almost the entire duration of the war, salaries of Federal workers were not such as to permit them to accumulate any savings or reserves that they could now use to defray travel expenses.

I sincerely hope the committee and the Senate will give this question speedy consideration. Every day brings news of mass lay-offs in Federal as well as private employment. Government arsenals are

being closed, navy yards reduced in force, while today we learned that the OPA is laying off 15,000 price clerks throughout the country.

That completes my testimony.

The CHAIRMAN. Thank you very much.

The committee will recess.

I am sorry you gentlemen had to sit here so long.

Senator HAWKES. It is a very important subject, Mr. Chairman, and I did not mind staying at all.

The CHAIRMAN. We will recess until 10 o'clock tomorrow morning. (Whereupon, the committee adjourned at 5:45 p. m., to reconvene at 10 a. m., Thursday, August 30, 1945.)

EMERGENCY UNEMPLOYMENT COMPENSATION

THURSDAY, AUGUST 30, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Barkley, Byrd, Lucas, McMahon, Vandenberg, Taft, Millikin, and Hawkes.

The CHAIRMAN. The committee will be in order.

All right, Dr. Altmeyer, you may proceed. You may give us a sort of an interpretative analysis of the bill, what the bill does and what the important points are. I think it will be very helpful to us. It will be in the record, and, of course, the other members can read it.

STATEMENT OF ARTHUR J. ALTMAYER, CHAIRMAN, SOCIAL SECURITY BOARD

Mr. ALTMAYER. First, I would like to make a short general statement. I have no prepared statement, because I did not want to duplicate what Senator Kilgore and other proponents have said and will say in support of the bill.

On behalf of the Social Security Board, I do endorse the bill 100 percent, so far as its objectives are concerned and so far as its main provisions are concerned.

Senator VANDENBERG. Did you help draw it?

Mr. ALTMAYER. Yes, we helped; but we did not assume responsibility for the policy decisions that were made.

Senator VANDENBERG. I was wondering about the source of your enthusiasm, that is all.

Mr. ALTMAYER. No; it was not because we helped draft it, but because we believe in the objectives of the bill.

Since 1935, as you know, this committee, on behalf of Congress, has indicated an interest and a responsibility for unemployment insurance in this country.

Titles 3 and 9 of the Social Security Act, which are now a part of the Internal Revenue Code, dealt with the subject of unemployment insurance. The effect of that provision in the 1935 act was, of course, to induce all the States to pass unemployment insurance laws, which they have done. I doubt whether a single State would have felt that they could, going alone, enact an unemployment insurance law. As you will recall, there was only one State that had done so.

The CHAIRMAN. What State was that?

Mr. ALTMAYER. That was Wisconsin.

The CHAIRMAN. That is right.

Mr. ALTMAYER. At the time that the Social Security Act was first brought up for discussion, I am doubtful whether that State would have felt it could have continued alone because of the effect on interstate competition. But now, with this war and postwar situation, I believe it is all the more important that we recognize that the Federal Government does have a responsibility in this field of unemployment insurance. You will recall we all urged the war workers to stay on the job until the job was finished, when there was much restlessness and concern on their part. They would have liked to get back to a peacetime job. We said, "Stay on the job. We have to turn out the war materials; we have to win the war first." Then, when the question of demobilization of soldiers came up all of us said, "We favor the immediate demobilization of soldiers without regard to whether or not the labor market is or is not ready to receive them. We cannot proceed on the basis that it will increase unemployment; we must assume that risk. We cannot keep them in the Army solely for that reason."

Now, with the ending of the war, the War Mobilization and Reconversion Act, itself, you will recall, does provide that there shall be cut-backs immediately and that no production continue simply for the purpose of providing employment.

So, the Federal Government, through these various actions, in my opinion, has assumed a serious responsibility for the plight of these war workers when they are being laid off, as they are now in very large numbers. We cannot say that the unemployment that is resulting now is due to individual inefficiency or failure or fault of the workers. It is due to governmental action very largely.

I have a few figures showing what the claims load is, how it is developing in the States. We get figures weekly as to the number of persons who are filing claims for unemployment benefits, State by State. Last week, the week ending August 25, the number of workers filing unemployment compensation claims for the first time reached the highest point in the history of the unemployment-compensation system. It was more than 50 percent higher than in any previous week since the unemployment-compensation system has been in effect. The actual figure is 596,458 initial claims.

The CHAIRMAN. How many, Doctor?

Mr. ALTMAYER. 596,458 initial claims were filed last week. That is about 11 times the number received the week prior to Japan's surrender.

Senator McMAHON. How many times?

Mr. ALTMAYER. Eleven times.

Unemployment-compensation claims of all kinds, including the waiting period and compensable claims, reached a total of 960,913 last week. That is three times as high as the total for the week ending August 11. There you get the first impact of unemployment, the number of initial claims that are filed.

The CHAIRMAN. By "initial claims" you mean what?

Mr. ALTMAYER. Claims filed for the first time.

The CHAIRMAN. You mean the first time that the worker has filed?

Mr. ALTMAYER. Yes; the first time that the worker has filed. They

are required to report weekly at the unemployment office thereafter, in order to make certain that they are holding themselves available for work and are willing to accept suitable work.

These figures for unemployment-compensation claims do not measure total unemployment. They measure only the number of workers who believe they are eligible for unemployment benefits under the present State laws. They do not include any Federal Government workers, even those employed in Army arsenals or Navy shipyards, nor any of the other classes of workers not now covered by State laws.

The labor market areas most severely affected by the shut-downs and reporting total claims of over 20,000 each for the week ending August 25 were: Detroit, Mich., 87,577; Chicago, Ill., 59,401; Los Angeles, Calif., 50,578; New York, 48,229; Newark, N. J., 37,983; Buffalo, N. Y., 25,117; and Paterson, N. J., 22,870.

The CHAIRMAN. Have you got the figure on Atlanta, Doctor?

Mr. ALTMAYER. There were 3,696 claims.

Senator BARKLEY. Have you got anything on Louisville?

Mr. ALTMAYER. There were 6,062 in the Louisville area.

Senator VANDENBERG. They are all in States that get the least out of this bill; is that right?

Mr. ALTMAYER. In its present form, yes; that is right.

The CHAIRMAN. Well, they are pretty well cared for. They got a lot of war contracts during the war period.

Mr. ALTMAYER. These figures do not include the war veterans.

The CHAIRMAN. It does not include the veterans?

Mr. ALTMAYER. It does not include the veterans. They are receiving readjustment allowances.

The CHAIRMAN. You do not handle them, do you, Doctor?

Mr. ALTMAYER. No; that is handled by the Veterans' Administration. The last figure I have here is June. There were approximately 32,000 drawing readjustment allowances which are really unemployment benefits.

In estimating the cost of this bill, we had to make certain assumptions as to the amount of unemployment that is going to develop.

Senator McMAHON. What would constitute guesses?

Mr. ALTMAYER. Yes; they are just informed guesses.

Senator BARKLEY. Before you go any further, Doctor, you gave the number of initial claims filed last week. Have you added up the total that have been filed since you—what you might call this particular unemployment era was contemplated? You said it was more than 11 times the last week.

Mr. ALTMAYER. Yes. I gave you the figure of 960,000 which includes not only the initial claims filed last week but the continuing claims. The initial claims are the significant thing. That is a significant index.

Senator BARKLEY. How far back would you calculate these initial claims? How many weeks do they cover?

Mr. ALTMAYER. You mean for the future?

Senator BARKLEY. You said you had five-hundred-some-odd thousand.

Mr. ALTMAYER. Those are the ones just filed last week.

Senator BARKLEY. Yes; but you had some the week before.

Mr. ALTMAYER. Yes.

Senator BARKLEY. From what date do you count the present emergency? Is it dated from the Japan surrender?

Mr. ALTMAYER. Well, that is when the big jump occurred.

Senator BARKLEY. How many have been filed since, we will say, the 14th of August? Have you got that?

Mr. ALTMAYER. Well, we had only 54,549 initial claims filed during the week ending August 11, and 104,808 during the week ending August 18, and then this figure of 596,458 gives the last week.

Senator BARKLEY. That is about 700,000 altogether?

Mr. ALTMAYER. Yes.

Senator BARKLEY. All right.

Mr. ALTMAYER. Now, in making an estimate of the cost of this bill we had to make assumptions. We call them low, intermediate, and high assumptions as regards unemployment. We start out with the actual amount of unemployment in June 1945. In the low we go up to 5½ million by December last year. It is 6 million in June the next year, and then we drop back to 4½ million by December of the next year, and 3 million by June 1947. That is in the low figure assumption. Then, in the intermediate we go to 6½ million by December, 8 million the next year, and 6½ million by December the next year, and drop back to 4 million in June 1947. Then, the high we had, 7½ million in December of the first year, 6 million for June the next year, 8½ million for December the next year, and 6 million for June 1947.

I checked back to see just what the unemployment was in previous years, to give you some perspective on these estimates of unemployment. As I look over the figures I would say that roughly the low estimate corresponds to the amount of unemployment in 1941. The intermediate corresponds to the unemployment we had in 1940, and the high estimate to the unemployment we had in 1939.

Senator TAFT. It seems to me if we are going to have any such load of unemployment by June 1947 we are not going to get out of this reconversion period at all.

Mr. ALTMAYER. The low of 3 million by June of 1947 is pretty low. I think even the advocates of full employment would agree that there are 2½ to 3 million persons who are in a transitional state, quitting one job to take another, or one job has petered out and another job is coming along. But it takes time for a man to shift. You cannot have completely full employment at any particular time.

Senator VANDENBERG. Anyway, that is beside the point.

You have got to base this on estimates.

Mr. ALTMAYER. Yes.

Senator McMAHON. We had 800,000 unemployed when employment was at its peak, isn't that true?

Mr. ALTMAYER. Yes. That is quite unusual, of course, because of wartime conditions.

Senator BARKLEY. Isn't it to be accepted as a fair statement that under any conditions there are always two or three million people that are unemployed at any given time?

Mr. ALTMAYER. Yes.

Senator HAWKES. Senator, if I may interject, a survey of business people over a number of years shows we are almost at the maximum of

efficiency of employment when we have got 2,000,000 shifting from one place to another, just as the most efficient and best operating point in manufacturing may be 92 percent instead of 100 percent. When you have got only 2,000,000 unemployed you have done a good job. If we can hit that level we will be at a very good level in the United States, and you will not have much trouble.

Mr. ALTMAYER. The only time you could get down to zero would be if the Government forbade one person leaving a job until there was another person ready to pop into it and so effect the transfer simultaneously, which, of course, is impossible.

Senator VANDENBERG. By "zero," you mean full employment?

Mr. ALTMAYER. By "zero" I mean zero unemployment.

Senator BARKLEY. That would be the fullest employment in the sense used today assumes this frictional or transitional unemployment of 2½ to 3 million. I think it is inevitable.

The CHAIRMAN. In arriving, Doctor, at your low, intermediate and high unemployment figures, are you simply proceeding on the basis of the number of people actually employed at a given time?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Plus the servicemen that will be discharged?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Do you take into consideration the probability or possibility that some of the people employed during the war period will go back to their homes?

Mr. ALTMAYER. Yes.

The CHAIRMAN. And some will be too old?

Mr. ALTMAYER. Oh, yes. If we did not take into account the fact that millions of what we call these emergency workers went back to their homes or retire, the estimate would be much higher. This is the estimate of unemployment and not the reduction in employment. The reduction in employment will be much more than this. These estimates of unemployment are not predictions of the probable course of unemployment in the next few years, but are used to indicate what the cost of the bill would be if unemployment reaches these levels. The estimate of unemployment includes those people who are a part of the labor market that want a job, are willing to take a job, but cannot find a job.

Senator VANDENBERG. Who are registered for the purpose of taking a job.

Mr. ALTMAYER. That is right.

The CHAIRMAN. Can you tell us what the estimate of cost is based on?

Is it based on these figures you have given?

Senator BYRD. What is the base of employment?

What is the figure you use for full employment?

You figure from some base, don't you?

Mr. ALTMAYER. I would guess it is about 54 to 55 million. I haven't got the figure before me.

Senator BYRD. Does that include those in the armed services?

Mr. ALTMAYER. That would include the labor force after the shake-down, so to speak, when people have gone back to their homes or retired.

Senator BYRD. Fifty-two million?

Mr. ALTMAYER. Fifty-four or fifty-five million.

Senator BYRD. Your unemployment is figured on that basis?

Mr. ALTMAYER. Yes. It might run up to 60,000,000, counting this 3,000,000 that I was mentioning in transitional—it might run up that high. I haven't got the exact figures with me. I will put it in the record. It is somewhere between 55,000,000 and 60,000,000.

(The following estimates were later furnished by Mr. Altmeyer:)

Labor force and unemployment estimates, 1945-47

The following table includes the labor force figures which correspond to the three illustrative unemployment patterns used in estimating the cost of the proposed legislation:

[In millions]

	June 1945	December 1945	June 1946	December 1946	June 1947
Labor force, total.....	65.4	61.6	63.3	59.3	61.1
Armed forces.....	12.3	10.9	7.2	4.1	3.0
Civilian labor force.....	53.1	50.7	56.1	55.2	58.1
Employment:					
Low unemployment assumption.....	52.0	45.2	50.1	50.7	55.1
Intermediate unemployment assumption.....	52.0	44.2	48.1	48.7	54.1
High unemployment assumption.....	52.0	43.2	46.1	46.7	52.1
Unemployment:					
Low unemployment assumption.....	1.1	5.5	6.0	4.5	3.0
Intermediate unemployment assumption.....	1.1	6.5	8.0	6.5	4.0
High unemployment assumption.....	1.1	7.5	10.0	8.5	6.0

SIZE OF LABOR FORCE

The number of emergency workers in the labor force is estimated at about 7.5 million in June 1945. This estimate is based on a comparison of the number of people in the civilian labor force as reported by the Bureau of the Census, plus the number of individuals in the armed forces with the number normally expected to be in the labor force. An analysis of the age and sex distribution of the emergency workers indicates that by June 1947 all but a small number of emergency workers may be expected to have withdrawn from or be absorbed into the labor force.

Almost 3,000,000 of the emergency workers are teen-age boys and girls; almost 2,000,000 are women over 35 years of age; some 600,000 are young women between the ages of 20 and 34, a large part of whom are servicemen's wives. From among these groups and from the older men and women who would normally be in retirement, a large proportion of withdrawals from the labor market may be looked for as a result of public campaigns urging young people to return to school, educational allowances for veterans, return of servicemen whose wives are now working, etc. Some of the young workers will automatically cease to be emergency workers as they reach the age where they normally would have entered the labor market. These factors indicate that a reasonable estimate would be that by June 1947 all but 2,000,000 of the 7.5 million emergency workers will have withdrawn from or been absorbed into the normal labor force.

The number of emergency workers in the labor force at any time is generally related to labor-market conditions—unemployment, wage rates, etc. On the one hand, heavy unemployment, affecting family heads, may be expected to bring wives and children into the labor market in search of gainful employment. On the other hand, if low unemployment is accompanied by high wage rates, many additional individuals may be drawn into the labor market. Since it is not possible to measure the net effect of such opposite tendencies, we have used the same figures on emergency workers for all three unemployment patterns.

The labor force figures in the above table for periods later than June 1945 were derived by subtracting the emergency-worker withdrawals and adding 600,000 per year to allow for the normal growth of our working population. The relatively high figures for June in comparison with December reflect the seasonal influx of agricultural workers and young workers each summer.

UNEMPLOYMENT

The unemployment patterns presented in the table are not predictions. They are illustrative patterns which, however, do include within their range most of the estimates which have been considered likely by responsible economists for the immediate future. The unemployment patterns may be associated with the different cost estimates under the proposed legislation to establish the general relationship between unemployment levels and costs. If unemployment stays below the levels indicated, costs under the proposed legislation will be lower than those presented in our estimates; if unemployment should rise to a point higher than we have assumed, costs may be expected to be higher than those presented.

Senator BYRD. That is a big difference, between 55,000,000 and 60,000,000. You ought to estimate it more exactly.

Mr. ALTMAYER. I have the figures somewhere, but I am giving you the estimate of unemployment.

Senator BYRD. You have got to establish a base for employment.

Mr. ALTMAYER. That is right.

Senator BYRD. You have got a difference there of 5,000,000, and it seems to me the estimate is not worth much.

Mr. ALTMAYER. I can give you the exact base upon which this estimate was made. I do not seem to have it before me right now.

Mr. JACOBSTEIN. Here is something you can use.

Mr. ALTMAYER. The basis upon which this estimate of unemployment was made appears to be as follows: We took the employed labor force, including the armed forces, at 63,400,000.

Senator BYRD. Many of the people in the armed forces would want to go back to work.

Mr. ALTMAYER. Yes.

Senator BARKLEY. What was that figure?

Mr. ALTMAYER. 63,400,000. Of that number, 11,200,000 in the armed forces and 52,200,000 in the civilian labor force. That is the basis from which we proceeded to estimate.

Senator BYRD. You have got to allow for the 11,000,000 in the armed services.

Mr. ALTMAYER. Yes, we have. Then, we offset against that, as I say, the estimate of the number of emergency workers who will retire from the labor market.

Senator BYRD. Could not you furnish that, Doctor, in greater detail? The accuracy of all of your estimates is based on the estimate, as I see it, of the employable people in the country under normal conditions. You have taken off the armed services. Instead of taking them off you ought to put them on. They are people that have got to have jobs. Certainly, you ought not to take the armed services off.

Mr. ALTMAYER. I was giving you the break-down of the labor force.

Senator BYRD. How do you arrive at your 54,000,000?

Mr. ALTMAYER. We arrive at 52,200,000 in the civilian labor force.

Senator BYRD. All right.

Mr. ALTMAYER. And 11,200,000 in the armed forces.

Senator BYRD. That is 63,000,000.

Mr. ALTMAYER. 63,400,000.

Senator BYRD. Where did you get your 54,000,000?

Mr. ALTMAYER. I don't have the figures before me.

Senator BYRD. You said a little while ago that the employables were 54,000,000 to 60,000,000.

Senator VANDENBERG. Including the armed forces.

Senator BYRD. I say if there is such a great variation as between the 54,000,000 and 60,000,000 in the base figure then the other figures are of no value.

Mr. ALTMAYER. I said probably when you have got the shake-down of people retiring from the labor market, you might get down to 54,000,000 people working, and then you add your 3,000,000 unemployed, you might get up to 57,000,000.

Senator BYRD. That is all conjectural.

Mr. ALTMAYER. That is conjectural.

Senator BYRD. All of these estimates, then, have no value.

Mr. ALTMAYER. They are based upon the best estimates we can make. I think, before you came in, to give some perspective, I pointed out that the low estimate works out approximately to what the unemployment was in 1941 in this country.

Senator BYRD. Why take that period?

Mr. ALTMAYER. 1941 was the year immediately preceding our entry into the war and the unemployment in that year checks out approximately with the estimate, the low estimate of unemployment, that we make for this transitional period.

Senator BYRD. That is all conjectural—very conjectural.

Mr. ALTMAYER. If you know what the future is going to be, why—

Senator BYRD (interposing). I don't know what it is going to be, but here we are passing a bill and the cost of the bill is based on the estimates of unemployment. The point I am trying to make there is that I do not think your estimates are of much value, especially if you have a base of employment varying as much as 5,000,000 by your own statement. You say the employable people range from 54,000,000 to 60,000,000. If you cannot get it closer than that you certainly cannot tell us how many unemployed there will be.

Senator HAWKES. Mr. Chairman, may I ask Mr. Altmeyer a question?

The CHAIRMAN. Senator Hawkes.

Senator HAWKES. In that calculation of yours, how many of that fifty-two or fifty-three million civilian employees do you estimate are people who were forced into the war by the emergency, who did the work and came out, and who ought to go home to the place where they belong?

Mr. ALTMAYER. I estimate there are probably between five and seven million of those people.

Senator TAFT. That is the old, the young, and the women?

Mr. ALTMAYER. Yes.

Senator BYRD. Mr. Chairman, I consider this a very vital question and I would like to ask Dr. Altmeyer to present the data showing exactly how he arrived at this basis.

The CHAIRMAN. Senator Byrd, if you had been here when Dr. Altmeyer first mentioned it, you would understand it better.

Senator BYRD. I am here now. He has not explained it to me yet. I do not want to take up the time of the committee, but I want the doctor to inform me on how he reached his base of employment.

The CHAIRMAN. Doctor, will you proceed?

Mr. ALTMAYER. I want to, next, after trying to give some estimate on the outside limits of unemployment, to give you an estimate on the

outside limits of the cost of this bill. Taking the low estimate of unemployment—

The CHAIRMAN (interposing). Please state that. Senator Byrd was not here when you gave it before.

Senator BYRD. I want to know how he arrived at his base figure, what the base figure is, and how he arrived at it.

Mr. ALTMAYER. Yes, sir.

Senator BYRD. That will determine, it seems to me, to a large extent what the unemployment would be.

Mr. ALTMAYER. Well, this unemployment figure is a derived figure, as you very well point out. I do not have the statistical break-down with me, as to how that is reached. Our statisticians did not make predictions about the probable future course of unemployment, but in order to make these cost estimates, obtained figures on the probable future course of unemployment from other agencies. I did not go into the mathematics of how they reached these residual figures on the estimates of unemployment.

Senator BYRD. Mr. Jacobstein, how many employables are there in the country in normal times and under normal conditions?

Mr. JACOBSTEIN. That was what we just gave you, Senator Byrd.

May I make a very brief statement here?

I think Mr. Altmeyer misspoke himself when he said the 54,000,000 included the servicemen.

Mr. ALTMAYER. I did not say that.

Mr. JACOBSTEIN. I think Senator Byrd thought you did.

Senator BYRD. No; I did not either.

Mr. JACOBSTEIN. This statement that I gave you is a factual statement of the labor force actually in operation. This is not a conjecture.

Mr. ALTMAYER. That is right.

Mr. JACOBSTEIN. These are the facts on the labor force.

Senator BYRD. But this statement does not allow for the armed services going back to work. It says 63,000,000 is your employable labor force, 11,000,000 in the armed services. I understood you to say your base figure varied from fifty-four or fifty-five million to sixty million.

Mr. ALTMAYER. Yes. But, Senator, we do not have a meeting of minds on what we are talking about. These figures that you have before you, that Mr. Jacobstein gave you, deal with the labor force as of an average week in 1944. In determining what the unemployment will be tomorrow we have to calculate what the labor force will be tomorrow, and we have got two main factors to take into account. As you point out, we have got the boys coming back from the armed services into the civilian labor market. On the other hand, we have an outgo from the civilian labor market back into the home and into retirement. That sort of offsets to some extent the first. The residual, as to the number of people who will be in the labor market next year, is the result of taking those two factors into account.

I do not have the exact figures before me, so I cannot tell you what that residual is for next year, but that was taken into account, I am sure, in arriving at this estimate of unemployment.

Senator BYRD. As one member of the committee, I would like to know how you took it into account. It seems to me you have got so many people in this country that should be employed and you have

so many jobs. Now, you have got to know what your base employment is in order to arrive at the unemployment figure.

Mr. ALTMAYER. That is right.

Senator BYRD. Up to this point you have not been able to explain to me what is your base employment figure. Maybe the other members of the committee understand it, but I do not.

Senator HAWKES. I do not understand it either, Senator Byrd. I think it is vitally important that we do have that.

Senator BARKLEY. Let us see if we cannot arrive at it from this table, to show what it is.

Senator BYRD. Excuse me, Senator, I am not talking about what it is. What I would like to know is how the doctor here has figured it, so as to determine whether his figures on unemployment are accurate.

Senator BARKLEY. I understand, but let us assume when all the armed forces get back that everybody is employed, you would have 64,000,000 people working. That is true, isn't it?

Mr. ALTMAYER. That is right.

Senator BARKLEY. If everybody, after he gets out of the armed services, was employed you would have 64,000,000.

Senator TAFT. Except for the fact that you are going to have some of the armed forces remaining.

Senator BARKLEY. Let me analyze this a moment.

Senator TAFT. Let me go ahead with this for a minute. The armed services are not being cut down at that rate.

Senator BARKLEY. I am saying, supposing the Army and Navy people get out and get back to work, there would be 64,000,000.

Senator TAFT. There will be 5,000,000 that will not get out.

Senator BARKLEY. Let me calculate it on my basis and then see how it works out. If we assume that all the armed forces are going to get out, which they are not but just for the purpose of this argument let us assume they are, there will be 64,000,000. Let us assume you are correct, that this is only an estimate and nobody can be absolutely correct about figures, there would be from 5 to 7 million who had been employed and who will go back to their homes and retire. Suppose there were 6,000,000 of them, that would leave 58,000,000.

Mr. ALTMAYER. That is right.

Senator BARKLEY. Then, if there is an average of from 2½ to 3 million always unemployed because they are shifting back and forth, that would get you back to about your 53 to 54 million, wouldn't it?

Mr. ALTMAYER. That is right; yes, sir.

Senator BARKLEY. Is that a fair basis of calculation?

Mr. ALTMAYER. I think it is.

Senator VANDENBERG. Senator, you have omitted one figure, and that is the number of men who are permanently in the Army and Navy.

Senator BARKLEY. Of course, whatever that number may be, it would still have to be subtracted from the 54,000,000, which would leave it about 52,000,000.

Senator VANDENBERG. That is about right.

Senator TAFT. May I suggest this: As far as this period that we are considering is concerned, this so-called intermediate period—what is it, July 1, 1946?

Mr. ALTMAYER. Yes.

Senator TAFT. The Army and Navy apparently contemplate having 5 million men serve in the Army and Navy at least until next July, when we will face the most serious unemployment situation. So I think you should subtract it. They say they have 8 million in the Army, and they are going to have 5½ million discharged, which leaves 2½ million in the Army, and the Navy is talking about a million men out of 3 million, which would leave 2 million in the Navy.

Senator BYRD. I did not understand they were going to get 5 million out by July.

Senator BARKLEY. They are going to get 5½ million out by the 1st of next July.

Senator HAWKES. That is what they said in the papers.

Senator BYRD. The 1st of July a year from now.

Senator BARKLEY. The 1st of July a year from now is nearly a year.

Senator BYRD. Yes.

Mr. ALTMAYER. Then, you have got to take into account that there are young people growing up who are coming into the labor market.

Senator BYRD. What I want for my personal information, I want to get from you how you calculate your base employment and what it is exactly in figures. I think that is vital, because that is the first step to take in ascertaining future unemployment.

Senator McMAHON. Doctor, will you also put in there how you arrive at the 5½ million?

Mr. ALTMAYER. Yes.

(Mr. Altmeyer later supplied the following estimate:)

ESTIMATED WITHDRAWALS OF EMERGENCY WORKERS FROM THE LABOR MARKET

The number of emergency workers in the labor force in June 1945 is estimated at about 7.5 million. This is the excess of the civilian labor force as estimated for June 1945 by the Bureau of the Census plus the size of armed forces over the expected "normal" labor force on that date.

A distribution of emergency workers by sex and age is available for April 1945, when the labor force was approximately 7.3 million above "normal." This distribution follows:

Estimated excess of April 1945 labor force over "normal" classified by age and sex¹

[In thousands]

Age group	Both sexes	Males	Females
Total, 14 years and over.....	7,280	3,620	3,660
14-19 years.....	2,840	1,720	1,120
14-17 years.....	1,850	1,140	710
18-19 years.....	990	580	410
20-24 years.....	870	420	450
25-34 years.....	280	120	160
35-44 years.....	820	140	680
45-54 years.....	1,050	330	720
55-64 years.....	830	420	410
65 years and over.....	590	470	120

¹ Based on comparisons between (1) estimates of actual labor force compiled from data on civilian labor force from the Bureau of the Census Monthly Report on the Labor Force plus unofficial estimates of armed forces; and (2) estimates of "normal" labor force adapted from Census Bureau release p. 44, No. 12.

² The excess is slightly overstated, because the "normal" labor force estimates refer to the last week in March, whereas the actual estimates refer to the second week in April. There is a seasonal rise between the 2 weeks.

Source: U. S. Department of Labor, Monthly Labor Review, August 1945, p. 236.

During the next 2 years, many emergency workers will disappear from the labor market in two ways—some actually will withdraw from the labor market

by going back to school, to the home, or into retirement; others, the young workers, will cease to be emergency workers as they attain the age at which they normally would have entered gainful employment.

It is, of course, impossible to predict with exactness how many of the emergency workers will disappear from the labor market in the next few years. The number of available jobs will have some effect on workers' decisions. So will the general level of wage rates and other related labor market conditions.

However, in view of the public campaigns urging young people to complete their education, the educational allowances in the GI bill of rights, and the automatic absorption of young workers as they grow older into the normal labor force, it would seem reasonable to conclude that a high proportion of the 14-19-year group will cease to be emergency workers. This group accounted for more extra wartime workers than any other population group (2,800,000 in April 1945). Many of the women over 35 years of age—the second largest source of additional labor supply during the war (1,900,000 in April 1945)—may be expected to leave the labor market as unusual wartime job opportunities disappear. Many of the young servicemen's wives, who comprised the greater part of the 600,000 extra women workers aged 20-34, are also likely to leave as their husbands return to civilian life. Lastly, some of the older men who came out of retirement or continued working beyond normal retirement age for patriotic reasons are sure to withdraw from employment now. Altogether, it appears reasonable to expect that within the next 2 years all but about 2 million of the 7.5 million emergency workers will withdraw from or become part of the normal labor force.

Senator McMAHON. Five and one-half million of those who would leave the labor market. Is that done on any kind of poll conducted through the Census Bureau?

They tell me the Census Bureau has made great strides in the polling technique.

Mr. ALTMAYER. Yes; we have taken the figures that the census people have collected, and the War Manpower Commission, and the Bureau of Labor Statistics.

Senator LUCAS. Does that show how many people will retire from the labor market?

Mr. ALTMAYER. That depends upon the state of the labor market.

Senator LUCAS. This bill is on the theory that we are going to have unemployment.

Mr. ALTMAYER. That is right. But one of the advantages of an insurance system is that the less unemployment there is, the less the bill will cost.

Senator LUCAS. On that basis I think you have a right to assume that practically 90 percent of these people who had been brought into the labor market during the war are going to retire and go back home and other places without looking for a job.

Mr. ALTMAYER. Yes.

Senator VANDENBERG. On the calculation you have finally arrived here, do I understand if you had 52,000,000 jobs you would have, to all intents and purposes, reasonably full employment?

Mr. ALTMAYER. No; as I said, I think the figure is going to lie somewhere between fifty-five and sixty million.

Senator BYRD. Fifty-five and what?

Mr. ALTMAYER. Fifty-five and sixty million, for the labor force after the war.

Senator BYRD. How can you estimate the unemployment figures to be of any value if you cannot estimate in the first instance what is the base employment closer than 5,000,000?

Mr. ALTMAYER. I could estimate closer than that if I had the figures before me. I haven't the figures before me. My recollection is it falls somewhere in that range between fifty-five and sixty million.

Senator TAFT. Mr. Altmeyer, may I ask you whether a satisfactory statistical basis has been established to determine who is unemployed and who is not?

Mr. ALTMAYER. No; it is impossible to place an unemployed person in any classification that stays fixed for all time, because it is composed of two elements, the condition of the worker and the condition of the labor market.

Senator TAFT. For instance, I know of a number of restaurants where the women come in simply from, I think, 10 o'clock in the morning to 3 o'clock in the afternoon and work part time. They would not take a full-time job, because they have their home work to do. How do you figure that job? Is that a job that is considered a half job, or is there any statistical basis for determining just who should be counted in the labor force and the unemployed?

Mr. ALTMAYER. Well, they take these house-to-house sample censuses and try to separate the partly employed from the employed as of a given date, and then project that to the whole population.

Senator TAFT. I think the figure is there are only 33,000,000 families in the United States and about seven or eight million individual units, single people, making about 40,000,000. So the 54,000,000 or 60,000,000 jobs, we will say, will provide roughly two jobs for a family. Of course, as to this second person in the family you have a very wide variation of possibilities. They may want to work or they may not have to work. One fellow perhaps is earning enough to permit him to lay off for a while. They will work if they get a nice job, otherwise they will not. How are you going to figure whether a person like that is in the labor force and must be counted in the unemployed or not? How can you do that?

Mr. ALTMAYER. Just take the actual figures as to the number of workers and, as you say, it figures out, to my recollection, about 1.4 or 1.5 workers per family, and that is all—that is an average—in some families it is more and in some families there are none.

Senator TAFT. Under this full employment, it provides the President must absolutely estimate. He must estimate how much money is required, and if there is not enough activity the Government must spend the money to make up the difference. It is all based on the accuracy of this unemployment and available work estimate. It seems to me the first thing we must have is some kind of statistical basis that everyone agrees on as the basis for this kind of action.

Senator BYRD. What do you think about this, Doctor: There are a lot of migrant farm workers that work a few months a year, they work 1 or 2 months a year and then live on their small farms in their homes the rest of the year? Are they termed employables? I have a number of people that pick apples 2 or 3 months a year and then go back to their farms and live on their farms.

Mr. ALTMAYER. You have to throw them one way or the other. It depends on the proportionate income they get from self-employment and what proportion from outside employment.

Senator BYRD. They do not get so much from self-employment, but they live on their places where they can raise some of their food.

Mr. ALTMAYER. That is what I mean by self-employment.

Senator BYRD. They do not have much expense. They go to the farms to harvest wheat or pick apples for a few months of the year. I was wondering whether you regarded those people in your figures of full employment for the year. There are quite a number all over the United States in that category.

Mr. ALTMAYER. That is right. You very well pointed out the difficulties of estimating. I do not want to set myself up as an expert on it.

Senator BYRD. When you make an estimate you must make it very clear as to how you arrive at the base employment.

Senator McMAHON. How many job holders were there in 1939?

Senator HAWKES. What was the question?

Senator McMAHON. How many job holders were there in 1939?

Senator HAWKES. That is exactly the question I was going to ask. In fact, Mr. Chairman, I think if we could have how many job holders there were in 1937, 1938, 1939, and 1940 it would be very valuable.

The CHAIRMAN. You mean people actually gainfully employed? Is that what you mean?

Senator HAWKES. Yes; I mean people gainfully employed.

The CHAIRMAN. Will you supply those figures?

Mr. ALTMAYER. I can only supply the figures going back to March 1940. That is when the estimates started being made. I have those figures.

Senator BARKLEY. Isn't there some bureau or agency of the Government that kept statistics back of 1940 as to the number of people gainfully employed?

Mr. ALTMAYER. Oh, yes; the Bureau of the Census has what they call gainfully occupied running way back, but that includes the self-employed as well as the employed. I thought you meant the people who worked for others.

Senator HAWKES. That is what I did mean.

Mr. ALTMAYER. The figures that I have before me run back only to 1940. I will see if I can get some figures that go still further back.

(The following figures were later supplied by Mr. Altmeyer:)

EMPLOYMENT, 1929-44

The following table presents estimates of total employment and nonagricultural employment in the United States, by year, from 1929 through 1944. The figures are annual averages; because of seasonal and other changes, employment for any particular period of the year may be above or below the annual average.

Estimated employment, United States, 1929-44

[In thousands]

Year	Total employment	Nonagricultural employment	Year	Total employment	Nonagricultural employment
1929.....	46,304	36,332	1937.....	45,254	35,817
1930.....	44,172	34,303	1938.....	43,220	33,898
1931.....	41,099	31,270	1939.....	44,884	35,632
1932.....	37,675	27,950	1940.....	46,468	37,276
1933.....	37,517	27,859	1941.....	49,000	40,440
1934.....	39,806	30,322	1942.....	52,110	48,470
1935.....	41,186	31,488	1943.....	52,410	44,130
1936.....	43,374	33,776	1944.....	51,780	43,720

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

Senator BYRD. There are a great number of people employed only part of the year. I do not see how you can get an estimate of them. There are just millions in that class. Lots of farm workers do not work steadily on the farms; they work during the harvesting season and then they work for themselves or live on their places the rest of the year.

Senator LUCAS. Unless you have an accurate estimate, you never can tell.

Senator BYRD. How can we know how accurate it is unless we find out how he arrived at it? Let us know how he arrived at the figures, and then we can determine whether they are accurate or not.

Senator HAWKES. I think Senator Lucas has sat in very many meetings where distinguished gentlemen offered estimates on the number of jobs and it varied by several millions.

I think Senator Byrd has got a very excellent point, and that is whatever Mr. Altmeyer's figures are we would like to know how he arrived at them, so we can determine whether our own judgment can go along with his course of reasoning on the number of jobs.

Mr. ALTMAYER. Well, for the time being, taking the low, intermediate, and high unemployment, I have given you those figures.

Senator McMAHON. He says the estimate of cost is based on that. I think you said, Mr. Altmeyer, that the low, intermediate, and high estimates were based on your statistician's figures, and ideas, as to how long reconversion will take.

Mr. ALTMAYER. They are merely three different illustrations of the possible unemployment patterns of this period.

Senator McMAHON. Is that the basic consideration?

Mr. ALTMAYER. Yes; that is right, and we checked our assumptions with those of the War Manpower Commission and the Office of War Mobilization and Reconversion, and other Government agencies, to be sure our estimates were not out of line with the general thinking.

Senator McMAHON. Is that related directly to the number of months? In other words, the low unemployment represent reconversion in, say, 4 months, the intermediate 7 months, and the high a year?

Mr. ALTMAYER. Well, I would not say it is those months that you mentioned.

Senator McMAHON. I am just trying to find out.

Mr. ALTMAYER. Yes; it takes into account the time that we will require for reconversion and the curve of the unemployed during that period of time. It rises to a peak at a certain point and then declines. Now, we have to bear in mind, I think, that when we give you figures on the number of unemployed that does not mean that the same individuals remain unemployed during that whole period of time. There is a great turn-over, of course, among the unemployed as among the employed. Taking these estimates of unemployment for the time being, our estimate of the cost of S. 1274 to the Federal Government of what is called the required provisions in the bill, that is, what the States would have to accept if they agreed to do it, would range from \$655,000,000 for the low to \$905,000,000 for the intermediate, and \$1,186,000,000 for the high.

Senator TAFT. When you take the intermediate of \$900,000,000, Mr. Altmeyer, that would be added to how much money disbursed by the States?

Mr. ALTMAYER. We estimate that the States themselves under the low would be spending about \$1,700,000, under the intermediate, \$2,150,000,000; and under the high, \$2,600,000,000.

Senator TAFT. So, under the intermediate, you would have the States spending \$2,150,000,000 and the Federal Government spending \$900,000,000; is that right?

Mr. ALTMAYER. That is right.

Senator BYRD. Is that for the year?

Mr. ALTMAYER. That is for the period of October 1945 through to June 1947.

Senator BARKLEY. About a year and three-quarters?

The CHAIRMAN. Twenty-one months.

Senator BARKLEY. Twenty-one months; yes.

Senator BYRD. What reserves do the States have now?

Mr. ALTMAYER. About \$6,800,000,000.

Senator BARKLEY. All of them?

Mr. ALTMAYER. Yes.

Senator BYRD. How much does that amount to a year?

Mr. ALTMAYER. They will be collecting this next year about \$1,000,000,000.

Senator BYRD. And they will spend \$2,000,000,000?

Mr. ALTMAYER. That is for the whole period.

Senator HAWKES. I think that does not include anything on the travel expense of moving the people from one section to another.

Mr. ALTMAYER. This figure I gave you covers what I term the required agreement, if the States accept the agreement provided in the bill. Then, there is a certain voluntary action that they may take at Federal expense, which would add to the cost, and then there is the travel expense, and then there are the additional payments to the veterans that are provided. The total cost to the Federal Government, if the States accepted the so-called voluntary provisions and if the veterans' benefits were liberalized as provided in the bill, would be, for the low \$1,120,000,000, for the intermediate, \$1,500,000,000, and for the high, \$1,900,000,000.

Senator VANDENBERG. There isn't much doubt about the States accepting all the provisions if they accept it at all.

Mr. ALTMAYER. I would think so.

Senator VANDENBERG. So it is fair to say that the bill probably represents in round numbers \$2,000,000,000 without any estimate for travel expense.

Mr. ALTMAYER. Yes; under the high unemployment assumption. But under the low assumption it is only 1.1 billion dollars; and only 1.5 billion dollars under the intermediate assumption.

Senator McMAHON. I thought your travel expense was included in there.

Senator HAWKES. That is what I thought, that the travel expense was included in there.

Senator BYRD. In other words, it would be around a billion for the Federal Government a year; is that correct?

Mr. JACOBSTEIN. A little more than a billion per year.

Senator BYRD. A little more than a billion a year, not counting the travel expense?

Mr. JACOBSTEIN. That is right. This is for 21 months.

Senator BYRD. Yes; this is for 21 months. What do you estimate the travel expense to be on the yearly basis?

Mr. ALTMAYER. I haven't got the estimate before me. There, again, you have to make assumptions of how many of these people who move from one State to another, from one community to another, are going to go back. It is hard even to get estimates on the number of people who move from one State to another. As I recall the figure, one estimate is about 3½ million that have moved during the war period from one State to another, but then within the State there are even more than that, that have moved from one end of the State to the other.

Senator BYRD. Are the travel expenses paid when they go from one location to another location to get another job?

Mr. ALTMAYER. They are paid if the United States Employment Service has a job in another community for them to take.

Senator BYRD. Suppose they do not want to take a job but they merely want to go back home, can they get travel expenses?

Mr. ALTMAYER. My understanding of this particular provision is there must be a job waiting for them at the other end.

Senator BARKLEY. They must apply to the Employment Service in order to entitle them to be paid for travel expenses?

Mr. ALTMAYER. Yes.

Senator BYRD. Suppose they want to go home and paid their expenses to go home and stayed there 6 months, although they are at home and have paid their expenses to go home, they cannot leave their homes and go to this other job, is that it, and get the travel expenses?

Mr. ALTMAYER. Well, if the United States Employment Service thinks under the circumstances it is necessary to recruit from some other community to fill a job in this particular community, it can allow the travel expenses.

Senator BYRD. Have you got any rough estimate on the cost of the travel expenses at all?

Mr. ALTMAYER. I made an estimate about 4 or 5 months ago, not on this bill but on something similar. My recollection was I made a minimum estimate around \$15,000,000, \$10,000,000, or \$15,000,000.

Senator BARKLEY. \$15,000,000?

Mr. ALTMAYER. \$10,000,000 or \$15,000,000. That is what I consider a minimum figure.

Senator HAWKES. Doctor, how can you make any estimate on that? How in the world can you have any basis to estimate how many people are going to travel from one place to another?

Mr. ALTMAYER. You have to make a guess as to the number who have moved and who would want to move back, or even if they haven't moved who would be willing to go to another community to take a job.

Senator HAWKES. Mr. Chairman, may I pursue that just a minute? Dr. Altmeyer's statement is different, according to my recollection, from the statement of Senator Kilgore yesterday and the statements of other witnesses. I did not understand that if a person went home from where he was that the Government would then pay his expenses from his home to some other place in the United States in order to get a job.

The CHAIRMAN. I do not think the language of the bill, Doctor, bears out your statement.

Mr. ALTMAYER. From the place they lost war employment to any place where they can get employment.

The CHAIRMAN. It must be from the place of employment where he has gone as a war worker or Government worker.

Mr. ALTMAYER. That is right.

Senator HAWKES. That is opposed to what was said yesterday.

Mr. ALTMAYER. It may be.

The CHAIRMAN. On that point, Doctor, we had quite a talk yesterday about civilian workers who were included in there and Government employees who have gone into the agencies of the Government who would seem to be included.

Mr. ALTMAYER. Yes. It is not a defined term. I would assume it would cover Government workers as well as others.

Senator VANDENBERG. All Government workers?

Mr. ALTMAYER. Who had been employed in activities essential to the war effort.

The CHAIRMAN. Doctor, we also got some confusion, I think, in the committee yesterday about what would be true in the case of a Government worker employed in one of the agencies who had been there for more than 5 years and who had built up a retirement fund. Will you please explain what the situation would be under all of the State laws, so far as you recall them?

Mr. ALTMAYER. Well, you have got two situations: You have got the situation of the war worker who has not been in the Government 5 years and who therefore gets only a refund of his contributions, that is, a refund of his savings.

The CHAIRMAN. If he is unemployed, then, of course, he would be one of the civilian workers.

Mr. ALTMAYER. He would be one of the civilian workers.

Then, you have the Government worker who has been in more than 5 years, who has reached the age of retirement and is eligible for retirement and applies for retirement benefits and starts drawing Government retirement benefits. That is the case, as I understand it, that you pose.

The CHAIRMAN. That is right.

Mr. ALTMAYER. That person will not be entitled to unemployment benefits under this bill unless that person held himself out for work and was willing to accept suitable work when tendered him. That is, he could not say, "I have retired; I do not want to work any longer; I want to draw my retirement benefits, and I also want to draw unemployment benefits." He would have to register at the employment office and he would have to hold himself available for work, and he would have to accept suitable work tendered him by the employment office. That is a condition precedent to unemployment benefits under this bill.

The CHAIRMAN. If he did register, was offered suitable employment and accepted it, would he still draw his retirement benefits?

Mr. ALTMAYER. He would if it was outside the Government, because there is no condition laid down in the Government retirement plan that a person shall retire from all gainful employment.

Senator BYRD. That is a contract anyway. You could not change that.

The CHAIRMAN. He would not be able to take another Government job, would he?

Mr. ALTMAYER. No.

Senator BYRD. He could get a job in private industry?

Mr. ALTMAYER. Yes.

Senator BYRD. And then get his unemployment benefits if he lost his job in private industry?

Mr. ALTMAYER. There is nothing to preclude him from taking a job in private industry.

Senator BARKLEY. If he took a job in private industry and lost that job and registered for employment, he would still be entitled to his Government retirement pay that he earned over the years, and at the same time draw unemployment compensation under this bill, wouldn't he?

Mr. ALTMAYER. That is right.

Senator BYRD. He may get two contributions from the Government then.

Senator BARKLEY. I am not talking about a Government job.

Senator BYRD. I understand. He can get the retirement benefits for which the Government pays from 60 to 70 percent, and the Government would also pay into the fund for this unemployment benefit.

The CHAIRMAN. I want to get it straight. I had the other impression. I did not think an employee of the Government who had retired, say, for some disability, or after so many years of service, reached the retirement period, and he asked for a job and took it. Now, if he goes out and asks for a job and gets a job in private industry, maybe gets one in a private shipyard during this emergency, during the war period, if he becomes unemployed, could he come in and ask for unemployment compensation and also draw his retirement pay?

Mr. ALTMAYER. That is entirely separate. The only condition for the retirement benefit is that he must contribute to it for a certain period.

The CHAIRMAN. Do not the State laws take care of that?

Mr. ALTMAYER. No. You may be thinking of the old-age and survivors' insurance.

The CHAIRMAN. No; I am thinking of the unemployment benefits now.

Mr. ALTMAYER. Under the old-age and survivors' insurance, if the person retires he starts drawing the benefits, but the laws of most States provide for some kind of an adjustment in the payment of unemployment benefits. They offset the retirement benefits under old-age and survivors insurance.

Senator BYRD. That is not true of the Federal employee, though. A man can voluntarily retire when he has 5 years of service and get the retirement benefit, and if he has 20 or 30 years of service he gets so much more.

Senator BYRD. Some of them, I imagine, are already employed in private industry.

Mr. ALTMAYER. Yes.

Senator BYRD. That would be entitled to his retirement and also to be placed on the unemployment benefit rolls.

Mr. ALTMAYER. Well, if he continued to hold himself available for work and was willing to accept suitable work when tendered him.

Senator BYRD. What is the sense of the Government paying 100 percent unemployment benefits and paying 60 to 70 percent, whatever it is, retirement? He would be getting two compensations.

The CHAIRMAN. I have not exactly understood it that way, Doctor. I may be wrong. I think we will have some civil-service retirement people coming in here after a while, and you can ask them.

Mr. ALTMAYER. You could provide, of course, for an offset. You would not have to affect the retirement benefit under Civil Service, but you could provide some offset against any unemployment benefits provided in this bill.

Senator BYRD. That is paid by the State laws. I mean this compensation he gets now is under State laws. He has got his contract with the Government for retirement and there is no way that you can change that. When he retires he gets that as long as he lives. You could not change it.

Mr. ALTMAYER. That is right. So far as the additional benefits paid by the Federal Government are concerned, you can offset those benefits so as to avoid duplication.

Senator BYRD. You cannot do that unless the law is amended.

Mr. ALTMAYER. Unless the bill is amended.

Senator BYRD. Unless the bill is amended, I mean.

Mr. ALTMAYER. As it is, he can get both benefits.

Senator BARKLEY. Unless the State law would provide for it in some way or another. In the case of the Government employee working in Washington here for 10, 20, or 30 years and has reached the retirement age and retired and was in the process of drawing his retirement pay, that is a contract between him and the Government and cannot be taken away from him. He goes back to my State, back to his home in Kentucky, and he decides he would like to work for some private employer, there is nothing in the law that prevents him from doing that. He cannot get another job from the Government, but he can work anywhere in private industry where people are willing to hire him. Suppose he gets a job and works for a year or 6 months and then he loses it, do you suggest that the law of the States ought to be amended, or that this law ought to be amended so if he gets money from the Government it would be deducted from what he would get under the unemployment compensation provision, either the State law or under our supplemental payment to the State?

Mr. ALTMAYER. I do not think the number of cases would be very large. I was saying to Senator Byrd if he felt that represented an undesirable duplication you could amend the provisions of this bill to eliminate that.

Senator BYRD. The States do not pay any part of the compensation.

Senator BARKLEY. If the State has no law that deprives this former Government employee of benefits under the State law on account of the fact that he is drawing retirement pay, we could not do anything about it.

Senator BYRD. The States, Senator Barkley, I do not think would have any such law, because this is the first time that the Federal employees have been brought under the unemployment benefits. This bill is the first bill to go that far. The States would not have any

interest in it at all, because the Federal Government pays all the costs.

Senator HAWKES. Isn't it true that this bill could be amended, if we thought it advisable, so that the Government would not participate in the payments to the States in those cases? For instance, let me state this to you. There is a common practice in business if you reach the age 65 and retire and you are getting a pension and you get social-security benefits and come back to work—I know of a number of cases where men have come back after they reach the age 65—

Senator BYRD (interposing). Sixty-two.

Senator HAWKES. I know, but I am talking about 65. It is 65 under social security, isn't it?

Mr. ALTMAYER. Yes.

Senator HAWKES. They have come back to work and the private company just deducts the benefits that they receive from social security or any pension plan that has matured from the compensation they would be paid. That is common practice throughout the industry.

Senator BARKLEY. That is a matter of contract or a matter of adjustments between the company and the private employee.

Senator HAWKES. Surely. You can amend this law if you see fit to do it, so the man will not benefit twice. I take it that is what you are talking about, Senator Byrd.

Senator BYRD. Yes.

Senator HAWKES. You can amend this law so the man will not benefit twice, because of the passage of this bill.

Senator BARKLEY. There is no doubt the bill ought to be amended as far as the Federal funds are concerned, but it does raise the question whether a man who is drawing something that he has earned over a period of years by reason of a contract between him and the Government should be put on a different basis so far as the private employee is concerned from other people who are not working for the Government and are not drawing retirement pay. It raises a question that is not easily solved, in my own mind.

The CHAIRMAN. Dr. Altmeyer, we are talking here about the Government workers, and included in the Government workers are the arsenal workers, the shipyard workers, and this bill adds maritime and also civilian workers—they are all working for the Government. There has been no contribution made from the State funds for their benefit at all. The whole payment will come out of the Government. I think it is a rather pertinent question whether or not a worker who is being paid entirely out of the Federal funds should continue to be paid, although he has acquired the status of an employed person for the Government. I do not see how he could do it and draw his retirement. It just seems to me there is something wrong about the whole thing, if that is the case. These people are not working for private employers—these are Government workers. How he could draw retirement and go back into the arsenal, go to work for the Government, and still draw his retirement benefits with his wages, I do not know.

Senator BYRD. He can go to private industry and draw this fund.

Mr. ALTMAYER. You are right.

The CHAIRMAN. These people, Senator Byrd, are Government workers and not working for a private enterprise at all. This travel pay does apply to all classes.

Senator BYRD. After he once retired from Government service, he could get a job, of course, in private industry, and then if he gets unemployed he comes under the unemployment-benefits provision of this bill, and then he gets two compensations.

The CHAIRMAN. That is what the status of the testimony up to now seems to indicate.

Senator BYRD. You are entirely right. He could not get a Government job and draw the compensation, because then the compensation would cease.

Senator VANDENBERG. I would like to ask for one further interpretation at this point, Dr. Altmeyer. As you well know, this word, "suitable" is the subject of great controversy in all the States. I think this is the first time the Federal Government would have to make an interpretation of what a suitable job is. I was wondering what your definition of "suitability" would be.

Mr. Altmeyer. My understanding is what would be a suitable job would be determined under the law, rules and regulations, and interpretations of the States.

The CHAIRMAN. And with respect to the Federal workers, under the laws, rules, and interpretations of the District of Columbia, would not they?

Mr. Altmeyer. As the bill is now written, yes.

Senator VANDENBERG. That is true in connection with these transportation charges. That is what I am talking about. That is where the word appears. The transportation charge occurs when the United States Employment Service certifies that there are available suitable job opportunities, and therefore we have got to have a Federal definition at long last of suitability. I was wondering what your definition of "suitability" would be.

Mr. ALTMAYER. I think that term "suitable" there is used in an entirely different setting, because all that is meant to be said there is that you are not going to authorize the United States Employment Service to pay travel unless it is satisfied that there is a job waiting for that fellow there is a reasonable likelihood he will take when he gets there. I do not think that they have to work out a cut and dried definition. All they have to do, as a practical thing, is to satisfy themselves that there is suitable employment that the man will take. For instance, here is an office in a labor shortage community, they put an order in for clearance, as they call it, and send it around so that they can recruit people with the required skills from the labor surplus areas. Well, the two offices have to understand what they are talking about, what kind of a job it is that is available in that labor shortage area, and then they have to check with their files to see whether there is somebody meeting the qualifications for that job. That is the practical way it would be worked out. If it looked as though there was a reasonable opportunity for this fellow to be placed in the job in the labor shortage community, why, they would authorize the payment of his transportation from the labor surplus area to the labor shortage area. I do not think they have to get into the legalistic framework that has developed under unemployment compensation, as to whether the right to a benefit is dependent upon the definition of suitable employment.

Senator BARKLEY. In no case is the word "suitable" to be interpreted as meaning a job that suits the fellow, I mean according to his whim.

Mr. ALTMAYER. That is right.

Senator BARKLEY. If it is an appropriate job in accordance with his experience and skill.

Mr. ALTMAYER. That is right.

Senator VANDENBERG. That is all very well, but this word "suitable" has set up a terrific controversy in every State in the Union, and I want to ask whether then, under your statement, if a worker, let us say, applies for transportation from Michigan to Kentucky, that is, his home, it is certified by the Federal agency that there is a suitable job for him in Kentucky, when he gets there can he refuse the job under an appeal to Kentucky unemployment insurance authorities on the ground that it is not suitable?

Mr. ALTMAYER. Well, yes, he could. He would not even have to go to the Kentucky authorities. He could just say, "Well, I have been misled. This is not the kind of a job I thought it was going to be."

Let me point out, as I understand it, this does not create any right for workers to require the United States Employment Service to transport them from one place to another. This is merely an authorization to the United States Employment Service to pay the transportation cost if, in its opinion, there is a reasonable opportunity for placing that fellow in a job in another community and taking him off the unemployment rolls of the community where he happens to be located. That is what it comes down to.

Senator VANDENBERG. So you would not interpret the word "suitable" as used in this section of the bill in the same fashion that you would interpret the word "suitable" in a State unemployment compensation statute?

Mr. ALTMAYER. No, I do not think it is quite comparable.

Senator LUCAS. Would this individual who was offered this suitable job in another community be entitled to transportation more than that one time, in the event he failed to accept it?

Mr. ALTMAYER. As Senator George pointed out, this includes transportation from the place of his war employment to another place.

Senator LUCAS. In the event he refused, in the event the Employment Service decided there was a job for him in the community where he was going to be transported to and he refused to take it, then would he get any further transportation?

Mr. ALTMAYER. I would assume the United States Employment Service would not pay for transportation unless there was seen an advantage to the community from which he was going and to the community to which he was going to be transported.

Senator LUCAS. That hardly answers my question. Maybe I did not make myself clear. I am assuming that this man refused to go.

Mr. ALTMAYER. Let me answer it more directly then.

My understanding is that he is not entitled to anything under this, even if he said, "I will go and take a job elsewhere," unless the United States Employment Service, after going into the matter was satisfied that it is to the advantage of the communities. They do not necessarily have to furnish the transportation.

Senator LUCAS. That is right. Now, assuming that happens, that they do agree he should go and he refuses, is that the end of it?

Mr. ALTMAYER. No. I mean, if he refused last week, you might think he was completely unreasonable in his refusal. But as I understand this proposal it is not to do anything of a penal nature but to do everything of a facilitative nature, to get people to move into the communities where the greatest job opportunities exist. He may have been unreasonable last week in refusing to go, but if he comes in this week and says, "I was wrong, I would like to go now," and the same situation exists as far as the job opportunities are concerned, there is no reason why he should not be transported. It is to the advantage of everybody that he should be transported.

Senator LUCAS. In my judgment, you will find a number of instances of that character.

Mr. ALTMAYER. Yes.

Senator BARKLEY. If another job appeared next week somewhere else that he could go to, the fact that he did not go to the one the week before would not deprive him of transportation, if the Unemployment Office felt, after reviewing all the facts, that he was entitled to it.

Mr. ALTMAYER. That is right.

Senator BYRD. Suppose the job seeker, the man who wanted the job, went out to California, and then he did not like the job after he got there, who would pay his expenses then?

Mr. ALTMAYER. Then, you have got a different situation.

Senator BYRD. This does not say a specific job, it says job opportunities. That is a very different thing.

Mr. ALTMAYER. That ties in with what Senator Vandenberg said.

Senator BYRD. I think there are going to be a lot of free trips taken the way it is worded.

Mr. ALTMAYER. That ties in with what Senator Vandenberg said a few minutes ago. Under the State unemployment insurance laws, they have this provision, that if a person refused to accept suitable employment, he is disqualified from receiving benefits. Now, you might have that provision in the State law coming to play in the situation that you have described. The State from which he was transported might say, "You have unreasonably refused to accept this suitable job that was tendered there in the other community, and we will deny you benefits accordingly." That is where this might come into effect.

Senator BYRD. Suppose he is not a member of a union and this is a union job and the union will not let him work, what will happen then?

Mr. ALTMAYER. As far as the transportation is concerned, the Government is out of pocket. So far as the sanction to be applied to the worker for refusing is concerned, you might have a sanction under the law of the State from which he left.

Senator BYRD. I can see where you had a specific job for John Jones and you told Mr. Jones you will pay his transportation to fill that job, that is one matter, but this says suitable opportunities for a job. It does not say a suitable job, it just says suitable opportunities.

Senator HAWKES. Mr. Chairman, I may have misunderstood Senator Lucas, but I do not think, if I understood him correctly, that the answer has been completely given. I thought you asked him the question: If a man were transported once from Spokane, Wash., to Kentucky, we will say, whether that ends any further transportation being given to him—

Senator BARKLEY. Are you going to bring them all to Kentucky?

Senator HAWKES. To get a suitable job, and he refused it, Senator Lucas' question was as to whether he could then be transported again. I would like to know whether that is what you mean or not. In other words, he can only be transported once from war work to the place where he agrees with the Employment Service Bureau that there is a suitable job. Is that a correct interpretation?

Mr. ALTMAYER. Yes.

Senator TAFT. That is because it says it must be from the place of such employment, that is, employment in activities essential to the war effort. I do not quite see why he could not go back and then be transported again to some other place?

Senator McMAHON. Because he would not be engaged in essential war work then.

The CHAIRMAN. You mean go back to where he was originally employed?

Senator TAFT. He could not be sent back to California and work for 3 months and find he did not like the job and be sent back again.

Senator BARKLEY. He could not go back to Detroit—

Senator TAFT. Oh, yes, at his own expense.

Senator BARKLEY. Because at that time he would not be in essential war work.

Senator TAFT. It says civilian workers who have been employed. That does not say they have to be employed for a given time. My recollection is the provision we passed last year here, which the House would not accept, was a good deal narrower than this. In the first place, I think you can only transport people who had gone away from their homes to some other place. I think there is a good deal to be said for that limitation, because if you take a man from his home to some new place, he is more likely to go back, sooner or later, to his home. It seems to me this ought to be limited the way it was before, that only workers who had been moved to some place away from their homes ought to be covered by this.

Mr. ALTMAYER. Then, you come to the question of what is a man's home. After he has been gone for a couple of years, he might say the other place was his home.

Senator TAFT. That is true. I am sure that is the provision we passed here before.

Senator BARKLEY. Where a man registers with the Employment Service, if he is in Detroit, for instance, working there, and the Employment Service notifies him that in their opinion there is a suitable job in St. Louis, the unemployed person is bound to assume some risk in determining whether, when he gets there, it is going to be a suitable job. If he takes the risk and accepts the transportation to St. Louis, it seems to me he cannot expect the Government to let him cruise around all over the country looking for something else. He may get to St. Louis and he may hear that down in Memphis there is a better job, but he cannot expect the Government to pay for another transportation from St. Louis to Memphis, and then to New Orleans, and then to Atlanta. That cannot possibly happen under this bill.

Senator MILLIKIN. I suggest the language should be broad enough to permit the man to get another job. Suppose the United States Employment Service certifies there is an opportunity in Louisville,

and that is where he goes, and then that job peters out and at that point a job opportunity opens down at Memphis, there should be nothing that would restrict a certification for travel expenses to that man just because the opportunity for employment has dried up in Louisville and there is an opportunity at Memphis.

Senator BARKLEY. But he must have engaged in Louisville, as I see it, in essential war work.

Senator MILLIKIN. I suggest the bill does not say so.

Senator McMAHON. Why not just add at the end of it a proviso?

Provided, further, That only one transportation shall be permitted under this Act.

Senator MILLIKIN. It seems to me if the opportunity which has been certified by the Employment Service has been dried up, the man is entitled to go to a place where he can get work.

Senator HAWKES. If he goes back there, then the opportunity has not dried up, but he determines it is not suitable.

Senator VANDENBERG. Then he has dried up.

Senator MILLIKIN. Mr. Chairman, I would like to develop again what I understood the witness to say, and that is that there is no redress for the Federal Government if a man had been transported from one or more places and refused the employment available there. Is that right?

Mr. ALTMAYER. That is right, except there is an indirect sanction. He might be denied benefits under the State law.

Senator MILLIKIN. The Federal Government has no control over that.

Mr. ALTMAYER. The United States Employment Service is the place at which these people register, and the United States Employment Service is the agency which certifies to the State unemployment compensation agency, whether a person has refused to accept suitable employment. Senator Vandenberg is right. You might get situations where the question of definition of "suitable employment" in the State law would become involved.

Senator MILLIKIN. That would come under the operation of the State law but not under the operation of this bill.

Mr. ALTMAYER. That is right.

Senator BARKLEY. Senator Millikin, I would like to call your attention to the language of this bill here—

the United States Employment Service—

under the conditions set forth in the previous language—

is authorized to provide transportation, including transportation to dependents and household effects, for civilian workers who have been employed in activities essential to the war effort, from the place of such employment to any place at which the United States Employment Service certifies there are available suitable job opportunities.

Senator MILLIKIN. Yes.

Senator BARKLEY. That means from the place where they have been employed in essential war efforts.

Senator MILLIKIN. That part is very clear, Senator. Then it goes on and says—

to any place at which the United States Employment Service certifies there are available suitable job opportunities.

Senator BARKLEY. It has got to be the place where he has been employed in essential war work.

Senator MILLIKIN. Then, Louisville merely becomes a way station under the theory and purpose of this bill as you interpret it.

Senator BARKLEY. I do not think it becomes a way station.

Senator LUCAS. The State laws would not apply to the Federal worker that we are talking about, the class of Federal employees that are involved here. The State laws would have no application there.

Mr. ALTMAYER. The District of Columbia law has a provision denying benefits if a person refused to accept suitable employment.

Senator BARKLEY. That would only apply to the mandatory classes in this bill.

Mr. ALTMAYER. Yes.

Senator LUCAS. Where the individual is transported from the war area, making war implements, to another area, and then refuses to accept the job when he gets there, and if, in the opinion of those who are responsible for the employment of this man, this job is suitable, there certainly ought to be some penalty some place along the line, because these men should not simply be transported all over the country and then let them make decisions to take the job when they get there. If you do that, the transportation end of it will not be worth very much.

Senator HAWKES. Mr. Chairman, may I point out something that I think is very important? I want to ask Dr. Altmeyer first if, in his opinion, he feels that this bill provides for or authorizes the payment of transportation to any man who has been engaged in war work at home, who may want to go from, for instance, my own little town of Kearny, N. J., to California, to get a job because there ceases to be a job where he has always lived? That is important. Here is a man who has been working in our plant, if you please, for 28 years, and he has done war work, because we did a lot of war work, but the war ceased, or the work for some other reason ceased, and we have no longer use for this man's services. Under this bill, can he be transported at the expense of the Government from Kearny, N. J., to California, or some other place to get a job?

Mr. ALTMAYER. He can. As I read the bill, if the United States Employment Service certifies that there are suitable job opportunities for him in that other place, then he is eligible for transportation.

Senator HAWKES. If we go into that thing, isn't that equivalent to saying we will pay the expenses of any man for travel from where he lived for 30 years to any place, to any part of the United States, if he thinks he can get a job, or he has been induced to believe that he has a good opportunity for a job in California?

Mr. ALTMAYER. My feeling is you may run into just as much difficulty the other way, and that is that people will not want to move. I think you have got two factors to be looked into there. If a person lives in your community for 30 years he is going to think a long time before he pulls up stakes and goes to California.

Senator HAWKES. Nevertheless, it is an open door, isn't it?

Mr. ALTMAYER. Oh, yes.

The CHAIRMAN. Doctor, let me now ask you, where does the worker who ceases to be employed register?

Mr. ALTMAYER. At the Employment Service office.

The CHAIRMAN. At what office?

Mr. ALTMAYER. At the local Employment Service office.

The CHAIRMAN. Where he was at work?

Mr. ALTMAYER. Where he was at work. Or if he goes back to his home community he is required to register at the nearest employment office there.

The CHAIRMAN. I understand, but I am thinking now of, say, workers at Detroit who had come from various States; they are laid off in Detroit and they cannot register at the local office.

Mr. ALTMAYER. You mean if they go to another State?

The CHAIRMAN. Yes.

Mr. ALTMAYER. Yes.

The CHAIRMAN. But they stay in Detroit.

Mr. ALTMAYER. Oh, yes.

The CHAIRMAN. They can register there?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Is there a transfer of that registration made to the State of his residence?

Mr. ALTMAYER. If he goes back home, then he would have to register at the local office back home.

The CHAIRMAN. What I am talking about is under this arrangement between the States for the transfer of the credits, and so forth.

Mr. ALTMAYER. Yes. All the States have an arrangement whereby each State acts as the agent for all other States in taking claims.

The CHAIRMAN. I see.

Mr. ALTMAYER. So if this man went back from Detroit to Louisville he would register at the Louisville office, and they would take down the data and act as the agent of the Detroit office, as to whether the man had registered, whether he refused to accept suitable employment, and upon the basis of that information the Michigan authorities would adjudicate the claim.

The CHAIRMAN. And would send him his weekly compensation?

Mr. ALTMAYER. Yes. Except in Michigan, you have got a provision that is causing considerable trouble and concern there that means that if a person leaves a community in which he last worked to go home, to Kentucky or to Tennessee—and those are the two States that seem to be most affected—he has to hold himself available to return upon call. I mean the law itself has some language that a person must be available for work at his usual occupation in the community in which he last worked, or in some other community. Now, if he goes to some other community where there is not a war industry, the question is has he removed himself from a community in which that sort of a job exists. He may be laid off in Detroit, but if he goes to some rural or semirural community in Tennessee or Kentucky, then the question is raised whether he is any longer available for work under the Michigan law. The Michigan agency has done its best to make that provision practicable and, as I say, it has worked out a provision so that a person must agree to report back at his original place of employment within 72 hours if called by the employment office, or he must report back at anytime that his previous employer says he has got a job for him. If he does that, if he fulfills that condition, they can continue to pay the benefits even though he stays in Kentucky or Tennessee.

Senator VANDENBERG. I think most of them would rather stay in Detroit, Mich., than go to Louisville.

Senator BARKLEY. That is because you have never been to Louisville. You spend too much time in Detroit.

The CHAIRMAN. You have got this situation, Doctor: For instance, Michigan now, I believe, has a dependency allowance.

Mr. ALTMAYER. Yes, it does have.

The CHAIRMAN. A dependency allowance of so much per week, if a worker has a dependent. He may come from Mississippi or some other State where no such dependency allowance exists.

Mr. ALTMAYER. Yes.

The CHAIRMAN. So he can register in Detroit, and he is eligible there for whatever benefits he is entitled to under the laws of Michigan.

Mr. ALTMAYER. That is right, if he earned his credits under the Michigan law. Even though he goes back to his own community where there is a different law he would draw under the Michigan law.

The CHAIRMAN. But he would not be going back to the community. That is what I am coming around to. Would not this induce him to stay where he would get larger benefits and just await employment there and take the benefits rather than go to some other State?

Mr. ALTMAYER. Because he gets the benefits under the Michigan law, whether he goes to Arkansas, Kentucky, or any other place, I do not see why he would want to stay in Michigan.

The CHAIRMAN. If he went to Arkansas, though, and got a job there, he would not get these special unemployment benefits, would he?

Mr. ALTMAYER. Of course not.

The CHAIRMAN. Would he be likely to go back to Arkansas and get a job when he would be foregoing benefit payments under this bill that might be in Detroit or some other place where he worked 3 or 4 years in the war industry?

Mr. ALTMAYER. You have got the same question in the case where he remained in Detroit so as to get the benefits. I do not quite see whether the question of going to some other place enters into the question of whether he would rather draw benefits than work.

The CHAIRMAN. I think it would have a great deal to do with how fast labor shifts back to where it might be normally employed. That is what I have in mind. He would not be obliged to take a job back in his own home community if one was offered him.

Mr. ALTMAYER. He might, depending on his individual circumstances. They might rule if he had been here only a short time and his home community was not distant and job opportunities were there, they might rule that he should go back home and take the job that is open there. That would be subject to State interpretation.

The CHAIRMAN. I know it would be subject to State interpretation. There is nothing in this bill that would affect that question?

Mr. ALTMAYER. No, sir.

Senator VANDENBERG. I think it would be very interesting, Mr. Chairman, to read into the record a sentence from the bill that the Senate passed last August on this subject, because it is so much definite. It reads as follows:

The Administrator shall have power to provide transportation, including transportation of dependents and household effects, for civilian workers, who have been employed in activities essential to the war effort from the place of such employment to the location of their bona fide residence within the continental United States prior to their migration to war employment, or at the election of such worker to any other location of new employment arranged by the worker.

The CHAIRMAN. I do not think there is any doubt but what it is a better provision. I am sure of that, because we thought it out carefully, but we could not induce the House to accept it, as I understand.

Senator BARKLEY. They did not accept very much that was in our bill.

The CHAIRMAN. No; not on this.

Mr. JACOBSTEIN. Senator George, the question you asked Mr. Altmeyer, that is, as to the Detroit worker earning \$50 a week. Even though he went to Arkansas, or wherever he went, he would draw the same benefit during this emergency. During this emergency period, he would draw \$25 a week wherever he went, provided his wages in Detroit would have given him \$25 a week. In other words, this standardizes the \$25 payment all over the country no matter where he goes.

Senator VANDENBERG. Dr. Altmeyer, would you not think the language in the bill passed by the Senate last year was preferable to the language in the present bill?

Mr. ALTMAYER. The language you read is broader than this language, because I think it authorizes transportation to his home community.

What you are trying by this transportation allowance is to move the labor force around to where it can be used and to reduce unemployment. I do not think the home community, if there were no job opportunities, would be particularly happy to have their home sons and daughters return after they had been working in other communities, but I may be wrong. I think the major test ought to be whether there is a job opportunity there. From a humanitarian standpoint, I think there is something to be said for returning him to his home community, but I think you would have to do that with discretion, so it would not operate to his disadvantage and to the disadvantage of his home community.

Senator VANDENBERG. I think that is so.

The CHAIRMAN. I think that is so, too. That is what we are driving at. He could either go home or go to where a job opportunity exists. That language that you read is somewhat broader, because that authorizes him to be sent back home whether the job opportunity existed there or not, and under the provision in this bill it would not do that.

Senator BARKLEY. In other words, he would not be able to go home at Government expense, unless there was a job there.

The CHAIRMAN. That is right unless some job opportunity existed there.

Senator BYRD. Doctor, can I ask you about your estimate of cost? There are 30,000,000 now under unemployment benefits of the States, and this bill puts in 3,300,000 more. If there are 54,000,000 employables, or 55,000,000 employables, have you made any allowances for the States to put in the additional 26,000,000? I see you have a small allowance here, but it is not mandatory. What do you mean by that?

Mr. ALTMAYER. It is mandatory that they cover Federal workers. I mean the States agree to pay benefits.

Senator BYRD. At that point, what is the item of cost covering the Federal workers, broken down?

Of course, that would be a permanent proposition. This bill is supposed to be for 2 years, but it will be permanent in my judgment.

Mr. ALTMAYER. The Federal workers include maritime, because as you know, most of the maritime employees are Federal now. There are probably 25,000 that are not. Under the low estimate it is \$215,000,000 through to June 1947; under the intermediate, it is \$270,000,000, and under the high it is \$310,000,000.

Senator BYRD. How many employed at the end of this period, do you figure will be in the Federal Government?

There are 3,000,000 now. How many of those 3,000,000 will be dismissed and getting unemployment insurance?

Mr. ALTMAYER. The figures back of this estimate are not here.

Senator BYRD. Will you furnish that?

Mr. ALTMAYER. Yes, sir.

(The following information was later furnished by Mr. Altmeyer:)

UNEMPLOYMENT ASSUMPTIONS USED FOR ESTIMATING COST OF BENEFITS TO FEDERAL EMPLOYEES

In view of the small number of maritime workers who are not Federal employees, all such workers were included with Federal employees for the purpose of the cost estimates under the proposed legislation.

Employment for this group of workers was assumed to decline from an average of 3.3 million during fiscal year 1944-45 to 1.5 million for fiscal year 1946-47. Sharp drops in Federal employment are expected in all the war agencies—in the arsenals, depots, shipyards, and among the office staffs of the War and Navy Departments and the emergency wartime agencies. While no precise information on future Federal employment is available, the above pattern was chosen as a reasonable picture for cost-estimating purposes.

Since Federal employment is expected to decline more sharply than all other employment and since Federal workers will have to shift to other industries, occupations, and areas to find employment, it was assumed that unemployment would be relatively heavier among Federal workers than among other workers. Thus, if unemployment for all workers were assumed at, say, 10 percent, for Federal workers it would be put at 20 percent.

The number of different Federal workers who may be expected to lose their jobs during the next 2 years, if we allow for turn-over in addition to the net decline in Federal employment, may total 2 to 2.5 million. Since many will move directly to other jobs, the number of claimants for unemployment compensation benefits under the proposed legislation will be much lower than 2 to 2.5 million. It is estimated that between 1.25 million and 1.50 million Federal workers might claim benefits depending upon the general unemployment situation.

Senator BYRD. Then, the next question is: Does this allowance take into consideration that the States can take in agricultural workers and all these other workers?

Mr. ALTMAYER. Yes, it takes into account that they will include all agricultural processing workers.

Senator BYRD. And the others that they could take in?

As I understand it, the States could take in the agricultural workers?

Mr. ALTMAYER. Yes.

Senator BYRD. Under this bill.

Mr. ALTMAYER. Yes.

Senator BYRD. In that event the Federal Government would contribute just the same as for any other workers?

Mr. ALTMAYER. Yes.

Senator BYRD. I just wondered whether you took into consideration all those possibilities in making this estimate?

Mr. ALTMAYER. Yes, I did. I do not know whether you have before you the table that I have before me.

Senator BYRD. I have got the table here. This is the memorandum that was supplied by Mr. Jacobstein. Is that the one?

Mr. JACOBSTEIN. It is based on that.

Senator BYRD. You have taken into consideration the possibility of the States extending these classes that are under social security?

Mr. ALTMAYER. Yes, sir; we estimate if they extended these benefits to the employees of small firms and other employers not now covered under their State law, that under the low estimate the additional cost to the Government would be \$315,000,000. Under the intermediate, it would run to \$400,000,000. And under the high, it would run to \$500,000,000.

Senator BYRD. Does that include the State that refuses to take in agricultural workers?

Mr. ALTMAYER. Yes.

Senator BYRD. It seems to me there is some disparity in those figures.

Mr. ALTMAYER. That includes self-employed, you see.

Senator BYRD. It does what?

Mr. ALTMAYER. It includes the self-employed.

Senator BYRD. You mean the 54,000,000 includes the self-employed?

Mr. ALTMAYER. Yes. So, you would have to subtract probably 10,000,000 or more for the self-employed.

The CHAIRMAN. Doctor, what is the general provision in the State laws? Do they allow as much as 66 $\frac{2}{3}$ percent of prior employment?

Mr. ALTMAYER. Yes. It varies all the way from 40 percent to, let us say, about 66 $\frac{2}{3}$ percent of the previous wage, depending upon the State and depending upon the wage bracket in which the worker happens to fall, because some States allow a larger proportion for the low-wage earner than for the high-wage earner.

I should point out, Senator, because of the application of the maximum, I do not want to be interpreted as saying that workers in this country are drawing anywhere from 40 to 66 $\frac{2}{3}$ percent of their previous wage.

The CHAIRMAN. I understand.

Mr. ALTMAYER. They are not.

The CHAIRMAN. The maximum is fixed without reference to the previous wage under all the State systems.

Mr. ALTMAYER. Yes.

The CHAIRMAN. That is true of the District of Columbia, is it?

Mr. ALTMAYER. It is fixed without reference to the previous wage. This percentage I am mentioning now is applicable to the previous wage. But, you have in all State laws a dollar maximum above which no benefit can be paid regardless of whether a certain percentage would figure out higher.

The CHAIRMAN. I understand that. The maximum is the ceiling.

Mr. ALTMAYER. That is right.

The CHAIRMAN. Is that true of the District of Columbia?

Mr. ALTMAYER. Yes.

The CHAIRMAN. How much is it in the District of Columbia?

Mr. ALTMAYER. \$20.

The CHAIRMAN. That is the maximum ceiling. But what percentage of the previous wage?

Mr. ALTMAYER. It varies according to the wage bracket in which the worker falls.

The CHAIRMAN. It varies according to the wage bracket in which the worker falls?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Now, this bill provides for certain "must" provisions with respect to coverage, and also the State may, however, be permitted to extend coverage to any excluded service or employable units about which Senator Byrd was talking a few minutes ago. Of course, if the States does that, the State has got to bear the added expense.

Mr. ALTMAYER. No; the Federal Government would assume, under this bill, as I read it, the cost of this so-called voluntary action on the part of the State. That is, if the State enters into this agreement it must cover certain groups.

The CHAIRMAN. Yes.

Mr. ALTMAYER. The States may cover other groups, but in either event the additional cost of covering businesses, lines of employment not now covered, would be borne by the Federal Government under this bill as now written.

The CHAIRMAN. The total cost?

Mr. ALTMAYER. Yes.

The CHAIRMAN. The total benefit payment to any class that is not now covered in the State?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. That would come out of the Federal Treasury?

Mr. ALTMAYER. That is right.

Mr. JACOBSTEIN. Since the State has not collected any tax to cover the businesses and there is no part in the reserve fund to cover that business, the Federal Government is saddled with the cost, the State having made no provision, let us say, to cover small businesses.

The CHAIRMAN. In other words, under these voluntary or supplemental things that may be included in the agreement, the cost incident to them is a Federal expense?

Mr. ALTMAYER. Yes, sir.

Senator BARKLEY. In other words, if a State now has a provision limiting the number of employees to eight, below which nothing would be paid under their laws, and they should extend that down to one, then the Federal Government would have to bear all the expense of that?

Mr. JACOBSTEIN. That is right.

Senator BARKLEY. If they extend it to agricultural and domestic employees not now covered by the State, the Federal Government would have to pay all that?

Mr. JACOBSTEIN. That is right. That is Senator Vandenberg's repeated observation that the liberality of the bill would induce the States to accept the two-thirds ceiling and to include in the law a liberal coverage.

Senator BARKLEY. That might be true, but they have all the headache when this expires and they may have to keep it up.

Mr. JACOBSTEIN. That may be so, but, nevertheless, under the bill any new costs, by taking in, say, the small firms, since there is no pro-

vision now in the State law for collecting the tax, the Federal Government would have to bear the expense.

Senator VANDENBERG. Are those contingencies included in your estimate?

Mr. JACOBSTEIN. Yes.

Mr. ALTMAYER. Yes. You see, 29 States now cover employees of firms that have less than 8 employees, and of the 29, 16 cover all firms regardless of size. Then, there are 25 other States that have automatic extension provisions to the effect that if the Federal Unemployment Tax Act is extended to cover employers of a lesser number than 8, automatically, the State law covers them.

Senator BYRD. You issue an invitation to the States to have an enabling act to reduce them down to one, to take in the farmers and everyone else, and put the cost on the Federal Government.

Mr. ALTMAYER. Yes.

Senator BYRD. It is an invitation.

Mr. ALTMAYER. Yes.

Senator BYRD. They will take up that invitation, and you will never change it here, because I have never seen a Federal grant that was incorporated into the body politic of the country that was ever changed.

Mr. JACOBSTEIN. May I say, suppose Virginia covered everybody and accepted this invitation, the Federal Government would bear the expense up to the expiration date of this act.

Senator BYRD. There is such a thing as renewing an act. It has been done time and time again.

Mr. JACOBSTEIN. This is an emergency act. The State would have to act beyond that time.

Senator BYRD. That is providing the Federal Government makes them act. The Federal Government will not make them act. There would be enough political pressure on the Federal Government to continue this just as it is.

Senator HAWKES. Look at the injustice, Mr. Chairman. The State that has done a good job, and the State that has gone down to one—as you said, 16 States have gone down to one, as I understood you—

Mr. ALTMAYER. Yes.

Senator HAWKES. The State has gone down the line to \$22 in the case of New Jersey, and Michigan \$28, and the State has gone to 26 weeks, as it is in New Jersey and three or four other States, I think, in the whole Union, they get nothing at all. They are penalized by this act for having done a good job in social security. There is something to think about in that connection.

Senator VANDENBERG. What is your comment on that, Mr. Altmeyer? I do not know what place it has in this emergency situation, but is it not true that this legislation penalizes the State which has done a relatively good job in unemployment compensation, and relatively rewards the States that have not, in dollars and cents, isn't that true?

Mr. ALTMAYER. Evidently, the State that has more liberal provisions gets less than the State that has less liberal provisions. Whether that is penalizing or rewarding, I am not prepared to say.

Senator VANDENBERG. I consider that as an answer of "Yes" to my question.

Mr. ALTMAYER. Of course, if you feel that that is unjust, you can provide for the State paying this cost.

Senator VANDENBERG. And add two or three more billion dollars on your estimates.

Mr. ALTMAYER. No. That is the question of financing. This is separate from the question of whether more adequate benefits are to be provided. You have raised the question here whether it is fair for the Federal Government to finance this in accordance with the present provisions of this bill. If you do not think it is fair, then you can provide for a recovery by the Federal Government from the State when its legislature has met, a recovery of the amount that the Federal Government was obliged to spend.

Senator VANDENBERG. How can you provide for the recovery without anticipating that the legislature is going to agree?

Mr. ALTMAYER. Of course, you have many conditions now in the Federal Unemployment Tax Act, the conditions for a State having its law approved and its employers receiving credit against the 3-percent Federal Unemployment Tax Act. You could provide, if you wanted to recover these funds advanced by the Federal Government, for some effective date, such as 1947, by which time the State legislatures will have met, that the State law would not be eligible for certification unless the Federal Government were reimbursed for the advances that had been made.

Senator VANDENBERG. What have you to say about that proposition?

Mr. ALTMAYER. I think it perfectly logical, if the Congress decides that certain benefits should be payable, to require the States to pay those benefits out of the reserves that have been built up for that purpose.

Senator BARKLEY. How are you going to compel a State to do that? How are you going to compel a legislature to levy a tax by an act of Congress?

Mr. ALTMAYER. You do not require them to levy a tax, you require them to transfer from their State reserve to the Treasury advances made as a condition for receiving approval of their State law under the Federal Unemployment Tax Act.

The Federal Government, through the Social Security Board, is required to certify whether a State law does or does not meet the standards provided in the Social Security Act under the Federal Unemployment Tax Act.

Senator VANDENBERG. Now, you are proposing to make that retroactive?

Mr. ALTMAYER. I am saying that right now you have got this practical situation of the State legislatures having gone home. You have the war terminating and you have an unusual situation confronting the country. If you amended the Federal Unemployment Tax Act now, saying there would not be any certification for 1945 unless the States met the various requirements we have been discussing then the State legislatures would all have to get together before the end of the present calendar year.

To avoid that you could amend the Federal Unemployment Tax Act to provide that the certification for 1947 and subsequent years would not be made unless the State reimbursed the Federal Government for any advances made under the provisions of this bill, or similar legislation.

Senator VANDENBERG. Now, you are an expert on this subject in whom I have very great confidence, despite our frequent disagreements.

Mr. ALTMAYER. Only one.

Senator VANDENBERG. Only one?

Mr. ALTMAYER. Yes.

Senator BARKLEY. I don't think that will last much longer.

Senator VANDENBERG. Well, it lasted quite a while. Do you think it is fair to pass this bill on the basis of the plea that it is an emergency measure in behalf of unemployed war workers when the bill gives least assistance to those States where the most war workers are? Does that make sense?

Mr. ALTMAYER. I think it makes sense in the sense that you have a practical situation confronting the country that you have to meet. As I say, it might make more sense if you require the States to reimburse the Federal Government later on.

Senator VANDENBERG. All right. Now, I want to ask you in your judgment would it make more sense?

Mr. ALTMAYER. Yes; I think it would.

Senator BARKLEY. There is some benefit if you get people from the States where they are now into some other State.

Senator VANDENBERG. You mean back to Louisville?

Senator BARKLEY. That would be a benefit.

The CHAIRMAN. Doctor, if you undertake to do as Senator Vandenberg has suggested, and the States decline to accept these additional benefits for their workers, what would happen then? Would the workers in those States get the benefits anyway under this bill, then?

Mr. ALTMAYER. Under this bill, as I read it, if the State does not enter into the agreement, the Office of War Mobilization and Reconversion is authorized to administer the benefits.

The CHAIRMAN. For the Federal workers?

Mr. ALTMAYER. For the Federal and maritime workers.

The CHAIRMAN. But not for the people covered under the State laws that do not fall into these categories?

Mr. ALTMAYER. No.

Senator MILLIKIN. Mr. Chairman, just to put a little reverse English on Senator Vandenberg's suggestion, those States which have had the most war workers profited the most from the war, have they not? They have been immensely enriched through the war contracts and therefore they are in the best position to take care of their problems, are they not?

Mr. ALTMAYER. Well, I would think that helped them.

Senator VANDENBERG. There isn't any doubt about that. It does help them. They also face the greatest hazard in this situation.

Senator MILLIKIN. To put a little more reverse English on that, is there any way you can fix this act up to get a grant-in-aid from those rich States to the Federal Government? They are amply able to do it, when the Federal Government finds itself impoverished.

Senator VANDENBERG. I think it is a very serious fundamental proposition in social-security legislation to do anything at the Federal level which discourages State incentive to write progressive laws on the subject.

Senator McMAHON. I agree with you, Senator, and I have thought about that a great deal. On the other hand, you are on the horns of a dilemma, it seems to me.

Senator VANDENBERG. You are on both horns of a dilemma, if I may correct you.

Senator McMAHON. I think you are. Certainly the sewing-machine and typewriter-machine companies in Hartford are not going to do too well if there are panic conditions in Alabama and Mississippi. Those conditions will not stop at those States long. If they did there would be more to be said from the point of view of Connecticut and Michigan that have a higher rate.

Senator VANDENBERG. I quite agree you cannot isolate the economic impact in the United States. Nevertheless, I still cannot escape the basic thought that if States like Connecticut and Michigan which have to face the greatest relative share of this impact in the next 12 months, if they can succeed in meeting their own problem, they are doing mighty well without having to be taxed to make up the deficiencies in other States, which is what this bill does do.

Senator McMAHON. And offers no inducement to those States to bring their schedules up.

Senator VANDENBERG. Quite the contrary.

Senator BARKLEY. Of course that poses the same old question that is always raised in Congress when you appropriate money out of the Treasury for public improvement. It was raised when you appropriated money years ago for public roads, that some States like New York paid more into the Treasury than they got out. That is true.

I remember in the taxation of cigarettes, North Carolina raised the objection that North Carolina paid the biggest part of this tax. North Carolina did not pay it, but the people who smoked cigarettes paid it all through the United States, and all through the world. It was collected in North Carolina, but it was not paid in North Carolina. It was paid by the people who smoked cigarettes. So you have always that question of people who pay more money into the Treasury, the people from the rich States. It may be a penalty being rich, but I would not mind being assessed that penalty myself.

Senator VANDENBERG. I agree with the Senator on the basic proposition that the economic problem of the United States is Nation-wide and has to be so considered. I have never made the argument that because the State of Michigan pays 5 percent of all the taxes in the United States, it has to get 5 percent of the benefits. I quite agree with you that the business in Michigan is the result of a Nation-wide economy, but what I am asserting at the moment is that this is an emergency bill, intended to meet an emergency situation in connection with unemployment, and the unemployment situation which it is seeking to meet occurs in the States which get the least advantage out of the bill, and I say that does not make sense.

Senator BARKLEY. What is your remedy for it?

Senator VANDENBERG. That is what I am trying to find out.

Senator BARKLEY. If you find the remedy for it, will you let me know.

Senator MILLIKIN. Do we have in the record the amount of unemployment insurance reserves, State by State, and the amount of surplus funds now in the State governments?

The CHAIRMAN. We have in the record the aggregate, but not by State.

Senator MILLIKIN. Can you give us those two figures, the reserves in the unemployment compensation fund, State by State, and the surpluses, State by State?

Mr. JACOBSTEIN. The Brookings Institution had that in the Kimmell report.

The CHAIRMAN. We have it.

Senator BARKLEY. A number of these State surpluses were created because the States were not able, during the war to engage in public improvement. Those surpluses are not all applicable to the payment of unemployment benefits.

Senator MILLIKIN. I am talking about two surpluses: first, the surplus in the unemployment insurance fund, and second, the general surplus by the States, State by State. I think the latter has some bearing on the former.

Mr. ALTMAYER. Senator George, I do not think we had a meeting of minds. I think you asked me the question whether in addition to the Office of War Mobilization and Reconversion administering the benefits for the Federal and maritime workers, they administered the benefits for other workers under State laws, and I said no. What I meant was they did not administer the benefits provided by State law, but the bill does provide that the Office of War Mobilization and Reconversion can administer the supplemental benefits provided for workers now covered under State law.

The CHAIRMAN. Even though the State did not accept it?

Mr. ALTMAYER. That is right.

Senator BARKLEY. If the State did not accept the voluntary agreement, the employees of that State would not be denied the supplemental payments, but they would have to be administered by the re-conversion, or whatever you call it.

Mr. ALTMAYER. That is right.

The CHAIRMAN. By the director?

Mr. ALTMAYER. That is right.

Senator BYRD. Will you get that information, Mr. Jacobstein?

Mr. JACOBSTEIN. The information on the reserves for unemployment and the State surpluses, I shall see that you get that, Senator.

The CHAIRMAN. Are there other questions from Dr. Altmeyer? Is there any further statement, Doctor, that you wish to make?

Mr. ALTMAYER. I might give you some estimates that have been made on the proportion of the wage loss that is being met or was met in 1940 by unemployment insurance benefits. It was estimated that 1940, which was a fairly good year, but nevertheless between 7 and 8 million were unemployed—

The CHAIRMAN (interposing). Between what?

Mr. ALTMAYER. Between 7 and 8 million unemployed.

The CHAIRMAN. In 1940?

Mr. ALTMAYER. In 1940. That the unemployment insurance benefits paid out in that year, represented about 7 percent of the wage loss due to unemployment in that year. Since that time the States have improved their benefit provisions, but we estimate that even with that improvement probably the present State benefit provisions would not cover more than 10 percent of the wage loss if we had about the same amount of unemployment again as we had in 1940.

The CHAIRMAN. Doctor, let me ask you here for some figures. I presume Mr. Jacobstein probably consulted with the Social Security

people in the matter of furnishing them. I think they have a bearing on this whole issue, but not on any particular phase of it. The unemployment compensation weekly benefit maximum was increased in 1945 by 25 States; is that correct?

Mr. ALTMAYER. I think that is right.

The CHAIRMAN. And the unemployment compensation maximum benefit duration by 27 States?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Both were increased by 20 States?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Now, one or the other by 32 States.

Mr. ALTMAYER. Yes.

The CHAIRMAN. Now, the maximum unemployment compensation per week figures, the weekly benefit maximum of \$20 or more applies in 27 States out of 51. In other words, 27 States out of the 51 systems—we counted last year Hawaii and the District of Columbia in the 48 States—

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. Twenty-seven of them paid \$20 or more, at the maximum benefit of \$20 or more. Now, this is an interesting figure, it seems to me. Of course it bears on what Senator Vandenberg is now saying but it also has a bearing on this general problem.

These 27 States have over 77½ percent of all covered workers. That is approximately correct, is it?

Mr. ALTMAYER. How many did you say?

The CHAIRMAN. Seventy-seven and one-half percent of all covered workers in those States that now have a weekly benefit maximum of \$20 or more.

Mr. JACOBSTEIN. What Senator George is saying is that the concentration of employment is in those States that now pay \$20 or more.

Mr. ALTMAYER. Yes.

The CHAIRMAN. I think it has a very important bearing on this question.

Mr. ALTMAYER. Well, a break-down of it as of June 30, 1945, would show you would get that proportion if you included the \$21.

The CHAIRMAN. I said \$20 or more, the maximum of \$20 or more.

Mr. ALTMAYER. I see what you mean; yes, sir.

The CHAIRMAN. Now, 11 States with \$18 weekly maximum have about 13½ percent of the covered workers.

Mr. ALTMAYER. Yes.

The CHAIRMAN. So that a weekly maximum of \$18 or more applies in 38 States which have over 90 percent of all the covered workers.

Mr. ALTMAYER. Yes.

Senator MILLIKIN. Would you mind repeating that last figure, Senator?

The CHAIRMAN. A weekly maximum of \$18 or more applies in 38 States which have over 90 percent of all covered workers under the present unemployment compensation systems.

Senator HAWKES. Senator, are you bringing out in connection with that how many weeks it covers?

The CHAIRMAN. That has been supplied.

Senator HAWKES. That is quite a factor in this bill.

The CHAIRMAN. That has been supplied by Dr. Jacobstein.

The maximum benefit duration of 20 or more weeks applies in 32 States. These 32 States have over 79 percent of all covered workers. Four other States, with 70 percent of all covered workers, have an 18-week maximum duration, and the larger States with the more liberal laws generally have the greatest concentration of war production contracts and workers.

The more liberal State provisions would apply to even larger percentages of those workers who may be laid off than indicated even by these figures. The point is that while the States haven't a uniform system and not all of them have made the progress that ought to be made, that, nevertheless, looking at it from the standpoint of 90 percent or more of your covered workers, that is, the ones that are presently covered, a rather liberal, certainly for ordinary peacetime conditions, weekly benefit maximum and rather liberal benefit duration periods have been fixed.

Of course, that does not touch the question of Federal workers. Last year this committee did all it could to bring in the Federal workers, but of course provided for payments at the State levels and through the State systems at the cost of the Federal Government.

Mr. JACOBSTEIN. Senator George, I think this ought to be stated also in that connection: Not only is there a concentration of covered workers in States that have liberal benefits, but because the average earnings of the average workers during the war period were high the workers will actually qualify for the maximum payment under the State law. Isn't that so?

Mr. ALTMAYER. Yes, but that works both ways. That means a larger proportion will not receive the full percentage rate, because of the weekly maximum under the State laws.

Mr. JACOBSTEIN. In peacetime, while a State might say, "We will give you \$20 a week," there is some relation between what you get and your earnings. A great many workers never receive the maximum permitted under the State law because they do not earn enough.

The CHAIRMAN. I know that.

Mr. JACOBSTEIN. But during wartime their earnings have been high and therefore they will qualify to receive the maximum permitted under the State law, therefore it is fair to assume that in these States that permitted \$20 or more under the law, most of the workers will qualify for the maximum permitted under the law.

Senator BYRD. You mean under this law, or under the existing State laws?

Mr. JACOBSTEIN. Under the existing State laws.

Senator BYRD. You do not mean most of them will qualify on the \$25 maximum?

The CHAIRMAN. Only one State has the \$25 maximum.

Senator BARKLEY. That depends on whether the base period covers the period of high wages.

Mr. JACOBSTEIN. During the war, the base period has been favorable to the average war worker, in these very States that have the war contracts. In peacetime the average worker did not receive the maximum permitted under the State law, because he did not earn enough.

Senator BARKLEY. If we assume that the average wage might be approximately what it was prior to the war, and his base period

occurred within that period, then that reduces the possibility of his getting the maximum under the State law.

Mr. JACOBSTEIN. That is right, Senator Barkley, but for the emergency period that we now have in mind in this bill, the average worker fortunately will be entitled to draw the maximum permitted under the State law in the State where he now is working.

Senator BARKLEY. That is very likely.

Senator BYRD. Let me ask you this: What is the average policy of the States? Do they draw two-thirds of the pay?

Mr. JACOBSTEIN. No; I would say most States pay 50 percent. A number pay as high as 60, and a very few go up to two-thirds.

Senator BYRD. Of course a great many will reach \$25 under this bill.

Mr. JACOBSTEIN. Yes, they will.

Senator McMAHON. What is the unemployment compensation pay under the District of Columbia law?

Mr. ALTMAYER. \$20. I believe it averages about 60 percent. It is a \$20 top.

Senator McMAHON. Take an elevator boy getting \$20 a week in an apartment house in the District of Columbia, he gets 60 percent of \$20.

Mr. ALTMAYER. Yes; approximately that.

Senator McMAHON. Plus what under this bill?

Mr. ALTMAYER. He would not get any more under this bill. It is only the high wages which are affected by the maximum provisions that get under this bill.

Senator VANDENBERG. Dr. Altmeyer, under the figures submitted by the Senator from Georgia, it would appear that a vast majority of the displaced war workers are sure of getting from \$18 to \$20 a week under their own State laws. I am wondering whether the big problem is not so much whether they get \$20 or \$25 a week as it is whether they get their \$20 or \$25 for enough weeks, and I have been wondering, just thinking out loud, where we would be if we left the rates where the States have put them, and made our supplement apply solely to a more extensive expansion of the period in which the State rate shall be paid.

Mr. ALTMAYER. I think both are important. If I had to choose I would probably agree that the duration is more important than the increase in the weekly maximum, but I think both are important.

You might be interested in this figure, that five States with 10 percent of the covered workers pay \$25 or more. The others pay less than would be provided in this bill. Thirty-six States, under their State workmen's compensation laws pay a higher weekly maximum rate than under their State unemployment insurance laws. I think that comparison is significant, because they both are forms of social insurance, both deal with wage loss, you understand, and in the case of workmen's compensation the medical costs are in addition to the cash weekly benefit for the wage loss.

Last year, because of the low maximum, there were some States that had the nominal percentage rate reduced by the maximum in as high as 80 to 90 percent of the cases.

Now, so far as duration is concerned, going back to 1940, or one of those prewar years—I am taking a sort of a clue to what we might

expect—in 1940, 50 percent of the workers exhausted their benefit rate before they found another job.

Senator VANDENBERG. You mean the time ran out?

Mr. ALTMAYER. That is right. In 1941 it was 45.6 percent.

As we move into the war period a very small percentage exhausted their benefits before they found another job, because jobs were so plentiful.

The increase in duration would affect the number who would exhaust their benefit rights. It is impossible to estimate just how many are likely to exhaust their benefit rights in this next year or two, because it is dependent, to a considerable extent upon the concentration of unemployment on particular individuals.

Senator VANDENBERG. That is right.

Now, let me put my question in this form: Under your estimate, you figured substantial unemployment for from 12 to 18 months.

Mr. ALTMAYER. That is right.

Senator VANDENBERG. Whereas these compensation laws, even under the proposed legislation, only run for 26 weeks. That is only one-third of the emergency. Assume you are going to spend \$2,000,000,000 for those emergency purposes, so as to get away from any idea we are trying to save money at the expense of the workers, would you not be better off to spend that \$2,000,000,000 by leaving the State rates where they are in each State, and thus avoid all of that complication, and devote your \$2,000,000,000 to an extension of the period of payment that the State shall recognize, the payment of compensation claims at their own rates? Would that not be a greater actual contribution to the emergency in a long-range view?

Mr. ALTMAYER. Well, it is hard to say. I do not think it is necessary to just choose the one and not the other. I think these cut-backs with the complete cessation of weekly income are going to be quite an economic and psychological shock.

Senator VANDENBERG. So do I.

Mr. ALTMAYER. I think there is great advantage in trying to cushion that shock by paying a reasonable proportion of the weekly wage loss.

Senator VANDENBERG. You are going to cushion it for just 26 weeks, yet your whole hypothesis contemplates a crisis that runs far beyond 26 weeks. What are you going to do beyond the 26 weeks?

Mr. ALTMAYER. What I pointed out some time ago, you do have a turn-over among the unemployed. They are not just the same individuals for the whole 2 years or so that we are talking about. I do not know what proportion would exhaust their benefits; I cannot tell that, because it is too speculative; but there is only one State that has a uniform 26-week provision now for all eligible workers. When we have the statistics of exhaustion, as we would get them, you would be in a better position to determine whether the 26 weeks is sufficient.

It would all depend upon the development of the postwar situation.

Senator VANDENBERG. Obviously, the 26-week limitation collides with the basis of your computations, because your computations all contemplate heavy unemployment beyond 26 weeks.

Mr. ALTMAYER. Yes; but also everybody contemplates that there will be a turn-over among the unemployed. So while you might have

"X" number of persons unemployed during that year and a half or 2-year period, they would not be the same individuals through that whole period.

Senator MILLIKIN. I would like to ask the Senator from Michigan a question. When you turned over into war economy, how many weeks did your emergency last? As I recollect, we were getting ready to pass Federal legislation, but by the time we got through the emergency was over.

Senator VANDENBERG. I think the Senator is correct. I do not remember the time, but I remember we were petitioned to appropriate three or four million dollars for the contemplated emergency, and the emergency never arose.

Senator MILLIKIN. I think it would be interesting if somebody gave us some case history on that, as to just how long the emergency was in the State of Michigan. We are just unscrambling the eggs now.

Senator VANDENBERG. However, it is much easier to make it than to unmake it.

Senator MILLIKIN. I agree with that.

Senator BARKLEY. It cannot be contemplated that the same number of people are going to be unemployed for the same 26 weeks. Some of the periods of 26 weeks may begin a year from now and even a year and a half from now.

Mr. ALTMAYER. That is right. If a man gets a job after he has been going on unemployment compensation for 5 weeks then he still has 21 weeks benefit left.

Senator BYRD. Along the line of Senator Vandenberg's question, what percent of the 30,000,000 that are now covered by the insurance will be benefited by the price part of this bill? Not by the time but by the \$25 provision. Say a State paid one-half, it would have to pay \$50 a week before they get up there.

Mr. JACOBSTEIN. You mean what percentage of the covered workers would qualify for the \$25?

Senator BYRD. What percentage would qualify above the State level?

Mr. JACOBSTEIN. I do not have the figure, but it is a very good question.

Senator BYRD. Certainly, there would be a tremendous number of the 30,000,000 that would not get an benefit of the compensation. Of course, they would get the benefit of increased time. I think that is a very pertinent question. I would like to know what percentage would be benefited by the substantive part of the bill.

The CHAIRMAN. Could that be supplied for the record?

Mr. ALTMAYER. Yes.

Senator HAWKES. They would get a percentage benefit all the way along the line, because 50 or 66 percent of the amount they earned would be a greater factor, as I understand it.

Mr. ALTMAYER. I will put the exact figure in, but my recollection is it runs somewhere from 40 to 45 percent, of the workers we estimate, even with the changes in the State laws made by the 45 legislatures, that would have their benefits frozen by the maximum provisions.

Senator BYRD. You mean one-half of the workers would be benefited by the money part of the bill?

Mr. ALTMAYER. Yes.

Senator BYRD. Or the substantive part of the bill?

Mr. ALTMAYER. Yes.

Senator BYRD. The other part would not?

Mr. ALTMAYER. Yes; except they would be benefited by the duration.

Senator BYRD. I understand that. I am talking about the weekly benefits.

Mr. ALTMAYER. Yes.

Senator BYRD. You think one-half would be benefited and the other half would not. They all would be benefited except two States, as I see this list, by the 26 weeks. Maryland now has 26 weeks.

Senator McMAHON. Of course, Senator Vandenberg's suggestion is an interesting one about continuing the payment at the present State level. It seems to me you have got to determine the underlying philosophy of this bill before you come to the determination of that. Is it the purpose of the bill to maintain subsistence for these unemployed workers, or is it partly the philosophy of the bill that the purchasing power will, in some measure, be kept up?

Senator VANDENBERG. Both.

Senator McMAHON. Yes. I immediately concede to you that \$2,000,000,000 is not a very large amount when it is placed against our war expenditures of \$100,000,000,000. I do not know that it is going to do very much good as far as promoting the degree of purchasing power. That is a very interesting economic question, as to how it would work out.

Senator VANDENBERG. I have a further thought on that, and that is that the resistance which we are going to confront from the States on this bill would be far less if the States were left in control of their rates and our contribution was an extension of the time of coverage. Don't you think that is true, Doctor?

Mr. ALTMAYER. Well, I am going to let the States speak for themselves.

Senator VANDENBERG. All right.

Senator MILLIKIN. Mr. Chairman.

Mr. ALTMAYER. May I answer Senator Byrd? You asked me, Senator, what percentage of the workers would benefit by the \$25 maximum provision. I stated my recollection was 40 to 45 percent. It works out 45 percent. Of that number who would be affected, about 76 percent, or 34 percent of all the covered workers would draw at the \$25 maximum.

The CHAIRMAN. What percentage?

Mr. ALTMAYER. Forty-five percent would draw something more than they would draw under the present law, with this \$25 maximum provision put in here. Thirty-four percent would draw at the \$25 maximum.

The CHAIRMAN. Thirty-four percent?

Mr. ALTMAYER. Yes.

The CHAIRMAN. Would draw at the \$25 maximum.

Senator BYRD. But 55 percent of the workers would get nothing.

Mr. ALTMAYER. The figures show that the lower-paid persons are the ones that have the longest spell of unemployment.

Senator BYRD. I am talking about the substantive part of it. Fifty-five percent of the employees would not benefit by this bill.

Mr. ALTMAYER. Would not benefit by the weekly maximum, but would benefit by the duration.

Senator BYRD. My question only refers to the substantive payments, to the money part of it.

Mr. ALTMAYER. There are substantive payments after the duration within the State has ceased under the State law.

Senator BYRD. Just exclude that. I am talking about the weekly payments.

The CHAIRMAN. The maximum weekly payment.

Senator BYRD. Fifty-five percent of them would not get any more than the maximum benefits under this than they now get under the State law, is that right?

Mr. ALTMAYER. That is right.

Senator BYRD. And the States have \$6,000,000,000 in their treasuries.

Mr. ALTMAYER. \$6,800,000,000.

Senator BYRD. Even under your estimate you say they will spend a billion dollars a year. That would be enough for 3 years, not counting the fact that the States get in an additional billion a year. So the States could, if they choose to do it, run for 4 or 5 years by changing the laws and increasing the time and not call on the Government at all; is that correct?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. In response to a question by Senator Vandenberg, you gave an answer that raised a great deal of difficulty. You said, "Let the States speak for themselves." Mr. Green said yesterday that a hard drive had been made on every legislature in this country to better its unemployment system and there had been some improvement but not as many as were desired. Now, those State legislatures are a whole lot closer to grass roots than we are.

Senator BARKLEY. They are no closer than we try to be.

Senator MILLIKIN. Sir?

Senator BARKLEY. They are no closer than we try to be.

Senator MILLIKIN. But they are closer, because they are home, they are living with the people, they have a much better idea, I respectfully suggest, of what the people in those States want than we have. It is their business to have it. On what theory do we sit here and modify their judgment as to what their unemployment compensation systems shall be, except that there is a Federal angle involved? That is, supposing that there is a Federal angle involved. I do not see the Federal angle of this bill. Why do not we drive directly at the Federal angle? What is the Federal angle that warrants us overturning these State legislatures?

Mr. ALTMAYER. As I said in the beginning, I think the Congress decided back in 1935 that unemployment insurance was a matter of national concern and the concern of the Federal Government, when it passed the Social Security Act. When it passed the Social Security Act with a 3 percent unemployment tax it, in effect—let us not use soft words—required States to pass unemployment insurance laws, because if the State did not pass unemployment insurance laws, the employer nevertheless would have to pay 3 percent into the Federal Treasury, so naturally all the States passed unemployment insurance laws. In

1935, you may recall, we had some court decisions, which raised the whole question of how far you could stretch the taxing power of the Federal Government in relationship to the public welfare. With that in mind largely the Congress, when it wrote the unemployment-insurance provision, first debated whether it would be a Federal system or State-by-State system. There was this constitutional question I mentioned, and there were other considerations. Congress decided that it was to be a State-by-State system.

Senator MILLIKIN. I am not speaking of the question of power.

Mr. ALTMAYER. I am just speaking of the fact that it was a matter of national concern that was recognized since 1935.

.Then, the second question was: How far would the Federal Government in laying down standards to be met by States in their laws, to be approved under the Federal Unemployment Tax Act, and, again, the constitutional question there certainly was to the fore. The lawyers were of the opinion you would be on very dangerous ground if you wrote any benefit standards whatsoever, so there were no benefit standards written into the 1935 Social Security Act. There were about 12 administrative standards of one kind or another, but no benefit standards.

To my mind, when Congress levied the 3 percent unemployment tax—and there was no question it was for unemployment insurance—it did assume oversight, or whatever you want to call it, as to what sort of unemployment insurance system we would have and what sort of benefits would be paid under the State laws. Otherwise, you would be having a Federal 3-percent unemployment tax act and permitting it to go down to zero in a State, and still the employers in that particular State getting a 90-percent offset against their Federal tax.

Senator MILLIKIN. From what you said, Mr. Altmeyer, you consider it a sound policy for the States to determine the benefits of the State for unemployment insurance, and now we are interfering with their judgment.

Mr. ALTMAYER. Because it all flows from the 1935 Social Security Act, which is a Federal act.

Senator MILLIKIN. And in which you stated there were constitutional questions if we interfered with the States' discretion as to the benefits.

Mr. ALTMAYER. Yes, but those constitutional questions were all resolved when Judge Cardozo wrote his opinion upholding the constitutionality of the old-age and survivors insurance system.

Senator MILLIKIN. Let us assume we have a right to do what we are trying to do, the question is why should we do it when these State legislatures, which are as close to the people as we are, and I say even closer, have set up their own systems, and having again brought it directly to their attention during the last year, they have taken whatever action they have taken as a reflection of the will of the people. Why do we interfere with them? I suppose there is a Federal angle to this thing, but I do not believe we are striking at the Federal angle. We are interfering with the State angle.

Mr. ALTMAYER. One reason I think that Congress ought to give concern to the benefits actually being provided under the State laws is that each State acting alone is under some handicap as regards interstate competition. The Federal Government, alone, is in a posi-

tion to help the States through benefit standards or other measures to eliminate the fear of interstate competition by providing higher benefits in one State than are provided in another State.

Secondly, it seems to me that if we take a look at these State laws and we find that people in similar circumstances are not treated anywhere nearly similarly; that is, for instance, a person with a certain wage record, a certain wage loss, is treated very much differently in one State than in another State, that Congress is concerned about that, because there is no reason why a person who is supposed to benefit under this Federal legislation—true, it is administered by the State and enacted by the State—why there should not be some concern that people in similar circumstances be treated similarly. That seems to me the basis of equity of any kind of legislation, particularly social legislation.

Senator MILLIKIN. You agree, Doctor, that the maximum in one State is different from another State, and these State legislators are presumably weighing their own economies and their relation to those economies and have reached a judgment. Now, we are sitting here and saying their judgment is wrong.

Mr. ALTMAYER. I think you have a responsibility to pass judgment, though, and you assumed that responsibility 10 years ago. What I am trying to say is this: Under this kind of legislation you are not saying to a State that regardless of its economy it will pay a flat fixed sum, the same as is paid in every other State which may have a higher wage level or lower level, or some other kind of economic circumstances. The benefits that are proposed here are related to the wage loss, and because they are related to the wage loss you have an automatic adjustment of the varying conditions in the State. If a man is earning \$10 in the State of X, and a fellow earns \$10 in the State of Y, he should draw the same benefits, but the State of X ought not be required to pay \$15 or \$20 to everybody, regardless of the wage levels of the State or regardless of the individual wage records.

Senator VANDENBERG. Excuse me, but I have just one question. Is not \$10 more in southern Mississippi than it is in northern Michigan?

Mr. ALTMAYER. I think all the figures on the cost of living indicate that there are parallel conditions between urban communities in the North and in the South. But aside from the cost-of-living angles, I think we have to bear in mind that this kind of legislation, social insurance, does undertake to compensate for a certain proportion of the wage loss, whether it is unemployment insurance or whether it is old-age and survivors insurance. You do not need to get into the question of the cost of living unless your studies show that the proportion of the wage loss is such that people cannot meet the reasonable minimum cost.

Senator MILLIKIN. Doctor, you wipe out the differentiations which the States themselves have established by leaving them roughly uniform.

Mr. ALTMAYER. Not as regards the relationship between the benefits and the wage loss. That is not touched in this legislation, whatsoever.

Senator MILLIKIN. Let us assume, if I may interrupt you, that these States have looked at their own position. We have got a certain unemployment system here, and let us assume that they reasoned it out

along the line of the suggestion made a while ago; if that be true, then we are wiping out their judgment by having uniformity.

Mr. ALTMAYER. It seems to me you assumed responsibility when you enacted this 3 percent unemployment tax act. If you feel there is no responsibility on the part of the Congress or Federal Government, then you ought to repeal the 3 percent tax rate under which all the States operate and are supported.

Senator MILLIKIN. I am trying to get a determination as to what the Federal responsibility is. I do not feel myself foreclosed by the fact that some other law was passed at some previous time. We now have a law before us, and I must necessarily exercise my own judgment on that law. I would like to know what is the Federal angle that we should bring out, because I believe there are some Federal angles.

Senator McMAHON. Is not the basic proposition that it is a matter of national concern that we do not have widespread unemployment?

Senator MILLIKIN. I agree that that is an angle.

Senator McMAHON. That seems to me is the preeminent angle, and it is toward attacking that problem that the bill is proposed.

Senator BARKLEY. May I say this in reply to the Senator's suggestion that we are undertaking here to overrule the judgment of the States. Whether the members of the legislature are closer to what we commonly call grass roots than we are here in Washington, I have some doubt. Many of these State legislatures meet once ever 2 years. In my State they meet 60 days out of 2 years. In many of the other States the legislatures meet only every 2 years, unless they are called into extraordinary session by the Governor for a specific purpose, and then they are limited to what he calls them for. The judgment of those legislatures that meet at these infrequent periods may be based upon their financial ability, their economic situation. It may be that \$18 or \$20 or \$25 is all they think they can pay. It may be their taxing system is so limited that they cannot raise more money for that purpose. We are not in this legislation, as I understand it, undertaking to question their judgment based upon their condition, we are saying that it is a national question, that widespread unemployment creates a national obligation, creates a national economic vacuum which we are seeking to fill in some way, and without impugning the judgment of these States, we are adding to what they have decided they can afford to pay a large appropriation from the Federal Treasury. That constitutes an important Federal angle. I do not think we are impugning the motives or overruling the judgment of any State, we are just saying, "Assuming you did the best you could under your economic conditions, we do not think, in this emergency, it is enough, and, therefore, we are going to help you pay a larger sum."

Senator MILLIKIN. Of course, Senator, that raises the whole question that I am making. We are setting up our judgment on whether what they have done is enough.

Senator BARKLEY. That is true.

Senator MILLIKIN. As to the legislators meeting every 2 years, let me remind you, Senator, that just yesterday Mr. Green said this particular problem was brought to the attention of every legislature since last year.

The CHAIRMAN. I think you gentlemen are arguing the merits and not getting very much factual data.

Senator BARKLEY. My dissertation was based upon the statement of the Senator from Colorado.

Senator MILLIKIN. My dissertation was based on what I consider to be a violation of sound governmental policy.

The CHAIRMAN. Doctor, is there anything else you wish to say?

Mr. ALTMAYER. No, sir. Thank you very much.

The CHAIRMAN. Doctor, thank you very much.

I would like for the committee to get back at 2:30. We really ought to get back at 2 o'clock if possible. We have Mayor LaGuardia, who is coming in, and General Bradley. I hope the committee will come back promptly at 2:30 o'clock, and the other witnesses, of course, will be here at that time.

(Whereupon, at 12:50 p. m., the committee recessed until 2:30 p. m., of the same day.)

AFTERNOON SESSION

The CHAIRMAN. Mayor LaGuardia, will you come around? We will take you first, I understand you want to take a plane back.

Mayor LaGUARDIA. I hope to get one.

The CHAIRMAN. We are putting you ahead of one of the witnesses, Mr. Thomas, but we will get to him very shortly.

Mayor LaGUARDIA. I won't take very long.

STATEMENT OF HON. FIORELLO LaGUARDIA, MAYOR OF NEW YORK CITY

Mayor LaGUARDIA. Mr. Chairman, I appreciate this opportunity of appearing before this committee in support of S. 1274.

The provisions of the bill will not substantially change our unemployment insurance provisions in my State, but it will do one thing that I think is very necessary and helpful in the general problem of reconversion and employment, and that is, it tends to bring about better uniformity in the provisions of unemployment insurance throughout the country.

On unemployment insurance, as well as labor laws, and social welfare laws, and benefits, the time has arrived that we should have something like uniformity throughout the country.

Now I want to make it very clear—I don't think it is necessary—that the payment of unemployment insurance is not the solution to unemployment. It is a palliative which provides and alleviates distress. It isn't any more a solution than collecting insurance after the property has been destroyed by fire.

A great many, I fear, place too much stress on these 26 weeks; 26 weeks is a very short time. The fund will have been consumed and we are exactly where we started from, except that much work off.

So I do hope that provisions will be made, affirmative constructive provisions, to absorb all of the dislocated workers from all industries, as well as the demobilized soldiers and sailors.

Senator VANDENBERG. You mean beyond the 26 weeks?

Mayor LaGUARDIA. Certainly.

It is my sincere hope that we will not have to delve into this fund until we strike the bottom or that nothing happens in these 26 weeks.

I will say frankly that if all we have is this 26 weeks of unemployment insurance, then, we haven't very much to meet the impact when it comes, and it is going to come.

The first provision covering Federal employees, and the merchant marine is a very helpful addition to the present unemployment insurance plan, particularly in the case of merchant marine.

Gentlemen, we have outgrown the old tradition of the sailor who signs off on reaching port and spends his money at the nearest tavern and hangs around until he is signed up on another ship.

The American seaman is a new person entirely from the old conception of the sailor. And this provision will be very helpful.

It will also be helpful to many who are in the Government service because of war activities.

I hope that my State, and others, will take advantage of the provision in paragraph (2) of section 702 where the State may cover State, county, and municipal employees, particularly those who were temporarily employed to fill military vacancies.

We had to employ several thousand in the place of permanent municipal employees who went in the armed services.

The GI provision of course is helpful. It increases the allowance and it will help to alleviate distress, but it is not the final or permanent solution to providing suitable gainful employment to discharged veterans.

The transportation provision is very constructive and should prove very helpful, particularly if there is employment, isolated employment, in any part of the country.

I would suggest, if it isn't now sufficiently broad, to provide transportation under the same provisions to people who want to go to their own home.

My experience has been that in times of unemployment a great many flock to the large centers, particularly to towns where we have to provide suitable living conditions. We can't permit them to stay on the street.

As I said, we may have quite a migration to the large cities of the East as well as to the large cities in California.

I wouldn't be frank if I did not say that I am strongly in favor of this bill, for the reasons that are given by opponents of the bill.

Opponents of the bill fear this will strengthen Federal administration and tend to eventual complete Federal administration of unemployment insurance. I hope it does.

Frankly, I believe that this Federal unemployment insurance fund should be administered entirely by the Federal Government, which will assist in more speedily bringing about uniformity of provisions and administrative features.

It is a Federal problem and responsibility. Unemployment is not local any more. When we have unemployment it spreads immediately throughout the country, and then, as I said a moment ago, there is this tendency of migrating from one place to another, particularly where provisions for relief are better.

I don't see why we should go through this involved system of Federal and State administration.

It is so clearly a Federal responsibility that we should recognize it.

I was warned by friends of the present bill to stay shy of that side of the controversy. I don't want to stay shy of it. I just want to go on record as being in favor of more Federal administration.

Now, gentlemen, I have covered the whole subject time and time again before committees of Congress, from the time I introduced a very crude unemployment insurance bill in the House for the only purpose of provoking discussion. It was very crude, but it did annoy some people.

The Chicago Tribune had an editorial stating that this alien-minded Representative ought to be deported out of the country.

We have gone a long way since then.

In February of 1942 I appeared before the Ways and Means Committee of the House when a very similar bill was before it, and I stated then if action was not taken at the time that the bill would come back later on with increased costs.

I think I was quite justified in making that statement 3 years ago, and the bill is back now, and I want to add to what I said in 1942, that the subject will be back again until we do have a Federal, complete Nation-wide, administration of unemployment insurance, with Federal funds and with uniform benefits throughout the country.

Thank you.

The CHAIRMAN. Any questions anyone may wish to ask Mayor LaGuardia?

Senator HAWKES. I would like to ask Mayor LaGuardia this question: When you say uniform benefits, you would not say that under the conditions that existed in this country before the war, which of course have upset many conditions, that a man possibly living in Mississippi or some Southern State, where the cost of living was not more than half as much as it might be in New York, that you would pay the same unemployment benefits there as you would in New York?

Mayor LaGUARDIA. Senator, when you say that the cost of living in Mississippi would be one-half—

Senator HAWKES (interposing). I did not say it would be.

Mayor LaGUARDIA. Let's assume. If the proper kind of living is had and the cost would be one-half, then, I would say, of course, the benefit ought to be in proportion.

But I want to assume first a proper standard, or a proper American standard, of living, and then compare the cost and adjust the benefit accordingly.

I am quite sure that when we bring up the standards in some sections of our country you will find that there can't be much difference in the cost of living. There would be some difference in rent, but you take in clothes, household effects, and food, except what is raised locally, the disparity that exists between a proper standard of living and a substandard of living wouldn't be great.

Senator HAWKES. You have answered my question.

If a similar class of living existed, you would give consideration to that?

Mayor LaGUARDIA. Yes, sir.

Senator McMAHON. The suggestion has been made that instead of supplementing it federally, that it would be better to extend the time, leave the State benefits as they are, and extend the time over which they would be paid, leaving the State scales as they are at the present time.

MAYOR LAGUARDIA. If all States had the same provision as my State, which is \$21, then I would say that time is very important.

But you will find that some of the provisions in some States are so low that I don't see how they can serve any useful purpose.

SENATOR McMAHON. That is the rate that the State legislature has set for the people of its State, and taxed in accordance therewith.

MAYOR LAGUARDIA. Yes; and it makes it pretty hard for the other States that want to maintain and improve living standards.

SENATOR McMAHON. Now we will reward those States, will we not, and punish States like your own?

MAYOR LAGUARDIA. Quite true.

We have been punished so long that we have become calloused and we are kind of happy if we can lift these others somehow.

SENATOR BARKLEY. Is it a penalty for any other industrialized and prosperous State, and manufacturing State, to enable people in other States to buy up more of the things they produce in New York, Connecticut, and Michigan?

MAYOR LAGUARDIA. No; it is not a punishment. If the cost of carrying unemployment insurance is less because of lower provisions, it does put employers at a disadvantageous competitive position.

SENATOR BARKLEY. It has been referred to constantly and frequently that it might be a penalty against the more prosperous States due to the fact that that State had a \$25 maximum and it would not draw anything, and it would be contributing more in taxes to the Federal Treasury, out of which this compensation is to be paid to the less fortunate or less prosperous States.

MAYOR LAGUARDIA. My people in New York State have used that argument for years and years and years, and I get it when they oppose some legislation.

Perhaps I am the only New Yorker who says so. After all, there would be no New York State if there were no United States. We have a large income in New York. Why? Because a great many of the offices of industry and businesses and activities are located in New York City.

This income and our wealth is national, and if we happen to be so fortunate as to have businesses and activities in New York City that pay a larger amount of Federal taxes, it is because the rest of the country is helping us pay it.

That, perhaps, is a provincial thing for a New Yorker to say, but it is the truth nevertheless.

SENATOR BARKLEY. That is the very point that weighs somewhat on my judgment.

I do not like to see it referred to as a penalty against New York because by reason of her ability to draw wealth from the other 47 States, she pays more taxes into the Federal Treasury. I am glad she does it, and I think, as a rule, she does it wholeheartedly and without much complaint.

MAYOR LAGUARDIA. Yes; we do it pretty well.

SENATOR BARKLEY. It is not quite an accurate description to refer to it as a penalty or punishment of New York because she is able to do more than other States.

MAYOR LAGUARDIA. No. We will derive our share of benefits on any improvement in living conditions anywhere in the country. That is why I used to become interested in agricultural legislation in the

House. The American farmer is the best customer we have. We want the American farmer to be prosperous.

It is one economic unit, and that is why I want to see more uniformity in all legislation that affects the economy of the country.

Senator MILLIKIN. Do you believe this bill would tend to promote a federalized unemployment compensation system?

Mayor LAGUARDIA. Frankly, I hope so, Senator.

The CHAIRMAN. Any further questions from the mayor?

If not, we thank you, Mayor.

Mayor LAGUARDIA. Thank you.

The CHAIRMAN. General Bradley, will you come around and have a seat?

General, we will be very glad to hear from you on this bill or this legislative proposal, this particular bill being S. 1274, relating to Federal supplementation of unemployment compensation.

If you have a prepared statement you wish to submit, we will withhold any questions that any member of the committee might wish to ask until you finish.

General BRADLEY. If it is agreeable to you, I would prefer to read this statement and try to answer any questions you may have to ask afterward.

The CHAIRMAN. That is quite agreeable.

STATEMENT OF GEN. OMAR N. BRADLEY, ADMINISTRATOR OF VETERANS' AFFAIRS

General BRADLEY. I have been requested to testify concerning the effects of S. 1274, "A bill to amend the War Mobilization and Reconversion Act of 1944 to provide for an orderly transition from a war to a peacetime economy through supplementation of unemployment compensation payable under State laws, and for other purposes." An identical or companion bill, H. R. 3891, is pending before the Ways and Means Committee of the House of Representatives, and a similar bill, H. R. 3736, is also before that committee. The Veterans' Administration has not been requested to report on any of these bills, hence I am not advised by the Bureau of the Budget as to their relationship to the financial program of the President.

I assume the committee desires an expression from me only as to the probable effect the bill, if enacted, would have upon veterans and activities of the Veterans' Administration. Except for the provisions of section 2—line 14, page 10—the effects would be indirect.

Undoubtedly, others have sufficiently analyzed the bill, so briefly, its main purposes would be:

(1) To provide a uniform duration of time for eligibility of 26 weeks maximum payments for all persons entitled under the State-Federal unemployment-insurance system.

(2) To provide a uniform maximum benefit of \$25 per week.

(3) To extend coverage as to eligibility for unemployment compensation for a limited period to civilian employees of the Government, to certain merchant seamen and to certain categories of employees of establishments now excluded as enterprises associated with agriculture. H. R. 3736, mentioned above, also broadens the base of insurance coverage by including all employers with one or more employees.

(4) To supplement the trust-fund payments by transfer of the general funds of the Treasury to the extent of the increased payments due to such increases in eligibility, payments and coverage.

It seems clear that none of these provisions would affect the Veterans' Administration, or veterans as such, in any way except as to the maximum \$25 per week. This is a greater benefit than afforded veterans under title V of the Servicemen's Readjustment Act of 1944. In a great number of the cases the claimant would have contributed to the trust fund through taxes under the Social Security Act. At the same time, those persons who would be newly brought into the system have not so contributed.

Pursuant to the provisions of the Readjustment Act, veterans have a period of eligibility of from 24 weeks (for 90-day service) to 52 weeks within a prescribed period after the end of the war or discharge from service. During such period, if unemployed, a veteran may, upon complying with all conditions prescribed by the act, receive payments of \$20 per week while unemployed, with lesser amounts if partially employed. (There is also a provision for a self-employed veteran during the period of awaiting full returns).

At the time the \$20 rate was agreed upon, the average maximum benefit under the State systems was approximately \$18, and the average maximum period of eligibility was about 16 weeks. A few States provided either greater amounts or greater periods of eligibility, or perhaps both, in no event, I believe, exceeding \$22 per week or 26 weeks, respectively. At that time, too, there was debated the question of additional benefit payments for dependents of veterans; but such provision was not adopted, probably because it would tend toward a relief program rather than an unemployment-insurance program. The theory, as it is understood, of unemployment insurance is to distribute the cost of unemployment among all employers and employees included in the system. That is to say, that the incidence of unemployment should be a charge against the industrial system. Hence, the State systems did not provide for dependency payments. I am informed a few now do it. It seems clear that any increase in the maximum payments above \$20 weekly would carry implications requiring consideration of raising the rates prescribed by the Readjustment Act for veterans.

Section 2, subsection (a), would amend section 700 (a) of the Servicemen's Readjustment Act in a manner which probably is theoretically sound but does involve administrative difficulties. At the present time, as stated, the period of eligibility is limited to 52 weeks, maximum. This means a maximum payment of \$1,040, should the veteran use the entire period of eligibility. However, if, during one or more weeks, he was partially employed, he would receive a lesser amount of readjustment allowances. The amendment would prescribe in effect a limited amount rather than a limited period.

Section 2 (b) would increase the \$20 rate to \$25 and would also provide an additional payment of \$5 per week if the veteran has one or more dependents, with certain adjustments if a dependent is employed or is in receipt of unemployment allowances. Such provision would inject a difficult administrative problem which the section would attempt to solve in part by providing for acceptance of the claimant's certification as to the fact of having a dependent or dependents. For this reason and for those above briefly referred to, it is questionable

whether dependency should be made a factor in any unemployment-insurance-allowance system and particularly the emergency system respecting veterans.

With respect to such allowances an effort was made to parallel the general provisions of the State systems. This makes for greater ease of administration, inasmuch as the Veterans' Administration discharges its responsibilities under title V through extensive use of the facilities of the State unemployment-compensation agencies. Some discrepancies have been encountered in the present act. The question arises in my mind whether it might not be better to amend the present act through a separate bill. One advantage would be that a separate bill could receive the attention of the committee in the House of Representatives responsible for veterans' legislation. Of course, but for differentiation between veterans and nonveterans, it would seem that the present title V of the Readjustment Act might be repealed and servicemen be added as a class of Government employees to be covered by the pending legislation. Neither this proposed legislation nor the present act integrates veterans' unemployment benefits with the State systems. In fact, it is possible in some States for a veteran to be eligible and to receive benefits under both systems, albeit not concurrently.

In my opinion, the desire of every serviceman is to stand on his own feet and to take his place in the society for the preservation of which he offered everything. Full opportunity for employment by self or others would, of course, have a direct bearing upon the ultimate cost of the legislation here under consideration. It is not possible to provide you with any accurate estimate of probable cost. However, we are able to supply the committee, if desired, with the actual figures to date under the readjustment allowances provisions of the Readjustment Act. It should be recalled, however, that this also covers a period not only of full employment but of serious manpower shortages. It is reasonable to suppose that during the postwar reconversion period claims will be increased, not only in proportion to the number of servicemen released from the armed forces but also because of factors connected with the nonavailability of jobs and competition for available jobs.

The CHAIRMAN. Any questions.

Senator BARKLEY. I would like to ask you the basis of your suggestion that if dependents be eliminated there is an element in unemployment compensation to veterans. You are limiting what you say to veterans. Of course, it only applies to veterans in this bill. What is your basis of belief on that subject?

General BRADLEY. My understanding is that heretofore—remember, I am new to this game—

Senator BARKLEY. Yes; I know. You are not new to a lot of things, though.

General BRADLEY. The thought has been that the minute dependents are taken into consideration you are more or less bordering on relief rather than on unemployment compensation. I think that is more or less sound.

Senator BARKLEY. You base it upon the attitude that it is compensation by reason of failure to get a job, and it is based upon the failure

to get a job rather than on the number of dependents in the family.

Is that your belief?

General BRADLEY. That is right.

Well, it covers this period during which a man is trying to get gainful employment after returning from service, which amounts to the same thing.

Senator BARKLEY. Your theory is, and the theory of many people is, that regardless of the number of members of a family a man has, he is just as much out of a job as in the case where a man does not have a family, and it is on the basis of the job that he gets the compensation?

General BRADLEY. That is generally it; yes, sir.

Senator BARKLEY. There are those who dispute that theory.

General BRADLEY. I understand that.

The CHAIRMAN. Are there any other questions?

I see you have Mr. Odum here and some of the gentlemen from the bureau, General.

General BRADLEY. Yes, sir.

Senator BARKLEY. There is one other question I would like to ask General Bradley before you ask these gentlemen a question.

You suggested awhile ago that it might be better to deal with veterans in a separate bill. Did the time element enter into your thought on that subject? I mean it would take longer to get two bills through Congress than it would one.

The CHAIRMAN. That doesn't necessarily follow when you consider split jurisdiction in the House.

General BRADLEY. I merely mentioned that because it might avoid adjudication.

Mr. Odum might handle that better than I can.

The CHAIRMAN. I want to ask Mr. Odum one or two questions, with your permission.

How is the administration presently proceeding under the GI bill?

Mr. ODUM. I think, sir, General Bradley has some rather limited statistics that would perhaps answer most of the questions you want to ask.

General BRADLEY. I can give you some figures on this.

For the week ending August 11 of '45, the last period for which we have a full report, there were 45,784 veterans of World War II receiving this compensation.

The amount paid was \$1,035,689 for that week.

The total amount paid to date on account of unemployment allowances is \$27,360,204; 11,926 veterans were paid during July on account of self-employment. They are paid by the month instead of by the week. That amounted to \$1,190,343.50.

The total amount paid to date on account of self-employment is about four and one-half million.

The total amount paid to date on account of both unemployed and self-employed allowances, \$31,594,460.

Assuming that two and one-fourth million are eligible—that is as near as we can estimate it from the figures available to us—approximately 2 percent-plus drew unemployment allowances for the week ending August 11, and one-half of 1 percent additional received un-

employment allowances during the month of July for partial employment or self-employment.

To date, approximately 7.3-plus percent of the eligible veterans have at one time or another drawn readjustment allowances on account of employment, and approximately 0.6 of 1 percent have drawn allowances on account of self-employment.

In other words, a total of about 1 out of 12 has drawn readjustment allowances in one form or the other.

The CHAIRMAN. Now, the increasing of the amount over and above the veterans' adjusted bill, and particularly the addition of the dependency feature, would add complications, General, to the administration of the bill. How seriously would it affect the administrative problem?

General BRADLEY. The increase in the rate from \$20 to \$25, I suppose, would only cause an increase in trying to answer letters about the amount already drawn that has been used up.

The \$5 additional for dependents would cause considerable administrative work, even if you accept the certificate as provided by the law.

There are so many other angles that enter into it that it would considerably increase the administrative load.

Mr. ODUM. There is one other item there, Senator George.

The \$100 maximum rate for the self-employment is somewhat parallel with the total amount when you figure it out in the long run that the unemployed receives. The \$25 rate, with additional amount for dependents, would throw the self-employed entirely out of line.

Senator BARKLEY. General, a while ago you said at this time approximately 2¼ million World War II veterans were eligible. You mean by that that many have been discharged and there is an eligibility assumed on their part if they are unemployed?

General BRADLEY. Yes.

Senator HAWKES. General, if you eliminated the \$5 for dependency for the veterans, what would you suggest in lieu of that? Had you in mind a higher figure than the \$25 to replace the 25 plus 5?

General BRADLEY. No; we did not have that in mind.

The thing is, we believe that if you raise the general level of unemployment insurance to \$25, we must raise this readjustment allowance of soldiers to \$25. But I don't think it follows necessarily that you have to give them \$5 extra for dependents, which is not provided, as I understand it, for any other class of unemployment.

Senator HAWKES. That is correct. I just wanted to know whether you had in mind whether that \$5 suggested should be higher—

General BRADLEY. No, sir.

However, as I say, if you raise the other to \$25, you would be more or less under obligation—

Senator HAWKES (interposing). You would certainly be obligated to raise the veteran to \$25.

The CHAIRMAN. If there are no other questions, well, General, we thank you for coming over.

General BRADLEY. Thank you.

Mr. Thomas, come around.

Mr. Thomas, we will be glad to hear from you.

STATEMENT OF R. J. THOMAS, VICE PRESIDENT OF CIO AND INTERNATIONAL PRESIDENT OF THE UNITED AUTOMOBILE WORKERS OF AMERICA

Mr. THOMAS. Gentlemen, I am glad that you have returned to Washington to conduct hearings on unemployment compensation. The jubilant crowds who recently celebrated victory are looking to you for leadership in the ways of peace. Underneath their joyous exterior, their relief after long years of devastating war, is fear—the fear that they won't have jobs.

I watched the celebration in Detroit—and I imagine it was the same everywhere. It was the servicemen who were wildest and happiest, they and their wives and sweethearts. But they are the children of the thirties, who grew up during years of scarcity and want. Many of them saw their fathers unemployed, working on WPA or simply receiving relief, often desperate, broken. Believe me, after finding that full employment is entirely possible in America, and after their war experiences, they are never going to tolerate another major depression.

Yet so far Congress has taken no direct action to prevent the unemployment which now is upon us, or even to mitigate the effects of unemployment, by acting to strengthen and supplement our inadequate State unemployment-compensation laws. All the reconversion legislation thus far adopted has been designed to benefit business, apparently on the long-discredited theory that if business makes sufficient profits everything will be all right for everyone. Unfortunately it is difficult for any thinking person to hold that view since the debacle following 1929. And at the present time, when thousands are being laid off every day, it is apparent that business has again failed to prevent unemployment.

THE CIO PROGRAM

The CIO has a fully developed program for expanding production and for assuring full employment. President Murray appeared last week before another Senate committee to support Senator Murray's full-employment bill. We are seeking higher basic wages and higher minimum wages in order to provide a decent standard of living and to supply the purchasing power necessary to buy back the products of industry. The CIO believes that the Federal and State Governments must develop large public works, housing, and conservation programs. We favor progressive tax legislation to raise adequate revenues for these and other purposes without unduly cutting off consumer purchasing power. We insist on a permanent Fair Employment Practices Committee to safeguard the rights of Negro workers and other minority groups. We have been in the vanguard in supporting legislation which will help the veterans to return to useful and remunerative employment. We believe that agriculture and small business should receive special consideration in order to assure their stable and profitable operation. We favored the Bretton Woods agreements and shall support all measures aimed at developing a large and unimpeded foreign commerce.

This is our basic program. We support legislation designed to accomplish these ends, and we support legislators who work for the passage of such legislation. We recognize, however, that there is need, in addition, for legislation providing adequate social security against the hazards of unemployment, old age, sickness, and disability. We therefore support the Wagner-Murray-Dingell bill, which embodies the best of current thinking along these lines.

Pending passage of such comprehensive legislation for social security, we endorse S. 1274, the bill now before your committee. The bill is a minimum proposal to deal with the major immediate problem of cut-backs in war production. I cannot see how Congress can fail to enact into law this bare minimum of protection for workers who have been working throughout the war period and many of whom now face serious problems of readjustment. Together with their dependents, gentlemen, they represent a large proportion of your constituents.

ONE-SIDED CONGRESSIONAL ACTION

The record of Congress to date is completely one-sided: You have passed considerable legislation to benefit large corporations but you have done nothing directly to protect workers. This is true both of wartime legislation and of measures for reconversion. Let me mention a few outstanding examples of legislation beneficial to industry:

To induce industry to convert to war production you provided for 5-year amortization of new plants so that new facilities could be paid for out of war profits. Even this rapid rate of amortization has recently been accelerated.

Because, even with such an inducement, industry failed to build sufficient new facilities to produce needed war goods, you appropriated some \$16,000,000,000 for Government-owned plant and equipment, for the operation of which industry has received unprecedentedly high profits and which will now pass into private ownership at a fraction of the cost to the Government.

The wartime stabilization machinery has held workers' basic wage rates to an increase of only about 20 percent above prewar, while living costs have risen by close to 50 percent and corporate profits before taxes by the first half of 1944 had skyrocketed to a level of over 200 percent above the average for 1936-39.

Senator McMAHON. What were they after taxes?

Mr. THOMAS. The increase was from 3.5 billion to 10 billion after taxes.

Senator BARKLEY. You have not got it in percentage, have you?

Mr. THOMAS. No, I haven't.

Senator HAWKES. Mr. Thomas, what were they in billions before taxes? Then you can get your percentage.

Mr. THOMAS. You mean during the 1936 to 1939 period?

Senator HAWKES. No. You said it had increased 200 percent.

Mr. THOMAS. Yes.

Senator HAWKES. How many billions was that related to this 3½ billion you are talking about now after taxes?

Mr. THOMAS. We don't have that figure.

Senator HAWKES. Can you furnish it?

Mr. THOMAS. We can furnish it for you.

Senator MILLIKIN. Do you have the figure on increase in volume of production in, say, 1944, as against 1939?

Mr. THOMAS. No.

The figure I gave here is 1944 against a period from 1936 to 1939.

Senator MILLIKIN. In terms of volume?

Mr. THOMAS. We don't have that in terms of volume.

We will add to that in just a minute.

I will go on if it is all right with you.

Senator MILLIKIN. All right.

Mr. THOMAS. In 1944 and 1945, profits have been running at a level of about \$25,000,000,000 per year. Even after heavy war taxes, industry has been able to accumulate vast reserves for reconversion.

The Tax Adjustment Act of 1945 guarantees enormous postwar tax refunds, and the carry-back provisions of the revenue laws provide for large additional refunds.

The Contract Settlement Act, jammed through Congress more than a year ago on the plea of emergency, is the basis for speedy termination of war contracts.

The Surplus Property Act provides an orderly procedure of disposal of the \$100,000,000,000 of war goods which will become surplus.

Do not misunderstand me, gentlemen. These measures were necessary to the successful prosecution of the war, or are needed now for reconversion. What the CIO wants to point out is that similar legislation, designed to safeguard workers, has not been passed. Members of both the Democratic and Republican Parties, Senators and Congressmen, publicly promised that once the emergency contract settlement and surplus property legislation were out of the way Congress would deal with the human side of reconversion. But to date it has done nothing along this line so far as war workers are concerned. We welcome and support measures adopted for the benefit of the servicemen who are now coming back to look for work. We are asking simply that war workers, who have also contributed heavily to winning the war, be not overlooked.

The proposal, supported by all of organized labor, which would have gone furthest toward providing minimum protection for workers was the Murray-Kilgore-Truman bill of last year. This bill was originally introduced into the Senate on May 4, 1944. The bill which finally passed the Senate on August 11, 1944, was a much weakened bill and the War Mobilization and Reconversion Act, as it finally emerged from conference and was passed by Congress (October 3, 1944), carried none of the provisions which would have assisted war workers during the transition period.

Mr. Byrnes, as the first Director of War Mobilization, called for the passage of emergency unemployment compensation. He reiterated this request in his first report to Congress on January 1 of this year. In his second report, on April 1, Mr. Byrnes said that "the most urgent action required in planning for manpower demobilization is extension of unemployment compensation." Finally, on May 28, after the defeat of Germany, President Truman called for Federal legislation to provide maximum benefits of \$25 per week and a uniform benefit duration of 26 weeks.

Almost 2 months more passed before a bill to implement the President's message was introduced into the Senate, and it is now more

than 3 months since the President pointed out the obvious. Congress has thought that unemployment could wait.

The value of goods produced—I think that was the question you asked—in 1940 was \$119,000,000,000, and for 1945, the annual rate, it was 206.

Senator MILLIKIN. So the take-home pay—

Mr. THOMAS (interposing). I didn't say anything about take-home pay.

Senator MILLIKIN. I said it.

Mr. THOMAS. It was take home for the manufacturer.

Senator MILLIKIN. Give me the figure you gave me on the net increase after taxes.

Mr. THOMAS. It was the ratio between 3.5 billion to 10 billion.

Senator MILLIKIN. That then represents the increase produced by a change of volume of 119 billion to 206 billion.

Mr. THOMAS. That is correct.

Senator MILLIKIN. Now we will come to the take-home pay of the worker, the increase between, say, 1940 and 1945, or the period that you are using, as against the war period.

Mr. THOMAS. I said there was a difference between that period and now of about 20 percent increase.

Senator MILLIKIN. Have you got the base figure?

Mr. THOMAS. That is the wage rate.

Senator MILLIKIN. I am talking about dollars.

Mr. THOMAS. Yes.

Senator BREWSTER. He obviously wants the gross.

When you talk about 20 percent increase in rate, that is very different from the workers' take-home. You know the difference very well.

Senator MILLIKIN. Do you have the over-all figures in dollars of the take-home pay?

Mr. THOMAS. We don't have them here.

Senator BREWSTER. You will supply it, won't you? That would be a very interesting comparison.

Mr. THOMAS. I do claim that the value of the worker's dollar has decreased rather than increased.

Senator MILLIKIN. I was not arguing that.

I just want to get the facts.

Senator HAWKES. I think what Senator Millikin wants is the actual increase in take-home regardless of living costs or anything else in these periods so he can compare it with the excess profits of the corporations before and after taxes.

Isn't that right?

Mr. THOMAS. I think I know what he wants. I don't think it means anything but I think we know what he wants.

Senator LUCAS. I think you should supply at the same time the question of costs.

Senator BREWSTER. I think you do consider it does mean something or you wouldn't be so reluctant to present it to us.

Mr. THOMAS. I think you are being very unfair when you say I am reluctant to present anything. I am not reluctant to present anything I have available to this committee.

I said I would make it available.

Senator BREWSTER. You have some very brilliant young men to assist you here. I think they have the answers to most of these questions. I compliment you.

Mr. THOMAS. Of course, that is a supposition on your part too.

Senator LUCAS. I think it would also be interesting for the record to produce those figures to show what the cost of living was at one period and what the cost of living was at another period.

Mr. THOMAS. I happen to have been on a committee set up by President Roosevelt to make an investigation of the cost of living.

The Bureau of Labor Statistics claimed, I believed, from about January 1, 1941, to about the first of this last year, that the cost of living had increased something approximating 25 percent.

I claimed in that period of time, after the research we were able to make, that the cost of living had increased 35.3 percent. I am of the opinion today, as I said in here, that it has increased 50 percent.

Senator BARKLEY. There is a difference of opinion among the different Government agencies about that. There is a difference of opinion between all Government agencies and your organization and the American Federation of Labor.

In the hearings before the Banking Committee considering the extension of the OPA Act, the OPA gave certain figures that as to the increased cost of living over a period which they represented. I don't know whether those discrepancies grew out of the different bases on which they figured or not.

It is unfortunate that there are discrepancies among what are supposed to be reliable agencies for gathering of information as to the cost of living.

Mr. THOMAS. There is only one thing which you have said, Senator Barkley, that I think you are mistaken on.

In this cost-of-living committee that was set up by President Roosevelt, I was the representative of the CIO, and George Meany, secretary-treasurer of the A. F. of L., was also on that committee.

He and I, who gathered these statistics jointly, put in a joint report on that. There was no difference of opinion in labor.

Senator BARKLEY. I may be mistaken in that. There was a difference of opinion in many statistical agencies; particularly was that true among the Government agencies.

Mr. THOMAS. I know that is true.

Senator LUCAS. For instance, yesterday that chart on the wall was presented by Senator Kilgore. He says the general cost of living, for instance, from 1939 up to 1945, was increased 29 percent.

On food it went 141 percent; on clothing 145 percent.

But the over-all increase was only 29 percent.

So there you get another line of what Senator Barkley was talking about.

Mr. THOMAS. These are Bureau of Labor statistics.

Senator LUCAS. I don't know whose they are.

Mr. THOMAS. They look like BLS figures.

I don't agree with BLS figures at all.

I think there are more hidden increases in there that they haven't taken into account than any other agency I know of.

Senator BREWSTER. How do you provide for these variations of articles a worker could secure?

As I understand it, that is the occasion for your difficulty.

Mr. THOMAS. I think I know the question you are asking.

For instance, a worker who formerly before the war could buy a work shirt for, say a dollar, they tell us today, well, there has been a price ceiling, the same shirt still costs a dollar. You can't buy the same shirt. It isn't on the market.

I know when I buy a shirt today I generally get one without a shirt tail at all. The quality is deteriorated. You have to do that more or less of what that deterioration has been.

Senator BREWSTER. So it is a matter of opinion as to what kind of shirt he could get in place of that, and how much it would cost him?

Mr. THOMAS. Surely.

Senator BREWSTER. If he couldn't get beefsteak, he could get lobster, and that costs more.

Senator BARKLEY. Your folks do not base their cost on much lobster, do they?

Mr. THOMAS. No; they don't.

Our people have eaten so little lobster, they don't like it when they do get it.

Senator BREWSTER. That is different up in Maine. [Laughter.]

Mr. THOMAS. I might say that the latest research we have been able to make shows that employment in the automobile industry on August 13 totaled 810,367.

Senator BARKLEY. That is throughout the country?

Mr. THOMAS. That is right.

It has dropped as of August 27—that is, in a 14-day period—412,322, which is approximately 50 percent lay-off in that period of 14 days.

Senator VANDENBERG. It will continue to drop, won't it?

Mr. THOMAS. Yes, sir.

Senator HAWKES. Then you expect an upswing right away, don't you?

Mr. THOMAS. Yes, sir.

Senator HAWKES. A very substantial upswing?

Mr. THOMAS. No; it will be a gradual upswing. It will be gradual, I would say, up to the first of the year. It will be a substantial number of men back by the first of the year.

Senator BARKLEY. At what time, if at all, will you get back to the more than 800,000?

Mr. THOMAS. We will never get back to that figure. I say we never would.

If there is a great expansion in that industry, we will. In the next several years I think there will be some expansion in that industry.

Senator BARKLEY. In view of the backlog in demands for cars there will be a rather precipitant increase in automobiles. That, of course, will be a temporary situation. It might run for a year or 2 years or 3 years or 4 years until the demand is absorbed.

Do you figure that ultimately, at least for a period of years, you will get back to the 800,000?

Mr. THOMAS. No, sir.

I agree with you that there will be quite a large demand for automobiles. The figure can only reach that figure for only a temporary

period, say, the next year or two, when I say the employment will go down. Production will continue or remain level but employment will go down.

In the automobile industry there has been a tremendous amount of technical improvements during this war. Immediately after reconversion, I don't think the industry itself will be able to take advantage of that, but as the next 2 years go on, they will be able to take advantage of the technological improvements that have been made during the war; that is, when they have time enough to build new machinery and put new methods into operation, and so forth.

Senator BARKLEY. When the automobile industry levels off, finally, to stable the supply to the demand, they will employ fewer people than they have employed at the peak of the war?

Mr. THOMAS. We have estimated that they will employ about half as many. That is, unless the standard of living of all the people in America is raised.

Senator BARKLEY. So that everybody could have more and better cars, which, of course, would give employment to automobile workers.

Mr. THOMAS. That is correct.

Senator VANDENBERG. Is there any figure as to how many of those 800,000 are emergency workers who do not intend to be permanent workers, who have come into the industry under pressure of war?

Mr. THOMAS. As an over-all picture, I don't think you could say all of them or any of them are emergency workers.

I think you are referring to, if I get your point correctly, the influx of people into Detroit.

Senator VANDENBERG. I am thinking about people who have gone to work on account of the war who want to stop work when the war is over.

Mr. THOMAS. I think that percentage is very small.

Senator VANDENBERG. How many of those 800,000 would be women?

Mr. THOMAS. I think the figure would be around 200,000.

Of course, in my own organization, we have 300,000 men out of that industry who were in the Army services whose jobs will be guaranteed when they come back.

Senator VANDENBERG. Could you tell me how many women were employed prior to the war?

Mr. THOMAS. From my experiences in the industry, I would say it averaged about 10 percent of the total employment in the industry.

Senator VANDENBERG. You mean that would be about 80,000?

Mr. THOMAS. Yes, sir.

Senator VANDENBERG. So that would be an increase of 120,000 women during the war?

Mr. THOMAS. Yes, sir.

Senator HAWKES. There weren't 800,000 before the war.

Mr. THOMAS. Before the war it was up around 600,000. It was 550,000.

Senator BREWSTER. In aviation and shipyards, of course, expansion has been far more fast.

Have you made any study as to how many of those workers came from either unskilled workers or other fields into the shipyards and aviation?

Mr. THOMAS. I don't know so much about the shipyards. There was an extremely large proportion that came into aviation. They were unskilled people.

Senator BREWSTER. We are going to face this situation: Those people that have acquired a skill have a right under unemployment compensation to comparable work at comparable wage.

Isn't that the theory?

Mr. THOMAS. That is the theory. It hasn't worked out so well, but that is the theory.

Senator BREWSTER. What is your view as to the practicability of that under this war emergency?

Now, we have, of course, a comparatively simple society up in Maine. A great bulk of those were unskilled workers who came off of the farms and out of the forests. But what is your view as to whether or not they should resume any of those activities?

Mr. THOMAS. I think every man and woman in America should have the opportunity of employment at their highest skill, provided they want to do that.

Senator BREWSTER. Do you think we can do that in, let us say, the next 4 years?

Mr. THOMAS. I think we can with the right kind of planning and so on.

Senator BREWSTER. Where are these people going to? What other industries are they going to? You don't want them in the automobile industry, do you?

Mr. THOMAS. When did I say that?

Senator BREWSTER. You said you thought we could employ these people at their highest skill.

Mr. THOMAS. I wish every unemployed person in America could get a job in the automobile industry. I know it is not economically sound or anything of that sort.

I think all industries in America must expand, but the only way it can be done is to lift the standard of living of all the people in America.

There are literally millions of people in America in various sections of the country that would like to have an automobile but their standards are not high enough to have it.

They would like to have washing machines, radios, et cetera.

There are any number of things that many of us consider necessities of life that a lot of people have not been in an economic position to buy.

Senator BREWSTER. Sticking right to aviation, for instance. They have employed one and a quarter million.

Mr. THOMAS. They got us to 2,000,000 during the war.

Senator BREWSTER. You couldn't get enough people to fly airplanes to absorb those people in the aviation industry, could you?

Mr. THOMAS. Not immediately; no.

Senator BREWSTER. For quite a while to come?

Mr. THOMAS. Quite a while.

Senator BREWSTER. Because in peacetimes the consumption is very much less than in wartime.

In shipyards, you recognize that we have a vast surplus of shipping, don't you?

Mr. THOMAS. Yes, sir.

Senator BREWSTER. So it is going to be necessary for those people if they are going to be employed at their highest skills, to go over into some other form of production.

Mr. THOMAS. Yes, sir.

Senator BREWSTER. And that does present a considerable economic problem.

Mr. THOMAS. That is correct.

Senator BREWSTER. If we maintain everybody at their highest skills so that there is no incentive for them to go into one that doesn't employ their highest skill, isn't it going to require a lot of moral persuasion or moral character for them to voluntarily do that?

Mr. THOMAS. I don't get what you are getting at, unless you are saying those people should go back to the farm.

Senator BREWSTER. I am asking you.

Mr. THOMAS. We have a problem here that I think everybody must get together and work and try to solve.

Many people say these people will have to go to lower skills on the farm, and so on.

Technological improvements in farming have advanced so rapidly in the last few years that I think the farmers will start objecting to us getting people to go back on the farms.

I am afraid the farmers are going to start blasting at you and me if we keep that up.

Senator BREWSTER. I do not know what your conditions are in Detroit, but we have got to have 12,000 people in Maine to get our potato crop out. We have got 1,500 coming in from Kentucky.

Senator BARKLEY. I will bet they will get plenty of potatoes out.

Senator BREWSTER. Brother Thomas' people won't do that.

Mr. THOMAS. Brother Thomas' workers will do it if you will give them the wages.

Senator BREWSTER. What we are offering is \$12 a day. Do you think that is a fair wage?

Mr. THOMAS. I think that is a fair wage.

Senator BREWSTER. That is what we are paying, and a good man can make \$20 a day.

Mr. THOMAS. That is surprising to me. I am going up there and try to get a job myself.

Senator BREWSTER. I don't think you would fit.

Mr. THOMAS. Am I too big?

Senator BREWSTER. We have got 3,000 prisoners of war and 1,500 Canadians and 1,500 from Kentucky. [Laughter.]

Senator BARKLEY. I would like to ask you whether you classify us as Canadians or prisoners of war. [Laughter.]

Senator BREWSTER. All I am giving you is the facts.

Senator VANDENBERG. I would like to know how you can tell one from the other? [Laughter.]

Senator BREWSTER. At the same time in Portland where the shipyards have closed up, there was complaint about unemployment. I am frankly puzzled about a problem like that.

Mr. THOMAS. If they are paid the wages you say they are, then I don't see how you would have any problem getting workers.

I do think this: I think the problem could be worked out more economically the way you are doing it. They haven't been able to get enough mechanical potato diggers.

Senator BREWSTER. Nobody has ever been able to produce a mechanical potato digger. They can't distinguish between a potato and a rock.

Senator BARKLEY. That is in Maine. [Laughter.]

Mr. THOMAS. That may be true of Maine. There are many rocks there.

Senator BREWSTER. The arrangements were largely made before the war ended. 'In the last 2 weeks the whole picture has changed.

Meanwhile we are in a dilemma, and I thank you for your testimony, and I think it is helpful.

Mr. THOMAS. Did you pick any potatoes on your vacation up there?

Senator BREWSTER. One barrel. [Laughter.]

Senator BARKLEY. Were they potatoes or rocks? [Laughter.]

Senator VANDENBERG. You started to refer to migratory workers. Are you coming to that later in greater detail?

Mr. THOMAS. I think I have something on that.

I do want to say this. I was just over in another Senate meeting listening to testimony of Mayor Kelly, of Chicago. I know in Detroit the facts are today very different from a few weeks ago and that a lot of people don't realize it.

The in-migration of workers into Detroit is greater than the out-migration.

Senator VANDENBERG. You mean they are still coming in?

Mr. THOMAS. Yes. There are more people coming in than there is going out.

The reason for that is that this great increase in automobile production that people have talked about has attracted a lot of people all over the country. They feel that here is an industry they are going to be able to get into. A lot of them are going to be badly disappointed.

Senator BARKLEY. There is a labor force already on the ground working in those plants which have been making other things and have priority in those plants against people who come in from other States.

The people who come in don't stop to figure that out.

Mr. THOMAS. The only thing I wanted to point out was there has been a misconception that lots of people would start leaving. That hasn't been the fact.

Senator VANDENBERG. The thing that I was interested in was your viewpoint in regard to the transportation section of this bill.

Mr. THOMAS. I have something on that.

LAY-OFFS AND THE PROSPECTS FOR UNEMPLOYMENT

The sudden ending of the war has, I sincerely trust, startled the Congress into action. Your being here today is an earnest of your realization that the situation is already serious, with potentialities for a real depression.

You have, of course, the official Government figures which show the precipitate cuts in war procurement programs and the resulting large scale lay-offs of war workers. Unemployment, the War Manpower Commission says, "may rise to more than 5 million in 3 months and may reach 6.2 million by the end of the year."

The CIO believes this figure greatly underemphasizes the magnitude of the problem from the standpoint of unemployment compensation. First, it represents the number of unemployed at a single time; it does not indicate the gross number who have already lost their jobs or will have lost them by the end of the year. It is the gross figure, the total of those who must shift jobs, which is significant from the point of view of unemployment compensation.

Second, the number accounted unemployed in the official statistics does not include those who had war jobs but do not look for new jobs after they are laid off. These people, many of them women, are said to "withdraw from the labor market." But to accept this explanation is to give up the fight for full employment before it is begun. Studies by the United States Department of Labor, by other Government agencies, and by some of our own unions are unanimous in showing that most of the women who have been doing war work would like to continue in remunerative employment. Under present conditions of mass lay-offs and returning servicemen, many of the women do not look for work—because jobs are scarce, because they don't want to take them away from others, because take-home pay is rapidly falling, and because there are often no adequate child-care facilities. These women are "available for work," if that phrase is properly interpreted. They should receive unemployment-compensation benefits.

There are no accurate estimates of gross disemployment between August 15 and December 31, but the number will surely be close to double the 6.2 million figure of the War Manpower Commission.

Let me cite figures for three major industries in which our members are employed—aircraft, shipbuilding, and autos. Aircraft employment, according to official figures, will drop by more than a million—from 1,260,000 in August to 225,000 in October, a decline of 82 percent. Shipbuilding employment will fall off a third, from 1,022,000 to 672,000. Employment in automobile plants in the same 60-day period is expected to drop more than one-half, from 720,000 to 340,000.

In the aircraft industry, to quote the statistics of the War Manpower Commission (release of August 14):

The heaviest cuts by far will be in Los Angeles and Detroit; in each area more than 120,000 aircraft workers are likely to be released. Buffalo probably will lose 45,000, Chicago and Seattle 30,000 each, and Baltimore, Hartford, Wichita, and San Diego more than 20,000 apiece. In a number of aircraft centers nearly all of their aircraft workers will be released, such as in Kansas City, 35,000; Atlanta, 26,000; Cincinnati, 27,000; Dallas, 18,000; Oklahoma City, 17,000; and 10,000 or more in Fort Worth, Omaha, Dayton, Tulsa, and Flint.

Because of cuts in these industries, as well as other cuts in all the war industries, the Manpower Commission estimates that 9 of its 166 classified-labor-market areas will be "distressed," with employment cuts amounting to more than 10 percent of total population, and 71 will be "surplus" areas, with cuts ranging between 5 and 10 percent of total population. For these areas therefore the proportion of workers—who are, roughly, one-third the population—who are laid off will be not less than 12 to 15 percent, and in the distressed areas will be not less than 25 to 30 percent. The distressed areas are Portland, Maine; Buffalo, N. Y.; Detroit and Flint, Mich.; Talladega, Ala.; Panama City, Fla.; Wichita, Kans.; Los Angeles, Calif.; and Portland, Oreg.

The Federated Press has reported the following prospects for unemployment in several major cities:

Chicago (immediately) -----	300,000
New York (within 30 days) -----	300,000
St. Louis (immediately) -----	60,000
Kansas City, Mo. (immediately) -----	40,000
Denver (within 30 days) -----	17,000

Several of our own unions are keeping plant-by-plant records of lay-offs. The United Steelworkers of America found that as early as August 18, 27,585 workers had been laid off in 37 plants in the greater Pittsburgh district. The auto workers' union found that more than 100,000 workers had been laid off in the Detroit area alone between August 13 and August 24.

That is 400,000 now.

Senator MILLIKIN. Do you know how many ship workers there were during the war?

Mr. THOMAS. About one and a quarter million.

The CHAIRMAN. All right, Mr. Thomas; you may proceed. We have several other witnesses.

Mr. THOMAS. The Marine and Shipbuilding Workers report thousands off in the first week after VJ-day, with additional lay-offs expected very soon. The United Electrical Radio and Machine Workers report that 233,000 of their members had been laid off within a week. I should like to submit these reports for the record.

The CHAIRMAN. Very well; they may be inserted in the record. (The reports referred to are as follows:)

UAW—Reports from 258 locals

	Employment Aug. 13	Lay-offs to Aug. 27
Detroit.....	260,375	113,205
Outside Detroit.....	549,992	299,117
Total.....	810,367	412,322

This is over 50 percent laid off.

Lay-offs in representative UAW-CIO plants, Detroit area, since the surrender of Japan

Local number and plant name	Employment Aug. 13, 1945	Number laid off Aug. 13 to 24	Number Negroes laid off	Number women laid off	Reemployment prospects
2. Murray.....	2,000	1,200			Those laid off will not be recalled; entire plant closing Aug. 31 for 2 weeks. 30 more lay-offs Aug. 31; no additional lay-offs expected until Oct. 1.
3. Dodge—Main.....	13,500	3,400	75	600	
Dodge—Lynch Road.....	2,800	120			
7. Chrysler—Main.....	6,000	2,500			Unknown. 150 will be recalled. Expect rehiring up to 5,000 peak in 60 days.
15. Fleetwood.....	2,400	1,700			
22. Cadillac.....	6,400	4,700	500	1,200	
29. Bohn Plant 1.....	2,100	2,100	180	840	
49. Excello.....	8,600	6,000			
51. Plymouth.....	6,500	1,500	200	601	
142. Graham-Paige.....	2,400	2,400			All back by Sept. 10, 1945.
140. Dodge Truck.....	3,856	328			

Lay-offs in representative UAW-CIO plants, Detroit area, since the surrender of Japan—Continued

Local number and plant name	Employment Aug. 13, 1945	Number laid off Aug. 13 to 24	Number Negroes laid off	Number women laid off	Reemployment prospects
154. Hudson.....	8,000	4,000	374	2,283	Management claims 400 more to be laid off within few days; union expects 700. Expects 6,500 employed on auto production by Sept. 15.
154. Hudson arsenal.....	4,500	1,600			
155. All plants.....	12,000	6,000			
5 largest products plants:					
Aeronautical Products.....					
Ainsworth.....					
Clayton & Lambert.....					
Detroit Aluminum & Br.....	(5,200)	(5,200)			
Ferro Stamping.....					
157. Fisher D. A. U.....	1,000	960			All gage shops are closed; 15 plants, including Fisher 27 and tool plants, are hiring.
Fisher C. D. E.....	854	529			
Fisher Z3.....	1,800	900			
F. L. Jacobs.....	2,200	2,075			
Vinco (3 plants).....	1,700	1,500			
163. G. M. Diesel.....	4,000	3,000	600	1,800	Total lay-off until after Sept. 3, then 50 percent will be recalled.
174. American Metal Products.....	1,100	750			
Buhl Stamping.....	1,064	746			
Candler Hill.....	1,000	750			
Federal Motor Truck.....	1,010	545			
Kelsey Hayes.....	4,500	1,150			
McAleer.....	400	383			
Ternstedt.....	1,400	0			
Timken Axle.....	6,500	1,750			
190. Packard.....	21,000	13,500			
208. Bohn, 8 plants.....	2,200	1,250	500	300	Company claims prospects good.
212. Briggs.....	11,000	9,000			
227. De Soto.....	2,500	1,300	100	400	Expect 3,000 peak employment.
235. Chevrolet Gear.....	6,000	1,400	1,120	1,190	Company claims some will be reemployed. No women left.
262. Chevrolet Forge.....	2,000	30	25		Unknown.
280. Continental Motors.....	4,500	3,800			
306. Budd.....	8,000	4,000	2,000	800	50 percent to be recalled 2 to 3 months. Expect normal employment Jan. 1, 1946.
400. Ford—Highland Park.....	8,700	1,000	150	400	All men to be reemployed on tractor production; work too heavy for women. Expect 13,000 peak 6 to 8 months.
410. Midland Steel.....	1,400	700		50	100 more to be laid off within 2 weeks; begin recalling Sept. 15; full production by Jan. 1, 1946.
490. Chrysler—Highland Park.....	6,200	2,000	380	1,000	Uncertain.
600. Ford Rouge.....	58,000	8,000			
742. Briggs Aircraft.....	6,600	6,350	800	2,450	Very poor.
835. Detroit Grey Iron.....	200	60			
Draper Motors.....	210	150			
Lincoln Forge.....	120	120			
874. Bendix-Wayne.....	3,000	2,900	300	1,200	
900. Lincoln.....	3,961	1,059	109	440	Company does not know.
946. Chrysler Bomber.....	5,200	4,000	1,300	3,000	Plant will close.
Total.....	1 260,375	1 113,205	2 8,713	2 18,554	

¹ 43.5 percent.

² 19.8 percent of 43,989.

³ 41.5 percent of 44,659.

Lay-offs in representative UAW-CIO plants since the surrender of Japan

[This list excludes plants in Detroit area and Canada]

Local	Plant	Location	Employment Aug. 13, 1945	Number laid off Aug. 13, to Aug. 27	Prospects
5	Studebaker.....	South Bend, Ind.....	6,000	2,100	Begin car production Oct. 1; full production middle of 1946.
6	Buick.....	Melrose Park, Ill.....	6,500	5,000	Unknown.
8	Akron Lamp Co.....	Akron, Ohio.....	100	0	Good.
9	Bendix.....	South Bend, Ind.....	8,800	5,800	Do.
	Bendix Home Appliance	do.....	250	250	Unknown.
12	All plants.....	Toledo, Ohio.....	36,000	21,500	
13	Nash Kelvinator.....	Lansing, Mich.....	8,500	8,300	
14	All plants.....	Toledo, Ohio.....	2,800	600	
18	Murray.....	Scranton, Pa.....	3,400	3,400	None.
19	W. B. Jarvis Co.....	Grand Rapids.....	350	0	Good.
20	Montieth Bros.....	Elkhart, Ind.....	120	0	Do.
25	All plants.....	St. Louis, Mo.....	3,600	2,400	Unknown.
31	North American.....	Kansas City, Kans.....	8,000	5,000	Bad.
32	White Motor.....	Cleveland.....	5,000	0	Good.
33	R. E. Dietz.....	Syracuse, N. Y.....	560	0	Do.
34	Chevrolet.....	Atlanta, Ga.....	500	0	Do.
35	Garage Mechanics.....	Newcastle, Pa.....	15	0	Do.
37	Young Radiator.....	Racine, Wis.....	450	0	Do.
38	American Broach.....	Ann Arbor, Mich.....	225	0	Do.
	Barnes-Gibson-Raymond	do.....	200	65	Bad.
	Fram Filter.....	do.....	125	0	Good.
	Hoover Ball & Bearing	do.....	525	0	Do.
	Precision Parts.....	do.....	325	100	Do.
40	Twin Coach.....	Kent, Ohio.....	1,200	891	Bad.
44	Mueller Brass.....	Port Huron, Mich.....	2,900	50	Good.
46	Fisher.....	Cleveland.....	7,700	5,000	Expects pick-up: 3,400.
46	Pontiac Appliance Co.....	Pontiac, Mich.....	85	37	Good.
55	Sterling Engine Co.....	Buffalo, N. Y.....	845	518	Bad.
62	10 plants.....	Jackson, Mich.....	400	250	Do.
64	Thorrez & Maes Manufacturing Co.	do.....	250	170	Good.
65	Murray-Ohio Corp.....	Cleveland.....	1,300	1,250	Bad.
69	Johnson Bronze.....	Newcastle, Pa.....	1,300	0	Good.
70	Accurate Parts.....	Cleveland.....	85	0	Do.
	Cuyahoga Stamping.....	do.....	110	50	Bad.
	Dracco Manufacturing.....	do.....	60	0	Good.
	Economy Engineering.....	do.....	40	0	Do.
	Geometric Stamping.....	do.....	450	350	Bad.
	Hubbell Machine.....	do.....	9	0	Good.
	Hydraulic Equipment.....	do.....	160	0	Do.
	Lake Shore Machine.....	do.....	65	0	Do.
	Pocahontas Fuel.....	do.....	45	0	Do.
	Rausch Nut.....	do.....	85	25	Bad.
	Una Welding.....	do.....	20	0	Good.
	Brass Products.....	do.....	80	25	Bad.
73	3 plants.....	Bay City, Mich.....	50	0	Good.
72	Nash Motors.....	Kenosha, Wis.....	5,500	4,500	3,500; pick-up, Feb. 1946.
75	Seaman Body.....	Milwaukee.....	1,301	701	Bad.
88	Willard Battery.....	Cleveland.....	1,500	600	Do.
87	Muskegon Motor Specialties.....	Muskegon, Mich.....	500	275	Good.
91	Ohio Crankshaft.....	Cleveland.....	3,200	1,500	Bad.
97	Noblitt Sparks.....	Seymour, Ind.....	375	100	Good.
100	9 tool and die jobbing.....	Milwaukee.....	300	10	Do.
105	Wapakoneta Machine Co.....	Wapakoneta, Ohio.....	57	0	Do.
106	Lima Locomotive.....	Lima, Ohio.....	500	50	
113	Continental Motors.....	Muskegon.....	7,000	3,000	Do.
118	Falls Screw Products.....	Cuyahoga Falls, Ohio.....	90	0	Do.
131	Autocar Co.....	Ardmore, Pa.....	2,260	0	
133	Fafnir Bearing.....	New Britain, Conn.....	4,000	3,000	Do.
148	Douglas Aircraft.....	Long Beach, Calif.....	34,000	13,900	Bad.
150	American Stamping.....	Battle Creek.....	140	0	
159	American Bantam Car.....	Butler, Pa.....	1,000	1,000	Good.
160	Corbitt Truck Co.....	Henderson, N. C.....	242	135	Do.
161	Hercules Motor.....	Canton, Ohio.....	5,400	1,700	
169	Gougler Machine.....	Kent, Ohio.....	1,800	1,350	Bad.
170	A. C. Williams.....	Ravenna, Ohio.....	150	0	Good.
176	7 plants.....	Hamilton, Ohio.....	668	73	
186	Tempte Bros.....	Denver, Colo.....	76	0	Do.
193	Hudson Manufacturing Co.....	Oshkosh, Wis.....	70	0	Do.

Lay-offs in representative UAW-OIO plants since the surrender of Japan—Con.

Local	Plant	Location	Employment Aug. 18, 1945	Number laid off Aug. 13, to Aug. 27	Prospects
196	Wilcox Rich Division	Battle Creek	2,800	2,800	1,200; pick-up expected.
206	Leonard Division, Nash	Grand Rapids	1,625	725	Good.
207	Cleveland Diesel	Cleveland	3,200	0	
213	Smalley-General Co.	Bay City, Mich.	40	0	Bad.
214	Chicago Steel Foundry	Chicago	100	0	Good
217	Johnston & Jennings	Cleveland	300	0	
	Locke Machine	do	90	18	
	Bishop & Babcock	do	750	360	
	Horsburgh & Scott	do	65	0	
	Stahl Gear	do	47	0	
	Osborn Manufacturing Co.	do	989	70	
	City Machine	do	20	0	
	Hope Metal Products	do	25	0	
	Standard Tool Co.	do	570	22	
	Cowles Tool Co.	do	115	25	
	Lamson & Sessions	do	600	0	Good.
	Columbia Metal Stamping	do	30	0	
	Dickey Grabler Co.	do	94	0	
	F. C. Thornton	do	45	0	
	Empire Plow Co.	do	235	0	Good.
	Ohio Aircraft Fixture	do	91	5	
	Lewis Machine	do	55	0	
	Manufacturers Brush	do	110	0	
	Arcrods Corp.	do	84	0	
	Bartlett & Snow Co.	do	90	0	
	Klaas Machine Co.	do	20	0	
	Taylor Machine	do	98	19	
	Howell Industrial Truck	do	10	0	
	Mitchell Metal Products	do	22	3	
	Lakeside Steel Improvement	do	45	0	
	Bomgardner Manufacturing	do	3	0	
	Cleveland Dental Manufacturing	do	75	0	
	Harris Calorific	do	185	0	
	Hodell Chain Co.	do	110	0	Good.
	Whiteway Stamping Co.	do	25	0	
218	Rasmussen Machine Co.	Racine, Wis.	100	60	Bad.
219	Aluminum Co. of America	Newcastle, Pa.	800	800	Unknown.
220	Wilcox Rich Division	Marshall, Mich.	500	300	Bad.
224	Michigan Chemical Corp.	St. Louis, Mich.	150	0	Good.
225	Mechanics Universal Joint	Rockford, Ill.	500	60	Do.
226	Chevrolet Commercial Body	Indianapolis, Ind.	2,500	2,500	Company refuses information.
234	All foundries	Racine, Wis.	440	0	Good.
242	Muncie Foundry	Muncie, Ind.	275	0	Do.
243	Globe Machine	Cleveland, Ohio	600	350	Unknown.
248	Allis Chalmers	West Allis, Wis.	14,000	6,000	Bad.
249	Ford	Kansas City, Mo.	1,500	700	Do.
263	Dill Manufacturing	Cleveland, Ohio	425	0	Good.
264	Federal Malleable	Milwaukee, Wis.	107	0	Do.
268	American Chain & Cable	Adrian, Mich.	530	530	380, pick-up expected.
276	Saginaw Steering Gear	Saginaw, Mich.	940	240	Fair.
282	St. Louis Spring	St. Louis, Mo.	200	0	Good.
283	Wisconsin Motors Corp.	Milwaukee, Wis.	640	0	Do.
284	Holland Hitch Co.	Holland, Mich.	240	200	Bad.
285	Martin Pedler Band Co.	Elkhart, Ind.	81	10	Good.
287	Muncie Foundry & Warner Gear	Muncie	2,800	1,300	Unknown.
289	Ohio Forge	Cleveland	250	0	Good.
307	Eaton Stamping	do	270	225	Bad.
308	Ranney Refrigerator Co.	Greenville, Mich.	150	0	Good.
309	Sterling Wheelbarrow	W. Allis, Wis.	100	0	Do.
324	Kempsmith Machine Co.	Milwaukee	190	100	Do.
330	Bendix	Chicago	2,700	2,700	Bad.
337	Bryant Heater	Cleveland	200	21	Good.
338	Marlin Rockwell	Jamestown, N. Y.	1,200	500	Bad.
339	Douglas (tooling)	Vernon, Calif.	300	62	
343	Mack Manufacturing	Plainfield, N. J.	1,200	300	Bad.
345	Universal Foundry	Oshkosh	382	0	Good.
346	Van Dorn Iron Works	Cleveland	250	0	Do.
348	General Aviation Equipment	Ashley, Pa.	146	146	Bad.
363	Pesco Products	Cleveland	1,000	1,000	Do.
374	Pittsburgh Forgings	Jackson, Mich.	140	28	Unknown.
365	All plants	Long Island, N. Y.	1,713	1,057	
385	McDonnell Aircraft	Memphis	1,050	1,000	Do.

Lay-offs in representative UAW-OIO plants since the surrender of Japan—Con.

Local	Plant	Location	Employment Aug. 13, 1945	Number laid off Aug. 13, to Aug. 27	Prospects
391	Webster Electric	Racine	1,000	100	Good.
389	Hanchett Manufacturing Co.	Big Rapids, Mich.	400	0	Do.
393	Wilcox Rich Division	Lawton, Mich.	131	131	Bad.
392	Trailer Co. of America	Cincinnati	1,300	75	Unknown.
396	Electric Auto-Lite	LaCrosse, Wis.	1,700	391	Do.
401	Avion Corp.	Los Angeles, Calif.	353	300	Bad.
407	Unit Drop Forge	West Allis, Wis.	290	0	Good.
403	Lakey Foundry & Machine	Muskegon	1,800	200	Do.
413	Lloyd Manufacturing	Kenominee, Mich.	914	244	Do.
414	E. W. Bliss	Hastings, Mich.	250	0	Do.
433	Michiana Products	Michigan City, Ind.	300	0	Do.
434	Saginaw Steering Gear	Saginaw, Mich.	1,181	738	Do.
435	Douglas Aircraft	Oklahoma City	15,000	12,400	Bad.
437	Federal Screw Works	Chelsea, Mich.	451	301	Unknown.
438	Port Huron Tool & Die	Port Huron, Mich.	40	8	Bad.
440	Delco Remy	Bedford, Ind.	800	800	None.
441	General Body & Hoist	Everett, Mass.	32	0	Good.
442	Ford Hayden Mills	Tecumseh, Mich.	63	21	Unknown
444	Bohn Aluminum	Adrian, Mich.	714	614	Do.
448	Hersheimer Foundry	LaCrosse, Wis.	28	0	Good.
449	National Lock Co.	Rockford, Ill.	2,200	50	Do.
450	Continental Motors	Garland, Tex.	1,100	1,100	Bad.
451	Southern Aircraft	do	2,100	1,700	Do.
451	Baker Raulang Co.	Cleveland	270	0	Unknown.
459	Acme Lee	Muncie	480	175	Bad.
460	Wolverine Brass Works	Grand Rapids	300	16	Good.
463	Weatherhead Co.	Cleveland	2,300	1,100	Do.
465	Buckeye Bumper	Springfield, Ohio	230	200	Unknown.
469	Master Lock Co.	Milwaukee	272	0	Good.
471	McKinney Tool	Cleveland	208	100	Do.
474	Carey Machine	do	150	100	Bad.
476	Wisconsin Screw Co.	Racine, Wis.	540	400	Good.
480	Waco Aircraft	Troy, Ohio	900	740	Bad.
489	Chevrolet Transmission; Delco-Remy.	Muncie, Ind.	950	0	Good.
491	Aluminum Forgings	Erie, Pa.	800	800	Bad.
493	Bellevue Manufacturing Co.	Bellevue, Ohio	80	0	Good.
495	Muncie Gear Works	Muncie	600	550	Bad.
499	Chevrolet	do	1,200	900	Good.
497	Matthews Boat & Std. Prod.	Port Clinton, Ohio	1,100	750	Do.
506	Ryan Aircraft	San Diego, Calif.	5,000	1,000	Bad.
509	Simpson Steel	Los Angeles, Calif.	90	90	Do.
	Malabar Machine Co.	do	70	70	Do.
	U. S. Spring & Bumper	do	400	400	Do.
519	Ford	Big Bay, Mich.	87	0	Unknown.
526	Bay Manufacturing	do	950	250	Do.
529	Hyland Machine Co.	Dayton, Ohio	42	39	Bad.
530	Modine manufacturing	LaPorte, Ind.	350	28	Good.
533	Fostoria Spark Plug	Fostoria, Ohio	900	500	Do.
578	Oshkosh Motor Truck	Oshkosh, Wis.	100	0	Do.
579	Saginaw Malleable Iron	Danville, Ill.	500	500	Unknown.
594	Yellow Truck	Pontiac, Mich.	5,500	4,500	Do.
599	Buick	Flint, Mich.	13,000	9,000	Do.
603	Consolidated Vultee	Louisville, Ky.	1,200	900	Bad.
613	Delco Radio	Terre Haute, Ind.	300	300	Shut down.
618	Swanson Tool & Machine	Erie, Pa.	90	6	Good.
620	Firestone Aircraft	Atlanta, Ga.	1,600	1,200	Bad.
624	Beaver Met. Coaches	Beaver Falls, Pa.	75	0	Good.
633	Industrial Machine Tool	Fenton, Mich.	205	117	Bad.
634	Delco Remy	Cincinnati, Ohio	590	90	Do.
635	Marvel Carburetor	Flint	400	0	Good.
637	Sealed Power Corp.	Muskegon	2,900	0	Do.
639	McCord Radiator	Wausen, Ohio	130	0	Do.
640	Vichek Tool	Cleveland	230	0	Do.
642	Dumore Electric Co.	Racine, Wis.	358	28	Do.
643	Meteor Motor Car	Piqua, Ohio	150	100	Do.
645	North American	Grand Prairie, Tex.	17,500	16,300	Closing Sept. 1.
647	Curtiss Wright	Cincinnati	27,000	27,000	None.
648	United Aircraft	Dayton, Ohio	1,200	1,100	Unknown.
649	Fageol Products	Kent, Ohio	50	0	Good.
651	A. C. Spark Plug	Flint	12,000	7,000	Bad.
653	Pontiac Motor	Pontiac	7,300	6,200	Do.
654	Donnelly Manufacturing	Ravenna, Ohio	20	0	Good.
655	Standard Cotton Products	Flint	125	0	Do.
657	American Forging Socket	Pontiac	487	237	Unknown.
658	Wilson Foundry	Pontiac, Mich.	1,000	600	Bad.
659	Chevrolet	Flint	8,457	457	Good.
660	Walker-Michigan Co.	Jackson, Mich.	535	300	Bad.

Lay-offs in representative UAW-CIO plants since the surrender of Japan—Con.

Local	Plant	Location	Employment Aug. 13, 1945	Number laid off Aug. 13, to Aug. 27	Prospects
661	Ranger	Farmingdale, N. Y.	1,700	1,350	Unknown.
	South Shore Machine	do	45	45	Do.
	R. & E. Faust	do	150	115	Do.
662	Delco Remy	Anderson, Ind.	12,000	1,000	Good.
663	Guide Lamp	do	3,400	600	
667	American Blower	Columbus, Ohio	200	0	Do.
669	Curtiss Wright	Paterson, N. J.	37,000	30,000	Bad.
668	Chevrolet Grey Iron Foundry	Saginaw, Mich.	3,000	0	Good.
674	Chevrolet	Norwood, Ohio	450	0	
	Delco	do	900	900	Do.
670	Hancock Manufacturing Co.	Jackson, Mich.	250	8	Bad.
685	Chrysler	Kokomo, Ind.	600	450	Good.
682	Ford	Munising, Mich.	50	25	
693	Schult Trailer	Elkhart, Ind.	1,000	0	Good.
695	T. B. Woods Sons Co.	Chambersburg, Pa.	160	0	Do.
696	Moraine Products	Dayton, Ohio	2,200	172	Do.
701	Paramount Manufacturing Co.	Hillsdale, Mich.	450	407	Unknown.
	Allied Plant 3	do	471	356	Do.
	Allied Plant 4	do	130	46	Do.
	Hillsdale Commutator	do	115	93	Do.
702	Covered Wagon Co.	Mount Clemens, Mich.	30	0	Bad.
704	United Steel & Wire	Battle Creek	530	36	Good.
708	Palace Travel Coach	Flint	365	365	Bad.
711	Superior Coach	Lima, Ohio	400	0	Good.
715	Bennett Pump	Hart, Mich.	340	0	Do.
716	Acme Aluminum Alloys	Dayton, Ohio	500	350	Unknown.
717	do	Jackson, Mich.	400	0	Good.
719	Electromotive Diesel	La Grange, Ill.	8,000	0	Do.
730	Grand Rapids Stamping (G. M.)	Grand Rapids	500	0	Do.
739	Reed Manufacturing Co.	Erie, Pa.	300	0	Do.
743	Bendix	Owosso, Mich.	723	373	Bad.
746	Chambersburg Engineering Co.	Chambersburg, Pa.	815	0	Good.
750	Universal Cooler	Marion, Ohio	650	0	Do.
755	American Coach & Body	Cleveland	250	0	Do.
759	Champion Machine & Forge	do	550	275	Dependent on General Motors and Ford.
781	John Bean Manufacturing Co.	Lansing, Mich.	306	0	Good.
784	Cadillac Malleable	Cadillac, Mich.	160	0	Do.
787	Lycoming Division	Williamsport, Pa.	900	700	Do.
791	American Air Filter	Louisville, Ky.	580	165	Do.
793	Auto Specialties	St. Joseph, Mich.	1,100	200	Do.
801	Hayes Manufacturing	Grand Rapids, Mich.	1,500	1,200	Bad.
804	Dowmetal Foundry	Bay City, Mich.	1,639	1,200	Do.
806	J. I. Case	Rock Island, Ill.	1,095	46	Good.
808	Aluminum Co. of America	Vernon, Calif.	2,000	2,000	Unknown.
820	Berridge Shear	Sturgis, Mich.	65	0	Good.
824	Mack Truck	New Brunswick, N. J.	2,400	290	Do.
826	Tapco	Euclid, Ohio	3,800	3,300	Do.
827	Wood Shovel & Tool	Piqua, Ohio	300	0	Do.
832	C. T. Miller Co.	Sturgis, Mich.	35	0	Do.
834	Wire Cloth Products	Forest Park, Ill.	100	2	Do.
833	Chrysler Tank Arsenal	Van Dyke, Mich.	2,600	880	Bad.
838	John Deere Tractor	Waterloo, Iowa	4,000	0	Good.
841	Electric Motor Corp.	Racine, Wis.	150	0	Do.
842	Fairchild Aircraft	Hagerstown, Md.	6,000	0	Do.
	Victor	do	600	0	Do.
	Pangborn	do	650	0	Do.
849	Ford	Ypsilanti, Mich.	656	0	Do.
853	Bendix Marine Division	Brooklyn, N. Y.	1,400	229	Bad.
856	Goodyear Aircraft	Akron, Ohio	18,500	15,500	Do.
859	Monroe Steel Casting	Monroe, Mich.	100	0	
	Monroe Tool	do	100	0	
	Rossin Tool	do	175	175	Bad.
860	Footc Burt	Mentor, Ohio	335	0	Good.
862	Ford	Louisville, Ky.	1,000	0	Do.
863	do	Hamilton, Ohio	650	0	Do.
870	do	Dallas, Tex.	540	0	Do.
877	Silkorsky Aircraft	Bridgeport, Conn.	429	229	Bad.
878	Monroe Auto Equipment	Monroe, Mich.	1,000	40	Good.
879	Ford	St. Paul, Minn.	1,675	400	Bad.
884	Oliver Corp.	Springfield, Ohio	500	0	Good.

Lay-offs in representative UAW-OIO plants since the surrender of Japan—Con.

Local	Plant	Location	Employment Aug. 13, 1945	Number laid off Aug. 13, to Aug. 27	Prospects
887	North American.....	Inglewood, Calif.....	14,700	3,500	Bad.
891	Ford.....	Manchester, Mich.....	235	0	Good.
892	do.....	Brooklyn, N. Y.....	28	0	
902	Bowser.....	Chelsea, Mich.....	166	120	
904	Consolidated Vultee.....	Downey, Calif.....	1,040	520	Bad.
914	Herbrand Forge.....	Fremont, Ohio.....	650	0	Good.
920	Ford.....	Alexandria, Va.....	50	50	Do.
924	R. M. Thomas, Inc.....	Muncie.....	93	53	Bad.
928	Ford.....	Oklahoma City.....	54	0	Good.
930	do.....	Troy, N. Y.....	400	14	Unknown.
940	Pierce-Governor.....	Anderson, Ind.....	825	740	Do.
944	Jarecki Machine & Tool.....	Grand Rapids, Mich.....	780	530	Bad.
948	Briggs Manufacturing.....	Cleveland.....	150	50	Do.
952	Ford.....	Iron Mountain, Mich.....	3,400	2,500	Do.
960	Regal Manufacturing Co.....	Coldwater, Mich.....	94	63	Good.
963	Simplex Paper Corp.....	Adrian, Mich.....	240	35	
	Stearns Manufacturing Co.....	do.....	225	100	
	Bassett Foundry.....	do.....	45	0	Good.
967	Breckenridge Machine.....	Cleveland.....	300	0	Do.
975	Ohio Steel Foundry.....	Lima, Ohio.....	2,400	1,000	Bad.
988	Fisher.....	Memphis, Tenn.....	3,300	3,000	Do.
989	Krieger Steel.....	Woodhaven, N. Y.....	800	700	Unknown.
997	Superior Coach.....	Goshen, Ind.....	130	43	Good.
998	Studebaker.....	Chicago, Ill.....	260	0	Bad.

VIN D. SWEENEY,
UNITED STEELWORKERS OF AMERICA,
Pittsburgh, Pa., August 21, 1945.

Release: A. M. Tuesday.

The preliminary results of a survey of unemployment in plants under contract with the United Steelworkers of America in the greater Pittsburgh district reveals that 27,585 workers have lost their jobs in 37 plants. This is as of Saturday, August 18.

Thirteen thousand and seventy are in Allegheny County.

Another 9,010 are in the four-county area surrounding Allegheny, namely Butler, Beaver, Washington, and Westmoreland.

In the greater Pittsburgh district outside of the five-county area still another 5,505 have been laid off.

It is estimated that this loss of employment for 27,585 workers will reduce monthly pay rolls by \$6,896,000 in the Pittsburgh district.

Most of these lay-offs have been since the end of the Japanese war. Some, however, have been within recent weeks, but a worker is no less unemployed whether he was laid off a month ago or last week.

It would be idle speculation to try and determine at this early data how much of this unemployment is permanent, because of the apparent policy of the procurement agencies in holding back many cancellations until after the official surrender terms are completed with Japan. Much of the unemployment is permanent, however, in view of the fact that (1) the displaced workers have mainly been working on direct armament orders, and (2) it requires many more man-hours to produce munitions than it does to produce many domestic products.

Final results of the unemployment survey being conducted by the United Steelworkers of America will be available shortly. This survey excludes the basic steel producing works as the employment situation in them was too confused last week to attempt any measurement of unemployment. It is clear, though, that much unemployment and part-time work will develop in the basic steel industry due to (1) the great confusion prevailing in the order departments of the big companies and (2) the studied policy of abandoning old facilities.

In addition, a national survey is also being conducted. Results from central Pennsylvania, for example, so far show a lay-off of 5,600 workers since the end of the Japanese war. Four thousand of these are at Harrisburg Steel which has closed until October. The national unemployment picture in steel and its allied metal-working industries may prove more severe than Government and industry sources have forecast.

Fourteen percent, or 3,862, of these workers are women for whom there is little prospect of securing gainful private employment. Unless the Pittsburgh district develops suitable employment in light industries there will be a large number of permanently unemployed women in this district. Many of these are single, unattached women, and unless jobs are made available for them, most will have to become out-migrants and leave the district to secure jobs in other sections of the country.

Preliminary figures on unemployment by plants are attached.

Allegheny County

Company:	Unemployed
National Tube, McKeesport district.....	4,000
Jones & Laughlin, McKeesport district.....	2,100
Union Steel Castings, Lawrenceville.....	1,500
Scaife & Co.....	1,300
Pittsburgh Forgings, Coraopolis.....	650
Standard Steel Spring, Coraopolis.....	400
Coke & Chemical Co., Neville Island.....	80
Lewis Foundry, Groveton, Pa.....	60
Continental Roll & Machinery, Coraopolis.....	500
Pittsburgh Water Heater, Carnegie.....	80
National Supply, Carnegie.....	175
Porcelain Products, Carnegie.....	50
Pressed Steel Car, McKees Rocks.....	600
Fort Pitt Malleable, McKees Rocks.....	150
H. K. Porter, Pittsburgh.....	400
Crucible Steel, Park Works.....	400
Victory Engineering, Pittsburgh.....	125
Crucible Steel, North Side, Pittsburgh.....	500
Total.....	13,070

Four-county area surrounding Allegheny (Butler, Beaver, Westmoreland, and Washington)

Company:	Unemployed
Robertshaw Thermostat, Youngwood district.....	2,500
Pullman-Standard Car, Butler.....	500
National Supply Co., Ambridge.....	750
Curtiss-Wright, Beaver.....	2,000
Crucible Steel, Midland.....	250
Liggett Spring & Axle, Monongahela.....	300
Cannonsburg Steel & Iron, Cannonsburg.....	900
Aluminum Company of America, Cannonsburg.....	400
Fort Pitt Bridge, Cannonsburg.....	500
Aluminum Company of America, New Kensington.....	850
Duraloy, Scottdale.....	60
Total.....	9,010

Pittsburgh district outside of 4-county area

Company:	Unemployed
Standard Steel Spring, New Castle.....	250
United Engineering, New Castle.....	2,000
Aluminum Company of America, New Castle.....	500
Bethlehem Steel, Johnstown, Pa.....	300
Carnegie-Illinois Steel Corp., Mingo Junction, Ohio.....	700
Blaw-Knox Co., Martins Ferry, Ohio.....	1,500
Wheeling Steel, Martins Ferry, Ohio.....	130
Vulcan Rail & Construction Co., Benwood, W. Va.....	125
Total.....	5,505

Central Pennsylvania

Company:	Unemployed
Harrisburg Steel, Harrisburg, Pa.....	4,000
York Safe & Lock Co., York, Pa.....	1,600
Total.....	5,600

Status of various shipyards as of Aug. 23, 1945

Local	Yard	Canceled	Employment and lay-off
5	Beth-Fore River.....	Cruisers, 5 medium, 2 heavy hulls left as of Jan. 1, 1946.	1,000 laid off by Aug. 21 (claim level-off at 15,000).
48	Baldt Anchor.....		250 laid off (45 percent unemployment).
9	West Coast Ship (other yards, nothing).	Whole contract.....	250 laid off.
12	Beth-Staten Island.....	Destroyers, 5 2,200-ton (6 left, 3 in basin and 3 being completed).	450 laid off (7,000 present employment) (3,500 by Dec. 1945).
13	Bethlehem-27th St. (others, not yet).		500 laid off (state temporary).
25	Bethlehem, East Boston.....	LST-6, 1 hospital ship.....	2,000 laid off (2,000 left).
	Kemp Engineering.....	Shell container.....	135 laid off (300 left).
	General Ship.....	LST-1, frigates 2, all work.....	100 laid off (500 left). (All?)
22	J. K. Welding, Brooklyn.....	All work.....	150 laid off (none left).
	Petersen, Nyack.....	do.....	33 laid off (40 left).
16	Federal, Kearney.....	Passenger, 3, AKA-3.....	1,500 laid off (night shifts of 5,000 discontinued as of Aug. 27).
31	Maryland Drydock.....	Victory, 3 (Navy to decide on ARL).	4,000 to be laid off within 60 days. (8,000 employed)l.
32	Merrill-Stevens.....	LCI-3, PC-5.....	300 laid off.
37	Lawley.....	None.....	
39	Todd.....	do.....	
	Atlantic Basin.....	do.....	
47	Greenport Basin.....	All work.....	441 laid off (none left).
49	Defoe.....	Minesweepers, 25 (5 boats left).	1,200 laid off (700 left).
50	New England.....	Tankers, 12; ECZ, 4.....	3,000 lay-off contemplated (400 already).
53	Eureka.....	None.....	1,000 laid off (500 left).
18	Alabama.....	Repair on Holbrook.....	New construction ends in October; 800 laid off in repair.
2	Sun Ship.....	Contract ending.....	10,000 lay-off in 90 days.
70	United Boat Service.....	Pontoon.....	500 laid off.
	Robert Jacob.....	LCT, all, Pt, all.....	Do.
59	Metal Products Standard Manufacturing.		400 laid off during reconversion (500 on).
	Bethlehem, Key Highway...	ARL, 3, all ships for Pacific..	1,500 to be laid off within the next 10 days. (Present employment 6,000.)
43	Bethlehem, Fairfield.....	Victory, 23.....	6,000 already laid off. 16,000 more to be laid off within 60 days. Yard to be shut.
27	Dodge Boat.....	Everything.....	Yard closed.
	Norfolk Ship.....	None yet.....	
	Newport News Ship.....		3,000 laid off.
28	Owens Yacht.....		100 to be laid off within 30 days (240 employed).
36	Dravo, Wilmington.....	Repair of DE, 2 more boats scheduled to be completed within 60 days. Company has only 4 car floats and 1 floating crane left.	Membership reduced to 1,200. Yard practically to close within 60 days.
3	Pusey & Jones.....	No cancellations yet on 2 vessels building.	Yard going into making paper-making machines. Employment therefore to continue.
40	American Car & Foundry...	No cancellations yet of beaver-board contract. Work to continue until November.	
33	Bethlehem, Sparrows Point.		None contemplated.
42	Cramp Ship.....	Cruisers, 2; submarines, 2; destroyers, 2; repair.	4,308 laid off on Aug. 22.
65	Jeffersonville Boat.....	YP-8.....	200 laid off.
66	Cambridge Ship.....		38 men left in yard.
24	Bethlehem, Key Highway...		2,500 to be laid off within 30 days.

Source: Industrial Union of Marine and Shipbuilding Workers of America. Aug. 27, 1945.

Mr. THOMAS. I do not need, I am sure, to point out the effects of lay-offs on any such scale as this upon other groups in your communities. Workers without income are poor customers. If they remain long unemployed they breed more unemployment.

What are the prospects for duration of unemployment? Will the 12,000,000 workers who lose their jobs before January 1, 1946, find

new jobs quickly or will they suffer prolonged unemployment? That is difficult to predict but is important from the standpoint of the need for unemployment compensation. It is clear that while some will no doubt find jobs quickly, there will be many, those who will have to shift from one industry to another or from one location to another, who will have long out-of-work periods. More than a million aircraft workers will have to find wholly different jobs; 750,000 ordnance workers; and 350,000 shipbuilding workers. Thousands of workers in areas of specialized production—Bath, Maine; Talladega, Ala.; Radford, Va.; San Diego, Calif., for example—will have to move elsewhere.

Even larger numbers of workers who are now losing their war jobs are anticipating employment as soon as their industries reconvert. How long will this take? If we are to believe recent industry pronouncements we could rest easy. In a recent press release—August 19—from the National Association of Manufacturers, for example, the president, Mr. Mosher, is quoted as saying:

Industry has long been planning for this reconversion period. This planning has not only taken place in individual companies, but by various committees and groups within the National Association of Manufacturers and other business bodies. As a result of this planning, and because of the pent-up demand for civilian goods, we can look to the future with optimism. Our surveys indicate there should be a large number of jobs in private industry and business for American workers in a comparatively short time.

And in a release 2 days earlier the optimistic Mr. Mosher predicted—that a very small percentage (of workers) need be out of work for more than 30 days. The number of workers who might be unemployed for more than 30 days amounts to less than 1½ millions * * * most of these 1½ million workers will be back on the job within 12 weeks. * * *

Similar statements have been made since VJ-day by the Automotive Council for War Production.

I think it is significant that these optimistic predictions come when mass layoffs are occurring, when workers are beginning to demonstrate for severance pay, for unemployment compensation, and for measures to assure jobs after reconversion. Industry does not want Congress to take action along these lines. To this end it is putting on a vigorous organized propaganda campaign to minimize the need for action.

Senator BREWSTER. Do you think there is any tendency to exaggerate the other side?

Mr. THOMAS. You mean to exaggerate more unemployment than what actually existed?

Senator BREWSTER. Yes.

Mr. THOMAS. I don't think so.

If you could come to Detroit and see the millions of people standing in line today trying to get unemployment compensation, I don't think you would think I was exaggerating.

Senator BREWSTER. I didn't suggest you were. There were numerous estimates, 10,000,000, 12,000,000, and so on, which must be to some extent estimates, and seem to be reiterated rather loudly, and I feel they are somewhat associated with the campaign for the full-employment bill.

Do you think that is a fair statement?

Mr. THOMAS. I think all the figures I have used of estimated unemployment have come from various Government agencies.

Senator BREWSTER. They are not immune to propaganda themselves.

Mr. THOMAS. I don't know that.

Senator MILLIKIN. Mr. Thomas, when Detroit turned over to peace from wartime activities, you had a period of dislocation at the time. Do you remember how long, roughly, it took you to make the turn-over?

Mr. THOMAS. I would say they did a pretty good job, within 60 days.

We are facing an absolutely different situation today than we faced at that particular time.

At that particular time we were going from the building of civilian goods to the building of war production. That war production was being paid for by the Government, and there wasn't the private competitive set-up which we have in private industry.

What I mean is that the Government was paying exorbitant prices and they didn't care what they paid as long as they could get the work out.

Today you are going in the opposite direction. You are going from a situation where the Government has been paying for the production back into private competition. There was no competition during the war. Now you are going back to competition. There was a hoarding of manpower from civilian to war work. There won't be any contraction from war work to private industry, which, I say, will create a greater unemployment gap.

Senator MILLIKIN. If you are going back to making automobiles, then, you are anxious to get them on the market.

Mr. THOMAS. If I understand what you are asking, we want to get these cars on the market as fast as we can.

I am here talking about an unemployment situation. That very fact will create more unemployment, because a manufacturer won't hire a man he won't need to get into that competitive situation. To do Government work, he would.

Senator MILLIKIN. I understand what you are driving at.

I was driving at the time lag.

Mr. THOMAS. There would be a tendency to close up that gap.

Senator MILLIKIN. We don't know whether we want 26 weeks or the weeks provided in the State laws.

I am curious to know what is the reasonable time to get the most of this reconversion period completed.

Mr. THOMAS. I think if the automobile industry wanted to they could do a better job than any industry I know of in making that period as short as possible.

Senator MILLIKIN. Could you give any figures as to what you estimate the reemployment will be in the successive months for the next year?

Have you estimated that?

Mr. THOMAS. I have not.

Senator BREWSTER. The manufacturers did testify here that they could accomplish the reconversion job in 3 months.

I believe General Motors did testify to that effect. I thought they were optimistic.

Mr. THOMAS. You mean to be back to full production of automobiles in 3 months?

Senator BREWSTER. Full employment in the automobile industry.

Mr. THOMAS. You mean what they had before the war?

Senator BREWSTER. That is right.

They also gave us the figures on the servicemen returning.

Mr. THOMAS. I think that can be done provided there is material. That is a factor that has to be taken into consideration.

Senator BREWSTER. You think as far as getting their machines and assembly lines together, they could do it in that period if they had the raw materials?

Mr. THOMAS. The automobile industry in normal times in changing over from an old model to a new model very seldom took more than 3 months to make that change-over.

I don't think the situation here is any more difficult than it was previously.

Senator BREWSTER. Thank you.

The CHAIRMAN. All right, Mr. Thomas. We have several other witnesses to be heard from.

Mr. THOMAS. Contrast the present optimism by industry spokesmen with the black predictions of a year ago. Then, according to the auto industry, reconversion would take months—months before any cars rolled off the assembly lines and more months before full production could be reached.

Why this difference? At that time industry was angling for congressional action on its own behalf—for tax concessions, for contract termination machinery, for a surplus property act which would not “injure business.” But now, having obtained everything it wanted from a tractable Congress, industry glows with self-assurance. “Don't worry,” they say, “leave everything to us. We'll have you all back to work in no time at all.”

Frankly, I believe them now as little as I believed them a year ago. I believe that the figures I have cited, and the situation as you are hearing of it daily, clearly require immediate action to assist workers during the reconversion period.

INADEQUACIES OF STATE UNEMPLOYMENT COMPENSATION LAWS

Other witnesses will present comprehensive statistics on the inadequacies of existing State laws to meet the present growing emergency. Though I shall not dwell on them at length, I do want to emphasize a few of the more serious shortcomings.

Despite improvements adopted during 1945 by a number of State legislatures, there is no State which provides benefits equal to those called for by President Truman—\$25 weekly maximum benefits payable for 26 weeks. Washington comes nearest, but provides 26 weeks only as a maximum, not for all recipients. As of June 30, only 14.2 percent of the workers covered by the State laws were in States paying a maximum benefit of over \$21; 22 percent were in States where the maximum was less than \$20. The minimum benefit is still \$3 in four States and 38.8 percent of covered workers are in States having a minimum weekly benefit of \$5 or less. Only four States provide dependency allowances.

Because of the low ceilings on benefits, some 60 percent of all benefit recipients in 1944 received the maximum benefit. Actual benefits, consequently, are still very low. Average weekly benefits for total

unemployment were only \$15.90 in 1944 and were as little as \$7.91 in North Carolina and \$9.50 in South Dakota. In no State did they reach \$20. Such amounts are obviously inadequate to go very far toward sustaining the country's purchasing power or toward helping workers to readjust themselves during the trying months ahead.

In view of the fact that State reserves for unemployment compensation are in excess of 6.5 billion dollars, it is almost incredible that such low maximum benefit standards are permitted to prevail in so many States. Increase in maximum benefits have not kept pace either with average weekly earnings or with the cost of living. We support the provision in S. 1274 calling for an increase in the maximum to \$25.

With respect to duration of benefits, the State laws are almost equally inadequate. The Social Security Board has long recommended 26 weeks' duration for all recipients and yet only one State reaches this standard; 4 additional States provide 26 weeks as a maximum; but many workers will receive less. In 19 States, maximum duration is less than 20 weeks. Clearly, many workers will exhaust their benefits before they are able to find new jobs. By contrast, the duration provided in the GI bill of rights is 52 weeks. The provision for 26 weeks in S. 1274 is most conservative.

Senator VANDENBERG. You refer to 78 billions in the State funds. Would it be fair, in your judgment, for the Federal Government to charge back some of this increase to the State themselves, in view of the condition of the State funds as compared with the condition of the Federal Treasury?

Mr. THOMAS. It is a question when you are talking about charging back—it is a question whether the States would be able to pay it.

Senator VANDENBERG. It is a question of technique as to how it could be done, but if it could be done, would it not be fair for the States to absorb some of this increase themselves?

Mr. THOMAS. I think this. I heard you say something about the States paying this. The thing I can't forget is that the States don't pay this.

These payments are gathered together by the manufacturers and their employees. The State itself is not taxed 1 cent for either administrative purposes or for putting this money out.

Senator VANDENBERG. That is correct.

Mr. THOMAS. I don't think that any money should come out of that to reimburse the State of Michigan.

I happen to be one of those people who differ very much on this States' rights. I have run into that thing several times myself.

I think social legislation or unemployment compensation should be federalized. I make no bones about it at all. I think it should be federalized. I think it is unfairly set up.

I think that in many States that one of the reasons they yell "States' rights," is political patronage. I think if it was under some sort of Federal set-up, a lot of the unfairness could be taken out of the thing.

Senator VANDENBERG. There is no doubt but what if you went to Federal standards you could cure the thing you are talking about.

Of course, we cannot go to Federal standard in this emergency legislation.

I still find myself wondering why the Federal Government should make practically no cash contribution in Michigan, so far as dollars and cents are concerned, since our rate goes up to \$28 and makes a very substantial contribution in these low-payment States.

Mr. THOMAS. I think you are justified in saying it is unfair.

I couldn't do anything else but agree with you.

But we are in an emergency situation that is not normal at all.

Senator VANDENBERG. That is right.

Mr. THOMAS. This bill that is being proposed is only an emergency thing.

I think that during a period like we are going through that some things have to be done which are purely emergency.

I would agree with you that for a permanent thing I wouldn't think it would be reasonable at all.

Senator BARKLEY. A year ago we had this subject up and we provided that where some of these vaunted State reserves ran out before the period expired, that the Government of the United States would loan them and guarantee that they could pay the amount during the period provided for in the State laws.

In view of that it must have been contemplated that some of them would run out of money before the period expired.

Wouldn't it be a little inconsistent in view of that to provide now that we should charge back against the State some of the amount we pay or supplement the amounts they pay?

These reserves that they have accumulated because of what we might call full employment in the war period. They wouldn't have accumulated such an amount during normal times.

Mr. THOMAS. That is correct.

Senator BARKLEY. But when the thing levels off after the war is over, these funds may be dissipated.

Certainly, they will not be able to accumulate anything like the reserves they have now which were accumulated because they didn't have to pay out very much in unemployment compensation.

Mr. THOMAS. That is correct.

Senator BARKLEY. It seems to me inconsistent to be proposing that we will help them out when they will run out of money and at the same time we are going to help you run out by charging back against you some of the things we pay.

Senator VANDENBERG. I don't think this is the place for argument on that subject, but I disagree with the Senator from Kentucky as to the reason why we wrote this into the law a year ago.

I think we wrote it into the law to meet any possible fears that the State reserves might run out. The opinion of most of us is that it wouldn't run out at all.

Senator BARKLEY. But we provided against a contingency if they did run out.

Senator VANDENBERG. I don't want to criticize.

Senator BARKLEY. I am not criticizing. We all know what happened. We started out in Congress by saying that as soon as we get back here we are going to take up the human element of reconversion of unemployment.

When we came back all the States trooped in here with their big reserves and said, "Don't touch this, this is ours, and we will attend to it."

But we took precautions to say, "If you run out of money before your period expires we will help you carry it out."

Mr. THOMAS. I might say that before I was on defense. The thing has been worked so poorly in Michigan today it is terrific what is happening there. I am sold completely that the States should go out of business on that thing completely.

Senator VANDENBERG. I think that is certainly a logical position so long as you arrived at that conclusion.

The difficulty which we will confront before we get through is the violent opposition from many, many States against that theory, and we have got to still live within the present system.

I still think that there ought to be some way to amend this bill so that the States, where the great unemployment problem is going to be, are not the States which are the smallest beneficiaries from a bill which tends to meet the emergency of unemployment.

Mr. THOMAS. I don't know of any State that would be the largest recipient of Federal funds here where they have done a major portion of the war work.

Senator VANDENBERG. I think the figures submitted by the chairman this morning clearly demonstrates that the unemployment of war workers is largely concentrated in the States which pay the benefits.

Senator HAWKES. Out of all funds.

Senator VANDENBERG. Out of their own funds.

And those are the States that are the lowest beneficiaries from the bill. That is the thing that challenges my interest.

I do not know that there is anything that can be done about it.

Mr. THOMAS. In Michigan it is \$20 maximum for single men, for instance.

Under this proposed bill that would go up to \$25, and under this bill, as I understand it, only those receiving maximum compensation would get the \$25.

Certainly, Michigan would be about the largest recipient of Federal aid, it seems to me. I mean person by person, it would be less, but in the aggregate it would be more.

Senator VANDENBERG. You are quite right.

The CHAIRMAN. Actually, the States that have the lowest maximums, low maximums, and short periods, will receive very little under this bill except in the extended period, because they won't have many people that will go up to \$25.

Mr. THOMAS. Here is a thing in relating Michigan with the rest of the country in workers. We had a lot of in-migrant workers, say, from the South, that came to Detroit to do war work, and they did a splendid job.

Many of those people want to go back home again, maybe because there are not jobs there, and so forth, and we have run into some difficulty in that.

I think those people should be permitted to go back and collect maximum unemployment compensation from Michigan for this reason: The manufacturer, in Michigan, if he needs an employee, he doesn't care where he lives, and I am quite sure about that, and that

employee has made his contribution to unemployment compensation all the time during the war when he was earning this money in Michigan, and certainly, it seems to me, that the citizens of Michigan owe some obligation to that individual.

The CHAIRMAN. I agree.

Senator VANDENBERG. Can't that individual go back home after having registered for unemployment compensation in Michigan and collect his unemployment compensation from Michigan?

Mr. THOMAS. He has to be in a position to return to Michigan on 72 hours' notice.

The CHAIRMAN. He shouldn't have to do that.

Mr. THOMAS. That is where availability comes in.

I know that a deliberate plan can be worked out to sabotage the whole thing. Telegrams could be sent to these employees to come back to work and they wouldn't be available.

Senator LUCAS. Is that part of the law of the State?

Mr. THOMAS. Yes, sir.

Senator LUCAS. It is not a rule or regulation?

Mr. THOMAS. It is a regulation.

The CHAIRMAN. It is authorized by the act presumably.

Mr. THOMAS. That is the way it is interpreted.

Senator HAWKES. It is clear, because if there is a job in Michigan, he has got to be available to take it, and if he doesn't take it, he is not unemployed.

Senator LUCAS. He is talking about the fellow that lives, for instance, in Mississippi. He can't get back in 72 hours.

Senator HAWKES. It works a hardship in this particular kind of case we have in front of us.

Mr. THOMAS. That availability regulation works a hardship in other ways.

For instance, there are people who are being laid off today out of these war plants, and there are 10 jobs available.

Let's take a woman, for example. I can give a better illustration of a woman. I could use a man. Let's say a woman had a job as a waitress at a restaurant previous to the war. Let's say that after the war began she went into the war industry and got a job on a drill press, or something like that, and she was operating, and got considerably higher wages.

When that woman goes back to report her availability they say to her, "You are capable of doing a waitress job." Maybe she did that for 4 weeks before the war. Maybe she worked at a war plant and received \$50 a week. She says, "Well, I don't want to take that job."

That is a way of cutting wages. She gets no unemployment compensation.

Maybe there are only 10 jobs available like that, but there are thousands of women qualified for that job. They will disqualify the thousands of women because of those 10 jobs.

There might be some merit if there were only 10 women available for that job.

Senator VANDENBERG. Is that happening, Mr. Thomas?

Mr. THOMAS. Oh, yes, it is happening all the time.

Senator BREWSTER. I want to clear the record on one thing.

I was a little startled to hear, as I understand it, both you and Senator Vandenberg agree that if this whole thing was federalized it would eliminate any danger of Federal patronage.

You spoke of patronage as one of the perils in State administration.

The Senator said if you federalized, this would eliminate the difficulties.

Senator VANDENBERG. We were talking about differences in pay.

Senator BREWSTER. He had complained about different States, and you used all-inclusive language.

Mr. THOMAS. I will say that is a fact.

Senator BREWSTER. You think Federal administration would eliminate political patronage?

Mr. THOMAS. It would certainly eliminate some.

Senator MILLIKIN. I would like to ask you a question.

You made a statement, and I am much mystified about it.

Why are the State legislatures less susceptible to these arguments than we are?

These men are cross sections of the State. They have an acute political sense. They have the same job that we have on the State level. Why is it that these arguments can't be sold to the State legislatures?

Mr. THOMAS. Well, we have had some experience in Michigan which the whole country ought to know about, in recent years, grand juries and everything else going on up there.

Senator VANDENBERG. I would hate to think that Michigan legislatures were typical and symbolic of the Nation in respect to grand juries.

Mr. THOMAS. You and I agree on that. Certainly most of our legislatures on the States, I think that most of them can be controlled one way or another. I don't mean controlled by labor. I mean—I don't think you can imagine politically the great influence the automobile manufacturer is in Michigan, with their lobbies, and so forth, the various insurance lobbies there, and so forth. I don't think that in the National Congress—I actually do not believe that you are under the pressure that State legislatures are on these problems. I think you would be if this law becomes centralized, but today the heat is put on the State legislatures.

Senator HAWKES. You think we would be more apt to resist if it became federalized?

Mr. THOMAS. Yes; because I think more qualified men run for National office than for State office.

Senator MILLIKIN. Mr. Thomas I am very much interested in your explanation—

Senator LUCAS. I hope, Mr. Thomas, you take in the entire group when you make that statement. You were looking that way.
[Laughter.]

Senator MILLIKIN. I thank you for your explanation, Mr. Thomas.

Senator BARKLEY. Mr. Thomas, of course we can't deal with that emergency on the basis of federalizing the whole unemployment-compensation question. My general views have been expressed over and over again, not only as to this, but as to pensions, and so forth, that there ought to be a uniform system. Take two people who worked on an identical machine in Detroit in the war period. They, of course, lose their jobs, and one of them goes to Kentucky and the other goes

to Connecticut, for instance. The both have the same size family. Conditions of living are about the same. It is hard to justify the fact that in my State they get \$16 and in Connecticut \$28. Yet that might be the situation.

When we have to meet this problem and settle it permanently, that is an argument in favor of making a uniform system. But we can't do that in this emergency situation.

Mr. THOMAS. You are dealing with it as an emergency.

Senator BARKLEY. Yes. Aside from lobbies, and aside from all that, isn't it true that—it may be unfortunately true—but isn't it true that the people at large, on social legislation of this kind, look more to the Federal Government, have more confidence in the Federal Government for an ultimate and fair solution than in the States?

Mr. THOMAS. It is only a reaction, but I would say that the majority of the people of America have the definite opinion that our social-security laws are now national legislation and that they are not operated on the State level.

Senator BARKLEY. That is true. It is the hardest thing in the world to explain to the great masses of the people how it was that we passed a social-security law providing for \$30 a month, old-age pensions, and then provided that we put up dollar for dollar whatever the State puts up. If none of them put up 15, nobody gets \$30 under that law, but it is a most difficult thing to explain to people who draw pensions, or who would be eligible why it is that they don't draw what Congress said it was passing, a \$30-a-month pension.

There is another thing, it seems to me—the legislatures meet once every 2 years for a couple of months. For the rest of the time they are at home. They may be out among what we call the political of the grass roots, but the grass roots are not operating on them in this 22 months when they are not in session. They are operating on us who are always in session and are dealing with these problems.

Doesn't that contribute to the feeling that is pretty widespread in the country that problems like this must be considered, dealt with, and handled by the Government of the United States, and they have got to be dealt with by the Government of the United States? And, too, it raises the question of wisdom of policy as to whether it should be a partnership between the Federal Government and the State, or whether it should be completely handled by one or the other.

Mr. THOMAS. It would be my opinion that the factors you have mentioned certainly have a great bearing on the whole question. Especially when, as you say, the State legislatures only meet for a few months out of the year. They certainly do not have the pressure on them.

As I said awhile ago, the type of people that represent us on the State basis—my God! I don't even think they are up to the average intelligence of the people in the State.

Senator BARKLEY. A lot of people think that about us.

[Laughter.]

Mr. THOMAS. Well, I don't think that about the National Congress, certainly. But I know that as far as I myself am concerned, I don't brag anything about my intelligence, but I would never think of running for the State legislature in Michigan.

Senator LUCAS. Following the question offered by the Senator from Colorado, Mr. Millikin, about why people in the legislatures do not

understand these problems, don't have the same feeling of sympathy with them as we have here, let me ask you whether or not you know of any legislatures that called a special session to take care of this problem since the war closed?

Mr. THOMAS. I don't know of any.

Senator LUCAS. When they met last January, a few did change their laws.

Mr. THOMAS. The Michigan law was amended some last year.

Senator LUCAS. In the sense of the legislatures, then everybody was working, and they were somewhat like the Congress, we have delayed on passing any legislation down here, they didn't think the war was going to be over as soon as it was, and neither did we. So the responsibility upon these legislatures for the delay can be accounted for to some extent.

Mr. THOMAS. Well, I don't think there is any justification for this much delay. It seems to me that this is a problem that should have been thought of long ago. You can make all kinds of excuses such as we thought the war was going to last longer.

Senator LUCAS. I understand.

Mr. THOMAS. But it was obvious that the thing was going in the right direction. As I said previously in the testimony, the problem of getting the manufactory in shape for reconversion was taken care of. It is not too late on that. But the human problem has not been taken care of.

Senator LUCAS. I agree that there is some justification for the criticism you make.

Let me ask you this question—if I may, Mr. Chairman—At the risk of repetition, how many men are employed in the industries which you represent?

Mr. THOMAS. Well, do you want to know how many now, or before the war?

Senator LUCAS. At the close of the war, what was your total membership?

Mr. THOMAS. Well, we averaged during the war, I imagine, in the automobile industry, something over 800,000.

Senator LUCAS. Eight hundred thousand. How many people have been discharged from war work since that time?

Mr. THOMAS. Half of that.

Senator LUCAS. Four hundred thousand. I think you gave that testimony.

Mr. THOMAS. Of course, my organization, the aircraft workers, are in there, too. My organization went to better than a million and a quarter during the war.

Senator LUCAS. So there has been a 50-percent decrease already.

Mr. THOMAS. It is more than that when you count the aircraft industry. That is practically flat now.

Senator LUCAS. Thank you.

Senator MILLIKIN. Mr. Thomas, I just wanted to say, for the sake of the record, that I am very much interested in your explanation of why the legislatures are not susceptible to your argument. I want to say that I disagree. I think the average State legislature is a cross section of the people of the State. The average legislator is honest and capable, despite the few horrible examples to the con-

trary. I don't care to argue the matter with you, but I didn't want the record to remain silent.

Mr. THOMAS. I want the record to be sure that I still disagree with you. I am not talking about any State legislature but Michigan. It is below the average of intelligence of the people in the State. There are a few capable men. We find in the Michigan State Legislature lawyers who can't find a law practice, they don't know what else to do. All types of people like that that can't find anything else to do, so they run for the State legislature.

Senator BREWSTER. I want to associate myself with Senator Millikin on that score, particularly as a former member of the State legislature.

Mr. THOMAS. I want to add this; I think there are about seven members of my organization in the State legislature in Michigan. Of course, I think they are above the average.

[Laughter.]

Senator VANDENBERG. I was going to ask if there weren't many exceptions.

Mr. THOMAS. Certainly there are. There are some very capable statesmen in that legislature, too.

The CHAIRMAN. All right, Mr. Thomas, you may proceed.

Mr. THOMAS. Some 12,000,000 workers are not even covered by present legislation, nearly a quarter of the civilian labor force. The principal exclusions are:

	<i>Millions</i>
Employees of small firms-----	2.0
Maritime workers-----	.2
Federal employees-----	2.9
Employees of State and local governments-----	2.9
Farm workers-----	2.2
Agricultural processing workers-----	.3
Employees of nonprofit institutions, domestics, etc-----	1.6

S. 1274 provides for coverage of some of these; Federal employees, maritime workers, and agricultural processing workers, or about one-third of those excluded under present laws. It also permits the States, by voluntary action, to obtain reimbursement from Federal funds for benefits paid to other groups now excluded.

Several CIO unions have a most direct interest in this matter of extension of coverage: The United Federal Workers, the National Maritime Union, and the Food, Tobacco, Agricultural and Allied Workers. Your committee has invited them to testify, I understand, and they will present their own statements. I will say simply that the CIO supports them fully in asking that at least the extension in coverage, provided by S. 1274, be adopted.

The CIO, therefore, urges immediate favorable action on S. 1274. We believe, in addition, that your committee should consider whether it can strengthen the bill by introducing a provision to curb the present insidious tendency toward disqualification of workers. Over the past few years many State legislatures have adopted provisions making it increasingly difficult for workers with accumulated wage credits to obtain the benefits due them. Unless steps are taken to reverse this trend anything done to increase benefits may be in large measure defeated.

In many instances, workers who refuse jobs at substantially lower

wages than they have been making are denied benefits because they are said to be refusing "suitable employment." Many women are being refused benefits because, in the interests of excluding them from the the labor market, they are ruled "not available for work," and workers who leave jobs voluntarily for good personal reasons are, in 20 States, refused benefits when the cause is not "attributable to the employer."

To make matters worse, 26 States with 42.6 percent of all covered workers now cancel benefit rights in whole or in part when a worker is disqualified for one or more reasons. The former practice was simply to postpone benefits. This means that thousands of war workers, because of a single disqualifying act, will lose some or all of the benefit credits built up during war employment. Where they lose all their credits they can receive benefits only after getting and losing a new job—typically at lower wages—and building up new wage credits.

The Michigan law, of special concern to auto workers, has a unique provision which operates to deny benefits to war workers who return to rural areas after losing their war jobs. The law provides that to be eligible for benefits a worker must be available for work similar to what he has been doing either in the place he worked before or in a locality where such work is to be found. Obviously a riveter or a welder from Willow Run, forced to move elsewhere because of Detroit cut-backs, cannot find similar work in northern Michigan or in the Kentucky hills. Since he is "not available for work" he cannot receive benefits.

By a recent interpretation the Michigan commission has sought to mitigate the harshness of this provision. If the worker registers in the locality where he worked, if he leaves his address with his former employer, and if he agrees to return to his locality within 72 hours upon call-back by his employer, then he may draw benefits. Apart from the fact that few laid-off workers will know about this complicated procedure, there is the disturbing possibility that the Ford Motor Co., let us say for example, can easily nullify the new ruling. Suppose they send an appeal to their former workers telling them to come back to work within the 72-hour limit. If a worker does not show up, he loses his right to benefits. If he does show up, his travel is at his own expense, and the company is not obliged to give him a permanent job. He may be out of work again in another week.

The possibility that similar provisions may be adopted in other States is a very disturbing one. Many thousands of war workers would be deprived of benefit rights earned during the war years, and the necessary movement of workers from areas of declining job opportunities would be seriously impeded. We urge you to consider whether special Federal action may not be desirable to prevent such a development.

Other steps, not included in the present bill, S. 1274, which we would like to see, are:

1. Provision of a minimum benefit as well as a maximum.
2. Provision for at least the partial use of existing State funds to meet the present situation, instead of putting the entire burden on the Federal Government.

Senator VANDENBERG. That is what I was asking you about a little while ago, Mr. Thomas.

Mr. THOMAS. Yes.

3. Provision for the continuance of the United States Employment Service as a Federal function at least throughout the emergency period.

4. Provision for training and retraining of workers who must shift to new types of jobs, with maintenance allowances during the training period.

Our support of the present bill, without these features, represents no change in our support of the thoroughgoing overhaul of our whole social-security structure as provided for in the Wagner-Murray-Dingell bill. The CIO believes that the weaknesses and deficiencies of the existing unemployment-compensation situation can be fully overcome only by the passage of legislation which will federalize the system.

As an immediate minimum demand, however, we support the unemployment compensation features of S. 1274.

We endorse also section 2 of S. 1274 which would amend the Servicemen's Readjustment Act of 1944 to increase the amount of benefits from \$20 to \$25 per week.

TRANSPORTATION ALLOWANCE—REDEPLOYMENT OF WORKERS

There is widespread agreement that reconversion should be as quick and as orderly as possible. The legal details of contract termination are being handled expeditiously; pretermination decisions have been made in many instances regarding disposition of Government-owned inventory and equipment; the Reconstruction Finance Corporation reports that it is negotiating for the lease or sale of Government-owned plants even before they are released by the service; WPB has granted priorities for facility construction and for needed machine tools.

But nothing analogous has been done to provide for the expeditious redeployment of war workers. Wartime demand for labor resulted in unprecedented migration. Probably as many as 16,000,000 persons—not counting the 12,000,000 in the armed services—are now located outside the city or county where they were at the outbreak of the war. A sample study conducted by the Bureau of Labor Statistics for the Marine and Shipbuilding Workers found that 20 percent of all workers in their yards had come from a distance of 500 miles or more. How are they going to get back? The answer, it seems, unless the legislation before your committee is enacted, is they will drift back.

Even before VJ-day some 2,000,000 workers had been allowed to drift away from munitions employment. No one knows where they went or how much difficulty they experienced in moving to a new job. But now, after VJ-day, with many more millions forced to move to new locations in order to find work, it is certain that many cannot move quickly and in the right direction unless they have assistance. Only in this way can we avoid the evils of isolated pools of unemployed workers left stranded when their jobs fold up, and

only in this way can employers be assured that reconversion will not be held up because they cannot get the needed workers right in their own community.

I have here two letters sent from the secretary-treasurer of the United Steel Workers of America to John W. Snyder, Director, Office of War Mobilization and Reconversion, on distressed areas which I should like to have introduced in the record.

The CHAIRMAN. You may put them in the record here.

(The letters referred to, dated August 20, 1935, and August 24, 1945, are as follows:)

UNITED STEELWORKERS OF AMERICA,
Pittsburgh, Pa., August 20, 1945.

Mr. JOHN W. SNYDER,
*Director, Office of War Mobilization and Reconversion,
The White House, Washington, D. C.*

DEAR MR. SNYDER: Canonsburg, Pa., lying 20 miles south of Pittsburgh in Washington County, is a "ghost steel town"—virtually denuded of private employment—and the 13,000 people of this community want to know what you are going to do about it.

Let me give you a brief history of its employment situation. Prior to the war its largest plant was a tin-plate mill owned by the United States Steel Corp., employing upward of 2,500 workers. This mill was permanently abandoned in the summer of 1942 and its workers left to shift for themselves. Many months later the Defense Plant Corporation (DPC) built a huge aluminum forgings plant on the site formerly occupied by the tin-plate mill. At its peak this plant, operated by the Aluminum Co. of America, employed 1,500 workers. Less than 50 are now employed. This modern plant stands today as a \$30,000,000 monument to unemployment—unless private jobs are provided in it soon.

The second largest employer is the Canonsburg Steel & Iron plant. It formerly was a sheet-steel mill which was abandoned in 1931 and did not again employ people until the war. Nine hundred workers have been making Navy shells here until now. By August 21 nobody will be employed in this plant, except a few persons for clean-up work.

The third steelworking plant is the Fort Pitt Bridge Co., which employed 800 workers at its peak during the war, and is now down to one-quarter of this number due to contract terminations.

From a top private employment of almost 5,000 workers, less than eleven hundred are presently with jobs in the Fort Pitt plant, a can plant, two small potteries, and one little chemical plant in Canonsburg. Approximately 80 percent of the working population of the greater Canonsburg district of 15,000 people are idle.

The DPC aluminum plant operated by Alcoa is idle. It is owned by the Government. What are you doing to dispose of this plant so that some of the workers of Canonsburg can go back to work in it?

The Canonsburg Steel & Iron plant is filled with Navy-owned machinery. What is being done to dispose of, or remove, this Government machinery so that jobs can again be provided in this plant?

The workers of Canonsburg have rendered patriotic service to their country during the war. They have not protested as they have been laid off in recent months and forced to seek jobs out of town. They uncomplainingly took jobs in other towns—10, 20, 30, and more miles away. Each morning you could see long strings of cars and busses, filled with workers, riding to far-distant plants to engage in war work. These workers, being relatively new employees in the out-of-town plants, are now being laid off. They are jobless. And they live in a "ghost steel town."

They want to know, and the United Steelworkers of America, to which these workers mostly belong, also wants to know, what is the Federal Government going to do about Canonsburg?

Your earnest and immediate consideration of this matter will be appreciated.

Truly yours,

DAVID J. McDONALD,
Secretary-Treasurer.

UNITED STEELWORKERS OF AMERICA,
Pittsburgh (22), Pa., August 24, 1945.

Mr. JOHN W. SNYDER,
Director, Office of War Mobilization and Reconversion,
The White House, Washington, D. C.

DEAR MR. SNYDER: I am writing to you about "ghost steel town" No. 2, having written you on the 20th about the first such town—Canonsburg, Pa.—stripped of private employment at the end of the Jap war.

The second such town is Mingo Junction, Ohio, a community of 5,300 people lying along the Ohio River in Jefferson County, 3 miles below Steubenville. Ninety-six percent of the industrial jobs in Mingo Junction have been eliminated—permanently. United State Steel has abandoned its operations here. A year ago, 1,400 workers were employed by United States Steel. They have been permanently displaced. Only 60 workers are now employed in industrial jobs, these in a washer plant.

The citizens of this steel town, most of whom are old residents and home owners, want to know what is being done about their plight.

Mingo Junction was not a war-boom town. It is an old steel town, 29 years older than United States Steel itself. Iron was first made there in 1872. Mingo blew its first bessemer steel on February 8, 1886—15 years before United States Steel was born and took the town over to run it for 44 years. Now that no further profits can be made at Mingo, United States Steel has deserted it.

In July 1944, 1,400 workers were employed in its three blast furnaces, two bessemer converters, and in the new Government-owned ordnance building where armor plate was heat-treated and fabricated for the Navy. Today, this entire industrial plant stands idle—permanently abandoned—and the Mingo steelworkers are left to shift for themselves. A handful remain to do clean-up work, but in 3 weeks they too will be on the streets.

The death of Mingo Junction as a working American community reflects the callous disregard of private industry for the needs of the people. The steel plant has been labeled "obsolete" by the company and closed because greater profits are to be made from the operation of new and more efficient units located elsewhere, many of them built during the war. The new Government-owned naval ordnance building is also idle while the people are unemployed. What is being done to dispose of this plant so that employment can be provided in it?

The workers of Mingo Junction, like those of Canonsburg, have patriotically served their country during the war. They raised no complaint as they were laid off in recent months and forced to look for jobs in other communities. Being relatively new employees in the out-of-town plants, these workers are now being laid off. Like the workers of Canonsburg, they are fast becoming jobless and they live in a "ghost steel town."

They want to know, and the United Steelworkers, to which these workers mostly belong, also wants to know what the Federal Government is going to do about Mingo Junction.

Your earnest and immediate consideration of this matter will be appreciated.

Truly yours,

DAVID J. McDONALD,
Secretary-Treasurer.

Mr. THOMAS. The CIO believes that the provisions of S. 1274 with respect to transportation costs could properly be broadened to cover all workers, whether war workers or not. This change would have the advantage of making administration simpler. But more important, it is necessary to assuring the desired redistribution of workers. We cannot tolerate local pools of unemployment. A program for full employment must involve positive steps to move workers to areas of rising demand.

The only valid reason for failure to provide transportation assistance is the conviction that there will be a surplus of workers and that therefore letting them drift home or to new jobs will not delay reconversion. If you believe in the possibilities for full employment, there is no escape from the conclusion that everything possible should be done to improve the mobility of labor.

NEED FOR IMMEDIATE ACTION

In conclusion let me reiterate the need for immediate action. The emergency is upon us. S. 1274 should be passed quickly and put into effect quickly.

The bill as it stands provides that it does not go into effect for over 5 weeks after its enactment. This provision should be changed to permit the payment of compensation retroactively to August 15.

The CHAIRMAN. Are there any further questions of Mr. Thomas? If not, thank you very much.

Senator BREWSTER. I would like to ask—pursuing further this question of the operating skills, taking the figures there on the chart as an illustration, it runs from 3,000,000 up to nearly 8,000,000 wage earners in war industries; I assume that perhaps a third of the men employed prior to 1939 may now be in the service. Would that be a reasonable estimate, something approximating that, perhaps a million men?

Mr. THOMAS. I think it is almost a half.

Senator BREWSTER. We are faced then with the situation that there are going to be approximately 5,000,000 who were not employed in those industries prior to the war, plus a million and a half servicemen coming back to those jobs, and it is your thought, as I understand, that we can employ those under a proper organization of our economy in their highest skills? You wouldn't exclude the servicemen?

Mr. THOMAS. The servicemen has developed a higher skill during the war, too.

Senator BREWSTER. Yes. Let's leave him where he was, but at the same time you feel that the fully trained workers are going to be able to be employed at their highest skill?

Mr. THOMAS. I don't say that is what will happen. I do say if we really believed, for instance, in what was in both the platform of the Democratic Party and the platform of the Republican Party on full employment, if we really believed that, and it wasn't just a bunch of words, in both platforms, I think that could be done, yes.

The CHAIRMAN. All right, Mr. Thomas. Thank you very much.

Mr. THOMAS. Thank you, gentlemen.

The CHAIRMAN. Reverend O'Grady.

STATEMENT OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Monsignor O'GRADY. My name is Rt. Rev. John O'Grady. I am secretary of the National Conference of Catholic Charities.

I want to have my statement included in the record, and I just want to make a few observations on this bill, and within a very short and limited space of time.

The CHAIRMAN. You may include the statement in the record.

(Monsignor O'Grady's statement appears at the end of his oral presentation.)

Monsignor O'GRADY. In the first place, Mr. Chairman and members, I am rather concerned with this long debate about States' rights when we are dealing, really, with a serious national problem.

I have had the opportunity to follow the administration of unemployment compensation in the front lines and in many of the employ-

ment offices in the United States. My methods of studying it have been somewhat unorthodox. I know what is said to the men who come to make applications for unemployment compensation. What Mr. Thomas has said about disqualifications has a real meaning for me because I have heard the questions asked of the men in the line. That is the point of view from which I am inclined to evaluate this situation.

A very interesting matter in that connection to which I want to point; that is, that eventually you will be applying the same discrimination in the administration of the allowances. The State directors tell me that is true, and I am, again, of course, basing my conclusions on what I have heard them say to the applicants for benefits.

It seems to me that we have changed what was a social remedy for a social situation, a social remedy that had been set up to deal with the temporary unemployment, not permanent unemployment.

This is a temporary remedy proposed to keep the industrial army in condition temporarily. We have so many legalisms attached that have grown up, out of which these disqualifications have grown. And now we come to this Michigan plan. We say, "Well, is he available in this town for employment?" He may have moved his family in the meantime to some other State because he came from there. And his benefits had been acquired in this particular area.

Now, if all the States should adopt that, we would have a system of complete isolationism. Here we are dealing with all those things. I have been in all of these centers. I have been in aircraft factories and I know a little bit about them. I followed the development. I have been in factories in Detroit and in Pontiac, in Los Angeles, in the shipyards in Portland, and the Columbia River Basin, in San Francisco, Puget Sound, and all over.

And then these new areas in which factories have grown up in the field.

I have seen these workers gathered from the four corners. I have been in a few of the factories recently, after they were shut down. I haven't had a chance to observe the workers in the lines as much as I should like lately, and as I expect to in the next month.

It seems to me that the States have been very backward in the direction of their disqualifications. True, they have improved their benefits, as has been pointed out, and as is pointed out in my statement.

Of course, the benefit structure is very low.

Now, of course, it all can be traced back to this theory of merit rating. That is, each employer would keep a separate account, and there is the old theory of the Wisconsin school, which my friend Mr. Altmeyer presented, the question that if you make employment expenses enough you are not going to have unemployment. That is a nice theory. Make it dear enough, expensive enough for the employer and he wouldn't have any unemployment. In other words, you can stabilize the huge industrial structure, and it is becoming increasingly more rigid.

As pointed out by Mr. Beverage, it is becoming more rigid. I think it is just a snare and a delusion to feel that the employment of these 700,000 workers in the shipyards is going to be so easy. They say they are going to get them back to Maine to pick potatoes, that that is going to be simple, will be a simple proposition, that these folks in

Los Angeles are going to come back, that that is going to be easy. And that the automobile industry is going to absorb them, and these other industries are going to absorb these workers.

I am afraid that is not going to be so easy. I wish I could be that optimistic. I don't want to be a pessimist, because my business is psychology. Business is not just mathematics.

I don't want to be in the position of spreading a spirit of pessimism. I would rather spread a spirit of realism. We are facing a very important problem.

And these gentlemen coming in from the States, I wonder sometimes what is back of their thinking—is it to protect the system of merit rating? This interstate conference that is so well represented around here, representing the governors of the States. I sometimes wonder if they are thinking in terms of the problem we are facing, or if they are trying to protect their system, the system they have built up in States. I wonder if that is the situation at the present time.

Of course, some of the industrialists are afraid it is going to become expensive. As a friend of mine said, a big industrialist, he said to me, "I am afraid we are going to have a fight." I said, "No, there is a disagreement." He said, "Well, you are in favor of a national system of unemployment compensation," and I said, "Yes, unemployment is a national problem." "But," he said, "that would be more expensive, because you would get the influence of labor concentrated at one point, it is now spread out over 48 States."

He said, "The rates are going to be so high."

He was thinking in terms of lower taxes. We have got the States competing with one another. I can't understand what these gentlemen who come in from the States represent. Do they represent the people who are struggling to maintain a system of merit rating? What brings them here all the time? Why have they spent 2 or 3 months here trying to support all these disqualifications we have in these laws, and all their merit rating?

States are competing with one another for lower taxes.

You see, the employer objects, says that this man isn't available for suitable work, he has left for no reason attributable to the industry. I notice that in the Ohio law they tried to make a change about 2 years ago, but they have interpreted it in the same way.

If you were to sit in the employment offices and to hear what is said to the workers along the lines, that is the thing that impressed me. They are trying to save money, and that is a result of the fact that each employer feels that his tax rate is going to be lower if they disqualify the men. Therefore, there is a direct incentive for the merit rating, that system has played into this tendency in the States to look into each case to see whether this particular employer is responsible for this person's unemployment.

In that way you develop a new system of laws, a new court system, like we have had in workmen's compensation. We have a legal remedy. We thought we had abolished the defenses of common law long ago in dealing with workmen's compensation but it has crept in again. We are doing the same thing in this.

The whole system is too cumbersome. I have pointed that out many times. I have pointed it out to Mr. Altmeyer. It is too complicated. I would like to simplify it. It ought to be simplified. We ought to

regard it as a social remedy, but not as something about which we have constant hair-splitting. That is what you have under these disqualifications. They have become more rigid.

The Michigan statute has been improved, the benefit structure is not so bad but disqualification is just as rigid there as in any of them. The Michigan program is just as backward looking as any in the United States.

During this period of reconversion I don't think we can take any chances. I think we have got to be fair to the workers, even on the basis of temporary unemployment, because we have made no other plans. You must remember that. Practically no other plans. Of course, you have done something in regard to public works and other works. You have the road-building authorization. That is the only concrete thing I know of. There may be others, but I don't know about them.

You have this \$500,000,000 road authorization, which is considerable, and if we get a joint resolution on that it will help the situation.

But we have very few plans for any other measure of unemployment relief, and I hope we don't have to return to relief again, the dole. I think we have passed that stage. I hope so.

That is one of the sections of the Wagner-Murray-Dingell bill on which I do not agree with Mr. Thomas. I don't like to see us return to relief as a method of taking care of the unemployment, because I think we passed out of that stage. I sincerely hope we have. I think that this is a temporary measure. This is an emergency measure.

It takes in, of course, three or four types of workers for whom provision clearly should be made. You have the Federal workers. Clearly some provision should be made there. Secondly, we have the workers in the merchant marine, the seamen. Now we should have had a system of unemployment compensation for seamen long ago. They represent a very important group of workers, a group that has made a most important and outstanding contribution in the war effort, and surely there should be some provision for them.

I would like to see a national system of unemployment compensation similar to what we have for the railroad workers, a system something like that, for the seamen. And also for the packing people in the so-called factories in the fields. I have been in those factories and have been out among the migratory workers, to which Senator Vandenberg referred. I have been among them in his State. I have been among the beet workers. I have been interested in the beet workers which Michigan imports annually from south Texas to cultivate beets in Michigan. That has been one of my hobbies.

I have been out in the fields and worked with them. So it is not a matter of theory with me.

There is no reason why these workers should be excluded from these benefits any more than any other factory worker. They are factory workers. Of course, I would contend that these workers working in commercial agriculture are really engaged in large commercial farming, and I think commercial farming ought to be subject to the same labor standards as industry, because it places the small farmer at a great disadvantage, because it has lived on the theory of a surplus for years, and these workers who have come to Michigan, for the 24 weeks

they are there, frequently haven't been employed for more than 8 or 10 weeks.

They have, of course, these small factories. Some of the States, I think 16 States, now include these small businesses.

This problem of the mobilizing of the labor supply I think is very important. Of course, I have seen these State systems work. The local offices too. I have been in them. I have visited a great many of them during the war, have stood in line; I know their relationship to the industry. I have had a lot to say about them. I have seen what the War Department has done. We reached a critical stage during the war. I have seen what the Navy has done to secure a labor supply. I have been interested in local situations, not what the folks here tell me, but what actually happens in the mobilizing of the labor supply. If this employment service were returned to the States I should forget about any public service dealing with unemployment. I would say we aren't going to have any service worth 2 cents.

Of course, the States have held so tightly to it. Of course, I know there is politics in a Federal service too, but it is easier to get at here. You can get at a Federal bureaucrat more readily. You have some of these State men that have been around here for 2 or 3 months at a time engaged in propaganda. Nobody can touch them. They are supported, I understand, with State funds. You can't touch any one of these men. I think that in a democracy people ought not to be untouchable.

I think that this is a block that we have developed through the State systems. It is one of the most powerful bureaucracies in the United States. It is more powerful than Mr. Altmeyer's bureaucracy. And some of the other blocs that have grown out of these Federal-State systems. That is one of the reasons I am not so partial to the Federal-State system. That is one of the reasons I want a Federal system, and at this critical period, I think it would be suicidal to turn the Employment Service back to the States, because what can we do about mobilizing this labor supply now?

What can we do about the thousands of workers who are bound to be stranded in Los Angeles, for instance? I don't think I agree entirely with Mr. Thomas with regard to that. I think that even before the war ended workers were leaving. They were leaving for their homes, getting back somehow. Now, what has happened in the past 2 weeks, I don't know. I did get in the lines in three or four offices, and I saw the same picture that Mr. Thomas saw in Detroit. I don't know whether the workers are getting back, but I think we are bound to have in certain large centers a stagnant population.

I don't know how anybody can talk of this problem in terms of State rights. We are dealing with something else. If we were dealing with family life I could see the importance of local organization. I can see why one might talk about State rights in regard to that. When it comes to a huge industrial problem, I don't see how we can talk about that problem in terms of States' rights.

That about represents my attitude. I am in favor of the provisions of this bill as a temporary measure. I think it ought to be passed quickly, speedily, and I hope that we are not going to get into an eternal debate against States' rights and fear that the Em-

ployment Service is not going to be returned to the States. I hope we will face this thing in an objective way, because we are dealing with a very critical situation in our national history.

(Monsignor O'Grady's prepared statement is as follows:)

TESTIMONY OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES, BEFORE SENATE COMMITTEE ON FINANCE ON THE KILGORE BILL, S. 1274, SEVENTY-NINTH CONGRESS, FIRST SESSION

It cannot be emphasized too strongly at the present time that unemployment, even temporary unemployment, has very serious ramifications. We should not be too pessimistic in dealing with these implications. But at the same time we ought to be realistic. Nothing would be more unfortunate at the present time than to give the rank and file of the people any reason for believing that nothing is being done to ease the present unemployment situation. It would have a far-reaching effect on spending and would be liable to create a serious deflationary spiral. Everybody would try to hold on to their savings as tightly as possible. We would have less spending and a serious cut in our consumers market.

A very unfortunate tendency in the present temporary unemployment situation is the impression that is being spread around that workers will not accept available employment. This sometimes means, in the minds of those who repeat it, that workers ought to accept any kind of jobs. Now it has been a well-established principle that workers in the skilled trades should be given some time to look around before being compelled to accept semiskilled or unskilled work. And yet some State officials charged with the administration of unemployment compensation expect workers to accept any kind of jobs—even jobs that pay as little as the unemployment benefit scale in the States.

This committee will undoubtedly hear much about the great progress that has been made in unemployment compensation in the States. I want immediately to address myself to one of the most serious limitations of unemployment compensation as presently administered by the States. I am referring to disqualification of workers for benefits. The disqualifications in State laws are threefold. First, there is the matter of availability for suitable work. This sometimes means availability for comparable work in the State in which the worker has accumulated his benefit rights. The worker, let us say, has worked in a tank factory in Detroit as a war worker and has returned to his home in Tennessee or Kentucky or Alabama or Georgia. He may be given a 72-hour notice to get back to Detroit. This is the so-called "call back" in Michigan. Suppose this pattern spreads around the country, what will happen? Workers are liable to be called back from Maine to California and vice versa. In other words, it means the complete isolation of State unemployment compensation programs.

One can readily understand what it means to this worker in Alabama, or Georgia to be called back to Detroit. He may have left Detroit with his family because he knew the factory in which he had been working had closed down. It will be no easy matter for him to move his family again back to Detroit. Think of the expense involved, not to speak about the other implications. The question of availability for suitable work is one of the most serious problems we are facing in the administration of unemployment compensation. It can be used in such a way as to break down all wage standards. Now the committee might well ask itself, Is this the prospect that the United States is going to hold out to its workers in the postwar period?

Voluntary quitting is another one of the disqualifications that the workers face in the administration of unemployment compensation. In unemployment compensation we were supposed to have had a social remedy to deal with a social situation. Now we are introducing a legal concept, Who is responsible for this unemployment? Was it a purely personal matter with the worker? Was it something that was a matter of real family concern like the illness of his wife, or was it rather due to the employer? In other words, we are in process of developing a new code of administrative law. When does the worker quit voluntarily? When does he quit involuntarily? Surely this system should provide benefits to anyone who is unemployed, because of personal reasons as well as industrial circumstances, as long as the unemployment is involuntary and he is able and available for work.

A third disqualification that enters into the administration of unemployment compensation is misconduct. In regard to misconduct the decisions of the State agencies have also been quite rigid.

In some local employment offices we find a tendency to apply the same disqualifications to the readjustment allowance under the GI Act as are applied in the administration of unemployment compensation. The workers who actually interview the applicants in some offices do not have any clear understanding of the differences between the readjustment allowances and State unemployment compensation. Undoubtedly the State administrators understand the differences. Undoubtedly, too, the executives of local offices understand them. But I am speaking about what actually happens in interviews with applicants. This is a matter that needs attention on the part of the Veterans' Administration. After all, State organizations are administering the program as agents of the Veterans' Administration.

In view of the large reserve of more than six and one-half billion dollars accumulated by the State, there can be no question about the solvency of the State funds. They have on hand sufficient to pay adequate benefits. I believe, however, that we have to face the inadequacies of State benefits. In 14 States benefits may be drawn for 16 weeks or less. In a good year like 1941, in 9 States the average potential duration of benefits was less than 11 weeks. The question of benefit rates is also something that needs to be considered very seriously. While the average weekly benefit throughout the country is around \$16, we find some State with an average as low as \$9 or \$10 a week.

In the 1945 sessions of their legislatures, a number of States made considerable progress in increasing their benefits and also extending the duration. While 41 States now provide maximum benefits of more than \$15 a week, only 6 States have a maximum of \$24 or more, including allowances for dependents. In 19 States it is still not possible for the worker to receive benefits for as long as 20 weeks; only 5 States provide benefits to a maximum of 26 weeks, and in only 1 of these 5 States are all eligible workers entitled to 26 weeks. Little progress was made in the sessions of State legislatures in extending protection to excluded workers and in the eliminating of unreasonable disqualifying provisions.

The Kilgore bill which the committee has before it at the present time, presents an emergency program to deal with an emergency situation. It is designed to maintain the morale of the great army of industrial workers during the reconversion period. It is a temporary remedy for a temporary unemployment situation. It endeavors to meet the inadequacies of existing State legislation by making it possible for workers to receive benefits up to \$25 a week for 26 weeks. Benefits are to be paid for 26 weeks on the assumption that this amount of time will be required to complete the process of conversion from war to a civilian economy. The weekly benefit is certainly not too high for the workers and especially for those who have dependents. This amount certainly will not prevent any large group of workers from returning to work as soon as employment opportunities become available. A fairly adequate benefit, moreover, such as the bill envisages, is necessary to maintain not only the morale of the workers but also a high degree of purchasing power which is so essential in this transition period.

The trouble with our remedies for unemployment has usually been that they have come too late. Nobody who is acquainted with the history of unemployment compensation will hold it up as a remedy for long continued unemployment. It is designed to deal with a temporary situation. I am sure that nobody wants to return to relief as a means of dealing with the unemployed. Through a combination of public and private effort we must maintain a high level of full employment in the postwar period.

The bill under consideration includes four large groups of workers that are not now included under present State laws. These are:

1. Civilian employees of the Federal Government.
2. Merchant seamen.
3. Workers engaged in factories processing agricultural products.
4. Employees of small firms.

Nobody will question the desirability of having some provision for the large number of workers employed by the Federal Government who will soon be separated from Federal service. Nobody, moreover, will seek to deny unemployment compensation to the merchant seamen who rendered such heroic service during the war. A national program of unemployment compensation for seamen is long since overdue. This bill is designed to meet the emergency situation now confronting the seamen.

Some people will raise question about extending unemployment compensation to workers engaged in factories processing agricultural products. These are factory workers just as much as those employed in any of our industrial estab-

lishments. They are engaged in large commercial operations. Why, therefore, should they be excluded from the provisions of the Social Security Act? Large commercial agriculture in this country has prospered to a considerable degree because it has been able to secure exemption from all labor legislation. The unfair advantages which it has enjoyed has enabled it virtually to put the small farmers out of business. Those who are interested in maintaining the family-size farm in the United States—which is a part of our democratic way of life—are interested in extending to workers engaged in factories processing agricultural products the same labor standards that apply to the ordinary industrial worker. They would also like to see these standards apply to all workers engaged in large commercial agricultural operations.

The fourth type of worker for whom the bill aims to provide benefits are those employed by small firms. Such firms are already included in the laws of 16 States.

It is assumed that the supplementary compensation made available through this bill to extend and supplement State programs of unemployment compensation will be administered by the State employment security agencies. These agencies operate in conjunction with the local employment offices. The offices are charged with bringing together workers and job opportunities. They are also supposed to have complete information in regard to the labor market, in regard to jobs and workers available for jobs.

Now, we know that in this country the labor market is not a local market. This is especially true at the present time when workers are moving from so many centers in which there is no prospect of jobs for the future to places where there are real job prospects. One of the provisions of the bill seeks to facilitate, through the payment of transportation, the movement of workers from communities in which there are no opportunities, to communities in which opportunities exist. It would be very unfortunate if the Employment Service which has something of a national character and something of a set-up for interstate referral of workers to jobs should be broken up into a series of State and local services. If there was ever a time when a real national service and a real national point of view in dealing with employment was necessary, it surely is at present. When the States go on their own in dealing with problems of employment, the local communities also go on their own. In the State employment services there has been very little control over the local offices. Each office has been virtually a law unto itself. If the Employment Service is now returned to the States, we can practically disregard it as an effective instrument in dealing with the labor market.

I am not assuming for a moment that the Service is perfect at the present time. It is very far from perfect, but at least it has made some headway in the direction of better standards.

The CHAIRMAN. Mr. Kalus.

Give your name for the record, please.

STATEMENT OF HARRY KALUS, OFFICE OF THE GOVERNOR OF MASSACHUSETTS

Mr. KALUS. My name is Harry Kalus, legislative counsel to his excellency, Maurice J. Tobin, Governor of the Commonwealth of Massachusetts.

May I also put into the record, in view of what has been said here, I am a former member of the Massachusetts Legislature.

Senator LUCAS. That qualifies you.

Mr. KALUS. I should like to read the statement of Governor Tobin:

As Governor of the Commonwealth of Massachusetts, I am pleased to endorse S. 1274, which, as I understand it, accomplishes substantially the following:

(a) Supplements present State unemployment benefit payments to a \$25-a-week maximum for a period of 26 weeks.

(b) Extends coverage to Government workers, maritime workers, workers in small plants, and agricultural workers not now covered.

(c) Provides travel allowance for the transportation of the unemployed to areas needing workers.

(d) Increases veterans' unemployment benefits under the GI bill of rights to a \$25-a-week maximum, and in the case of dependents, to a \$30-a-week maximum.

This is a temporary measure, and by its express terms expires on June 30, 1947, which is determined to be the end of the reconversion period.

Present unemployment compensation benefits are not adequate either as to amount or duration if we are to keep at a minimum distress among low-income workers and if we are to provide and maintain an adequate level of purchasing power during the transition and reconversion period.

President Truman, in his special message to the Congress on May 28, 1945, calling on Congress to provide "adequate benefits for workers temporarily unemployed during the transition period from war to peace" described the condition as a "major gap in our reconversion program" and the President "urged the Congress to close this gap."

No amount of contention and argument about "States' rights" can erase the incontrovertible fact that the transition period is an integral part of the war emergency and it is therefore the continuing responsibility of the Congress to utilize the resources of the Nation to provide for the worker just as the Congress has provided remedial measures to assist business during the reconversion period.

Massachusetts has in the recent session of the legislature increased unemployment benefits from a maximum of \$18 a week to a maximum of \$21 a week, and increased the duration from 20 to 23 weeks.

Senator MILLIKIN. May I ask what your unemployment reserve is in Massachusetts?

Mr. KALUS. About \$212,000,000.

Senator MILLIKIN. What is your general surplus in Massachusetts?

Mr. KALUS. We are not supposed to have a surplus in Massachusetts as such. The State operates on a balanced budget. Whatever deficit there is between receipts and expenditures is assessed upon the cities and towns by the way of a deficit tax.

The State has accumulated what might be considered a surplus because of failure to make improvements and to make use of money previously appropriated because of wartime restrictions. It has been estimated somewhere around \$18,000,000 which has been appropriated for postwar projects and for deferred maintenance of plants run down because of war restrictions.

Senator MILLIKIN. Is Massachusetts out of its own strength incapable of providing the benefits which are provided by this bill?

Mr. KALUS. I would say that when the legislature met in January 1945 it had before it several proposals, among which was the recommendation made by the advisory board. This recommendation was for \$20 a week, and no change in duration, and it presented a table of statistics which showed that if there was a 30-percent unemployment during 1945 and 1946 that the fund would become insolvent.

I have here the figures. They run on the basis of 10, 20, and 30 percent. If there had been unemployment of 30 percent, the fund would be insolvent, or unable to stand the payments.

Senator MILLIKIN. Let me ask you again, out of the resources of the State, its reserves in this particular fund, together with its other resources, would you say that Massachusetts is incapable of reaching the benefits contemplated under this Federal bill?

Mr. KALUS. I would have to give my own personal opinion.

Senator MILLIKIN. What is that?

Mr. KALUS. My personal opinion is that the present reserve has been and is adequate to pay these benefits, because the amount of benefits has been less than the amount of the interest that the fund has earned, and notwithstanding that fact the legislature refused to accept

the recommendation made by the American Federation of Labor and the CIO, which had a recommendation for a \$25 payment for 26 weeks.

In the Governor's statement, I think it is pointed out just what happened, and what he believes happened in most States in relation to any increases in unemployment compensation.

Senator MILLIKIN. As a former member of the State legislature, do you have the same defects in character and ability in your Massachusetts Legislature that Mr. Thomas said existed in Michigan?

Mr. KALUS. I don't think he meant that. I don't think any thinking person would attempt to generalize in relation to the character of any legislature—any legislative body. I think it is true that the power of the—let me put it this way: I think it is true that the State legislature is prone to yield to pressure of those who oppose any liberal payments more than is the Congress.

Senator MILLIKIN. Would you not say that the Legislature of Massachusetts is fairly reflective in State matters of the will of the people of Massachusetts?

Mr. KALUS. Not in this matter. One vote in the senate changed the entire picture. The house of representatives had agreed to accept 25-26 and the Senate by one vote failed to concur in that amendment. I would say that it hardly reflects public opinion of the needs of the State.

Senator MILLIKIN. But that is a part of the democratic process. Many bills that you and I think are good bills, fail for the lack of one vote.

Mr. KALUS. If you are asking for my interpretation of whether this legislation of \$25 maximum for 26 weeks was wanted by the people of Massachusetts, my answer would be "yes," and in the legislature I would so vote, but it is true that under the democratic process we don't always approximate what we think is the best objective.

Since there are those difficulties and those practical difficulties, the Governor welcomes this legislation, insofar as it tends by supplement to approximate more closely what is considered to be the needs of workers during this reconversion period. [Continuing reading:]

This increase was a compromise agreement between the senate and the house of representatives and it is my opinion that the coverage finally agreed upon between the two branches was related to what was considered the adequacy of the unemployment compensation trust fund to meet the increased payments. In other words, we have provided benefit payments and coverage based upon what we thought the fund could reasonably afford, and it would not surprise me if this situation prevailed in every State where increases have been provided for. Consequently it appears that the States have provided for increases in relation to the ability of the fund to pay—and not human needs.

This measure is therefore most welcome because in supplementing existing State benefits during the reconversion period we come closer to the coverage definitely needed by our workers and by our returning veterans.

As governor of an important industrial State I am concerned not only with the welfare of Massachusetts workers, but I am also vitally interested to see that there is provided an adequate purchasing power to the workers in every section of the United States.

It is true that under this measure certain sections of the country, where present payments are much lower than those prevailing in my State, will receive greater Federal aid than we will in Massachusetts. Notwithstanding this fact, I favor this bill because it is of vital interest to the people of Massachusetts that the workers in every section of the United States be in a position to purchase the goods which we in Massachusetts will produce.

It is obvious that there can be no prosperity for Massachusetts or New England unless every section of our Nation is in full employment or has reasonable, adequate coverage for the unemployed during the transition period.

This legislation will help to remove, in part at least, the fear which attends unemployment. On the other hand, it will give to the American worker a sense of security while reconversion is taking place, and it will give them confidence to go forward in their normal pursuits to purchase the goods and services which they may require; in short, it will help to stabilize our entire economy during this most trying period in our history.

I cannot see in this measure any attempt to federalize the administration of the employment security law. It leaves the administration entirely in the hands of the States according to their respective benefit formulas.

I can see in this legislation the fulfillment of the obligation of the Federal Government to our workers and veterans who joined in a mighty and unparalleled effort to bring the war to a successful conclusion and to start the Nation and the world on the paths of peace.

The CHAIRMAN. Thank you, sir.

Is Mr. Dunn present?

If any of the witnesses who have not been reached wish to file a statement for the record rather than to return later in the week, when we can reach them, they may do so at this time.

Mr. Dunn, you wish to make an oral statement?

Mr. DUNN. Yes; I have an oral statement. Do you want to hear it now?

The CHAIRMAN. I was just asking if there were any witnesses here who are on the list who care to file a statement for the record at this time.

Mr. CANNON. I am James W. Cannon, representing the Veterans of Foreign Wars.

It is evident that you won't hear any more witnesses this evening, and we will be happy to submit a statement. Our statement is now, I believe, on the desk before the committee.

The CHAIRMAN. You will file it for the record?

Mr. CANNON. That is right.

The CHAIRMAN. We will be very glad to take it and have it entered into the record.

Mr. CANNON. Thank you very much.

(The statement submitted by Mr. Cannon is as follows:)

STATEMENT OF JAMES W. CANNON, JUDGE ADVOCATE GENERAL, VETERANS OF FOREIGN WARS OF THE UNITED STATES, BEFORE THE SENATE COMMITTEE ON FINANCE

Mr. Chairman and members of the committee, my name is James W. Cannon, judge advocate general of the Veterans of Foreign Wars of the United States, and in the absence of Omar B. Ketchum, our national legislative representative, I am appearing at the invitation of the Honorable Senator Harley M. Kilgore to present the views of our organization on the legislation contained in Senate bill 1274, now under consideration by your committee.

Our organization numbers among its membership close to 1,000,000 members of the armed forces of the present World War, and others are joining at a pace too fast to keep abreast of at present.

The needs of these men and their immediate welfare as well as for the long pull is our immediate concern, and the fast tempo of events in the Pacific makes any action now, based, not on foresight but hindsight. This early victory is due to many causes not the least of which has been the valor, courage, skill, and fortitude of those in the armed forces of our country, never to submit or yield, but to fight on doggedly, until the victory is achieved.

We submit and acknowledge, that the future welfare of the returning veteran is a part of the whole picture of the future welfare of our fellow citizen and our Nation. The veteran knows as the citizen does, that full employment for all solves some of the perplexing questions that trouble us.

The veteran, after making the necessary and needed sacrifices which has made secure and safe all the things spiritual and material that we in this country hold dear and hope for, for ourselves and our posterity, wants above all to return to a life of peace and contentment; to lead useful American lives; be gainfully and profitably employed in industry and business, and to have the esteem and respect of his fellow citizen in all matters for the good of the common weal; to marry and, God willing, to raise a family and have a small place to call home. Is this too much to expect, and if not, can we fail to provide the small and modest measure of his desires?

In the light of our accomplishments in the prosecution of this conflict, we are craven if we fail in the peace and all it promises for mankind including the veteran.

Reconversion from war, and the all-out production and manufacture therefor, with the resulting unemployment, is what the emergency provisions of Senate bill 1274 seeks to cushion and to also provide a means of preventing results, both to industry and business as well as the living conditions of our fellow citizens and returned veterans that will not leave a permanent or bad effect on either.

Almost every veteran would prefer steady employment; this is also true of the great majority of our citizens, lacking this, the alternative of the provisions of this bill in the emergency is most welcome indeed. With the prevailing high cost of living necessities and essentials, which condition will without a doubt prevail during the emergency reconversion period, the small increase, both in the amount payable as unemployment compensation or benefits and the increased period that same will be payable will help greatly to meet the conditions and need of those, who though willing, cannot secure employment while reconversion progresses or who must seek new employment.

We heartily endorse the provisions of the bill as it applies to amendment of the Servicemen's Readjustment Act of 1944—the so-called GI bill of rights—and also to the amendment of the War Mobilization and Reconversion Act of 1944, and recommend its approval by this committee and passage by the Congress, at the earliest time possible so as to meet the expanding, but we trust temporary, condition of unemployment now upon us.

We feel that this situation is only partly met, as it applies to the returning veteran, however, until definite and specific correction of the provision of section 8 of the Servicemen's Readjustment Act of 1944, as to reemployment, is made, and with further provisions as to employment of veterans who were never employed before induction into the armed forces or who are without reemployment rights of any sort. The Knutson bill now before the House of Representatives we believe would, if passed, correct this condition.

As long as this country is called upon and does feed our allies and the liberated areas that were held in subjection by our enemies, through the past operation of lease-lend, and the provisions for future aid on a gigantic and unheard of scale, of loans through the Import-Export Bank, Bretton Woods treaty, and other measures, to renew and revive the economic well-being of such lands and afford them and their people to approach a scale of material and spiritual well-being on a level with that of our citizens, we believe in good conscience, that there is nothing within reason, we cannot afford to grant to our returning veterans to make their incorporation into the civilian population and economic life of our country, easy, smooth, and without incident or difficulty for either them or ourselves.

We believe this Congress intends to see that this objective is accomplished.

The CHAIRMAN. How long will you take, Mr. Dunn?

Mr. DUNN. I think I will take about 15 minutes.

Do you want me to come back tomorrow?

The CHAIRMAN. You will have to come back tomorrow. We may be able to reach you tomorrow sometime.

Mr. DUNN. Can you reach me in the morning?

The CHAIRMAN. I can't promise positively.

Mr. DUNN. I am due back to New York tomorrow. I wanted to get back tomorrow afternoon.

The CHAIRMAN. We won't hear any more oral testimony this afternoon.

Mr. DUNN. I will stay over until tomorrow.

The CHAIRMAN. All right.

Mr. DUNN. What time shall I return?

The CHAIRMAN. Ten o'clock.

Mr. DUNN. All right.

The CHAIRMAN. The committee will recess until 10 o'clock.

(Whereupon, the hearing was adjourned at 5:20 p. m., to reconvene on Friday, August 31, 1945, at 10 a. m.)

EMERGENCY UNEMPLOYMENT COMPENSATION

FRIDAY, AUGUST 31, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Barkley, Byrd, Lucas, McMahon, Vandenberg, Taft, Millikin, and Brewster.

The CHAIRMAN. The committee will please come to order.

Mr. Dunn, you were reached yesterday but have not been heard, you may proceed.

STATEMENT OF ARTHUR DUNN, CHAIRMAN, PARENTS AND WIVES OF FIGHTING AMERICANS, INCORPORATED, NEW YORK, N. Y.

Mr. DUNN. I am chairman of the organization known as Parents and Wives of Fighting Americans. The vice chairman of this organization lost his only son in this war, and I have a son and son-in-law in this war.

I have been practicing law for over 48 years, principally representing corporations. I have always sat on the employer's side of the table. But in 1932 I had three sons out of work, all Princeton graduates, capable young men, and I commenced to see this unemployment problem through the eye of the employee. One of my sons, after pounding the pavements of New York for 18 months, unable to get work, said to me: "Dad, I wish we had a dictator. Then a fellow might get a job." You must remember that Hitler was an unemployed paperhanger and soldier, and anything which looks forward to eight or ten million unemployed people in this country by next spring is heading this country straight for a dictatorship or socialism, in my opinion.

From the testimony I heard yesterday I got that impression, that it was considered we were reaching a climax of unemployment by July 1, next year, aggregating a number of millions.

I have come here to present a plan for reconversion without unemployment. Reconversion without unemployment requires some amendment of this bill, but you could still use this bill.

I assume that the atomic bomb teaches us that we have either got to learn how to live together in this world or how to die together, and therefore we will be all the more open-minded as to plans which are presented to solve the great problems which lie ahead of us.

I also assume it is generally recognized that the machine age functions through spending. When we spend we put people to work, and when we reduce our spending we throw people out of work and we therefore must consider what causes people to spend.

There are three things that cause people to spend money. One is the desire for something; the other is the wherewithal to buy it, and the third thing is the confidence to use that wherewithal. We say we have a backlog of hundreds of millions of dollars of consumer spending, and we certainly have the pent-up desires, but do we have confidence? Will this bill which you are proposing, in its present form, have a tendency to create and build up confidence or will it destroy or diminish confidence? In my opinion, it will very much diminish confidence, and the people will reason this way: "At the end of 6 months, if I do not have a job, what is going to happen to me? Therefore, I will save." Other people that work, seeing these millions unemployed, will reason: "Maybe my turn will come; maybe I will be unemployed", and the thing will be mounting all the time. Instead of having 8 or 10 million unemployed, you are more likely to have 15 or 20 million unemployed.

I do not think the dole, which is charity, living off the toil of others, represents a method of maintaining confidence in this country.

So my plan is this, and it is very simple indeed, that you amend this bill to create a commission to fix the hours of work, and if necessary make the hours so low that everybody is assured of a job. Now, you may supplement the difference between the hours that the employer pays for and, we will say, 40 hours a week by a contribution from the Government. Use this money you are talking about appropriating to make up the difference, we will say, between a 20-hour and a 40-hour week. Let the employer pay for the hours they work for him and use this money to make up the difference. That will, at least, enable the workers to receive a certain minimum income. You have got to have a minimum income of at least \$35 a week in this country to have full employment. Anything less than \$35 a week would not be sufficient. I wrote a book entitled "Arithmetic of Revolution," and in that book I stated that you have got to have at least a \$35 minimum income if you are going to have full employment, and that is what you are after. People want jobs and not doles.

In the fixing of a minimum wage of \$35 a week, the employer pays part of it and the Government makes up the difference, and as reconversion proceeds, the hours of work will be stepped up and you are emerging from this period with all people employed.

Now, I am a corporation lawyer and have always been associated with businessmen. As to the argument that business and industry can do this thing, in my book I prove it is mathematically impossible. With the destruction of buying power in this country, the great disparity between wage groups and between wages and profits, it is mathematically impossible. It would take me about 2 minutes to illustrate that. We have four wage groups producing the necessities of life, food, clothing, shelter, and transportation. Now, when I did my research in peacetime—that is what we are talking about—back in 1936, I discovered that the wage groups producing food and clothing had to work 8 hours to get \$2 or \$3, whereas the group producing transportation and construction only had to work 2 hours to get \$2 or \$3. It is perfectly obvious, if I have to work 8 hours to produce

what you can produce in 2 or 3 hours, there is a great disparity. That is where the majority of unemployment was in the depression, in the manufacture of durable goods and the transportation industries.

You have got another tremendous disparity, and that is between profits and wages. We distribute about two-thirds to wages and about one-third to profits. The people that receive the profits receive much more than they can possibly spend. They use their profits to extend their plans. They have to have something to sell. If you use your profits to expand your plant and the people do not have sufficient increased buying power to buy the output of those plants, you are going to have a lot of idle plants. That is what we had in 1929.

I do not have time to go into that right now, but it is mathematically impossible for industry to solve this problem. I do not suppose you gentlemen can quite realize what unemployment means. A great doctor in New York told me that he considered unemployment a living death, much worse than the war. He had much experience with the unemployed in clinics. He said it disorganized personality, it disintegrates personality, it gives them an inferiority complex. Unless you want to wish on this country something worse than war, I beg with you and plead with you to amend this bill so that you inspire confidence and create jobs rather than put the unemployed on the dole.

Senator LUCAS. What do you mean by "worse than war"?

Mr. DUNN. Well, I mean the effect on the individual. In war people fight shoulder to shoulder, there is glory, and there is the matter of becoming a hero. An unemployed man is no hero to anybody; he fights alone. He goes home at night dreading to see his wife and tell her he could not get a job that day.

I had three boys unemployed, and I know the effects of that. People commit suicide. It gives them heart trouble, and the fatalities among the unemployed run into great numbers. It was that doctor's opinion that it was worse than war.

Everything now seems to be unemployment and doles, going back to the same old stuff.

We have done a magnificent job in this country: Industry, soldiers, labor and farmers, doing a job that far outstrips anything done before in the history of the world. Are we going to greet these men when they come back with the little pittance of \$25 a week? Are we going to say we cannot measure up to the great things that they have done? I have a son in the war, and my son-in-law was a Seabee who went ashore at Tarawa with the marines and set up the bulldozers and put them to work there. Those men are not going to come back here and take a dole. I urge you to find jobs for these men, let everybody work, and use this money to supplement their incomes.

The CHAIRMAN. Thank you very much, sir.

Mr. DUNN. By the way, I would like to suggest before I go that business do its part. I have talked to one of the big businessmen in the country—day before yesterday—and he said, "I am not going to lay off a man; I am not going to reduce the salaries." I said, "How are you going to do that?" He said, "I am going to make a surplus of standard parts and store them away until they will be needed."

They were talking yesterday about 8½ to 9 billions. It was 300 billions that they were talking about in the war. I was told that the Pan-American Highway is making \$52,000,000 a year, which is half

enough to support the Mexican Government. Let us appropriate the money to complete the highways in Latin America. The saving in gasoline to the motorists would be enough to amortize that in a very few years. So, let business kick in along with the Government and get something going to create jobs. Thank you.

The CHAIRMAN. Thank you very much.

The Honorable Edward Martin, Governor of Pennsylvania.

STATEMENT OF HON. EDWARD MARTIN, GOVERNOR OF THE STATE OF PENNSYLVANIA

The CHAIRMAN. Governor Martin, you are appearing here on behalf of the executive committee of the Governors' Conference, I believe.

Mr. MARTIN. That is right.

The CHAIRMAN. We will be very glad to hear from you.

Mr. MARTIN. Mr. Chairman, my name is Edward Martin. I am Governor of Pennsylvania and chairman of the Governors' Conference. I am testifying as chairman of the Governors' Conference and at the direction of the executive committee of the Governors' Conference.

Some time ago, Mr. Chairman, you wired all the Governors inviting them to testify before your committee with respect to unemployment compensation. As you know, many of the Governors have accepted your invitation and they, or their representatives, are testifying before your committee with respect to the views of their States concerning legislation now pending and dealing with unemployment compensation.

The executive committee of the Governors' Conference directed me, however, to appear before you and to discuss one question, a question upon which all the States are agreed. The States are opposed to any bill or plan designed to federalize the administration of unemployment compensation. Over a period of the past 4 years, a number of efforts have been made and bills have been introduced designed to federalize this cooperative program in the name of some emergency. The States, all of them, have consistently opposed these efforts and plans because they have been and are convinced that the best interests of all concerned, the employees, the employers, and the general public, have been and will be best served by local administration of this very important service.

In 1942, the Governors' Conference considered this matter and resolved that the States were completely opposed to any attempt to abandon the Federal-State system of unemployment so as to transfer all authority from the States to a Federal agency.

Again in 1944, the conference restated and reemphasized its opposition to any and all efforts on the part of Federal institutions and agencies to centralize and federalize the administration of unemployment compensation. In 1945 the conference urged the Federal Government to continue to facilitate the cooperative program and not to handicap its administration by withholding adequate funds collected for and designed to provide effective administration of this cooperative program. Copies of these resolutions are attached hereto as exhibits A, B, and C with the request that they be made a part of the record.

The CHAIRMAN. We will be glad to have it made part of the record.

Mr. MARTIN. Thank you, sir.

In 1934 the National Committee on Economic Security was established to study the question and to recommend a program. After extensive research, the Committee developed a social-security plan which included an unemployment compensation system based upon the Federal-State cooperative pattern that had proved so successful in the past in the administration of our joint public services. These recommendations were submitted to the Congress which passed a social security act in 1935 embodying these principles. All of the States promptly enacted unemployment compensation laws to conform to and to cooperate with the Federal Government in this matter.

Over a period of 9 years, these State laws have been revised, expanded, and perfected to meet changing times and changing conditions in peace and in war. Because this program was based upon the cooperative principle of Federal policy and State administration and operation, it has been possible to make necessary and proper adjustments from time to time to meet the varying conditions existing in different parts of the country.

Early in 1943 the States established an Interstate Committee on Postwar Reconstruction and Development of which the Governor of Massachusetts, now Senator Saltonstall, was chairman. This Committee undertook the task of developing a program designed to cooperate with the National Government in every respect in the prosecution of the war and to organize the resources and facilities of the States in such a manner as to contribute effectively to the reconstruction period.

Mr. Chairman, I should like to leave with each member of this committee a copy of that report issued by the States in the spring of 1944.

Realizing that unemployment compensation would be our first line of defense against possible unemployment, the Committee gave specific attention to this subject. The Governors' Conference on May 31, 1944, approved the program and the board of managers of the Council of State Governments, in December 1944 developed specific suggestions and recommendations for improving, expanding, and perfecting unemployment compensation to meet the problems of reconstruction and development.

The council recommended:

1. *Finance*.—Each State should consider the principle involved in war-risk contribution rates in protecting the solvency and adequacy of its funds and in maintaining or increasing its tax rates with the expansion of employment and allowing for rate reduction as employment diminishes.

2. *Coverage*.—Each State should consider whether effective administration will permit extending coverage to persons working for employers of one or more and amending its laws to supplement any action which Congress may take with respect to the extension of the Federal Unemployment Tax Act to employers of one or more. Consideration should be given to the coverage of major groups in agricultural processing industries and to maritime workers.

3. *Benefits*.—Each State should insure that the amount and duration of benefits will be adequate to maintain workers and their families through the period that may reasonably be required for the reconversion of industry. In order that an adequate standard of living be sustained and the deflationary effects of unemployment be minimized, it is recommended that each State, so far as is practicable, approximate a scale of benefit payments up to a maximum of \$20 per week, for a maximum duration of 26 weeks.

4. *Eligibility*.—Each State should review its eligibility provisions to be certain that all persons now entitled to benefits are bona fide members of the labor market and that the extent of their employment is sufficient to warrant their inclusion in the employment security system.

5. *Disqualifications.*—Each State should reexamine its statutory provisions governing disqualifications to be certain that the penalties imposed do not restrict the right of an individual to change his work for good personal or family reasons, and that the mandatory character of penalties does not produce the unintended effect of denying compensation to the involuntarily unemployed person who is able and willing to work. Specifically, it is recommended that penalties for disqualification entail the suspension rather than the cancellation of benefit rights.

6. *Reciprocity.*—Each State should participate fully in plans to solve interstate problems in the field of unemployment compensation through interstate cooperation, and should provide any legislative authorization needed for such cooperation. The attention of the States is particularly directed to the need for full participation of all States in providing for combined wage credits for multi-state workers, to the end that a worker will not suffer by the operation of the State systems because of the division of his earnings among two or more States.

7. *Administration.*—Each State should reappraise its administrative machinery and procedure to insure maximum speed and efficiency in paying benefits under the pressing conditions of the postwar transition. In order that the time lag between the commencement of unemployment and the payment of benefits be reduced to a minimum consonant with administrative feasibility, it is recommended that a waiting period no longer than 1 week be adopted. And it is finally recommended that, in order for each covered worker to know what provisions and procedures have been established with respect to his benefit rights, each State unemployment compensation agency, make certain that prompt and adequate information about unemployment compensation be available to all persons who may be covered by the provisions of the law.

This program was extensively adopted by the States.

The Social Security Bulletin of July 1945, the official publication of the Federal Security Agency and the Social Security Board, in an exhaustive discussion of the subject, commends the action of the States in the 1945 legislative sessions and states:

The amendments to State unemployment compensation laws in the 1945 legislative sessions are of more than usual interest.

For example, the maximum weekly benefit amount is \$20 or more in States with 78 percent of the covered workers; the maximum duration of benefits covers 20 weeks or more of total unemployment in States with 80 percent of the covered workers; the maximum potential benefits in a benefit year are \$396 or more in States with 75 percent of the covered workers. Almost three-fourths of the covered workers are in States which require as a waiting period only 1 week of total or partial unemployment.

With respect to this program of expansion—a program developed and promoted by the States—the Social Security Bulletin in its article on State Unemployment Compensation Laws of 1945 states:

When the States are weighted by the number of covered workers, the improvements which have been made in the program are impressive.

We are attaching hereto also, Mr. Chairman, as exhibit D, a table which indicates the major provisions of the original unemployment compensation laws as passed by the States and the progress which has been made to date. It is an impressive record, and it illustrates what can be done—in fact, what has been done in the development and expansion of this cooperative program designed to meet one of the most difficult of domestic problems. It demonstrates also the effectiveness of State administration and operation of unemployment compensation and, we believe, it emphasizes the desirability of maintaining the present system.

The CHAIRMAN. Are there any questions from the Governor?

Senator VANDENBERG. Governor, have you studied the pending bill at all with a view to determining whether it aligns with your principles?

Mr. MARTIN. Senator, I have not. I am very much for delegating authority, and I am only here this morning to testify on the one feature. You sent out a telegram very kindly to all the governors, and I will be represented, I believe, this next Tuesday, by a man who is more able to speak than I on this bill, because he is an expert, and I am only the governor.

Senator McMAHON. Have you any views on it, Governor?

Mr. MARTIN. I would rather not state anything, because I have a directive from the governors to speak on this one thing, and I do not want to give you my views on it, because the governors may be in disagreement. I am here as chairman of the Governors' Conference, just on this one feature of it.

Senator LUCAS. Of course, this bill does not touch the federalization of unemployment compensation at all.

Senator VANDENBERG. The question it raises is whether or not, when you once establish the Federal standards, you would get away from it. I would be interested in the Governor's comments on that subject, if he is in a position to comment on it.

Mr. MARTIN. Well, with the understanding that it just means me personally and it goes no further, I will comment on it. I am a great believer in decentralization. We are centralizing too much already in the State capital at Harrisburg. I think that the different localities are better able to judge on these things, because we have different conditions and different problems. Let us understand now that that is my own opinion and that I am not expressing anything for the Governors' Conference.

The CHAIRMAN. Are there any further questions?

Senator McMAHON. Governor, in my State I received many complaints about workers being cut off of the unemployment compensation rolls of the State. I am from Connecticut. They are cut off after 2 or 3 weeks. They have been making \$1.25 an hour, and they are offered 40 or 50 cents, and they do not take it. Have you received any complaint in that regard, in your own State?

Mr. MARTIN. Personally, I have not. Mr. Chestnut will represent us at a hearing I think next Tuesday. I haven't personally had any complaints on it.

Senator McMAHON. There has not been in Pennsylvania an uproar?

Mr. MARTIN. We have no uproar at all.

Senator LUCAS. What are the rates in your State, Governor?

Mr. MARTIN. 20-20.

Senator LUCAS. Do you think that is adequate during this emergency?

Mr. MARTIN. Well, you get into economic problems which I would not care to discuss this morning. You know we have got to keep the thing solvent. Us folks out in the States are looking very much to the Congress on matters of solvency and things of that kind. Pennsylvania can stub its toe financially, if the great United States is sound, because it carried on, but when the great United States gets into difficulties, why, we are all in it together.

Senator McMAHON. Governor, you are here taking the position that there should be no change in the system. Of course, you state we will hear from somebody later as to whether or not there is an approval of the bill, commenting on the bill itself. Of course, we are faced with the problem of either supplementing the State benefits or

not. You, as Governor of a great industrial State, could tell us whether or not you believe that \$20 a week for 20 weeks is sufficient or whether it should be supplemented.

Mr. MARTIN. That is a question—and I am speaking now as an individual—which has been up for discussion in Pennsylvania. I am of the opinion that it is sufficient. Understand, there are many people in my State that do not think it is enough. It is a question that we had much discussion concerning in our legislature.

Senator LUCAS. In other words, you believe the laws you have at the present time in Pennsylvania are sufficient to take care of the unemployment compensation during this emergency?

Mr. MARTIN. That is what we feel.

Senator LUCAS. In other words, if that is the case, you can see no reason why this bill should be passed, because we definitely are going to give to you, if this bill is passed, and \$5, making it \$25 for each and every man. So, I take it from your answer, if the amount is adequate in Pennsylvania, from your own viewpoint, that this bill is not necessary.

Mr. MARTIN. That is my personal view, but when Mr. Chestnut testifies before you he will cover it more fully. He is my expert.

Senator LUCAS. I know, but you are the Governor and you tell him what to do sometimes.

Mr. MARTIN. No. I give my people jobs, and I do not tell them how to do it.

Senator LUCAS. They tell you what to do?

Mr. MARTIN. Well, I am a soldier, you know. I give a man a job to do, and he does it in his own way.

Senator LUCAS. All right, Governor.

Senator MILLIKIN. Governor, what is the reserve in your State in the unemployment compensation fund?

Mr. MARTIN. About \$600,000,000.

Senator MILLIKIN. What is your general State surplus?

Mr. MARTIN. I did not get that, Senator.

Senator MILLIKIN. What is your general State surplus? Your State is not on a deficit basis. You have a surplus, do you not?

Mr. MARTIN. Oh, yes. We did have a deficit in Pennsylvania, but we have got that wiped out. We paid off a little while ago about \$50,000,000 worth of bonds. We have got a good many millions in our treasury.

Senator MILLIKIN. You do not have anything approximating the exact figure in your mind?

Mr. MARTIN. Well, the biennium that ended May 31, we had about \$170,000,000 surplus, and then we paid off \$48,000,000 in bonds, and I am hoping that we are increasing the surplus a little from time to time. You know us Pennsylvania Dutch and Quakers have been brought up under a peculiar type of economy. We like to have a little to start the next year with.

Senator MILLIKIN. If the Pennsylvania Legislature should decide that an additional \$5 will be necessary, could Pennsylvania, out of its own reserve, provide that \$5?

Mr. MARTIN. Well, I would have to consult my secretary of labor and industry, my budget secretary, and my secretary of finance.

Senator MILLIKIN. I assume your reserve in your unemployment compensation fund reflects what you think would cover your actuarial

risks in this unemployment business and they are adequate at least to pay the present scale.

Mr. MARTIN. We think that they are actuarially sound.

Senator MILLIKIN. That was why I was wondering what your general State surplus was, so you could help out if you thought it advisable in your State to increase the length of the period or add an additional compensation. Would your expert be in a position to testify on that when he shows up?

Mr. MARTIN. He will have to consult the secretary of revenue and the secretary of the budget. I will have him do that; yes, sir.

Senator MILLIKIN. Mr. Chairman, I would like to ask how are those figures getting along that I asked for yesterday?

Mr. JACOBSTEIN. We will have the figures this morning for the surplus of every State in the general fund, as well as the reserves for special funds like highways, but we do have the reserves in the insurance fund for every State, and you will note that Pennsylvania has a very healthy figure.

Senator MILLIKIN. Governor, when did your legislature last consider this problem?

Mr. MARTIN. This last session. The legislature adjourned on May 8.

Senator MILLIKIN. Was the subject given thorough consideration by your legislature?

Mr. MARTIN. Yes, we think very thorough consideration.

Senator MILLIKIN. So, your present system in Pennsylvania represents what might be said to be the up-to-date view of the people of Pennsylvania as reflected by the legislature?

Mr. MARTIN. Yes. We will not have a new legislature until December 1946. The new legislature is in effect the first Monday of December 1946, but it will not convene until the first Monday of January 1947. But the Governor could call a special session at that time, and then he would have a new legislative body.

Senator MILLIKIN. Can you call a special session between terms anytime you want to under your constitution?

Mr. MARTIN. Yes, sir.

Senator MILLIKIN. Thank you very much.

Senator LUCAS. Governor, one more question with respect to this \$600,000,000 trust fund for unemployment compensation in your State. May I ask how long it has taken to build that trust fund?

Mr. MARTIN. Senator, I am sorry; I did not get that.

Senator LUCAS. When was the State unemployment compensation first started in your State, do you recall?

Mr. MARTIN. In 1938.

Senator LUCAS. In other words, in the period of 7 years you built up the \$600,000,000 trust fund?

Mr. MARTIN. Yes.

Senator LUCAS. Of course, a good deal of it was due to the war.

Mr. MARTIN. We had half of that before the war.

Senator MILLIKIN. I did not get that answer.

Mr. MARTIN. We had half of that before the war. We had half of it before Pearl Harbor.

Mr. CHESTNUT. Before the wartime industrial activities.

Mr. MARTIN. We had half of it before Pearl Harbor.

Mr. CHESTNUT. Yes, but we had half the fund before that time.

Senator LUCAS. I just wanted to know primarily the year when it was adopted.

Mr. MARTIN. Yes.

Senator LUCAS. You have certainly done well in your State to accumulate the fund.

The CHAIRMAN. If there are no further questions, Governor, we thank you for coming down.

Mr. MARTIN. Thank you, sir.

(The exhibits submitted by Mr. Martin are as follows:)

EXHIBIT A

RESOLUTION ADOPTED BY THE GOVERNORS' CONFERENCE, THIRTY-FOURTH ANNUAL MEETING, ASHEVILLE, N. C., JUNE 24, 1942

II. UNEMPLOYMENT COMPENSATION

Whereas a sound system of unemployment compensation must provide for the varying economic and social conditions existing in the different communities of this Nation and should provide for the inherent advantages of local legislation and administration.

The present Federal-State system embraces the desirable qualities of local adaptation and State initiative and responsibility in legislation and administration.

The Federal Security Administrator and the Chairman of the Social Security Board have only recently informed Congress that it will soon be asked to liquidate State participation, as it exists in the present unemployment compensation program, and to substitute therefor a completely federalized system.

Our Nation is now engaged in a tremendous effort in the defense of our form of government and our institutions, and we should wholly and unitedly apply ourselves to the furtherance of that effort, avoiding any matters tending to disrupt our unity and to divert our energy, such as this proposal would surely do: Now, therefore, be it

Resolved, That the governors of these United States in conference assembled are completely opposed to any attempt at this time to abandon or change the present Federal-State system of unemployment compensation so as to transfer all authority from the States to a Federal agency, and urge that, out of consideration for our national peril, and in the furtherance of our efforts to remove this peril, such attempts should not be undertaken.

That this position of the governors shall be communicated by the mailing of copies of this resolution to the President of the United States, the Federal Security Administrator, the Chairman of the Social Security Board, and to members of the appropriate committees of Congress.

EXHIBIT B

RESOLUTIONS ADOPTED BY THE GOVERNORS' CONFERENCE, THIRTY-SIXTH ANNUAL MEETING, HERSHEY, PA., MAY 31, 1944

IV. UNEMPLOYMENT COMPENSATION

Whereas during the past 8 years all of the States, with increasing efficiency, have been administering their unemployment compensation laws in a manner satisfactory alike to those entitled to benefits and to their citizens generally; and

Whereas during this period the States have built up and accumulated large reserves totaling in the aggregate 5½ billion dollars; and

Whereas the efficiency of State administration of unemployment compensation and the funds thus accumulated constitute our largest and most important safeguard against postwar depression and unemployment: Therefore be it

Resolved,

(1) That the Governors' Conference restates and reemphasizes its opposition to any and all efforts, including those now pending, on the part of Federal institutions and agencies to centralize and federalize the administration of unemployment compensation; and

(2) That the executive committee of the Governors' Conference be directed to take whatever steps it might deem necessary to see that the present method of State administration of unemployment compensation systems shall be maintained in full force and effect, and not either transferred to Federal control directly, or indirectly hampered by Federal subsidy provided in the name of some possible future emergency; be it further

Resolved, That in order to be able to meet all postwar problems through the use of State unemployment compensation systems as now constituted, the States should consider action along the following lines:

(1) Each State should make careful estimates of its probable postwar unemployment benefit payments, and of the solvency prospects of its unemployment fund;

(2) Any State whose fund is in danger of postwar insolvency should take prompt steps to build more adequate reserves, through legislation requiring higher war-time contribution rates;

(3) Each State should review the coverage and benefit provisions of its law, to determine their adequacy and with a view to making such improvements as are found desirable and practicable;

(4) Each State should reexamine its statutory provisions and its administrative procedures with a view to assuring maximum speed and efficiency in paying benefits under the peak-load conditions of the postwar period;

(5) Each State should participate fully in plans to solve interstate problems in the field of unemployment compensation through interstate cooperation, and should provide any legislative authorization needed for such cooperation; and

(6) Each State should carefully consider the proper relations between its law and any Federal program for veterans' demobilization allowances, and should provide such legislative authorization as may be indicated to permit full and proper State cooperation in relation to veterans' payments.

EXHIBIT C

RESOLUTION ADOPTED BY THE GOVERNORS' CONFERENCE, THIRTY-SEVENTH ANNUAL MEETING, MACKINAC ISLAND, MICH., JULY 4, 1945

VII. ADMINISTRATION OF UNEMPLOYMENT INSURANCE

Whereas a constantly increasing volume of reconversion and demobilization unemployment is occurring as a result of the successful conclusion of the European war and it is imperative that State unemployment insurance agencies be largely expanded from their present minimum levels in order that unemployed workers may receive their checks promptly; and

Whereas the amount of the tax collected by the Federal Government for this express purpose is greatly in excess of the amount allocated by the Congress; and

Whereas it is imperative to avoid great hardship among our people that the funds collected for the purpose be made available forthwith so that unemployment insurance benefits may be distributed as needed: Now, therefore, be it

Resolved, That the Social Security Board should forthwith make its allocations to the State agencies on the basis of the imperative necessities of the existing situation so that the agencies may meet present needs and be prepared for the impact of reconversion; and be it further

Resolved, That the Congress should at the earliest possible moment appropriate from the funds collected for this express purpose adequate moneys to meet these urgent human needs.

The CHAIRMAN. At this time we might insert into the record a list of the funds available in all of the States; that is, in the unemployment compensation trust funds, as of July 31, 1945. The Governor's recollection was very accurate as to the Pennsylvania trust fund, which is given as \$599,980,000.

(The table referred to is as follows):

EXHIBIT D

Liberalization of State unemployment compensation laws¹

State	Coverage (number of employees)		Maximum weekly benefit		Maximum duration (number of weeks)		Waiting period (number of weeks)	
	Original	1945	Original	1945	Original	1945	Original	1945
Alabama	8 or more	8 or more	\$15	\$20	16	20	3	1
Alaska	do	1 or more	15	16	16	16	2	2
Arizona	3 or more	3 or more	15	15	12	14	2	1
Arkansas	1 or more	1 or more	15	15	16	16	2	1
California	8 or more	do	15	20	13	23.4	4	1
Colorado	do	8 or more	15	15	13	16	2	2
Connecticut	5 or more	4 or more	15	28	13	20	2	1
Delaware	1 or more	1 or more	15	18	13	22	2	1
District of Columbia	do	do	15	20	16	20	3	1
Florida	8 or more	8 or more	15	15	16	16	3	1
Georgia	do	do	15	18	16	16	2	2
Hawaii	1 or more	1 or more	15	25	15	20	3	1
Idaho	8 or more	do	15	18	18	17	3	2
Illinois	do	6 or more	15	20	16	26	3	1
Indiana	do	8 or more	15	20	15	20	2	1
Iowa	do	do	15	18	15	18	2	2
Kansas	do	do	15	16	16	20	2	1
Kentucky	do	4 or more	15	16	15	20	3	1
Louisiana	do	do	15	18	15	20	4	1
Maine	do	8 or more	15	20	16	20	2	1
Maryland	do	1 or more	15	20	16	28	2	0
Massachusetts	do	do	15	21	16	23	4	1
Michigan	1 or more	8 or more	16	28	16	20	3	1
Minnesota	8 or more	1 or more	15	20	16	20	2	2
Mississippi	do	8 or more	15	15	12	14	2	2
Missouri	do	do	15	18	12	16	3	1
Montana	1 or more	1 or more	15	15	16	16	3	2
Nebraska	8 or more	8 or more	15	18	16	18	2	2
Nevada	1 or more	1 or more	15	24	18	20	2	1
New Hampshire	4 or more	4 or more	15	20	16	20	3	1
New Jersey	8 or more	do	15	22	16	28	2	1
New Mexico	do	2 or more	15	15	16	16	2	1
New York	4 or more	4 or more	15	21	16	28	3	1
North Carolina	8 or more	8 or more	15	20	16	16	2	1
North Dakota	do	do	15	20	16	20	2	1
Ohio	do	3 or more	15	21	16	22	3	2
Oklahoma	do	8 or more	15	18	16	20	2	1
Oregon	4 or more	4 or more	15	18	16	20	2	1
Pennsylvania	1 or more	1 or more	15	20	13	20	3	1
Rhode Island	4 or more	4 or more	15	18	20	20½	3	1
South Carolina	8 or more	8 or more	15	20	12	16	2	1
South Dakota	1 or more	do	15	15	16	20	2	1
Tennessee	8 or more	do	15	15	16	16	3	1
Texas	do	do	15	18	15	18	2	1
Utah	4 or more	1 or more	15	25	14	27	2	1
Vermont	8 or more	8 or more	15	20	14	20	3	2
Virginia	do	do	15	15	16	16	2	1
Washington	do	1 or more	15	25	16	26	2	1
West Virginia	do	8 or more	15	20	12	21	2	1
Wisconsin	10 or more	6 or more	10	20	10	23	3	2
Wyoming	1 or more	1 or more	18	20	14	20	2	2

¹ Source: Social Security Board.*Funds available in State unemployment compensation trust funds, as of July 31, 1945*

Total all States	\$6, 843, 443, 000	Idaho	\$14, 255, 000
Alabama	66, 658, 000	Illinois	508, 863, 000
Alaska	7, 791, 000	Indiana	182, 590, 000
Arizona	19, 213, 000	Iowa	59, 502, 000
Arkansas	29, 115, 000	Kansas	54, 677, 000
California	722, 833, 000	Kentucky	84, 633, 000
Colorado	33, 833, 000	Louisiana	79, 306, 000
Connecticut	177, 651, 000	Maine	36, 143, 000
Delaware	14, 528, 000	Maryland	126, 683, 000
District of Columbia	42, 870, 000	Massachusetts	214, 865, 000
Florida	55, 626, 000	Michigan	293, 933, 000
Georgia	78, 340, 000	Minnesota	85, 829, 000
Hawaii	17, 559, 000	Mississippi	25, 543, 000
		Missouri	160, 839, 000

Funds available in State unemployment compensation trust funds, as of July 31, 1945—
Continued

Montana.....	\$18, 219, 000	Rhode Island.....	\$71, 328, 000
Nebraska.....	25, 605, 000	South Carolina.....	37, 631, 000
Nevada.....	9, 978, 000	South Dakota.....	6, 309, 000
New Hampshire.....	21, 687, 000	Tennessee.....	83, 640, 000
New Jersey.....	442, 023, 000	Texas.....	151, 089, 000
New Mexico.....	9, 840, 000	Utah.....	25, 746, 000
New York.....	964, 396, 000	Vermont.....	12, 368, 000
North Carolina.....	103, 741, 000	Virginia.....	63, 179, 000
North Dakota.....	5, 052, 000	Washington.....	151, 213, 000
Ohio.....	470, 956, 000	West Virginia.....	68, 689, 000
Oklahoma.....	46, 829, 000	Wisconsin.....	180, 387, 000
Oregon.....	72, 028, 000	Wyoming.....	7, 850, 000
Pennsylvania.....	599, 980, 000		

The CHAIRMAN. Mr. Stanley Rector.

STATEMENT OF STANLEY RECTOR, LEGISLATIVE COMMITTEE, STATE EMPLOYMENT SECURITY AGENCIES

Mr. RECTOR. Mr. Chairman, my name is Stanley Rector, and I am here as a personal representative of my Governor, the Honorable Walter S. Goodland, of the State of Wisconsin, and I am also asked to represent the 48 State employment security agencies, comprising the Interstate Conference of Employment Security Agencies.

The CHAIRMAN. We will be glad to hear you.

Mr. RECTOR. I want to speak about my representation of the interstate conference, Mr. Chairman.

The interstate conference is composed of 48 State employment security agencies, and I was designated by its executive group, a committee of 12, to make this appearance and outline the conference's position. This position of the 48 States is related to resolutions that have been adopted in annual conventions and further, is in accordance with executive committee action. The position to be outlined here has been cleared with the States. To my knowledge there is one dissent from the position I will here express, and that is the State of Washington. John Davis wrote that it was not representative of the agency in that State. Otherwise, as far as I know, and with certain distinctions that will be entertained by State agencies which are here and will later come before you, I think this is representative of the 48 States.

Insofar as State administrators are concerned, the issue here is basically the same as that raised by the so-called Murray-Kilgore bill, considered by your George Postwar Planning Committee a year ago in May. While certain provisions of S. 1274, with respect to benefit amounts, durations, and other factors, differ from similar provisions in the older Murray-Kilgore bill, the consequences of the two proposals with respect to the existing system would be fundamentally the same.

Since the issue is the same as that posed last year, the position of the State administrators is the same. We are firmly opposed to the Federal supplementation of State benefits contained in S. 1274, and we seriously question the advisability of enacting at this time and in this manner many of the subordinate features of the proposal. We propose to show that everything that has occurred since the dis-

position of the Murray-Kilgore bill by the George committee last year has not only confirmed the position taken at that time but gives additional strength to that same position here.

We have four major propositions, and I will state the propositions and then give our argument. Our first proposition is that State benefit amounts are not inadequate, as alleged, if referred to the underlying purposes of a sound unemployment compensation program. The matter of inadequacy of benefits, with special reference to reconversion unemployment, has only recently been appraised by 45 State legislatures which met in legislative sessions this year, and any necessary adjustments have been made by these State legislative bodies. It is our thought that the State legislatures are in the best position to determine the matter of adequacy with reference to the varying social and economic conditions in the respective parts of our country.

There has been much testimony before this committee to the effect that the benefit provisions of State laws are inadequate, both as to weekly amount and as to duration. We are in complete disagreement with this contention, that the benefit schedules now provided by State laws, measured with reference to the underlying purposes of unemployment compensation, are not fitted to the role that can be properly assigned to unemployment compensation in the task of reconversion.

At the outset may I assert that any over-all national averages of State benefit payments made during the last year or the current year are entirely unrepresentative, both as to amount and duration, of benefits that will be paid in the reconversion period.

Last night I received a wire from my home State, the State of Wisconsin, stating that in the lay-offs thus far over 90 percent of all unemployment compensation claims will be entitled to the full maximum duration and full weekly amount, which is \$20 for 23 weeks in our State. I have checked that with several other State representatives, and that is representative of the general situation throughout the country with these large lay-offs in the war plants. They will be at maximum amount and duration, generally speaking.

The CHAIRMAN. And at the maximum weekly amount?

Mr. RECTOR. As to the weekly amount, I think it would be quite conservative, sir, to say it will be 80 percent throughout the country, and in the large industrial States that have had very high employment with high wages in war production I think it will approximate 90 percent or better. So past averages, of over-all State amounts that were applicable with respect to last year and the fore part of this year, should not be entertained by this committee as a true measure. They were applicable to casual and semicasual job seekers, people in the low-paid service industries who have been laid off in large part. The war production workers who now constitute the vast bulk of the unemployed will have benefit rates of nearly the maximum.

Senator McMAHON. Do you have any allowances for dependents in Wisconsin?

Mr. RECTOR. We have not.

Senator McMAHON. It is \$20 top?

Mr. RECTOR. It is \$20 top.

Senator McMAHON. A man with five children would be entitled, at 90 percent of the top amount, to \$18 a week; is that right?

Mr. RECTOR. Let me answer you on that.

Senator McMAHON. He might have \$20 a week?

Mr. RECTOR. He has \$20 a week if he falls in that wage class. If he is a single man he would receive the same amount. In other words, our theory is, in our State, that contributions are related to pay rolls, in a strictly contributory system. You cannot properly depart from that. You should not depart from that unless you inject "dependency wages" into the wage structure.

Senator LUCAS. Regardless of the emergency?

Mr. RECTOR. That is an assumption. If a man with five children goes to the war plant he receives his job and his corresponding wage on the basis of his skill, the same as a single man. There is no distinction there. The employer pays the same wage to both.

Senator McMAHON. He receives remuneration which permits him to support this five children. Now, when he is out of work he has still got to feed his five children. Do you think \$20 a week is sufficient for him to keep his family together?

Mr. RECTOR. That would depend upon the economic status that he had and that he had planned to go back to. It might not be in the case of a man with five children.

The CHAIRMAN. Your State was the first State in the United States to adopt unemployment compensation, was it not?

Mr. RECTOR. We were the first, Senator.

The CHAIRMAN. I mean you adopted it even before the act of 1935.

Mr. RECTOR. That is right. We adopted the act in 1932, and it went into effect in 1934, and it is not designed as a relief system in our State.

I would like to indicate this—that the man with five children who has been working sufficiently long to earn for himself \$20 for 23 weeks, which means rather solid employment, is not coming out of the factory with just 10 cents in his pocket. That is not what we are finding there.

This \$20 is supplementary. We can assume, reasonably, I think, with the war earnings of the past 2 years there have been some savings on his part. The national figures on that vary, like all figures of estimators vary, but I think they show something like \$120,000,000,000 in individual liquid assets, exclusive of life insurance. Corporate savings are something more. This figure includes individual savings bonds, which, from the data I got yesterday, runs in the vicinity of \$45,000,000,000.

Senator LUCAS. Do you have any figures on pay-roll savings?

Mr. RECTOR. How do you mean, Senator?

Senator LUCAS. I mean the regular worker that we are talking about under this bill.

Mr. RECTOR. You mean in our State?

Senator LUCAS. No; I mean throughout the Nation.

Mr. RECTOR. Only the figure I gave you, which was secured yesterday, of approximately \$120,000,000,000 for liquid assets of individuals.

Senator McMAHON. I just want to get this clear in my mind. The \$20 a week you say may not be sufficient in some cases?

Mr. RECTOR. Yes.

Senator McMAHON. What is your position on that? That welfare services in Wisconsin would supplement that?

Mr. RECTOR. Certainly, sir. I think the proper role of unemployment compensation in the security program is the first line of defense in transitional unemployment. In other words, it is entirely errone-

ous to consider it as taking the full shock of the cyclical trend of unemployment if we are in major depressions or in a continuing unemployment period. Unemployment compensation should cover only the initial shock period. I think that is only sound theory. It was not conceived for the purpose of covering everything. It has to be supplemented; it has to be combined with relief, public assistance, public works.

Senator McMAHON. What provisions have you made in Wisconsin for that very thing?

Mr. RECTOR. We have a public relief system in Wisconsin, a very efficient one.

Senator McMAHON. A State system?

Mr. RECTOR. A State system.

Senator McMAHON. How much money do you have to cover that?

Mr. RECTOR. That I am unable to indicate to you. We have never had it below a point where any person who needed relief could not get it. It is in the millions of dollars. It is not a question of the adequacy of that fund, I can assure you.

Senator MILLIKIN. Do you know what your general State surplus is in Wisconsin?

Mr. RECTOR. Senator Millikin, I do not know whether I could give you what it is now or what I hope it will be this next quarter, but it is around \$185,000,000, which is several times all other State reserves and accumulations in the State's treasury.

Senator MILLIKIN. Which could be used, if necessary, to supplement your unemployment-compensation system?

Mr. RECTOR. Yes. I do not think there is any question that the fund that we have, which will be \$190,000,000, will permit us, without the slightest doubt, to meet the full impact of everything that we anticipate in Wisconsin. In fact, we anticipated something far worse than is now developing.

Senator VANDENBERG. The figure you gave Senator Millikin was the balance in your unemployment-compensation fund?

Mr. RECTOR. That is right.

Senator MILLIKIN. What is your general State surplus?

Mr. RECTOR. That is hard to say. Some think they have got about \$30,000,000 in there; some think they are broke. It depends upon the little controversy they have over the highway diversion in our State.

Senator MILLIKIN. Can you give us some figure on that, and if there is a variation, can you give us the variation?

Mr. RECTOR. I could secure that for the committee.

(See statement entitled "Maintaining Purchasing Power in the Transition," which appears at the conclusion of the witness' statement.)

Senator MILLIKIN. Are you going to introduce exact amounts in respect to savings accounts in this country as represented by bank deposits?

Mr. RECTOR. I would be very glad to do that, sir. I got the record data and made some rough notes for memory purposes.

Senator MILLIKIN. It would be useful to have those figures in the record.

Mr. RECTOR. I think the amount of individual savings in the country is certainly pertinent here, when we are talking about the need for supplementation in this program.

Senator BREWSTER. I think you said 90 percent would be entitled, to the maximum, both in amount and in duration. How do you determine that duration? That is, how do you know that there will be no employment in the 20 weeks? We had Mr. Thomas from the Automobile Workers up here, and he anticipated reconversion will be accomplished in possibly 12 weeks.

Mr. RECTOR. That means potential duration.

Senator BREWSTER. In other words, it is just an estimate?

Mr. RECTOR. No; no.

Senator BREWSTER. What do you mean?

Mr. RECTOR. Here is the way it happens: When the employer lays off the men in our State he has a so-called short form that he reports on, and he states that this man is entitled to \$20 for 23 weeks. Now, that is a potential. We give that man a first determination, and it says: "You must come each week to the employment office and there register for work and accept jobs that are offered you." Now, as long as he is out of work he can draw on that potential. There is \$460 credited in our fund to his account. Now, his drawing on that ceases when he finds gainful employment or when he refuses suitable employment, and we so determine it. It is simply a potential.

Senator BREWSTER. That is simply the estimate of his former employer that he probably will be unemployed for this period of time, but that does not mean the employer knows anything about whether he will get a job somewhere else.

Mr. RECTOR. My point in bringing that up, Senator, that he will be entitled to \$20 for 23 weeks, was only to indicate that as long as he was unemployed he would receive the \$20 and he could not exceed the 23 weeks.

Senator BREWSTER. You did not mean to indicate that you had any definite information on whether or not his unemployment compensation would run for that entire period?

Mr. RECTOR. No.

Senator BREWSTER. As long as he was on the roll, he would get the \$20, but he must get a job most anytime.

Mr. RECTOR. On that point I might say we have had a very considerable number of people laid off in Milwaukee who were not registering for work and not claiming benefits because they have been told that they will be reemployed in the next week or two, so they do not want to go down to register and get on the general labor market, which they have to do, and be assigned here and there. They want to go back to their previous employment.

I received last night this wire. We had last week 7,000 new lay-offs, a remarkably low figure. In the first week following VJ-day, the war cancellation contract week, we had 17,000, which was less than the lay-offs we had in this minor recession back in 1938.

The Employment Service has made 1,938 placements this last week. They had 8,000 jobs listed with them last week that nobody will fill, or they cannot get people for them.

Senator LUCAS. What was that last statement?

Mr. RECTOR. Eight thousand jobs listed with them last week and 7,000 lay-offs last week, first claims.

Senator VANDENBERG. Why is it that the 8,000 jobs are not filled?

Mr. RECTOR. Well, that has to do with the Employment Service. Last week there were 3,000 people referred to jobs out of the claimants coming to our office, and only a sprinkling of the 3,000 showed up at the job. Many of them gave reasons to the Employment Service why they did not want the job. The predominant reason was that it was not paying as much as the job that they would like to have; in other words, the job that they had just been laid off from.

Senator LUCAS. Of course, those folks do not get any compensation.

Mr. RECTOR. Unfortunately, they did, due to the fact that the Employment Service did not properly mark on their records the fact of these referrals and the reason for the employee's refusal to go. The supervisor who is in charge of that called me up and asked me what to do. Obviously, we cannot send out an investigating staff to the homes of these 3,000 people, after they had been in the office, had stated the case, and there were no entries made. It is impossible for us to do that. We have been starved for money during the last 2 or 3 years. We have a bare skeleton staff. We were not given any funds to hire people even though we knew this was coming weeks in advance. We had to have the load before we could hire the people. We had to have the house afire before we could order the fire hose.

Senator VANDENBERG. Whose fault was that? I mean does Federal control enter into that situation in any way?

Mr. RECTOR. Into the Employment Service situation?

Senator VANDENBERG. Into the Employment Service situation.

Mr. RECTOR. I think it very definitely enters into it, Senator.

We have been of the feeling for years that these two programs cannot be separated, that they have to be integrated. It is one operation. We are in this very paradoxical position, out-of-work employees have to go to the Federal agency, and the Federal agency determines whether or not they can find jobs with reference to what they consider to be a proper job, and this may not correspond with the suitable job definition in State laws. In many instances, they pay more attention to the price that a man has been receiving for his work than is provided for in State law, with the result if they do not find him a job or if they refer him and do not keep proper records and send them over to us, we have no alternative other than to pay. They are interpreting the law and they are applying our law.

Senator LUCAS. Do I understand now under your State unemployment-compensation system in Wisconsin, the Federal Employment Service determines whether or not he gets suitable work?

Mr. RECTOR. Practically and realistically; yes, Senator.

Senator LUCAS. Just how does that happen? I do not quite follow you.

Mr. RECTOR. Well, he goes to the work interviewer——

Senator LUCAS. I understand that, but under what law does the Federal man get in there to tell you folks what to do under the State unemployment-compensation act?

Mr. RECTOR. Well, they are not versed in our law, as to what constitutes suitable employment. They are not trained in that, they know nothing about it, so when workers come to the office and these

job openings are there, it is this fellow's conception, the man sitting behind the counter—he is the man to determine where claimants ought to go. The law is executed at that point, and he executes that with reference to policy in a way that in many instances is entirely foreign to State laws.

Senator BREWSTER. Is that why the Governor recommended so strongly that the employment service should be returned to the State?

Mr. RECTOR. That is the underlying reason.

Senator BREWSTER. So as to coordinate the two?

Mr. RECTOR. That is right.

Senator BREWSTER. Otherwise, the State would have to duplicate the Employment Service and determine for itself, under its classification, whether or not the job offered was suitable.

Mr. RECTOR. They say to us this man has refused work by certain standards, and it is up to us then to determine, by our State law and with our own staff, whether or not that was with good cause. In that sense, in the legal sense, we make the determinations on everything we hear about, but we do not hear about the mine run of cases, I mean they just go through.

Senator BREWSTER. Because the machinery of operation is under Federal control, which you cannot direct, as to its activities, or the nature of its performance.

Mr. RECTOR. Obviously.

Senator LUCAS. You take a case in Wisconsin and just trace it for me. I am tremendously interested in this. Trace for me as to where the Federal Government steps in your State unemployment compensation and really determines for you whether or not a job is suitable for this particular man. Will you just trace how this happens?

Mr. RECTOR. Gladly. When a person is laid off he comes to the Office to claim benefits.

Senator LUCAS. Whose office?

Mr. RECTOR. The United States Employment Office, in which we have a claims taker.

Senator LUCAS. Do you have a man in that office?

Mr. RECTOR. We have a claims taker in there; yes, sir. However, some States do not even have their own claims taker in there.

Senator LUCAS. Is that necessary? I know you have your own set-up in the State of Wisconsin. Is it necessary to go to the Federal unemployment compensation office?

Mr. RECTOR. That is what the Federal act provides.

Senator LUCAS. I am talking about unemployment compensation.

Mr. RECTOR. It provides that the State unemployment compensation office must pay benefits through the public employment office.

The CHAIRMAN. And your public employment office has been taken over by the Federal Government?

Mr. RECTOR. Yes. That went over on a loan, about January 1, 1942.

The CHAIRMAN. In other words, the State used to run the unemployment compensation office, itself?

Mr. RECTOR. Yes.

The CHAIRMAN. But now it is in the hands of the Federal Government?

Mr. RECTOR. That is right.

Senator VANDENBERG. Does that mean that the personnel is chosen by the Federal office?

Mr. RECTOR. Oh, yes.

Senator VANDENBERG. It is all Federal?

Mr. RECTOR. Yes.

Senator VANDENBERG. All right, go ahead.

Senator McMAHON. What is your definition of suitability of a job under the State statutes of Wisconsin?

Senator BREWSTER. I think Senator Lucas' question should be followed through. I think it is very interesting.

Senator LUCAS. I would like to ask just one more, if you do not mind, Senator.

Senator McMAHON. Yes, surely.

Senator LUCAS. I would just just like to ask this one further question.

Is it necessary for the State of Wisconsin to have its unemployment compensation officer in with the Federal officer?

Mr. RECTOR. That is the way it works.

Senator LUCAS. I understand the way it works.

Mr. RECTOR. It is necessary by law.

Senator LUCAS. By what law?

Mr. RECTOR. The basic Federal social security law.

Senator LUCAS. Maybe I did not catch this, but I do not see how if this is strictly a State proposition, which you gentlemen claim that it is and state that you do not want any federalized social security—I still do not see why the State of Wisconsin or the State of Illinois, if it wanted to, could not have its own unemployment compensation offices and have nothing to do with the Federal Government. Now, if you loaned it to the Federal Government, that is a different proposition.

Mr. RECTOR. Maybe I can try to straighten that out in this way: In 1941 an Employment Security Agency of a State consisted of two primary functions located in one headquarters office in each State and with a number of local offices throughout the State, depending upon the size of the State.

Senator LUCAS. That was strictly a State proposition?

Mr. RECTOR. That was strictly a State proposition at that time.

Senator LUCAS. All right.

Mr. RECTOR. In the central office was a headquarters staff. In the central office was the record-keeping set-up of the unemployment compensation benefit system. In other words, employers would send into that headquarters office each month, or each quarter, depending upon the cases, a record indicating John Doe worked for them so long and the amount of earnings.

Now, when John Doe was laid off—let us go back to 1941 and just keep it on that State base. When John Doe was laid off, he came to the local employment office of the State of Wisconsin out in the field; he registered for work under the State law, the State job interviewers questioned him as to his skills and his work history, and job-placement officers endeavored to find him a job. They were a part of our local office, most of these, trying to find him work. As long as they could not find him work, any week in which they could not find him work he

was entitled to benefit for that week. So he would come back in a day following that week and assert that he had not had earnings over a certain amount, or what his earnings were in fact, or we continued our job search for him, and that job search ended when we got him the job, or when he got a job on his own, or when we found him a job that he refused, a job that was suitable under our law.

Now, the President, on December 17, 1941, asked every governor for their employment services, for the employment placement functions of the State agencies.

Senator LUCAS. As a war measure?

Mr. RECTOR. As a war measure. All local offices went over to the control of the Federal Government. In fact, they originally took our claims takers, which had no relation to employment service, but we went down to Congress and got them back in an appropriation bill. As it stands now—if that helps your picture—the local offices are still under the control of the Federal Government, with managers under the State director of WMC, under the regional office, with controls coming on up here.

Senator LUCAS. Was there any Executive order issued on that, or was it just by request that you fellows agreed to?

Mr. RECTOR. It was a request.

Then, there was an Executive order authorizing the Social Security Board to take over the functions, and there was a line in the 1942 Appropriations act, which nobody suspected at the time—we call it the “and elsewhere clause”—which gave the Board authority to utilize grants that had been made to the States for administering their employment service. It gave the right to the Board to utilize those offices through a transfer of the funds. There was that much legal basis for it. The legal basis was for the utilization of the funds after the transfer was made, but there was no Executive order—there could not have been in the nature of things, to take away State properties, controls of functions under State law.

Senator LUCAS. You can take that back anytime now, can't you?

Mr. RECTOR. We should take it back now that we critically need it.

Senator LUCAS. What I am getting at is now that the emergency is over, could not you, in good faith and legally, set up your own system and tell the Federal boys in Wisconsin that their services are no longer needed, as far as the unemployment-compensation system in Wisconsin is concerned?

Mr. RECTOR. I would like to do that very much. There is only one defect in that, and that is under the Social Security Act, 100 per cent of the administrative grants come from the Social Security Board.

The CHAIRMAN. Your money is gone?

Mr. RECTOR. They are holding the money.

The CHAIRMAN. Yes.

Mr. RECTOR. And the purse strings are sometimes more powerful than legal argument.

Senator LUCAS. Social Security, the employment service, along with the State unemployment compensation, have been merged into one?

Mr. RECTOR. They should be; yes.

Senator LUCAS. Are they not now?

Mr. RECTOR. Well, they were originally merged into one. Then, I indicated this disintegration which occurred in 1941 and our hope for reintegration. It should doubtless be one.

Senator MILLIKIN. I should like to observe that several governors, at the time this thing was done, asked for assurance that the service would be returned to the States after the emergency, and they were never able to get that assurance.

My own State did that, for example.

Mr. RECTOR. Our Governor wired and wrote five times asking for some assurance that it would be returned at the end of the war-production emergency. The wires were never answered by the White House. Mr. Altmeyer, a month or two later, wrote to the Governor and said whether it came back would depend upon the will of the Congress.

Senator LUCAS. As long as it is a State proposition I do not understand why the Federal Government should have any rights in connection with it.

Senator VANDENBERG. Is it fair to say that the reason the Federal Government asked for the temporary control of the employment placement agency was that the war employment problem became an interstate matter?

Senator LUCAS. Precisely so.

The CHAIRMAN. And they wish to divert the workers into war activity.

Senator MILLIKIN. The question remains, whether it is a temporary matter.

The CHAIRMAN. The public was given assurance that the employment-placement agency would be returned to the States.

Mr. RECTOR. I would like to state, though, Mr. Chairman, with respect to the alleged reason for taking it over, which was the unification of the manpower effort, that there has been no handling of workers on an interstate basis under Federal control, that was not possible, to the same extent, in my estimation, under the State set-up that existed at the time. The States had a well-worked-out interstate clearance system, and which was under the over-all supervision of the Federal Government in the Wagner-Peyser Act.

The CHAIRMAN. Some of the boys down here, though, thought they could run it better.

Mr. RECTOR. I think that is the simple answer to the whole thing.

Senator McMAHON. Now, to get back to my question: What is the definition of "suitability" in Wisconsin?

Mr. RECTOR. Our definition is that it is work for which the man is reasonably fitted.

Senator BREWSTER. What was that?

Mr. RECTOR. Work for which the man was reasonably fitted.

Senator McMAHON. How about the wage rate?

Mr. RECTOR. The wage rate must be not lower than that prevailing in the trade in the community.

Senator BREWSTER. For which he is assigned the job?

Mr. RECTOR. That is right. In other words, that he is reasonably fitted for the job and he has this skill.

Senator McMAHON. How many people have you had on unemployment compensation in the last few months that you cut off on the ground that they did not accept a suitable job?

Mr. RECTOR. I would have to get those figures. I would like to be accurate on that, and I will supply those figures for the record, Senator.

Senator McMAHON. I wish you would. It is an important consideration.

Senator LUCAS. Include the 3,000 you mentioned.

Senator McMAHON. Complaints have come to me that the State unemployment-compensation systems generally are cutting people off the rolls right and left for not making a 30- or 40-cent-an-hour job when they have been earning a dollar an hour and 90 cents an hour.

Mr. RECTOR. Of course, I suppose there are a lot of people that are very much aggrieved. I would be, I know, if I had been earning \$1.50 and was sent out to a 75- or 60-cent job—I would take strenuous exception to it, but I doubt if we can go back and readjust ourselves on any other basis than people going back to the skills for which they are reasonably fitted and adjust themselves to the prewar pattern. I would not like it, and I do not think they like it. I think it can be demonstrated we do not send people to work at wages that are below the wage standards for almost any trade.

Senator BREWSTER. Now, according to the figures we have up there on the chart it shows that there will be approximately 6½ million laid off to restore us to the 1939 status. Mr. Thomas testified yesterday he thought most of those came from unskilled labor, so if they were returned to the prewar status, they would be suitable presumably for the unskilled or semiskilled work they were performing at what were the prevailing rates in that community. You feel that it is not possible to maintain the war economy for these skills at the rates then prevailing, I gather?

Mr. RECTOR. Let me answer you by giving you a few facts on that, Senator, facts which I know. We have added to our labor force in the State of Wisconsin approximately 350,000 people since the beginning of the war. I would like to submit our estimates, our best estimates, for the record—estimates made by our statisticians.

Senator BREWSTER. I wish you would.

Mr. RECTOR. I will have to do that later, sir.

The CHAIRMAN. Yes, you may do so later.

Mr. RECTOR. Our best estimate is that 250,000 of those people are women, children, and older men who would not, under normal conditions, be employed.

Senator BREWSTER. Two-thirds of them?

Mr. RECTOR. Two-thirds of them. Now, furthermore, this fact is true of our State, and I think it is representative of practically every other, that the recruitment has largely been for the Lake Shore industrial area of Milwaukee, Sheboygan, Kenosha, and so on—what we call the industrial Lake Shore. That section has denuded the interior, the hinterland of the State. All the clerks, retail sales girls, domestics, boys, IV-F's, farm laborers, and so on, have gone into Milwaukee. Your small garageman had to close up, the small farmers up-State could make more in Milwaukee and they have gone there.

Now, what is the reconversion problem with respect to that insofar as wage is concerned?

All the benefit rates of these people, and others like them throughout the country—and that is where the recruitment is coming from—

will be calculated with respect to their high war earnings. In many States it is the 1944 earnings, the high quarter, that is considered as the base period. In other States, with the so-called fifth quarter base, it will be the year ending this July. They will all reflect the high earnings of these people.

Senator LUCAS. That is, if they get it.

Mr. RECTOR. What is that?

Senator LUCAS. That is, if they are allowed it.

Mr. RECTOR. If they are allowed it. I am talking about the potentials here.

Senator LUCAS. Yes.

Mr. RECTOR. Now, the States have this formula of the high quarter, and a certain percent of the high quarter is used to fix a man's weekly amount.

I might suggest this bill provides for a payment of weekly benefit amounts not to exceed \$25 and not to exceed two-thirds of the individual's previous weekly earnings. Now, all you have to go by is his high quarterly earning. We would have to divide that by 13. That is the only record the State gets. So, they are in favor of the high benefit rate, and this would put it up to two-thirds. A person would have to make only \$37.50 to be entitled to the \$25 benefit rate. I would say most of the people in the plant we are concerned with in the Milwaukee area have been averaging \$37.50 plus, which would entitle them to the \$25 benefit rate.

All right. Now, we have no more war production. We are at a point where the cost factor of production must enter into the peacetime production of consumer goods and capital goods. It cannot be \$1.50 an hour or \$2 an hour. We cannot keep up war just to maintain that level.

Now, where are these people going? I think it is the inescapable fact that they must adjust themselves in large part back to the situations from which they came. The farmer will go back to the small up-State farm, the farm boy will go back to the farm, the domestics will go back to where they are not making \$50, \$60 or \$80 a week, they will go back to domestic service. The retail sales girls will go back in the retail trade, and the same with the mechanics and so on. There has got to be that readjustment.

I think this is of the essence. This is a so-called reconversion bill, to expedite reconversion. That is its title. I think it could better be called a retardation bill—reconversion retardation.

Let us take the people with the \$25 benefit rate. At 90 cents an hour, going back into their communities on a 40-hour week, which we will assume we will come back to, that is \$36. Take off 20 percent generally for the withholding amount—that, of course, will vary with the dependency status and earnings, but that is the base rate, 20 percent, that is \$7.20. That gives about \$28.80 left. Now, we take off 1 percent of the \$36 for social security, that is 36 cents, so that leaves about \$28.50. Now, when he is working, many times there are union dues, but when he is not working there are no union dues.

Then, there is the matter of riding to and from work, if he is a city worker. In a small town that is not so much a problem. There may be a dollar a week for streetcars or something. So, you can

figure out a 90-cent-per-hour worker has an inducement wage, as I term it, of something like \$2.50 or \$3.

Senator BREWSTER. That is what he gets for working?

Mr. RECTOR. That is what he gets for working, if you take his lunches off, his wear and tear on his clothing.

Senator BARKLEY. That is per day?

Mr. RECTOR. That is per week, at 90 cents an hour.

Now, the 75-cent-an-hour man would have a negative amount under \$25.

Senator BREWSTER. It would cost him \$4 or \$5 a week.

Senator BARKLEY. You mean a 90-cent-an-hour man, which is \$7.20 a day on an 8-hour day, after all these things you have been talking about were deducted, would have only \$2.50 left per week?

Mr. JACOBSTEIN. Over and above the \$25 he would get.

Senator BARKLEY. I see.

Mr. RECTOR. In other words, I call it the inducement wage, the inducement wage being the wage over what he would get if he stayed home, and you have got to think of a proper inducement wage as something substantially additional to what he would get for idleness.

Senator BARKLEY. Is it your theory a man would rather be idle at \$25 a week than to work at a net of \$27.50, and does your law permit that?

Mr. RECTOR. It is my theory a lot of them would, and I will even put myself in that class.

Senator BREWSTER. I think under the 75-cents-an-hour rate, he would only have a net of about \$20. In other words, he would lose money by working.

Mr. RECTOR. Yes.

Senator BARKLEY. Even though you would prefer to be idle, your laws would not permit you to do that, would they, if you were offered a suitable job for which you were qualified?

Mr. RECTOR. Well, on that point, Senator, I think before you came in I mentioned the relation of this law to the employment service, its efficacy as it is actually put in practice.

Senator LUCAS. You have assumed all the way through here there is a potential possibility of these people getting what you say they will get. However, these people who come from these little places, you say in your opinion it is inescapable that they have to go back, and I am inclined to agree with you to a certain extent, but the fellow along the river that was making \$10 a week, along the bay shore, \$10 a week before he went into war work, you had determined that that was his base wage before he went into the plant and was getting \$30 a week, so you tell him you have a job for him at \$10 a week, because that is what he was getting before we went into the war. Now, if he does not take that job he does not get any of this compensation.

Mr. RECTOR. No, it does not work like that, Senator.

Senator LUCAS. We had some examples of it here yesterday. I do not know whether they were true or not. The witness Thomas said that waitresses that were getting \$10 per week in Detroit before the war have been making \$30 a week on a riveting machine or on a lathe, and because they had this job for them and they refused to take it they cut them off the rolls. I wondered if it worked the same way in Wisconsin.

Mr. RECTOR. No. I do not think any State makes the approach, "Well, what you were receiving before you went into war production constitutes your reasonable expectations now." The reasonable fitness test is applicable. A person might have gone to a war factory and with the high degree of labor specialization that we have today he might not have been required to have any particular skill that would fit him for anything that he was not fitted for before. Now, if it was run properly we should try to find out what skill that man has now.

Senator BREWSTER. That is suitable for postwar employment.

Mr. RECTOR. Not what job he was doing for war production, but what peace production offers him.

Senator LUCAS. But you said these people, in your opinion, in order to get it back on a postwar basis are going to have to go back to the communities from which they came.

Mr. RECTOR. As I stated, I think a large number of them will.

Senator LUCAS. I think that is true. This fellow has found, we will say, some sort of highly mechanized work, and he has helped himself in the way of advancement, as far as technical skill is concerned, and you say you are going to find that fellow a job along that line.

Mr. RECTOR. That is right.

Senator LUCAS. Suppose you cannot find it?

You say he is going to have to go back. You are going to have more technicians, these fellows with high technical skills, than you ever had in history.

Mr. RECTOR. If we cannot find him a job the Government has this alternative——

Senator BARKLEY. What Government?

Mr. RECTOR. The Federal and State. We have the alternative of paying him his \$25, even though his own ingenuity cannot find him a job that will net him a sufficient inducement wage over that amount, or even though the employment service, after cataloging all job opportunities, looking into conditions in the whole community, analyzing his capacity—if they cannot find him that job that would sustain him at these special skills that he had acquired, then there is no alternative other than to continue to pay him the \$25 a week, not for 26 weeks but for a year or two, or let him take what the peacetime economy in his set-up will give him. Now, that is the alternative.

Senator LUCAS. I hope you are correct as far as the qualifications of this man are concerned, as to determining the eligibility rights of this compensation. We had testimony, the latest one was yesterday that I gave you a moment ago, in which they denied the right of compensation to several women who had been waitresses before, simply because they wanted to place them back as waitresses again, after they finished their job in the factory. It just did not seem to me that that was quite right.

Mr. RECTOR. Senator, there have been three maids in our home in Madison, Wis., that have gone from our home, over to the R. M. R. That is a large battery plant that is almost entirely manual in its operation due to the fact that they could not get machinery. It is a high cost, expensive operation. The girls sit there all day, take out a part, put it on, and they make good money, four, five or six times more than they could get as domestics. Now, I hold they have not

learned any particular skill that will fit them for peacetime occupation. That will all be done by machinery. It is a very simple manual operation. You can read a newspaper and go ahead performing the job, after a while. Those people will have a \$25 benefit rate.

Senator LUCAS. If you wanted to take the three servants back into your home at the old wage which you gave them——

Mr. RECTOR. Which was less than \$25 a week.

Senator LUCAS. Suppose they refused to go in, then what would happen?

Mr. RECTOR. If they had been referred by the Employment Service and they found that their work history was that of domestics, their education and everything fitted that picture, that that was the best possibility in that community, they would refer them to that job, and if they refused the job, and assuming we knew all the facts, they would be suspended from benefits in our State, until they had voluntarily gone back into the labor market and demonstrated their willingness to work.

Our theory is this: A person does not have to take a job that is offered him; it does not cost him his benefit rights, but if the State does its best to find him or her a job and the State cannot find one, and she is trying to find a job and she cannot find one, then at least the State should not be called upon to subsidize her until she has either found herself this big job that she wants or until she is willing to take a job that we, in the Employment Service, under State control, think is the best job we can get for her.

Senator BARKLEY. Suppose she takes that job, she is frozen to it, as far as the State is concerned, they make no further effort to improve her condition. They satisfy the law by sending that person back to domestic service, and when they have done that they have no further interest in it.

Mr. RECTOR. That is right. That is there is no interest as far as unemployment compensation is concerned.

Senator BREWSTER. Would not you say under your State employment program, a person could still apply for a job in improved skills if a job of that kind was open?

Mr. RECTOR. Yes. In other words, she could come back and leave her name on file, and we would continue to try to fit her to a job that she might have a particular adaptation for, a job that would require a higher skill.

Senator MILLIKIN. And she could continue to seek a job.

Senator BARKLEY. There is no law to keep a man from improving himself.

Mr. RECTOR. She can continue to register for work. Of course, she gets no benefits, but she can continue to demand the use of the employment facilities to get her a better job.

Senator BARKLEY. She can get another job if one shows up.

Mr. RECTOR. That is right.

Senator BARKLEY. Your organization would prefer the one who is out of employment?

Mr. RECTOR. Absolutely no. We have made that a cardinal rule, an iron-bound rule, in our organization—and that applies to the two services—that there be no distinguishing entry; there is to be no marked distinction between benefit claimants who are now registered

for work and a worker who was already working and registered for work.

Senator BARKLEY. That is very commendable on your part, but would not the temptation be to get the job for the person who was on benefit, so as to save the State money and not keep that person on benefit?

Mr. RECTOR. There would be some groups who would like that, yes; I suppose particularly the employing groups would like to see that done, but it is to relieve that temptation that we are insistent that there be no distinction.

Senator LUCAS. Let me ask you one further question now.

Mr. RECTOR. Yes.

Senator LUCAS. In all of this operation you talk about here, where does the Federal Employment Service come in?

How do they come in, in helping make these decisions that we have been talking about in Wisconsin? Do they have anything to do with that at all?

Mr. RECTOR. As I said, I was only talking with reference to the way we ran our employment service when we had it.

Senator LUCAS. You are not talking about the way the thing runs now?

Mr. RECTOR. No. While they presumably follow our law, the extent of control over them on our part is nil. Whether or not that is in accordance with the provisions of the law we do not know.

Senator LUCAS. Is it your contention in the case of one of these people who has requested unemployment compensation and then disqualified for some reason or another, that it is the Federal Employment Service that has the power of disqualification?

Mr. RECTOR. I think, when we were on that point before, it shaped it up like this, that they have the power of disqualification in saying to the man actually, "You should go out there. If you don't go out there, I am going to write out this little slip here and send it to the State unemployment compensation department and say you refused this job referral."

Now, if they send that over and we investigate that case and find that that referral was without good cause, we are the ones that make the ultimate denial under our State law. But I am saying that they are interpreting our State law when they determine whether or not he should go over there, and they may have their own policy with respect to sustaining wages. There may be a ruling go out or policy go out stating that USES should not refer people to jobs lower than the wage they have been receiving.

Senator McMAHON. Has such policy directive gone out?

Mr. RECTOR. Not to my knowledge.

Senator McMAHON. Let us talk about the actualities.

Mr. RECTOR. Since you mention it, I have heard of a State where that has been practiced. It is a matter of confidence.

Senator McMAHON. But you know of no directive in that respect?

Mr. RECTOR. No; not to my knowledge.

Senator BREWSTER. Taking the suggestion of Senator Barkley as to human tendencies, would not a fellow, whether he is Federal or State, be rather reluctant to give such a memorandum to an applicant? Is not there perhaps a considerable human resistance to issuing such

a memorandum as you mentioned, that a man has refused a job that was offered him so he could be taken off the rolls, particularly where there is this division of function between the State and Federal agency? The Federal agency does not like to assume the onus of certifying that the fellow ought to be taken off the benefit rolls.

Mr. RECTOR. I should think that is right.

Senator McMAHON. Are you making the specific complaint that the Federal Employment Service in Wisconsin is not considering the law strictly enough?

Mr. RECTOR. I think the Wisconsin Employment Service, from what I know about it, under Federal operation, is one of the best operated, relatively, of similar agencies operated in other States, and anything I say here is not to be considered as criticism of the manner in which they have tried to operate and cooperate.

Senator McMAHON. In other words, you have no complaint about their laxness in certifying to you that they have refused a job?

Mr. RECTOR. My complaint comes from the fact that the organizational set-up inherently does not permit coordination of control over the agents of another sovereign.

Senator McMAHON. That is not an answer to the question. You have no complaint of the USES in Wisconsin as far as their certification of people who have not accepted a suitable job is concerned?

Mr. RECTOR. Well, I think that 3,000 that I started off with, indicating that there was only a sprinkling that showed up, and there were no marked cards, so we could make investigations with respect to the others, I think that was somewhat in the nature of a criticism.

The CHAIRMAN. All right, Mr. Rector, go ahead with your testimony.

Senator VANDENBERG. I want to be sure I understand about those 3,000. Are you saying that 3,000 workers who applied to the USES in 1 week in Wisconsin were certified to suitable jobs and did not take them?

Mr. RECTOR. I was informed that they were referred to jobs, 3,000 of them, and only a relatively few showed up.

Senator VANDENBERG. That was in what space of time? Was that 1 week?

Mr. RECTOR. It was in a week.

Senator BARKLEY. May I ask whether it is contemplated that some representative of the United States Employment Service is going to testify here?

The CHAIRMAN. Sure, Senator, they have all been invited.

Senator BARKLEY. I think it might be helpful to get somebody here from that service and see how these services are coordinated in the different States.

Senator LUCAS. Let me ask you one further question with reference to the 3,000.

As I understand it, the Federal Employment Service certified these 3,000.

Mr. RECTOR. They referred them; yes, sir.

Senator LUCAS. They referred them to you?

Mr. RECTOR. No.

Senator BREWSTER. They referred them to jobs and reported them to the State agencies.

Senator LUCAS. That is right. Who had the final authority to make the decision?

Mr. RECTOR. If we had known the reasons, if the cases had been certified to us as to the reasons for the refusal, we would have been better able to act on them.

Senator LUCAS. Isn't that your duty?

Mr. RECTOR. I was informed, Senator, that there were no reasons indicated, that they were just referred. They did not show up, and we knew they did not show up. These employers would phone in and say, "The man has not shown up." Then there were many cards marked "Referred but refused," for reasons that were not entered on the cards. So, on the basis of that record, with the tremendous claim load we have, we had no choice but to go ahead and pay. We could not bog down our machinery while we were out investigating 3,000 cases.

Senator BARKLEY. You mean you paid 3,000 benefits?

Mr. RECTOR. We had no alternative.

Senator LUCAS. After you found out, you could have stopped it, could you not, at any time after you discovered it?

Mr. RECTOR. Yes; they are going to go in and work that problem out, and I think it might be fairly well adjusted, Senator.

Senator BREWSTER. Your thought is, if we would coordinate the agencies, you would required the Employment Service to certify the persons or not certify them to the job, so there could be an intelligent determination?

Mr. RECTOR. That is right, Senator.

Senator BREWSTER. There could be an intelligent determination by the benefits-payment board as to whether or not they are qualified.

Mr. RECTOR. Yes.

Senator BREWSTER. But the way it came to you, it was utterly impossible to make any reasonable determination?

Mr. RECTOR. That is right.

Mr. BREWSTER. You do not have the machinery for making 3,000 investigations a week.

Mr. RECTOR. That is right.

Senator BREWSTER. If that work could all have been done by the Federal agency, if it had been considered within their responsibility, you do not have the machinery to make a great number of investigations?

Mr. RECTOR. That is right. If it was coordinated we could either exact that from a clerk or interviewer, or we could fire that person.

Senator BREWSTER. Yes.

Senator VANDENBERG. How many claims were there in that week?

Mr. RECTOR. I think there were 17,000.

Senator VANDENBERG. So out of 17,000 claims 3,000 were paid compensation because they preferred \$25 a week to the job to which they were referred?

Mr. RECTOR. They ran one week as a waiting week. In other words, they did not get \$20 that week.

Senator VANDENBERG. They preferred the compensation rate to the job they were offered.

Senator LUCAS. That is not a fair statement I do not believe.

Senator VANDENBERG. I mean that is the net result.

They chose the compensation rate instead of the job.

Senator BREWSTER. Except for a sprinkling. There was a sprinkling that took the jobs.

Senator VANDENBERG. Well, all right, put in a little sprinkling.

Senator BARKLEY. There wasn't any immersion, though.

Mr. RECTOR. They laid off 2,500 people in 1 plant in 1 week. They had 900 openings in 1 foundry the week they laid off the 2,500 men. They screened these people to determine whether they could not get them to go to work in their foundry, and there were 12 out of the number that was laid off that would accept; 12 for the 900 jobs.

Senator LUCAS. Maybe they wanted a little vacation after 3 years of work.

Mr. RECTOR. Yes; I think a person is entitled to a vacation. I don't think, though, they should necessarily come down, as most of them did, and claim benefits.

Senator BREWSTER. Claim compensation for their vacation.

Mr. RECTOR. If they want to lay off for 2 or 3 months and then come down and register for work and start their unemployment compensation, that is their privilege.

Senator BARKLEY. I think if a man is unemployed and registers for a job and is certified to one and finds he does not want it when he gets there, it is his privilege to refuse it. A lot of things happen to a man when he gets a place and looks over the situation. It is just human. However, I think he owes it to the authorities to report the reasons why he would not accept the job.

Mr. RECTOR. I think that is right.

Senator BARKLEY. I think that is an obligation that every man ought to assume. But the desire to get on, to move forward, the ambitions that actuate men are not confined to men who run for office or who are in politics. In every profession, in every calling, men like to advance. To what extent does your board, or the State board generally, give any consideration to the possibility that a man might think, "Well, here is a job, it may be rather in harmony with what I did before the war, but I think I am qualified for a better one, and if I take this one I might not get another one, I may be frozen in it; therefore, I would rather wait a week or two on the chance that I will get a better one and move on a little?" Are those human equations taken into consideration by the State authorities?

Mr. RECTOR. Yes; most State laws set up what is suitable employment, provide for aptitudes, trainings, skills, reference to his last wages. As you say there, Senator, the assignment of man to a job is a very complex thing. You have to take into account the fact that the individual wants to make some progress in life. That is not strange in any of us. I think the present USES, in their consideration of those human factors, certainly endeavor to do a good job, and I think the States have done a good job. But the question, is, it seems to me, whether or not the man who has acquired these skills in the war plants is presumably in such a condition that he could not make this quest for a job on his own. In other words, he shouldn't help himself with his own funds. I think if a man is ambitious, if he wants to improve himself, and he is afraid he is going to be bypassed, that he has probably improved himself with reference to his financial status in the last year or two, and it is a question, in my mind, whether the

State should subsidize that man because he has desires of getting a better job. Should the State subsidize him if he does not go to this job that pays him less than he would be paid if he stayed at home? It is just a question of the philosophy of our country.

Senator BARKLEY. Under the State laws, do the State authorities go into the question as to whether a man who is seeking employment has saved up any money during the time he was getting the high wages?

Mr. RECTOR. No. I was asked to submit for the record some figures with reference to national savings. As to your inquiry, I do not know. It is none of our business in the State of Wisconsin.

Senator BARKLEY. A man who has been frugal and saved some money ought not to be penalized on account of that in favor of some man who has made large wages and spent it all.

Mr. RECTOR. I agree with that.

The CHAIRMAN. All right. Gentlemen, we have a large number of State witnesses here. If we did not argue philosophy so much and our own theory of what is right—we will have plenty of time to do it in executive session—we would make much better progress with the witnesses. I do not want to cut off anybody, but I think we ought to make some progress.

Senator BREWSTER. I think from our questions some very good information has emerged. Not reflecting on the Senators, but I think the witness has contributed quite materially.

The CHAIRMAN. Oh, yes.

Mr. RECTOR. To conclude this section, I think this whole issue—

Senator MILLIKIN. May I interrupt to ask you if you are still working on point No. 1, that the amount was not inadequate?

Mr. RECTOR. We got over into the matter of the retarding effect of the wage levels and the effect of the employment service.

Senator MILLIKIN. What is the point which you are concluding now?

Mr. RECTOR. I would like to make one last reference to this last point, which is the explanation given by the proponents of this bill, that this \$25 for 26 weeks, or some higher amount, is all right, because people will not be able to get these benefits unless they are willing to work. I think that is fallacy, and that is recognized by the George committee report last year, and I will quote from it:

It is said that the requirement of registering for employment would prevent a choice between the two situations, that is continuing to receive benefits rather than to take possible job openings. In times of severe labor shortage this probably would be true, but in anything less than full employment it is the diligent who find jobs.

Now, I would like to come to the summary. We were one of the States that made an independent investigation of the job placement efficiency of the service at the time of the tight labor market. The public sentiment of the State of Wisconsin rose up against the Commission for paying any benefits. People thought everybody who could work should be working and that no benefits should be paid. That was not right, but we did go out in order to analyze the situation, and we got some rather interesting information which I think would be helpful to you in estimating the efficacy of the job placement function in the time of the loose labor market allegedly coming. I would like to give you those figures. In 1 week, in Wisconsin, as we

were approaching the peak of our demand for manpower, without any representations to anybody in the employment service or claimants, we sent investigators into the local offices throughout the State and we took from the applicants that week a statement with reference to certain information. There were 2,271 applicants coming into the offices that week throughout the State. Forty-eight percent, or approximately 1,200 of the claimants had been out of work for a month to 6 months. Of the entire number, 2,271, only 264, or something over 11 percent of the number, had been referred to any job by the employment office. Seventy-five percent of this 264 had gone to the employers to talk over the situation and for some reason or other did not want the job, or the employer did not want them, so we continued to pay them benefits. Twenty-five percent had not even gone to the employers after the referral. There was no notation made to us, and we continued to pay benefits, having no referral notices. Now, 66 of that number, when we got them right down under investigation, stated that they would not take a job if one had been offered to them, nor did they plan to work, because of health conditions. Eighteen specified home duties would prevent them from taking any job offered; 105 placed such substantial restrictions on the jobs they would take on availability as to be, for all practical purposes, off the labor market.

Senator MILLIKIN. That is an additional 105?

Mr. RECTOR. Yes, an additional 105. That is indexing the conclusion of the George committee, namely, that having to register with the employment service will prevent a misuse of these funds. As you stated, in a severe labor market that might be true. However, it was not quite true in Wisconsin in a severe labor market. I think it has much less probability of occurring in the labor market immediately ahead.

Senator BARKLEY. Are these people who had registered for jobs?

Mr. RECTOR. Yes, they had to register for jobs.

Senator BARKLEY. I mean those who said under no circumstances, because of home duties, would they accept work. Why did they register for a job?

Mr. RECTOR. Well, they do not have to confess that when they register for work. They just say, "We are ready, willing and able to work."

Senator BREWSTER. In order to get the unemployment benefit, but when you investigate them they do not say that.

Senator BARKLEY. If they refuse for any purpose they are going to be investigated and they go on relief.

Mr. RECTOR. This was an unusual investigation on our part. We simply went down and got that testimony and proceeded to find out their intentions in the matter.

Senator McMAHON. You caught up with the loafers.

Do you think it is fair to generalize and project that to people who were working and doing their job?

Mr. RECTOR. I used that figure simply to index the conclusion of the George committee. I think on the whole, Senator, that it tends to be sound, particularly when we view this in relation to this inducement wage. I think this would be true in the Employment Service, even though we could integrate it. I do not think that it is possible to get unemployment benefits beyond a certain proportion of a per-

son's wage without slackening his inducement to go to work, and when this approximates, as we have pointed out here in many cases, 80 percent or 90 percent of the benefits that he would receive, his inducement is slackened. The Employment Service, in my humble estimation, will never be a satisfactory substitute for a man's own initiative in getting himself a job. It is just impossible.

There is another point I would like to speak on here with reference to the retarding effect, and that is the effect of this prolongation of benefits to 26 weeks. Let me point out the effect of this with reference to 38 State laws. Thirty-eight State laws have so-called variable durations; the other 13—and this includes the District of Columbia, Hawaii, and Alaska—have flat or uniform durations. In the variable-duration States it is possible to earn benefit rights on limited earnings in your base year—viz, you may be a seasonal or casual laborer. The amount of benefits one gets is proportioned upon the amount of what one does in his base period. A person might only be entitled to 4, 5, or 6 weeks' benefit.

Now the States vary in the so-called qualifying amount in the base year. Sometimes it is as low as 75 or 100 dollars. Ordinarily a person has to earn so many times his benefit rates, but there is a variance there. The State will provide very few weeks of benefits for very little work, in the base year, on the theory that the work in the base year ordinarily measures whether or not he is a temporary, part-time, or casual worker.

This bill here would destroy this variability in State laws. It says, to quote it:

(b) Any such agreement shall provide

(1) for supplementing the amount of compensation payable to any individual during his benefit year in such amount that compensation will not be denied to any individual, by reason of exhaustion of his benefit rates, until he has been paid an amount of compensation equal to 26 times his adjusted weekly benefit amount.

In other words, if he qualifies under the State law he shall not be denied the full duration of benefits, and the Federal Government, after he has had these 5, 6, or 7 weeks under State law—and that is all he may be entitled to—will continue to pay him 21, 20, or 19 more weeks even though he has barely qualified under the State law.

Now, his benefit rate might be low or might be high, depending upon his quarterly earnings, but it works out that in these variable duration States quite frequently you will be paying a man who just barely qualifies for limited benefits more in benefits than he earned in wages in his qualifying year.

In my State of Wisconsin a man qualifies if he works 14 weeks in the base year. As provided here if he earned \$37.50 he would be entitled to \$25. At \$37.50 for 14 weeks this man would earn \$525, and at \$25 for 26 weeks his potential benefits would be \$650.

There are 38 of these States that will have this variable factor removed under this bill, so that casual or semicasual workers will get the full duration of 26 weeks just as if they had been employed throughout their whole base periods.

Senator LUCAS. All this amount would be paid out of the Federal Treasury?

Mr. RECTOR. All this amount would be paid out of the Federal Treasury. He would get 7 weeks of benefits under our present State law. Now, the Federal Government would pay him the

additional 19 weeks of benefits and charge it to the Federal Government.

Senator BYRD. I wonder whether Mr. Altmeyer took that into consideration when he mentioned it in his testimony yesterday?

Mr. RECTOR. The Social Security Board itself does recognize the importance of that.

Senator BYRD. I imagine that is a pretty big item.

Mr. RECTOR. I have here a statement from the Social Security Board's advice to the States, pointing out that States going from variable to flat or uniform durations should be careful to raise their qualifying wage so that only people substantially employed would be entitled to the full flat 20 weeks, or 26 weeks, whatever it is. I have that quotation here somewhere. If you give me a minute, I will find it. I think it bears right on the point, because the Social Security Board was pointing out at that time, in Employment Security Memorandum No. 13, that this factor is significant, and, of course, it is. The memorandum states:

States going from this variable basis to flat durations should make corresponding adjustments upward in their qualifying wage.

Now, it is not being done here, and your variation is being destroyed without any revisions of your qualifying wages.

Senator LUCAS. Under your construction of that clause that would mean after the State had exhausted its fund the Federal Government would continue to pay whatever amount had been decided upon for the full 26 weeks.

Mr. RECTOR. That is right; until he had achieved 26 weeks.

The CHAIRMAN. There is no question about the construction, is there? If he qualifies under the State law for any benefits under this bill, he gets \$25, if he was earning \$37.50 or more in the weeks fixing his benefit amount.

Mr. RECTOR. That is right. If he was earning \$37.50 or more in the weeks fixing his weekly benefit amount.

The CHAIRMAN. For 26 weeks.

Mr. RECTOR. If he qualifies here, he gets the jackpot of 26 weeks.

Senator BARKLEY. That is a familiar term that you are using in regard to unemployment compensation. Now, we understand what you are talking about.

Senator BYRD. I think that is a very good term.

The CHAIRMAN. All right, Mr. Rector, you may proceed to the other points you wish to discuss.

Mr. RECTOR. I have run considerably beyond my time, Senator. I had some items here to discuss with reference to some other provisions of the bill. I would like to state the position of the States and I will be as brief as I can.

The CHAIRMAN. Yes, sir; we will be glad to have your views.

Mr. RECTOR. We took the position, the State administrators as a group, before the George Postwar Planning Committee last year, that the payment of benefits to Federal employees appeared to be equitable. It still seems to us to be equitable. However, it is a national policy question and we are but State administrators. As you know last year we indicated particularly that bringing arsenal and shipyard workers under the laws of the respective States in which they were located appeared to us to be equitable.

Now, it might be more debatable with reference to the classified services, the clerical offices. But I do want to put our Conference on record—although this by no means is unanimous with us in our group—that the payment of out-of-work benefits to Federal workers is equitable, and that if, in your judgment, such benefits should be paid, the States are able to pay them, on a reimbursing basis from the Federal Government. We are unanimously opposed, however, to the provision in this bill which provides that we would have to pay them benefits under the District of Columbia law. We think that two arsenal workers in California, one in a private plant and one in a Government plant, both Californians, both living and working in California, and that they should have benefits, both of them, but we see no reason for paying this California worker, in the Government shipyard there, benefits under a law 3,000 miles across the Nation, back here in the District of Columbia, and have to set up, in a sense, another procedure. The California agency would have to familiarize itself with the District of Columbia law and run two systems.

I might say, that with the caliber of the help we are getting, our personnel is not so familiar with our own State laws, save us from starting out with the District of Columbia law, with its many distinctions from the laws of our respective States.

Our theory is, if this should be done—and I place the majority of the Conference on record in support of that—that it should be done with reference to the George proposal last year, which was much sounder and much more detailed and more logical legislation in this particular.

Senator LUCAS. I think you are right on that.

The CHAIRMAN. Inevitably, that is so. Take Savannah, Ga., where you have two men working side by side, one in the Government plant and the other in the private plant, they are going to get different compensation under this law.

Mr. RECTOR. As drawn.

The CHAIRMAN. As drawn.

Senator BYRD. Let me ask you about the District law. Is that higher considerably than the average of the State laws?

Mr. RECTOR. The District law?

Senator BYRD. Yes.

Mr. RECTOR. No. The District law is \$20 for 20 weeks.

Senator BYRD. I am speaking of requirement. I am speaking of, for instance, the percentage of wages.

Mr. RECTOR. Well, the District law is about in line, I think—let me see if I have got it on this chart here.

Senator BYRD. They receive two-thirds.

Mr. RECTOR. They would, under this, in any event, by reason of this change. They receive one-twentieth of their high quarterly earnings, which is just about in line with the States generally. It is in the \$20 20-week class. It is in the \$20 20-week bracket, where most of your larger States now are. Then, too, the District of Columbia disqualifications are different. Also, you have a \$2 dependency allowance, which most other States do not know much about. Their machines are not set up for paying that; their computing machines. We

would have an impossible administrative problem, since computing machines are not set up to handle dependency allowances.

Now, with reference to the inclusion of maritime employees, the States favor the coverage of maritime employees under State laws. We favor the Lynch bill which is pending before this committee. In the Lynch bill, Congress delegates authority to the States over employment on the high seas, the authority of the National Government on the high seas to the States for the purpose of taxing and securing employer reports. We think the maritime employee should be covered under the laws of the States under which they come, just like everybody else.

Senator LUCAS. What States cover them now?

Mr. RECTOR. I am going to get into something concerning which somebody will speak here specifically. I know that the two large States, New York and California, which have about 60 percent of the high-sea shipping, already cover them insofar as present Federal legislation permits.

Senator LUCAS. My understanding is that only New York covers the maritime workers. I was wondering why the States have not included these workers heretofore. This is the first time you have made this recommendation.

Mr. RECTOR. They have been excluded under the Federal Tax Act, Senator, the Unemployment Compensation Tax Act, so there is no inducement there for the States to go out and bring them in, and the shipping interests, of course, did not want them in since they would escape paying the tax to the Federal Government. If the Federal Tax Act were amended to remove this exclusion of the maritime employees, certainly then I think the shipping interests are quite desirous of going forward on a State basis.

Senator LUCAS. Are those maritime workers in the same category as the workers engaged in water transportation on inland waterways or not?

Mr. RECTOR. I think that employment on the high seas raises a little different question. On the Great Lakes, either Wisconsin or Illinois have jurisdiction to their lake boundary lines. That is a little different from the high-seas employment, in relation to which the only jurisdiction extends to the Federal Government. I understand, without getting further committed on this point, which I do not know too much about, that the shipping interests are paying on high-sea maritime services both to New York and California, even though there is a real constitutional question as to whether they have to. They see coverage coming, I think, and want to be under State set-ups.

Senator LUCAS. The inland waterways are not covered at all, are they?

Mr. RECTOR. Ohio now is bringing them under. Wisconsin, in our last legislative session, provided that if the Federal Tax Act were amended to remove the exclusion, we would, ourselves, automatically, drop it out of our law. So I think the States are ready to go when you amend the basic Federal law here, the Federal Unemployment Tax Act.

Now, our thought is this: This is not necessarily the time to go about it. This is not a reconversion problem. There is no variation in the estimates that for the next 2 years our ships are going to be

completely occupied in hauling our troops home and hauling food and goods to foreign countries. There is not going to be any substantial displacement. My thought is that since this is a long-range problem, and the Lynch bill is a much better approach, since it covers the situation, and this leaves several problems not touched on here, it might be preferable to refer this issue to the over-all evaluation of the act, which I understand the Congress is going to give the Social Security Act this coming year.

Senator BARKLEY. Your recommendation is that Federal employees and maritime employees be covered, but that they be covered under the laws of the States.

Mr. RECTOR. Yes.

Senator BARKLEY. Of course, in either case the the Federal Government would have to put up the money to pay the Federal employees' compensation and maritime compensation in States where they were not covered.

Mr. RECTOR. Well, they would not be paying a contribution rate, Senator, they would simply be reimbursing States for anything the States paid out.

Senator BARKLEY. The States cannot pay it out, unless the law authorizes it. If the Federal employees are not covered and the maritime workers are not covered, the States cannot pay anything.

Mr. RECTOR. We can pay out by congressional direction just as we do under title V of the GI bill.

Senator BARKLEY. You cannot be compelled to do it.

Mr. RECTOR. No; we cannot be compelled to do it.

We would not have to do it, but we would be glad to do it under circumstances as provided for in the George bill last year.

The CHAIRMAN. What Senator Barkley means is the State would get it back.

Senator BARKLEY. Yes; the Federal Government would have to pay it eventually.

Mr. RECTOR. Yes.

Senator BARKLEY. It is immaterial whether it is paid initially out of the State funds or out of the Federal funds.

Mr. RECTOR. That is right, Senator.

Senator BYRD. The Government would not pay the maritime workers in the employ of private shipowners.

Mr. RECTOR. They would not be paid for by the Federal Government. Private shipping employees would be paid like any other employee that comes under the State fund.

Senator VANDENBERG. That is not true, under this bill, is it? Does not the Federal Government pay the entire cost of the maritime worker under this bill?

Mr. RECTOR. Yes; I would construe it that way. I would construe that it applied to all maritime employment, and that the Federal Government would reimburse for its benefit plans.

Senator BYRD. If a state has not included the maritime employees, then the Federal Government would pay it.

Mr. RECTOR. That is right.

Senator BYRD. Even though he is employed by a private line.

Mr. RECTOR. That is, under this bill; that is right, but the Lynch bill provides for them coming in on a contributory basis by private employers.

Senator BREWSTER. Before you leave that, as a matter of fact, would not 90 percent of all the employment on the high seas be for the Government?

Mr. RECTOR. I understand it runs 80 or 90 percent now.

Senator BYRD. It might not after the next 2 years.

Mr. RECTOR. There is a person who has been acting as a chairman of our maritime committee who is much more able to answer these questions: He is Mr. Loyson, of the State of New York. He is thoroughly familiar with these figures, which I do not have at hand.

Senator LUCAS. Is he going to testify?

Mr. RECTOR. Yes; he is.

With respect to the next paragraph, section 4, I will now record the feeling of the Conference: this is, first, that this provision goes much further than I think the framers intended it to go. We have carefully checked the Federal Tax Act, the agricultural exclusion as it now exists. It is my opinion as a lawyer, and I share this view with many others—you can determine that for yourself by a comparison of the act—that as drawn this would apply to practically all farm workers. I think the framers intended, and the testimony of the last few days shows they intended, that it run only to commercial processes, packers and canners. Well, these groups are under State laws to begin with—under practically all State laws—the commercial processing operations.

Now, this says:

for the payment of compensation—

which the Federal Government has to reimburse the State—

to any individual who performed services in handling, drying, packing, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity—

And so forth.

Now, frankly, I don't know the extent of this provision. It might not have application to purely livestock ranges. They might not be considered as agriculture, but some definitions do include livestock as being agricultural—livestock management, livestock husbandry. As far as that is concerned, I cannot conceive of anybody working on a farm that does not do something in handling agricultural or horticultural commodities. He does not have to perform all of these enumerations. If he does any one of these things, helps carry the hay, helps store it, throwing the hay in the loft, he would be storing an agricultural commodity I would assume. So, as drawn here, this is pretty broad. Whatever the intendment, I think the effect is to bring in, at one fell swoop, agricultural workers throughout the Nation. Now, that would be a pretty tough problem, because even the OASI has not found a way yet, to my knowledge, to cover them. The Social Security Board is still debating a stamp system versus a reporting system. Our equipment is, in large part, set up on the basis of the Social Security numbers of claimants and yet we are asked to make payments on a retroactive basis, paying all of these people who do not even have social-security numbers. Moreover, we would have to get last year's wage records from farmers who are not under our law.

Senator BYRD. Many farmers haven't got the records.

Mr. RECTOR. That is right. Many farmers haven't got the records. I submit, and I have the expression of the attorney general of Wisconsin here, that we would not be permitted, under our State law, to change the specific exclusion provisions in the State law, to go out and say to farmers, "Now, you have got to furnish us the wage records of the employees you had last year." We have no reporting authority with respect to farmers at all. Our authority in the State of Wisconsin runs to this: We can exact from any employer any report consistent with the administration of that act, so we can ask every employer in the State, "You tell us how many people you had last year." This is for the purpose of determining how many employees he had and thus whether he is under the act. But if we find that he has an insufficient number to be under the terms of our act, we cannot demand wage records from him, because that is not consistent with the purposes of our act, and since farmers are specifically excluded, we could not start out and ask them how many they might have had last year because it would not be germane to the purposes of the act.

Now, I would like to file for the record, if I may, what amounts to an attorney general ruling from the State of Wisconsin which runs specifically to these agricultural laborers.

The CHAIRMAN. You may file it for the record.

Mr. RECTOR. Thank you.

(The matter referred to is as follows:)

MADISON, WIS., August 30, 1945.

STANLEY RECTOR,
Washington, D. C.:

Senate bill 1274 requires agreement with State to pay as United States agent compensation benefits to workers excluded by State law.

No specific provision made by State law for requiring such reports from employers as would be necessary in order to determine and pay benefits to such workers. It is extremely doubtful that it would be possible for the Wisconsin Industrial Commission under any rule-making power it may have to require such reports of employers. It would probably require additional legislation by the State if the Wisconsin Industrial Commission is to be properly authorized and empowered to administer these provisions of S. 1274.

JOHN E. MARTIN,
Attorney General of Wisconsin.

Senator BYRD. Just one more thing. How far can the employer go toward evading the payment of any tax?

There is nothing here to require the employer to pay the tax.

Mr. RECTOR. No.

Senator BYRD. Unless the State law imposes it upon him.

Mr. RECTOR. That is right.

Senator BYRD. The employers in packing houses and plants of different kinds dealing with agricultural products could escape paying the tax.

Mr. RECTOR. Unless you eventually amended the Federal Unemployment Tax Act, Senator, and the States then proceeded correspondingly to amend their laws to bring them under it in a regularly legislative manner, rather than having the administrative agencies doing what the legislatures did not want to do.

Senator BYRD. When it can be worked out from an administrative standpoint, the farm workers should be brought under social security. Anyone that knows about farming knows that the difficulties of administration, the keeping of records is simply stupendous. Many

of these farm workers only work 2 or 3 months a year and they travel from place to place.

Mr. RECTOR. That is right. We do not think, to begin with, that there is any reconversion problem in the farm situation or that there is going to be any displacement there. We think farmers are going to absorb much of the displaced manpower of this country. They have been starved for manpower. The farms are where people will be going. They are not going to be a big displacement problem.

Senator BYRD. Assuming a farm hand should carry some hay on his truck or wagon to his neighbor and sell that hay, he would certainly come under this act, wouldn't he?

Mr. RECTOR. I think that would be the market.

Senator BYRD. He is taking it to the market.

Mr. JACOBSTEIN. With the one qualification that this bill does not extend coverage to employers of under eight, and therefore it would not cover all farmers. If the farmer is regarded as an employer and only employs two people, would he come under this?

Mr. RECTOR. Yes. I do not think this looks to the status of the employer. The State laws define an employer in terms of a person who has hired so many people in defined employment. It does not specifically mention farmers and say that farmers are out. Now, if you change this so the State agency can, through election, make payments to these people, then for practical purposes you can consider all farm labor as covered. It is not a question of the size of the employing unit.

Mr. JACOBSTEIN. My point is this bill does not contemplate any coverage for employers except of a certain size.

Mr. RECTOR. I think it does.

Mr. JACOBSTEIN. I do not find any provision in the bill covering that.

Mr. RECTOR. This is my interpretation of the next page, page 5, subsection (2):

payment of compensation—

This is what the Government is going to reimburse them—

to any class or classes of individuals who would be entitled to compensation under the State unemployment compensation law except for existing or prior exclusions from the definition of employment in such law, or except for existing or prior limitations of coverage in such based on the amount of pay roll or number of employees—

and so forth.

In other words, the State, under that, is given full latitude to pay compensation to any and all people.

Mr. JACOBSTEIN. That is, however, voluntary; that is not mandatory. This is what the State may do.

Mr. RECTOR. Yes.

Mr. JACOBSTEIN. If this became law the State of Virginia would not necessarily be required to include all the farmers in Virginia, and therefore all the workers in Virginia would not be covered necessarily by this law.

Senator VANDENBERG. Why in the world would not they cover them, as long as they get the money from Washington?

Mr. JACOBSTEIN. That is right.

Senator BREWSTER. Any State that did not do it would certainly be a bunch of boobs, because they have got to contribute to every other State.

Mr. JACOBSTEIN. That is right. I want to make a distinction between the mandatory and the voluntary provisions in the bill.

Senator BREWSTER. I think you would agree it is a distinction without a difference.

Mr. JACOBSTEIN. I think the effect would be as you say.

Senator BREWSTER. Yes.

Mr. RECTOR. I think it would amount to compulsion. We would be in this situation, which I do not think the States should be placed in: You would be placing upon us an impossible administrative burden at a time when we are short-handed, when we have the peak crisis of our last 10 years' experience. We have no wage records, we have no social security numbers with respect to many of these workers. Our groups will say to us, "Well, the Federal Government is going to pay the money; let us get on the 'gravy train'"; and we cannot do it; and if we tell them we cannot do it, it makes them dissatisfied with the administration. They will say: "What did Congress permit it for? Certainly, you can do it, or they would not have arranged for it by law"; so we are in a squeeze.

Senator LUCAS. Would you confine it strictly to agricultural processing and stop at that?

Mr. RECTOR. Certain agricultural operations, agricultural processing, is under State laws at present.

Senator LUCAS. Is it under your own State law?

Mr. RECTOR. It is under our own State law.

Mr. JACOBSTEIN. There are some States where they are not included.

Mr. RECTOR. I think what they are trying to reach here is already covered—generally speaking.

Senator LUCAS. That is the point I was going to make. What is the use of naming these different services if they are covered, unless it does include what you say?

Mr. RECTOR. That is right.

Senator BYRD. Certainly, the commercial packing and processing tax should be covered.

Mr. RECTOR. The canners and other processors.

Senator BYRD. The canners, and all of them. I speak as one who knows a little something about the farming business, and I say that this, as written, could include practically all farming operations on the farm. Certainly, a farmhand frequently takes corn to the market, he takes it to the railroad station, and he takes other products there. One farmhand may take it one day and another the next day. Under this, is it your construction that if they just made a trip one time to the market, they would be included?

Mr. RECTOR. No; I would have to say that the person would have to work a sufficient length of time to qualify for the minimum rate. He would have to earn a certain amount of money in his base period.

Senator BYRD. Suppose a farmer employs a regular hand and that man takes a load to the railroad station of some products, would he come under this?

Mr. RECTOR. I think he would, in my opinion.

Senator BREWSTER. I do not understand it is essential for them to deliver it to the market. Handling any agricultural commodity would put them under this.

Mr. RECTOR. It is very hard to work on a farm without handling something.

Senator BREWSTER. It does not have to be delivering to the market. Handling any agricultural commodity would be sufficient.

Senator MILLIKIN. The other day the lady from California testified, the whole burden of her testimony that the workers in the processing plant were not adequately covered. I wonder if our technician can give us a digest of the State laws so we can see what the situation is?

Mr. RECTOR. Speaking for the administrators here, we would be glad to have that submitted.

Senator MILLIKIN. As I recall, that was the whole burden of the lady's testimony.

The CHAIRMAN. She said they were not covered under the California law. Was not she from the State of California?

Senator MILLIKIN. I was rather left with the impression that they were covered, at least in part in California but not in other places.

The CHAIRMAN. That may be so.

Senator BYRD. Did not the legislature repeal the law and the Governor vetoed the repeal?

Mr. RECTOR. If this is motivated by the California situation it is rather like using a shotgun instead of a rifle to handle a very specific situation, with the result of much loose shot throughout the Nation.

Senator MILLIKIN. Will you give us a digest on that?

Mr. RECTOR. Yes, sir; Senator.

The CHAIRMAN. You prepare it and hand it to the secretary.

Mr. RECTOR. I would like to say, in taking this position, that I am not speaking against certain extensions of coverage here. The interstate conference is on record for an orderly extension of coverage. We want an extension of coverage to any group which it is practicable to cover. We do not, however, think that these alleged reconversion problems exist there, that they are not reconversion problems, properly speaking, that there is going to be no reconversion displacement with respect to these situations, and that your judgment might be exercised more carefully in your analysis of the long-range program which you propose to give this year. We would like to be here at that time to support the extension of coverage.

Senator LUCAS. Your position is that Congress should do the maximum it can in this emergency and leave all the other problems until later?

Mr. RECTOR. Yes; for long-range consideration.

Senator MILLIKIN. I have been trying to find out if there is a Federal angle here, a Federal duty here, in passing on questions of relief, passing "made" work, passing pump priming. Is there a Federal angle that we have not covered representing a Federal duty so far as unemployment insurance is concerned?

Mr. RECTOR. We do not think so.

Senator MILLIKIN. Do you think there is any thing that we are in duty bound to do?

Mr. RECTOR. Very far from it. We think, on the basis of the record of the States—their performance this last year—that, contrary to William Green's statement that the States came before the George committee last year and glibly promised that if we were left the prob-

lem of providing adequate compensation then we would take care of it—and he says we breached our promise—that the States have discharged the Nation's responsibility. I would like to read the George committee's recommendation relating to this. I think it is germane. The George committee made this statement in its report in May last year:

In the case of some of the individual States, the committee feels the benefits might well be made somewhat higher, but it does not feel that this insufficiency warrants a breaking down of the State systems by setting up a Federal standard. It points out, however, that more adequate State benefits would do much to weaken the argument for federalization of the State systems, and the committee respectfully recommends that the States survey their situations in the light of the generally increased wage scales and in the light of the greatly increased reserve funds.

Now, I understand that yesterday—I was not here, but I read the testimony—there was submitted in the record information concerning the progress of the States this last year. That information was lacking in complete accuracy, because of failure to include two States, and I would like to file for the record this statement; and if the individual members of the committee care for any copies, I would like to distribute them.

Senator VANDENBERG. Showing what additions were made?

Mr. RECTOR. Showing what additions were made and where we stand at this time.

The CHAIRMAN. You may file it for the record.

Mr. RECTOR. Thank you, sir.

The CHAIRMAN. I have a statement, too, but it is not entirely full.

Mr. RECTOR. This is more recent, Senator.

(The statement referred to is as follows:)

UNEMPLOYMENT COMPENSATION PROGRESS, BY THE STATES, IN 1945 (AS OF AUG. 15, 1945) ¹

A. How many States have (in 1945) increased—

1. Their unemployment compensation weekly benefit maximum.....	25
2. Their unemployment compensation maximum benefit duration.....	28
3. Both.....	21
4. One or the other.....	32

That's a lot of real progress, by State action, without Federal subsidy.

B. Maximum unemployment compensation benefit per week:

- A weekly benefit maximum of \$20 or more applies in 28 States (out of 51). These 28 States have over 77½ percent of all covered workers. The 11 States using an \$18 weekly maximum have about 13½ percent of all covered workers. So a weekly maximum of \$18 or more applies in 38 States, which have over 90 percent of all covered workers. The other 13 States (including 4 which had no regular legislative session in 1945) have less than 10 percent of all covered workers.

C. Maximum unemployment compensation benefit duration:

A maximum benefit duration of 20 or more weeks applies in 33 States. These 33 States have over 81 percent of all covered workers. Four other States, with 5 percent of all covered workers, have an 18-week maximum duration.

D. The larger States, with the more liberal unemployment compensation laws, generally have the greatest concentration of war-production contracts and workers. Therefore, the more liberal State provisions will apply to even larger percentages (of those workers who will be laid off) than indicated above.

¹ Counting 51 State laws (including Alaska, District of Columbia, and Hawaii). Percentages of "covered workers" are base on Mr. Bigge's May 1944 testimony before the Senate Postwar Committee.

MAXIMUM WEEKLY BENEFIT RATES UNDER STATE UNEMPLOYMENT COMPENSATION LAWS

On May 28, President Truman said: "Most States fix a maximum rate of \$15 to \$18 a week."

At the close of May a maximum weekly rate of \$18 or less did apply in 27 (out of 51) States; but those 27 States had only 35 percent of all covered workers.

What is the picture now, 2 months later?

Most States (27 out of 51) now have a maximum weekly rate of \$20 or more.

Those 27 States have: (a) 77.8 percent of all workers covered by the State unemployment compensation laws, (b) 78 percent of the estimated dollar value of war production contracts as of April 1.

Twenty-five States have increased their maximum weekly benefits during recent months, by action of their 1945 legislatures.

The table below shows the present picture resulting from those changes.

Maximum weekly benefit rates under State unemployment compensation laws

State	Covered workers ¹		Per-cent of war con-tracts ²	State	Covered workers ¹		Per-cent of war con-tracts ²
	Num-ber	Per-cent			Num-ber	Per-cent	
MAXIMUM BENEFIT RATE \$15				MAXIMUM BENEFIT RATE \$20—continued			
1. Arizona.....	94			7. Maine ⁴	180		
2. Arkansas.....	190			8. Maryland.....	540		
3. Colorado.....	160			9. Minnesota.....	460		
4. Florida.....	360			10. New Hampshire ⁴	110		
5. Mississippi ³	160			11. North Carolina ⁴	560		
6. Montana.....	70			12. North Dakota ⁴	30		
7. New Mexico.....	56			13. Pennsylvania ⁴	2,600		
8. South Dakota.....	38			14. South Carolina ⁴	270		
9. Tennessee.....	470			15. Vermont ⁴	59		
10. Virginia ³	420			16. West Virginia ⁴	330		
Subtotal (10 laws).....	2,018	6.8	2.5	17. Wisconsin.....	640		
MAXIMUM BENEFIT RATE \$16				18. Wyoming.....	40		
1. Alaska.....	?			Subtotal (18 laws).....	11,699	39.0	35.4
2. Kansas ⁴	270			MAXIMUM BENEFIT RATE \$21			
3. Kentucky ³	310			1. Massachusetts ⁴	1,300		
Subtotal (3 laws).....	580	1.9	2.2	2. New York ⁴	3,900		
MAXIMUM BENEFIT RATE \$18				3. Ohio ⁴	2,100		
1. Delaware.....	84			Subtotal (3 laws).....	7,300	24.4	21.0
2. Georgia.....	500			MAXIMUM BENEFIT RATE \$22			
3. Idaho.....	70			1. New Jersey ⁴	1,300	4.3	2.5
4. Iowa ⁴	300			MAXIMUM BENEFIT RATE \$24			
5. Louisiana ³	400			1. Nevada ^{4,6}	35	.1	
6. Missouri ⁴	720			MAXIMUM BENEFIT RATE \$25			
7. Nebraska ⁴	140			1. Utah ^{4,7}	120		
8. Oklahoma ⁴	260			2. Washington ⁴	590		
9. Oregon ⁴	320			Subtotal (2 laws).....	710	2.4	2.4
10. Rhode Island.....	250			MAXIMUM BENEFIT RATE \$28			
11. Texas ⁴	1,000			1. Michigan ^{4,6}	1,600		
Subtotal (11 laws).....	4,044	13.5	17.1	2. Connecticut ^{4,6}	650		
Total, \$18 or less (24 laws).....	6,642	22.2	21.8	Subtotal (2 laws).....	2,250	7.6	16.9
MAXIMUM BENEFIT RATE \$20				Total, \$20 or more (27 laws).....			
1. Alabama ⁴	430			23,294	77.8	78.2	
2. California.....	2,200						
3. District of Columbia.....	180						
4. Hawaii.....	?						
5. Illinois.....	2,200						
6. Indiana ⁴	870						

¹ Covered workers, in thousands, as estimated by Mr. Bigge in his May 1944 testimony before the Senate Postwar Committee.

² Estimated dollar value of war contracts, Apr. 1, based on article in May 25 issue of United States News.

³ No regular legislative session in 1945.

⁴ Enacted in 1945.

⁵ Missouri Legislature still in session, with amendments pending.

⁶ Maximum includes dependents allowances.

⁷ Maximum rate varies with cost of living.

MAXIMUM DURATION OF BENEFITS UNDER STATE UNEMPLOYMENT COMPENSATION LAWS

On May 28, President Truman said: "In nearly one-third of the States, no worker can receive more than 16 weeks of benefits in any year."

At the close of May, 15 States (out of 51) did have a maximum duration of less than 17 weeks; but those 15 States had only 16.7 percent of all covered workers.

What is the picture now, 2½ months later?

Twenty-eight States have this year increased their maximum benefit durations, by action of their 1945 legislatures. That's a lot of real progress, by State action, without Federal subsidy.

Senator MILLIKIN. Do you see a Federal angle, so far as the interstate movement of labor is concerned? Do the States need any help, and in your opinion is it the duty of the Federal Government to provide any help in shifting labor from one part of the country to the other, in connection with unemployment insurance?

Mr. RECTOR. Well, your bill has in it a travel allowance provision, which, of course, is outside our field and not related to our program. But if I interpret your remark, does the interstate shifting of workers, which occurs, and there will be some more, does that bring upon the Federal Government any responsibility for assisting with these benefit payments, I would say no.

Senator MILLIKIN. How do the States take care of that?

Mr. RECTOR. The States take care of that, as far as the mechanics of taking care of it are concerned, in this way: A person works in California, and qualifies for benefits there. He is laid off and decides to go back home. He travels back to Oklahoma, and there goes in the employment office and files a claim under our interstate compact, to which the 48 States belong. He files a claim against his employer in California, and the Oklahoma office tries to find him a job just as if he is in California. His claim is sent back, and he continues to come in each week in Oklahoma and registers for work claims benefits, and each week from California a check is sent to his Oklahoma address, just as the California agency sends to its California residents. This interstate arrangement is efficiently functioning. All States belong to it. It is just as effective as if it were arranged under a national system.

Senator BARKLEY. That does not include transportation?

Mr. RECTOR. No.

Senator BARKLEY. That is the same thing he would have gotten if he had stayed in California.

Mr. RECTOR. That is right.

Senator MILLIKIN. Suppose it would develop that some of the States had more labor than they can absorb, and that a very large migration of labor is called for to satisfy job vacancies in other States? Under the illustration you have given the man would pay his own transportation. Is there any place along the line where you could say it would be advisable for the Federal Government to avoid concentrations of these unemployed labor problems, to advance transportation in such cases?

Mr. RECTOR. Well, I am just speaking personally now. I do not assume to qualify in this field. I think, however, that the problem of congestion has been somewhat overmagnified.

Senator MILLIKIN. Let us assume it has not been overmagnified, let us assume it developed, and we would probably set up standards whether or not it has developed.

Mr. RECTOR. My personal thought about that is this: As the bill reads here, as I recall, a person may be directed to a suitable job in some other section of the country and if he takes that job his travel expenses will be paid, just as under the provisions of the Federal Employee Classification Act. Suppose he gets there, looks over the job and does not even apply? Suppose he takes a trip across the country from California to Tennessee, looks over the Tennessee job, and says, "I do not like it"; he would get both his trip and his benefits—with a penalty delay in the latter.

Senator MILLIKIN. Could there be any administrative remedy against that?

Mr. RECTOR. When I said he would get his benefits, I mean he would be subject, of course, to the disqualification existing in the law of the State that he had the benefit rights which, in the State of California, are relatively minor, but he could take his trip, be deprived of the benefit rights for some 4 to 6 weeks and then continue to draw his full benefits.

Senator BYRD. That all involves the definition of suitability of the job. He could claim the job was not suitable.

Mr. RECTOR. Yes; he could. They might have a different interpretation of suitability there than in California.

Senator MILLIKIN. Should it develop that they had an unwieldy labor surplus in California, larger than in any other State, what is the answer?

Let me go further. I think we have fallen into two mistakes. One is that each State is in a vacuum operating by itself with the Chinese wall around it. I think that is absurd. The other mistake is that the Federal Government is the nursemaid, charged with the duty of diapering \$120,000,000 people. There is a place in between where there is a proper Federal function and a proper State function. I am trying to see what the Federal function is to meet what some people say will be a very stringent emergency.

Mr. RECTOR. I thought much less about that than I have about some of these other things. My thinking is this: If we have these congested areas, and we may have them, in which we have got to make a redistribution of persons, that should be predicated upon these principles: First, it should be purely elective with the individual. Merely because California or Washington figured that they have some migrants there that they would like to get rid of, no coercion should be allowed with respect to individuals. They might prefer the west coast if they got a job there, rather than making a trip out here and getting a job here. We ought to make it purely voluntary on the part of individuals. I think compulsion is what we have got to keep the Government out of. They might not have enough sense to know where to go, but it is their privilege to be in such a mental condition.

Then, I think, secondly, the Government should not take them any place but back home.

Senator MILLIKIN. Should not what?

Mr. RECTOR. Should not take them any place but back home—rather than to these jobs that he may think he has, or someone else may think he has.

Senator TAFT. This would not only affect those who moved away from their homes. This bill covers anybody. Anyone from anywhere can take a job somewhere else.

Mr. RECTOR. I had in mind a congestion that had been built up by people traveling into these areas, as to how to get them back. If they haven't the wherewithal—I would put it on a needs basis, to begin with. A lot of them went out there and paid their own expenses out of savings from much less high-paid jobs than they have had in the last 2 years.

Senator BREWSTER. That does not say anything about the duration of the job. You have all your seasonal unemployment which apparently would be covered under this.

Mr. RECTOR. That is right. Thirdly, I would put it on a distance qualification. You go to the New England States, it is not far across New England. They could travel 50, 60, or 100 miles and they might be in another State.

Senator BARKLEY. Your theory is the Government ought to take them back home if they do not live far off?

Senator TAFT. It is the other way.

Mr. RECTOR. Yes; if it is a substantial expense to them.

Senator BARKLEY. I would like to answer this question, in connection with the question of Senator Millikin, and that is one thing that bothers me tremendously. It bothered me last year when all the State representatives came down here and completely reversed what Congress had in mind and what this committee had in mind, and what a lot of us said on the floor of the Senate we were going to do in regard to the human element of reconversion.

You said a while ago you think there is no Federal duty in regard to this situation, and I think that is the attitude of all your State commissioners or representatives who fill up this list here today and who, I suppose, will take the same position.

Mr. RECTOR. I would prefer to put it this way, Senator: I think there is no Federal duty until the failure of the State is demonstrable. Just as your final paragraph said last year, there is a jeopardy to the State system which is undoubtedly involved in this legislation, and we cannot wink our eye at that. Proponents say it is not federalization, but it is. It will amount to that. Your report last year, if I can find it, stated this, that until there is a demonstrable need, until the States have proved derelict, that not until then does it become a Federal duty. The States, instead of proving derelict, have gone all out this year. Forty-five State legislatures have been in session, there has been action to increase the benefit amounts in 25 of them, and 28 of them have increased their duration. You have that before you.

Senator BARKLEY. Have you the figure of what the average increase in payment per week is in those 25 States?

Mr. RECTOR. The average increase, of course, as I started out by saying, can be represented by percentage of covered workers under the most liberal laws.

Senator BARKLEY. The amount was around two or three dollars a week.

Mr. RECTOR. No, no. 78.8 percent of all workers are under laws paying \$20 or more; 81.8 percent have 20 weeks or more, so that would be four-fifths of all workers entitled to at least \$400.

Senator BARKLEY. I am talking about the amount by which they increased the weekly compensation. What would that average in the 25 States that did increase it?

Mr. RECTOR. I have not calculated it.

Senator BARKLEY. If the State increased the allowance from \$16 to \$20 a week, that would be an increase in that State of \$4 a week.

Mr. RECTOR. Yes.

Senator BARKLEY. If they increased from \$16 to \$18, that would be \$2 increase, and if the State increased from \$20 to \$25, that would be a \$5 increase. I wondered if you had taken these various increases, added them up, and then divided by 25 to get the average increase per week.

Mr. RECTOR. No.

Senator BARKLEY. I doubt if the average increase would run much more than \$3 or \$4 per week. That can be arrived at.

Mr. RECTOR. That can be done. I haven't done that.

Senator BARKLEY. I happen to be one of those who do not think that the States went as far as they held out hopes to us they would go when they were here a year ago and asked the Federal Government to keep its hands off. Some of them went some distance, but, on the whole, I happen to be one of those that think they did not go far enough as a whole. I am not saying that by way of criticism. I say it because I think, in view of the emergency, the payments in many of the States are not adequate. But in spite of that difference, that disparity, you still think the Congress has no duty to try to average it up?

Mr. RECTOR. No; I think certainly that Congress, aside from having a duty, it, if I may respectfully say so, has a certain obligation to respect the differential treatments that are necessary in our very diverse and complex country.

Senator BARKLEY. Well, it is not as diverse and complex as the diversity in the different payments provided in the State laws, in my judgment. There is an over-all uniformity, subject to certain slight variations due to climate and one thing and another, but in the State of Kentucky, for instance, where they pay \$16, and in the State of Connecticut, where they pay \$28, there certainly is not that much diversity in the cost of living and the conditions under which they live. You might make similar comparisons in other States. It may be the fault of Kentucky that it has not gone as far as Connecticut or California or Michigan, but the question I am undertaking to arrive at is whether the Federal Government has the duty to initiate all of this in the beginning rather than the States. There were no laws on any of this until Congress passed the Social Security Act.

Mr. RECTOR. We had one in Wisconsin before the Federal Government came in.

Senator BARKLEY. You had one but it was feeble compared to what it is now, based upon the obligations imposed by the Federal Government in the Social Security law. On the whole, the States had not taken any action until we passed that law.

Mr. RECTOR. That is right.

Senator BARKLEY. Wisconsin was more progressive in that regard than many of the other States. Based on the fact that the Federal Government did feel it had an obligation to initiate the program the

States came along and followed suit in unemployment compensation and old-age pensions, things of that kind.

Here is the thing that I find it difficult to harmonize. We passed a reconversion act last year with reference to the reconversion of physical plants. I realize that many of those plants were owned by the Government, paid for by the Government, but in the question of reconversion there is the question of sales of the plants as surplus property. We provided for financial assistance to the corporations and owners of these plants in getting their plants back from wartime to a peacetime situation, provided a loan for that purpose. No State came in here and said "Keep your hands off; that is our job. That plant belongs to Wisconsin or Kentucky or Connecticut or California, and therefore we are able to attend to it." Nobody did that, and therefore it was the Federal obligation exclusively, as far as the records show. Maybe the States could not do it. Certainly they had no law at the time under which to do it.

Mr. RECTOR. Is that Federal property?

Senator BARKLEY. Federal property would be, of course, surplus property and disposed of as such. I am talking about private plants that were reconverted from making automobiles to making guns and from watches to precision instruments, and things like that, that were still private corporations. We provided help for all of those that needed it.

The CHAIRMAN. We did not provide any help. There was the greatest misapprehension in the world about that. We provided merely for the settlement of the contracts.

Senator BARKLEY. We provided also for the Government to make loans to certain what we call small corporations, to enable them to do that.

The CHAIRMAN. Yes, small business corporations.

Senator BARKLEY. But the States did not say, "We can do that."

We have, for a long time, been providing Federal insurance of crops in the States. I do not recall any State coming to Washington and saying, "Let that alone; we can insure crops in Wisconsin or Nebraska."

Senator BYRD. Don't they charge a fee for that?

Senator BARKLEY. That does not alter the fact that it was a Federal obligation, it was a Federal statute, and the States did not undertake to underwrite it.

Now, that we are dealing with human beings who have been either induced or persuaded to go here and yonder to help the Government in war operation, and have gone there either out of a sense of patriotic duty or for the selfish reason that they would get higher wages—and we are all subject to those inducements—in that human equation, when we are dealing with human beings who might be reconverted in a sense, the States say, "That is sacred ground. Don't touch that. There is no Federal duty here." I do not quite understand the difference in that philosophy.

Senator McMAHON. How about the highway fund?

Senator BARKLEY. Of course, the same might go on ad infinitum. We provided for the highway system, in which there is cooperation. The Federal Government supplements the State highway funds and helps build highways. It has been a great thing and we supported it. I did. I supported crop insurance; I supported flood control.

There is no law that prevents a city from building a wall in front of the river that keeps water out of the city, but it has never been regarded a local obligation. They came to Washington and asked us to do it, and we did it; and we are doing it now. I do not understand the reason for making a difference when you are dealing with human beings who are as much casualties as automobile plants or watch factories. I would get your reaction on that.

Senator BYRD. Before you answer that, isn't it true likewise that these particular people got the highest wages known in history?

Mr. RECTOR. That is right.

Senator BARKLEY. I might say that many corporations got the highest profit known in history.

Senator BYRD. And the Government has the right to recapture those.

Senator BARKLEY. I am not objecting to those profits. I am merely reciting them.

Senator BYRD. The Senator knows the Government has the right to renegotiate contracts if they get excessive profits.

Senator BARKLEY. We gave the Government the right to renegotiate contracts. Even after the contracts were renegotiated, I think you will find the total earnings, even after taxes, were greater than were ever known before. I am not complaining of that at all, I am not objecting to it.

Senator BYRD. Do you think the profit of the corporations, on a percentage basis, are greater than the increased wages paid the workers?

Senator BARKLEY. I don't know. I haven't calculated that.

Senator BYRD. If you look into that you will see they are nothing like as much.

Senator BARKLEY. There are more human being who help corporations make money than there are corporations that help people make money.

Mr. RECTOR. I will try to answer that, Senator. I would answer it along this fashion: I certainly do not think we should make a difference between supplemental activities of the Federal Government in the way of help to business and help to human beings, as you put it, human reconversion. As I interpret the things that were done to assist business, renegotiation of contracts, surplus property disposal, surplus plant disposal, giving back certain excess profits, that was a part of human reconversion in that you were permitting our productive machine to get into immediate operation, which is just as much to the advantage of the workers as it is to the plant owners.

They are partners in that enterprise, and it was putting them back on a productive basis. That is, in my estimation, as much an element of human reconversion as it is a business element.

My further thought is this, that the Government did recognize a duty in this field of unemployment compensation. They did assume responsibility by setting up a Federal-State cooperative program in 1935. It was the thought of the Congress then that this operation might better be done on a decentralized basis, rather than on a completely centralized uniform basis, with uniform standards throughout the land. I think that is sound. I am very much a believer in the form of Government that is nearest to the people, and that those things which can be done back home, can best be done back home.

Now, as to the inadequacy of benefit amounts, that is a matter of opinion. To some individuals, adequate benefits mean more benefits always, and some will say that benefits are always too high. I think it has got to be related to the fundamental assumption of what unemployment compensation does, what its proper role should be. I think that trained men, the large trained staffs in the States, with the data before them, with the legislative action of the people of that particular section of the country, their conception of an out-of-work wage that is proper in relation to wages that will not be an inducement to idleness, I think those people are in the best position to make that judgment.

For instance, in our State, our advisory committee on labor-management met during a 3- or 4-month period. I think they ran in several part-day meetings and at least 20 full-day meetings. Labor and management had before them the problem of reconversion. That is all we were thinking and talking about. We were getting data from all over the State of Wisconsin, from the different employers. We asked them, "What do you think your physical reconversion problem is?" We asked other questions along that line. On that basis, labor and management unanimously concluded that the law we drafted and took to the legislature was a proper law to meet the reconversion problem in the State of Wisconsin.

It is my opinion, with our analysis and research, with our knowledge of the State of Wisconsin, that we are in a better position, that the legislature there is in a better position to make that judgment than the Congress of the United States, and I have every respect for it.

Senator LUCAS. May I interject one question there? Was there a bill introduced in the Wisconsin Legislature suggesting \$25 for 26 weeks?

Mr. RECTOR. No; it was something longer than that. It was \$25 or \$30, and I think it ran up to 40 weeks or more. It was a political situation there, and it was not related at all to the major problem of reconversion in the State of Wisconsin.

Senator LUCAS. Wasn't it introduced in Wisconsin?

Mr. RECTOR. There is politics in our State, Senator.

Senator LUCAS. Somebody wanted to get way out in front.

Mr. RECTOR. That is right. It was a local issue. There was a fellow at the University of Wisconsin that fomented the idea in the legislature with the minority party. They had nothing to lose. They went way out ahead.

Senator LUCAS. Did the responsible leaders, labor leaders, in your State cause to be introduced any bill in the legislature which would give it to the employees?

Mr. RECTOR. Just the one they sat around the table and agreed to with management.

Senator LUCAS. There was no legislation introduced then?

Mr. RECTOR. Except this agreed bill. Labor and management sat down and wrote the bill and it was introduced. They were in agreement, and both got out and worked for it.

Senator BARKELY. One other question. I do not want to prolong the hearing. I suppose most of us are getting hungry. Take the old-age pension law, it was not passed as an emergency measure, but a long-time, permanent piece of legislation in which we supplement the State fund dollar for dollar. If the State pays up to \$15, the Federal

Government will supplement it by \$15 more, making it \$30. That was not an emergency thing due to the war, that was a long-time, permanent social policy.

Mr. RECTOR. That is right.

Senator BARKLEY. Wherein lies the difference between the Federal Government, as a permanent, long-time policy, supplementing the State funds in paying old-age pensions and supplementing the State funds here in an emergency, a limited period, due to unemployment and the aftermath of war? Where is the difference in principle?

Mr. RECTOR. Well, in the old-age-assistance laws of which you speak you still leave it to the State to establish the differentials with respect to their situation. They are not uniform throughout the country. There is considerable variance.

Senator BARKLEY. That is true, there is variance. As a matter of fact, the Congress, the Federal Government, leaves it to the State to determine what each individual shall draw out of the State fund. In my State the maximum is \$7.50, which means that the Federal Government puts up another \$7.50, and the maximum would be \$15. Of course, very few people get the maximum. The average runs down around \$8, \$4 for the State and \$4 for the Federal Government. But the fact that the State puts up 50 percent in all those cases, that the Federal Government puts up 50 percent, does not, it seems to me, change the principle if here the Federal Government puts up not half but a smaller percent for a temporary period to add to the livability of people who have been displaced by war, it does not change the principle, as I see it.

Mr. RECTOR. To me, there is quite a distinction, Senator, in that you are still permitting the State to determine their own laws. They can set their own amount. They have an incentive, they have a responsibility for going forward and being more progressive, if you call that progressive. I do. Here, however, certain States have taken action this year in response to your suggestion last year in the committee. Thirty-two States did act. That is a pretty good record. The States that did act, many went up to \$20 and beyond. As to the States that did not act, they did not act probably for good reason, as far as I know. Their legislatures thought they should not. They are the ones that get the differential.

Senator BARKLEY. That is true, of course.

Mr. RECTOR. It is just the complete reverse of what you were talking about. Here, there would not be any incentive for the State to ever change its law. In fact, there would be every incentive—and this bill does not prevent the next State legislatures of these liberal States saying, "We will go back to \$15 and 15 weeks because we are not now getting enough Federal money." In other words, you start a downward spiral of State responsibility and State initiative.

Senator BARKLEY. That situation would end in a short time, and then they would be confronted with the question whether they leave it at \$15 or put it up even higher.

Mr. RECTOR. Senator, with all respect, I differ with you on your conclusion that this would be in any sense a temporary situation.

Senator BARKLEY. Is not that the basis of opposition of State authorities, that this is an attempt to get the camel's nose under the tent and it will finally result in the Federal Government taking it over more than the question of the welfare of the unemployed people?

Mr. RECTOR. That is a mixed question.

Senator BARKLEY. To what extent does that enter into the opposition of all the State authorities?

Mr. RECTOR. I sincerely believe we are better able to administer—I am profoundly of this thought—we are better able to administer the many conditions affecting ourselves in the State of Wisconsin than is the Congress. With all the innumerable problems that Congress has confronting it, it is unable to consider as thoroughly as we can our own problems back home. It is a matter of good government with me, Mr. Congressman. I should have said Mr. Senator.

Senator BARKLEY. That is all right. I do not resent the "Congressman," because I served 14 years very happily as such.

The CHAIRMAN: Is there anything further?

Senator BARKLEY: I do not want to prolong this.

The CHAIRMAN: We will take a recess until 2:30.

Senator BYRD: Has Mr. Rector concluded?

The CHAIRMAN: I do not know.

Mr. RECTOR: I am here at the further wishes of the committee.

Senator BYRD. I think Mr. Rector has made the most illuminating witness. If he has concluded, I would like to ask permission to include in the record any further statements he desires to make and that he has not had time to make so far.

Mr. RECTOR. Thank you, sir.

Senator BREWSTER. I do not know whether I have any further questions. I will determine that during the lunch hour.

(Mr. Rector later furnished the following material:)

MAINTAINING PURCHASING POWER IN THE TRANSITION

(By Emerson P. Schmidt, director, economic research department)

[Postwar Readjustments, Bulletin No. 14¹]

(Chamber of Commerce of the United States of America, Washington 6, D. C.)

INTRODUCTION

The maintenance of prosperity during the transition is of great interest to those in the armed forces, to those in war industries and to the public generally. Everyone agrees on the importance of maintaining high level employment during the transition period and preventing both inflation and deflation.

Means of attaining these desirable objectives generally lie within three channels:

1. The adoption of such policies by the Federal Government which will leave the broadest possible opportunity for individuals and business institutions to operate their businesses and make their decisions on the basis of a free economy with the relaxation of controls at the earliest practical date.

2. The assumption by the Federal Government of a paternal responsibility in this matter which will probably result in adopting a general make-work program and artificial policies without fully considering the ultimate results of such policies, or without allowing our traditional free enterprise system a full opportunity to attempt to meet the problem.

3. A combination of the above two suggestions.

This bulletin explores the possibilities under the above headings and develops the conclusion that the nearest possible approach to operation within the conception of a free economy is the most desirable. One point needing emphasis is

¹ This bulletin is the work of Emerson P. Schmidt, director, Economic Research Department. It is not a report of the Chamber of Commerce of the United States, nor of the Committee on Economic Policy, and does not, therefore, necessarily represent their views. It is published and distributed for the purpose of raising questions, providing information, and presenting views that may be helpful in the consideration of policies.

that there cannot be maintenance of absolutely full employment under a free society, and that the choice must be made as between maximum opportunity for the individual and absolute security, which can be only at the sacrifice of individual liberty.

Even assuming that governments were able to provide full employment, the measures taken would be the result of political compromises and group pressures, and full employment obtained in that way would probably develop more uncertainty as the result of the individual realizing he is dependent upon political decisions than he would feel if he knew that all the decisions were made by individuals who operated on the basis of self interest.

This question is so important and the time of decision so urgent that the subject deserves the utmost consideration by everyone who is affected, by those in Congress who will approve the legislative matters that are involved, as well as those who are interested in maintaining the opportunities which have made this country what it is today.

This bulletin, which is the work of Dr. Emerson P. Schmidt, director of the chamber's economic research department, is designed to raise some of the right questions for the determination of private and public policy.

J. CAMERON THOMSON,
Chairman, Committee on Economic Policy.

JULY 1945.

MAINTAINING PURCHASING POWER IN THE TRANSITION

During reconversion and the postwar, we are told, we must maintain take-home pay; otherwise we will have the greatest collapse in history. Unemployment of 10, 20, and even 30 million persons is predicted. A vigorous drive is being made to raise basic wage rates so that the total wartime national wage bill will be maintained when cut-backs in war production occur. Then overtime wages will disappear, many workers must shift to lower paid jobs, and some 5 million under-age, over-age, and women workers will leave employment. The gap must be closed, it is said. It would indeed be difficult to invent a better scheme than this to create either mass unemployment or a spiral of wage-price inflation. Either could occur. It has never been demonstrated that the mere marking up of wage rates can create purchasing power.

The lumber producers, for example, do not tell us that if we raised their prices more purchasing power would be created; the architects or school teachers do not tell us that at higher salaries more jobs would open up; they know that wages, salaries, and fees must be properly adjusted to the buying reactions or paying capacity of the persons or groups with whom they do business.²

Why, suddenly in our history, do we need this special devotion to the creation of purchasing power? One explanation for this demand is that we have so many groups already interfering with the natural market forces governing supplies, demand, and prices that our free market forces have steadily been robbed of their equilibrating, allocating, and prosperity-making functions. So more interferences are proposed.

We have on hand an excellent case history to demonstrate the truth of this analysis. In the autumn of 1944, after the liberation of France, the authorities raised wages by an average of 40 percent, meantime holding prices to previous levels. Production and employment bogged down; we were called upon for billions of postwar lend-lease aid. In the spring of 1945 the error of this philosophy was recognized. Prices were allowed to rise to overcome the previous mistake, and production and employment soon were improved.³ This meant inflation, but it did restore production incentives.

I. WAGE-PRICE ADJUSTMENT

In the demand for higher hourly wage rates, much is made of the wartime rise in efficiency, which is alleged to make higher wages, without higher prices, possible. Several observations on this idea are pertinent.

1. Time is required to translate efficiency gains of wartime production into peacetime production. Many companies will be able to benefit only after a

² The question of the relations among wages, employment, and production was discussed in Bulletins 4 and 5, *Maladjustments in the Postwar*; and *Absorbing the Total Labor Supply*, respectively, Chamber of Commerce of the United States of America, Washington, D. C.

³ This of course, was only one among many factors accounting for the delay in production. See: *Financial News*, London, May 9, 1945.

considerable period of time by the new know-how and the new equipment (on which the rise in efficiency rests).

2. Many of the war industry improvements have very limited application to peacetime production. The enormous efficiency gains in shipbuilding, for example, many not be transferable to meat packing, artificial ice-making, or printing.

3. The necessary restoration of sales forces, shifts to competitive conditions, shifts to smaller quantities of output due to the varied tastes and demands of the consumers for variety and diversification in types of goods—all of these matters make it impossible fully to translate wartime gains in efficiency to postwar production.⁴

4. The rise in basic hourly wage rates during the war period probably has already more than absorbed whatever rise in efficiency has occurred during the war. A study of the following table shows that while retail prices have risen less than 30 percent since 1939, straight-time hourly earnings have risen nearly twice as much. After the war our economic structure may be expected to be restored to something like the prewar structure; in the face of this fact the last item D in the table is highly relevant.⁵ It will be noted from this that if we apply our wartime basic hourly wage pattern to the prewar industrial structure, even then the wage rates show a rise substantially greater than the rise in either retail or wholesale prices. In other words, if we now follow a policy of a general wage increase in order to maintain purchasing power, this must probably press very heavily against prices and will probably lead to further inflation.

Needless to say, this analysis does not lead to any conclusion for general wage cuts, it does not argue that wages as a whole are too high; rather, the purpose is to demonstrate that wage rate increases have already exceeded price increases by a substantial margin and that any artificial forces, either through labor union pressure or governmental fiat to lift wage rates still further, must be translated chiefly into higher prices or into unemployment.

It should be said that this does not mean that wage rates may not require adjustment in the cases of individual workers and probably in the case of considerable groups. But such adjustments, including price adjustments, should be based upon specific supply and demand conditions, costs, consumer demand, and not upon some generalized theory of avoiding deflation.

Unquestionably, we will have some unemployment during reconversion and even during the replacement boom. But a rise in wages will not correct these spotty conditions.⁶

Wages and Prices, 1939-45

	1939	1945 ²	Percent- age increase, 1945 over 1939
Cost of living:			
A. National Industrial Conference Board (1923=100).....	84.5	106	25
B. U. S. Department of Labor (1935-39=100).....	99.4	127	28
Wholesale prices, U. S. Department of Labor (1926=100).....	77.1	106	36
Wages:			
A. Factory average weekly earnings:			
(i) National Industrial Conference Board.....	\$27.04	\$50.99	89
(ii) U. S. Department of Labor.....	23.14	47.51	102
B. Factory average hourly earnings:			
(i) National Industrial Conference Board.....	.72	1.10	53
(ii) U. S. Department of Labor.....	.63	1.05	67
C. Estimated straight time factory hourly earnings.....	.62	.97	56
D. Estimated straight time factory hourly earnings weighted by January 1939 employment.....	.62	.90	45

¹ All data from Department of Labor unless otherwise indicated.

² Most recent month for which data are available.

⁴ It is probable, however, that in the long run, perhaps after 5 or 10 years, the war experience will have accelerated efficiency.

⁵ This does not mean that the relationships of our prewar wage-price structure were correct; then we had several million unemployed workers and wages in some sectors of the economy were already too high relative to wages in other sectors. See Bulletins 4 and 5 in this series.

⁶ For a careful appraisal of both deflationary and inflationary force see: *Inflation and the Postwar*, Chamber of Commerce of the United States of America, 1944, and *A Formula for Avoiding a Tailspin*, by Sumner H. Slichter, *New York Times Magazine*, June 17, 1945.

II. INFLATION POTENTIAL

The probability of a postwar boom is greatly reenforced by two outstanding facts: (1) the enormous deferred demand for consumer durable goods, including new housing; and (2) the highly liquid position of American business and individuals. During the war years individuals have "saved" nearly 25 percent of their income receipts. The total "savings" from 1940 to 1944 are indicated in the accompanying tabulation:

*Income and savings, 1940-44*¹

[In billions]

	Income payments	Net savings of individuals
1940.....	\$76.2	\$7.3
1941.....	92.7	14.2
1942.....	117.3	28.8
1943.....	143.1	33.7
1944.....	156.8	39.9
Total.....	586.1	123.9

¹ National Industrial Conference Board.

It will be noted that the savings increased from over \$7 billion in 1940 to nearly \$40 billion in 1944. The total for the five years amounted to \$123.9 billion.

The word "savings" has been put in quotation marks because it does not mean what it seems to mean. Included in the figures are such things as debt repayment. Consumer credit, for example, has declined from \$10 billion in 1941 to \$5.4 billion in 1945; this may pave the way for the creation of new credit (inflationary pressures) to supplement money holdings and current income.⁷

Secretary Morgenthau has stated that 85 million persons have purchased war bonds. The labor unions, as evidence of the patriotism of the American worker, have given much publicity to the pay-roll deduction plans for buying war bonds.⁸ They have participated in the several war bond drives. American people are better supplied with money and other highly liquid assets than at any time in our history. Yet deflation is predicted if something is not done by the Government, by the War Labor Board, and other agencies to create additional purchasing power!

These savings are in numerous forms, chiefly currency, bank deposits, and war bonds. What their owners may do with their war bonds in the postwar we do not know. But the very fact that such enormous quantities of savings are kept in the form of currency and demand deposits has suggested to some people that the funds are being kept in readiness for expenditures to be made as soon as the time is propitious.

The data in the above table is supplemented by additional figures on the estimated liquid asset holdings of business and individuals in the table below. Here it will be noted that the holdings of currency, bank deposits, and Government securities have increased from \$65.9 billion in 1939 to nearly \$200 billion in 1944. The year 1945 may be expected to add another \$35 billion to this huge total. Furthermore, these figures in this table do not include debt repayment, building up of insurance and pension reserves, investment in savings and loan shares, purchase of corporate securities and the like.

⁷ Furthermore, most of the items in this table are mere claims on wealth and income, and not savings in real terms.

⁸ Some 23 million workers (27 million including armed and Federal services) are cooperating in pay-roll deduction plans, each purchasing an average of about \$20 of E bonds monthly. About 18 percent of these bonds have been redeemed.

*Estimated liquid asset holdings of business and individuals*¹

[In billions of dollars—year-end figures]

	1939	1940	1941	1942	1943	1944
Total	65.9	71.6	82.1	112.7	153.0	193.6
Currency.....	6.2	7.1	9.4	13.7	18.6	23.3
Demand deposits.....	21.3	25.1	28.3	37.2	48.3	54.7
Time deposits.....	26.3	26.9	26.9	27.7	32.0	38.9
U. S. Government securities.....	12.1	12.5	17.5	34.1	54.1	76.7
Business holdings—total	17.5	20.3	24.2	37.0	51.6	66.0
Corporations—total ²	13.0	14.9	17.5	27.0	38.1	47.1
Financial corporations—total.....	1.7	1.9	2.2	2.6	3.0	3.5
Nonfinancial corporations—total.....	11.3	13.0	15.3	24.4	35.1	43.6
Unincorporated business—total ³	4.5	5.4	6.7	10.0	13.5	18.9
Personal holdings—total	48.4	51.3	57.9	75.7	101.4	127.6
Currency.....	5.6	6.4	8.5	12.6	17.4	21.8
Demand deposits.....	8.5	9.3	11.0	14.9	19.8	23.2
Time deposits.....	25.4	26.0	26.0	26.8	31.1	38.0
U. S. Government securities.....	8.9	9.6	12.4	21.4	33.1	44.6

¹ Federal Reserve Bulletin, June 1945.² Excludes nonprofit associations.³ Currency, time deposit, and U. S. Government security holdings of unincorporated businesses include only those held for business purposes—that is, those included in the financial statements of these concerns. Other such holdings of the owners of incorporated business are included among personal holdings. In the reporting of demand deposits, "mixed" accounts from which both personal and business expenditures were made have been classified as business accounts.

More than \$90 billion have been added to our money supply since 1938.⁹ Currency in circulation outside of banks stood at \$6 billion in 1938 and the most recent figure is \$24 billion. Demand deposits (the equivalent of money) including Government owned deposits rose from \$27 billion at the end of 1938 to \$88 billion in 1944. This is an absolutely unprecedented increase in money. We do not yet know what its effect will be on our price level, but that it suggests a period of deflation can scarcely be argued. If deflation comes, it will not be because of an over-all lack of means to make demands effective.

It is quite probable that the great increase in liquidity will reverse the "propensity to hoard" psychology of the 1930's which had such a baneful effect on economic activity. Many persons, having failed to overcome their psychology of depression, are projecting the depression conditions into the postwar, although the position of the capital goods and the consumer durable goods industries,¹⁰ and the liquidity position of individuals, differs so greatly now from the situation of the 1930's.

The Department of Commerce recently published the results of a comprehensive survey of planned capital outlays among manufacturers in the year following VE-day, stating this conclusion: "Manufacturing firms are planning large outlays for plant, equipment, and alterations over the next 12 months. The total of approximately 4.5 billion dollars is nearly 3 times the 1937 to 1940 average and more than half again as large as in 1929."¹¹ The public utility industries have planned another billion dollars of immediate expenditures. Others might be mentioned.

A rising price level (inflation) may bring temporary prosperity. What the long-run relation between our price level and this enormous volume of liquid savings may be, we cannot determine. But there has existed a fairly definite long-run relationship in the past which is revealing. For some 40 years or more our national income (in dollars) has tended to be about three times our combined currency in circulation and demand deposits. In the 1920's, we had about \$3 of national income for each dollar of currency and demand deposits. In 1944, the figure was about \$1.50.

⁹ Data in this paragraph cover a somewhat broader base than the figures in the above table, which table deals with holdings of business and individuals.¹⁰ This is, great shortages have accumulated.¹¹ Report by D. S. Wilson, Survey of Current Business, June 1945.

The velocity of money turn-over (rate of use of money) has been low during the war. Should the predepression velocity be restored, prices certainly could go through the roof. That is, the high money velocity plus the enormous quantity of it in the hands of people might readily push, through general price rises, our national income to \$200 billion or a figure substantially above that. This would, of course, mean substantial inflation, not prewar dollars or even wartime dollars. Again, the conclusion follows: The dangers we face in the near future are more likely to be of an inflationary nature rather than deflationary.

Years ago economists thought they detected a fairly close long-run relation between the amount of money in use and the general price level. This was given the name of the "quantity theory of money." Today we seem to be victims of a kind of "quantity theory in reverse." That is, in spite of this perfectly enormous expansion in money, we still hear dire voices of deflation. More purchasing power and still more purchasing power must be created!

III. INFLATION POLICY?

In spite of this situation the War Labor Board has endorsed the idea of raising basic wage rates for the postwar. At the same time, other governmental bureaus in Washington have admitted that these wage increases will have to be followed by price increases, and many price increases have been allowed after wages were raised—coal, steel, etc. Obviously, wage increases offset by equal price increases cannot increase purchasing power.

On June 21, 1945, the OPA officially explained that price increases "may be necessary" to the extent that wage increases recently approved by the War Labor Board change industry's costs. Shifts in wages and prices are desirable to stimulate production and reallocate employment, but what we may be faced with is widespread general increases, and each such increase stimulates demands for increases elsewhere. Every rise in prices affects costs in nearly every other sector of the economy.

Thus it is accurate to state that our Federal Government is today following a policy the consequence of which is to depreciate the dollar. There can be no other interpretation. The Defense bonds bought in the early part of the war have already lost approximately one-quarter of their purchasing power. If the current drive for the higher wages and consequent higher prices continues, these bonds will shrink still further in buying power. Thus there is a process going on in Washington which must lead to a partial repudiation of the Federal debt, and this may explain in part the difficulties in attaining the series E and F quotas set for the several war-loan drives as well as the unduly high rate of bond redemptions.

Furthermore, wage increases granted by the War Labor Board must greatly intensify the price-holding problems of the OPA. Should the demand for 20-percent increase in basic wage rates across the board (or even half that figure) be granted in the next months, as reconversion takes place, this would multiply by many hundred percent the requests (now 17,000 per month) for price increases and conceivably could break down completely the machinery of the OPA for handling such a volume of adjustments.

Delay in adjusting prices to cover rising costs may greatly thwart reconversion and slow down the highly important and prompt reemployment of released workers. Thus, a mishandling of the wage and price problem during the transition may bring about a deflation and unemployment, although this what all of us have tried to plan against.

IV. NEEDED: AN ADJUSTED ECONOMIC STRUCTURE

Prosperity and employment have always depended on the effective adjustments within the economy. Full employment of resources under competition effectively creates all the necessary purchasing power to buy back the product of the mine, the field, and the factory.

The following propositions, stated categorically for the sake of brevity, bring into focus these issues:

1. In a private business economy, purchasing power is the result of production to a far greater extent than it is the cause of production, in terms of the problem of incentives to maintain production and employment.

2. The primary problem is to adjust, through free market operations, the costs and prices so that profit expectations will be maintained. If so, these expectations will put men to work and, as a consequence, purchasing power will be created. Some prices and wages may be too low; others too high. But political readjustment may mean more maladjustment.

3. The three following propositions suggest that purchasing power plays quite different role in the economy than is commonly supposed:

(a) A careful study of depressions shows that the decline in new investment ¹² takes place while aggregate demand and purchasing power are still increasing.

(b) Depressions (this is what some fear in the transition) follow periods when purchasing power has been at its peak.

(c) Recovery (as in late 1921 or in 1933-35) takes place when purchasing power is at its minimum.

4. Points (a), (b), and (c) deserve the most careful analysis because they seem to demonstrate that a deficiency of consumer purchasing power is not the cause of unemployment and depression in any fundamental sense. (To be sure, once contraction takes place, incomes evaporate and the process becomes cumulative. But even then a rise in wage rates would not be helpful; effective application of fiscal policy might mitigate the contraction tendencies.)

5. Since productivity increases only about 2.0 percent per year, any more rapid increase in wages (costs) than this figure must either (1) raise prices (inflation) or (2) destroy jobs (unemployment) through the destruction of profit expectations.

6. Moreover, the income of every person is a cost to someone else. Therefore, every wage increase, even though it raises purchasing power for the immediate beneficiary, destroys purchasing power for someone else. Thus, artificially raising prices or wages may merely constitute a transfer of purchasing power from A to B, without any net increase. Such shifts set in motion a spiral of inflationary demands by the various groups while the quantity of goods lags behind.

7. In the transition and at the war's end, we will have enormous readjustment problems—getting manpower out of specific industries, plants, and areas, and transferring it elsewhere. A flexible system of wages (and prices) is absolutely indispensable if we are to be able to provide the proper incentives to facilitate this transfer and readjustment. General wage increases would not help this problem.

8. As reconversion takes place, the tendency toward an aggregate decline in buying power will be offset in part by three factors: (1) Pay-roll deductions for bond purchases will decline; (2) income-tax payments will decline proportionately more than income as incomes fall; (3) soldiers receiving only \$50 cash per month will have higher earnings when reemployed.

9. The factors mentioned in 8 above, plus the widely publicized deferred demand and the existence of billions of liquid "savings," are more likely to lead to excessive purchasing power, rather than to the reverse.

V. CONCLUSION

The transition, as the word itself implies, will be a period of change, readjustment, and new alinement. A total war economy is poorly adapted to conditions of peace. It would be a fatal mistake to freeze wages, prices, or costs.

Such freezing would be the most certain way to thwart high levels of productive employment in the transition. On the other hand, artificial forces based on some generalized theory of inflation or deflation would be an equally unsatisfactory guide. The safest guide is the restoration of the incentives to produce by reestablishing the expectation of profits.

Not high profits or low profits, but the reestablishment of the expectation of profits, should be the great engine for restoring productive employment. Competition must be preserved to prevent needlessly high prices or profits. The problem in the transition, in any case, is much more likely to be excessive demand rather than a deficiency of demand.

A hesitant and indecisive reconversion policy, the wrong price and wage policies, and unsettled industrial relations during the transition could bring about serious deflation and unemployment. If we handle all of these problems with statesman-like skill, we should be headed for high levels of prosperity and employment for some years to come. Lack of the means to make consumer demands effective, it appears, will not be a stumbling block.

The CHAIRMAN. We are happy to have the statement of the Honorable Walter E. Edge, Governor of the State of New Jersey, which

¹² Unemployment is heavily associated with and concentrated in the durable goods industries.

is presented by Mr. Frank T. Judge, acting executive director, Unemployment Compensation Commission of New Jersey, Trenton, N. J. The statement is as follows:

STATEMENT OF HON. WALTER E. EDGE, GOVERNOR OF THE STATE OF NEW JERSEY

Chapter 192 of the 1943 New Jersey Statutes, effective April 13, 1943, established a State Commission on Postwar Economic Welfare. The statute provides among other things that, "The commission is charged with the duty of devising plans whereby the State of New Jersey may guard against or forestall the economic effects of any depression which may follow the present period of increased industrial and business activity," and directs the formulation of a New Jersey program for the postwar period.

Following a directive from Gov. Walter E. Edge that the State commission on postwar economic welfare give its attention and study to the necessity for broadening the benefit and coverage provisions of the New Jersey unemployment compensation law, the State commission held many public hearings at which the views of labor, business, industry, and many other groups were obtained with respect to the unemployment compensation law. After obtaining the views of these interested groups, the State commission, following months of meetings and discussions with its staff agency, Princeton surveys, headed by Dr. John F. Sly, professor of politics, Princeton University, recommended to the New Jersey Legislature amendments to the New Jersey unemployment compensation law increasing maximum unemployment compensation benefits from \$18 for 18 weeks to \$22 for 26 weeks, and increasing the minimum benefits from \$7 a week for 6 weeks to \$9 a week for 10 weeks, thus placing New Jersey in second position in the Nation in payment of maximum total benefits and in the very top position (with four other States) in duration. The State commission also recommended that coverage under the unemployment compensation law of New Jersey be broadened to cover firms employing four or more workers in lieu of the eight or more as the law at that time provided, retaining the provision in the law permitting firms with fewer than four or more employees to elect coverage for their workers. The State commission also recommended that the law be amended to provide coverage for maritime workers:

The New Jersey Legislature acted on these recommendations and amended the New Jersey unemployment compensation law accordingly. Gov. Walter E. Edge promptly signed the bills enacting them into law.

It is the feeling of Governor Edge that these amendments reflecting the recommendations of the New Jersey State Commission on Postwar Economic Welfare and adopted by the New Jersey Legislature, cover a program of extended unemployment compensation benefits that meets the needs of New Jersey.

It would seem that the New Jersey unemployment-compensation law, as amended, substantially meets the ends which S. 1274 seeks to accomplish, with the exception of benefits to Federal civilian employees and to workers engaged in occupations not covered under State laws.

With respect to benefits to Federal civilian employees, Governor Edge sees no objection to this provision. However, he does feel that, if such a provision is adopted, the payment of benefits to Federal civilian employees should be under the benefit provisions of the unemployment-compensation law of the State to which the Federal civilian employee returns and claims benefits rather than under the District of Columbia law.

The CHAIRMAN. Very well, gentlemen, we will take a recess until 2:30.

(Whereupon, at 1:20 p. m., a recess was taken until 2:30 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2:30 p. m.)

The CHAIRMAN. The committee will come to order.

Mr. Isseiman.

Is Mr. Isserman in the room?

(No response.)

The CHAIRMAN. He was here this morning. Mr. Layton. I understand that Mr. Williams is ahead of Mr. Layton, but Mr. Williams is willing for you, Mr. Layton, to come forward at this time. Mr. Layton.

**STATEMENT OF CALEB R. LAYTON, OFFICE OF ATTORNEY
GENERAL OF DELAWARE**

Mr. LAYTON. Mr. Chairman, I was asked on behalf of the Governor of Delaware, Governor Bacon, to present a very short prepared statement in opposition to this present measure which is under consideration.

I think it makes very little difference whether I read it into the record or present it. It would take about 2 minutes to read.

The CHAIRMAN. You may read it, if you wish.

Mr. LAYTON. I think perhaps it would be better if I present it for the record.

The CHAIRMAN. You may present it for the record. It will go into the record of today.

Mr. LAYTON. Thank you.

(Statement of Hon. Walter W. Bacon, Governor of the State of Delaware, presented by Caleb R. Layton 3d, counsel, Delaware Unemployment Compensation Commission, is as follows:)

STATEMENT OF HON. WALTER W. BACON, GOVERNOR OF THE STATE OF DELAWARE

It is my considered judgment that Federal action is not necessary to insure adequate unemployment-compensation payments to workers unemployed during the reconversion period. I believe that the individual State governments are able to meet the needs of their respective communities in such manner as to avoid hardship and yet provide encouragement for unemployed workers to take jobs.

In 1941, there was a 2-week waiting period for benefit claimants and the benefit maximum was \$15 for 13 weeks, limited to one-sixth of base-period earnings. After three successive legislative advances, there is now only a 1-week waiting period and the maximum is \$18 for 22 weeks, limited to one-fourth of base-period earnings. The minimum weekly benefit amount has been increased from \$5 to \$7. A similar pattern has been followed in most other States.

During this same period, the reserve fund has been increased from \$5,250,000 to \$14,600,000. This means that this fund could pay maximum benefits to 47 percent of the 85,000 workers under its coverage the first of this year. There is no indication that our reconversion unemployment will run that high.

Should the Congress adopt the \$25 maximum figure mentioned in the bill, they would put every State under great pressure to adopt this rate on a permanent basis, regardless of whether the economic pattern of the State could stand such a change or whether there was a real need for such a high benefit rate. For a \$25 weekly benefit, which is completely "take-home" wages, would closely approximate regular wages of \$35, less taxes and certain operating expenses which are always higher if an individual is at work.

As to certain other areas of the bill, such as broadening of coverage to include agricultural and domestic workers, and reduction of coverage under the Federal Unemployment Tax Act to employers of one or more, I believe the suggestions warrant serious consideration but should not be considered as part of "emergency" legislation. As to persons in Federal employment, particularly those in industrial establishments of the Federal Government such as arsenals and navy yards, I believe they should be covered under the unemployment compensation laws of the individual States in which they work.

On the question of paying transportation allowances to war workers, I have seen no figures indicating that there is an acute need. Should it be demonstrated that thousands of workers are stranded in "foreign" communities and are without the wherewithal to proceed to other jobs or to return to their homes, there might be

some basis for governmental action. If this be the case, the State unemployment-compensation agency is prepared to cooperate in administering any such provisions.

In conclusion, I should like merely to comment that billions of dollars have been amassed by the States in the Federal unemployment trust fund. All the States have continuously and conscientiously studied their responsibilities to their workers and have progressively broadened their benefits. And under last year's George bill the solvency of the individual State funds is now guaranteed. Accordingly, I believe the soundest policy would be to permit the States to move forward to meet the problems for which they have been preparing themselves for many years. I believe the time for any Federal assistance would come when and if State systems are demonstrated to be inadequate to meet community needs. I am confident that this will not occur.

The CHAIRMAN. Mr. Claude A. Williams.

Have a seat, Mr. Williams.

Mr. Williams, you are appearing on behalf of the Texas Unemployment Compensation Commission?

STATEMENT OF CLAUDE A. WILLIAMS, TEXAS UNEMPLOYMENT COMPENSATION COMMISSION

Mr. WILLIAMS. Yes. I am chairman and executive director of the Texas Unemployment Compensation Commission. I have handed in my resignation, effective October 1, but the views that I express here will be the views of the majority of the commission as it is presently constituted.

Mr. Chairman, when the bill pending before your committee was introduced and I had occasion to examine it, I was reminded of a story. The father was sitting down with his little son on his lap. The phone rang and the father went to the telephone. When he came back, the little boy said to his father, "Daddy, where does your lap go when you stand up?" The father replied, "It retires to the rear and shows up under an assumed name."

And so it is with this legislation. It is the same legislation, the same provisions, the same conspiracy that existed in the original bill introduced in 1942, which later became known as the war displacement benefit bill. It is just like the lap—it pops up every year under an assumed name.

Sometimes it is "human demobilization." Sometimes it is "intermediate benefits"; "reconversion benefits;" and so on.

The principles involved in the legislation before this committee are the same principles that have been involved in various bills that have been presented to Congress from year to year. The first one that was presented was the war displacement benefit bill, which was the subject of hearings before the House Ways and Means Committee. It was not brought over to the Senate.

When that bill was presented, Mr. McNutt, Federal Security Administrator; Sidney Hillman, Director of Labor Procurement in the War Production Board; Mayor LaGuardia, and an array of others predicted that there would be "catastrophic unemployment" when the industries of this Nation shut down, and began retooling and converting from peacetime to wartime production.

Great suffering on the part of the workingman was predicted because the State unemployment compensation systems did not provide "benefits equal to the pay of the displaced worker."

An appropriation was demanded at first in the amount of \$600,000,000—later reduced to \$300,000,000—to add to State unemployment compensation benefits so as to have them equal the pay of the workers being displaced.

As a compromise, proponents of this legislation reduced the weekly benefit amount down to at first \$35 a week, and then \$25 a week for 26 weeks. The legislation under consideration, would, through a Federal subsidy, provide a maximum of \$25 a week for 26 weeks to all unemployed persons entitled to the maximum amount under State laws.

I don't know whether this committee understands it, but I would like to make it clear to you that the enactment of this legislation would require a session of the legislatures of all of the States because none of the States have the authority to administer these supplementary benefits.

There are 40 States that have the following provision in their State laws—not in these actual words, but substantially——

The CHAIRMAN. How many?

Mr. WILLIAMS. Forty.

An individual shall be disqualified for benefits if he is receiving or has received remuneration in the form of—

Old-age benefits under title II of the Social Security Act, as amended, or similar payments under any Act of Congress, or a State legislature, or employer pension plan: *Provided*, That if such remuneration is less than the benefits which would otherwise be due under this Act, he shall be entitled to receive for such benefit. If otherwise eligible, benefits reduced by the amount of such remuneration.

What that means is this: If you pass a supplementary Federal unemployment compensation benefit, whatever amount you provide for, we would have to deduct from the amount we provide in our State laws.

In other words, if we are going to pay \$18 a week in Texas and you pay \$7, we deduct that \$7 from the \$18 and pay \$11. Then under the terms of the proposed legislation the Federal subsidy would be increased another \$7 a week, and the State benefits decreased \$7 a week, until finally the Federal Government would be paying the full amount and, under the laws in 40 States, the State would be paying nothing. The Federal Government would be paying the full amount of \$25 a week, and the States paying nothing.

I assumed you gentlemen understood that it would be necessary for every State legislature to meet and pass enabling legislation. We State administrators are not as fortunate as the Federal agencies. We have to get authority from the legislatures. In order to participate in this, we would have to have a special session of the legislature. I don't know whether my governor would call a special session. If he did, I don't know whether the legislature would be willing to permit us to participate.

The provisions of this bill were presented to the legislature. Hearings were held. We recommended an increase in the benefits. We did everything we could to increase the payments. We came out with an increase of from \$15 a week for 16 weeks to \$18 a week for 18 weeks.

If there is an emergency involved I do not believe that the legislatures of the States could get together in time to enact the

necessary enabling legislation to take care of the emergency situation that might arise, assuming that there is an emergency with reference to the unemployment-compensation program.

Now, I don't ask you to take my word for what I say. This question arose on the war displacement benefit bill in 1942, and I submitted the question to the attorney general of my State, the State of Texas, and he ruled that we would not be permitted to participate—would have to deduct any supplemental benefits from those paid by the State. I would like to have that opinion incorporated in the record. It is on pages 145–147 in the hearings before the House Ways and Means Committee on the war displacement benefit bill.

Senator VANDENBERG. That doesn't prove that the same interpretation would apply to comparable language in other State laws, does it? It may raise the implication, but I assume your language in the Texas law is different from the language in these other laws.

Mr. WILLIAMS. No, sir. The language in the other laws is substantially the same. The other States' language is more restrictive.

The CHAIRMAN. At least, you, as chairman of the compensation commission, wouldn't be authorized to enter into this contract and accept the benefits?

Mr. WILLIAMS. Not without a specific enactment of the Texas Legislature. I think you will find the other State administrators will say that the same is true of their States.

There are 40 States. I didn't make a tabulation of them.

Senator VANDENBERG. What happens under the bill if you don't make an agreement? The Federal Government administers it anyway?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. The Federal Government comes in and takes over and administers it?

Mr. WILLIAMS. Yes. They take over and administer the supplemental benefits; although I don't think they could administer them. In the first place, where would they get their wage records? They don't have any. They couldn't use the Federal records. They are 6 months behind in their bookkeeping. I don't believe that the Federal Government could administer it.

Senator VANDENBERG. Why couldn't they use your records?

Mr. WILLIAMS. I don't know how they could use them. It would be difficult to have two organizations trying to use the same records.

Senator VANDENBERG. There is nothing in your law that denies the use of the records?

Mr. WILLIAMS. No; I think we would be authorized to let them use our records, but it would be a rather difficult administrative problem to have them in there using the records.

Senator LUCAS. If the State legislature wouldn't accept the money, and didn't want anything to do with the so-called Federal contribution that we are making under the bill, the chances are that they wouldn't be so cooperative in making available the use of their records in the State of Texas.

Mr. WILLIAMS. Yes, I expect that would be the case.

Senator McMAHON. Even though there would be that administrative difficulty, I understand you would, under the terms of your

presently existing law, have to deduct the amount paid by the State?

Mr. WILLIAMS. That is right. We would make the deduction, with the result that the Federal Government would pay the entire bill.

Senator VANDENBERG. The worker would get no more?

Mr. WILLIAMS. That is right. In other words, we deduct whatever you pay.

Senator VANDENBERG. Yes.

Mr. WILLIAMS. The worker wouldn't come out with any more.

Senator LUCAS. You say there are 40 States that have this provision?

Mr. WILLIAMS. Yes.

Senator LUCAS. Have you made a careful check on that?

Mr. WILLIAMS. Yes, sir.

Senator VANDENBERG. Tell me, do you know the eight States in which that does not apply?

Mr. WILLIAMS. No, sir; I cannot. I got this from the Commercial Clearing House reports that I had in Texas. I didn't make a list of them.

Senator VANDENBERG. Do you remember where Illinois stands in that?

Mr. WILLIAMS. I am sure Illinois has that provision in the law.

Senator VANDENBERG. Now, I will ask about Michigan.

Mr. WILLIAMS. Yes, Michigan does.

Mr. JACOBSTEIN. I checked with the Social Security Board on that question and they said, substantially, that most States do have this provision.

They do not agree with the interpretation just placed on the law.

The difference of opinion is as to whether under the general authority of State law the commissioners could enter into an agreement with the Federal Government without a special act of the legislatures. That is where the difficulty of opinion rests.

The witness says that his interpretation is, and that the attorney general's interpretation is that a special act of the legislature would be required. The Social Security people tell me that no such permission would be required.

Senator LUCAS. But there is a difference of opinion on that question.

Mr. JACOBSTEIN. Yes.

Senator LUCAS. The further we go, the more complicated it gets.

Mr. WILLIAMS. Yes, sir. I think the committee should vote to table the pending legislation and leave it alone. It has some complications attached to it that you would never be able to overcome. I don't believe there is any need for it to begin with. With the present benefit schedules under the State law, with 80 percent of these workers going to draw \$25 a week for 20 weeks, I don't see the necessity for the legislation in the first place.

Senator LUCAS. You are making an argument for the——

Mr. WILLIAMS. No, sir; I am not looking for an argument.

Senator LUCAS. Neither am I. I say you are making an argument for the complete federalization.

Senator BREWSTER. You don't agree to that, do you?

Mr. WILLIAMS. No; I don't agree to that. I don't think there is any necessity for complete federalization. I think that the States

have provided all that is necessary to be provided to take care of this situation. I believe that the benefits that the displaced war workers will draw are adequate for them to not be under any hardship. Secondly, I think the scale of benefits will fit into the postwar economy.

The State benefits now are almost to the danger point. We are up high enough now where they are likely to induce idleness rather than reconversion. If we get them any higher, I don't think there is any question but what you will retard these people going back to peacetime occupations and the job opportunities available to them.

Senator LUCAS. They can't get the money if they refuse a job, can they?

Mr. WILLIAMS. I would like to talk on that point for a moment or two, if I may.

In the first place, I think, as a predicate for that, I should read to you the provision in the Texas law, which is contained in almost every law, the identical language, relative to suitable employment. Almost every law has this identical language. There may be a slight variance, but it is substantially the same.

In determining whether or not any work is suitable for an individual, the commission shall consider the degree of risk involved to his health, safety, and morals, his physical fitness, prior training, his experience and prior earnings, length of unemployment and prospects for securing work in his customary occupation, and the distance of available work to his residence.

That is the definition of suitable employment in the Texas law, and in all the other laws it is substantially the same.

Senator LUCAS. That is a little complicated too.

Mr. WILLIAMS. Yes, it is.

Now, assume that you say, "We are not going to pay you benefits because you refused suitable employment," and we use this as a definition for suitable employment.

Now, that doesn't mean, in every State that they are going to take all their benefits away from them. I think Mr. Altmeyer left the inference that we take their benefits away from them. That isn't so.

You assess a penalty against them. That penalty may be, in some States, a cancellation of a part of their benefit rights. In other States it may be a mere suspension. At the end of that time they can come in and reapply and draw unemployment compensation.

But you run into this difficulty. About one trip down to the office, being denied benefits because they refused suitable employment, educates these claimants, not only educates that single one, but his friends, so that the next time they come in they have the right answer and you can't disqualify them.

If you refer them to a job and they don't like it, they can make themselves so obnoxious that the employer wouldn't hire them, and so they can come back and say that the employer wouldn't hire them, and therefore has complied with your requirements. That thing happens. It happens every day. Policing this program through this suitable work clause is not near as effective as it sounds in theory.

In practice it is a difficult thing to do.

Along that line, I would like to cover in a little more detail what my colleague, Mr. Rector, this morning didn't quite cover, or, as fully,

perhaps as you would like. That is with reference to the procedure in paying these claims.

Now, we have local offices scattered over the United States. Those local offices are combination offices. In those offices are located the representatives of the unemployment compensation commissions and representatives of the Employment Service, the United States Employment Service.

The State representatives are under State control. The Employment Service personnel are under Federal Government control.

When they come into the offices, the first thing they are required to do under the State law is to register for employment with an employment office. The only employment offices in the United States are those operated by the Federal Government. So he registers for work with the United States Employment Service. There the United States Employment Service takes his work history.

Based upon that work history, they determine whether or not the job opportunities are suitable job openings to which this individual should be referred. They make that determination, not based on any Texas law, but based on what that official in his opinion thinks is suitable employment.

So we have the Federal agency determining, first, whether the applicant should be referred to a job or not. After he is referred to the job and he refuses the job, we are notified that he has been referred to a job and that he has refused to take it. At least we are supposed to be notified, although we haven't been in all cases.

Mr. Rector referred this morning to the 3,000 cases in Wisconsin.

Senator LUCAS. You haven't had that in Texas?

Mr. WILLIAMS. Well, in the first place, we haven't had 3,000 claims in Texas yet. We expect to have them. The jobs in Texas still far exceed the people applying for jobs.

Now, based on this information that the Federal Employment Service sends to us, we make a further determination, or review their decision, to determine whether he has refused suitable employment. Sometimes we agree with them, and sometimes we overrule them. But it makes for a multiplicity of work. It is a duplication. What should happen is that the Employment Service ought to be returned to the States right now so that this function of registering for work and making a claim can be integrated and consummated in one transaction with one Government agency and not two.

It can be handled by the same individual; so when he comes in he goes to one place. He files an application for work. He files an application for unemployment compensation. It is under the jurisdiction and control of the State. The agency then interprets its State law to determine whether or not there is a suitable job opportunity for that claimant.

Under such a set-up we can get the individual to the job quicker. We can get his check to him quicker. We avoid confusion.

I don't believe there is a single thing the Congress could do that would do more to rehabilitate these people than to pass a law now to require the return of the Employment Service to the States. No single action that you could take would bring about a speedier rehabilitation of the workers.

We have had it up with the President. The executive committee of the Governors' conference went over there 2 weeks ago, and asked him for the return and he refused to return them. In the War Manpower Commission appropriation Senator Saltonstall put on a rider that it must be returned 90 days after VJ-day. We think that is too long a time. We will be in such a state of confusion at that time that it will be impossible for us to take them over. We need it now, so that we can train the personnel, teach them what this "suitable" provision in this law means, and just how to handle this transaction. We can't do it at the peak of our claim load. It is an impossibility.

I certainly urge that you gentlemen consider requiring that the Employment Service be returned to the States immediately.

One of you gentlemen asked, "Why don't you tell the Federal Government to go to the dickens, and open your own employment service?" Well, the reason is that the administrative funds for the operation of the Employment Service and the unemployment compensation commission are derived from a tax on the employers. It is three-tenths of 1 percent of their pay roll. That tax comes up to Washington. It is in turn granted back to the States, with a lot of strings attached to it; so that we can't operate an employment service because we don't have the funds to run it. We haven't levied a tax in our State to run an employment service.

Senator LUCAS. No. You are operating under the Federal law.

Mr. WILLIAMS. That is right.

If it were returned, we would have the funds granted by the Federal Government.

The Postwar Economic Policy and Planning Committee recognized this fact when they set up the excess in a loan fund so that if any State fund became insolvent, it could borrow from it. Of course, none of them are going to become insolvent. No one will predict that we are going to go broke. We have plenty of money to pay the benefits. This three-tenths of 1 percent tax has provided revenue of \$625,000,000 in excess of the amount granted to the States for administrative purposes.

Senator MILLIKIN. How much is your unemployment compensation fund now?

Mr. WILLIAMS: One-hundred-fifty-four-million-nine-hundred-some-odd-thousand dollars, and we are collecting the third quarter contributions now. It will probably be in the neighborhood of 156 million by the time those collections are in.

Senator MILLIKIN. What is your general surplus?

Mr. WILLIAMS. Well, about \$10,000,000 in our general fund, about 160 million in the highway fund, and a lot of surpluses in a lot of other funds. I judge we run in the neighborhood of 175 million exclusive of unemployment compensation.

Senator MILLIKIN. As far as Texas is concerned, it is in position to run any type of employment service it cares to out of its own strength?

Mr. WILLIAMS. Yes, we could, but I don't believe we would want to, since we have paid the money in here to run one, I don't believe that we would turn around and want to tax over again to do it.

Now, after the things that I have outlined to you take place, and we determine whether or not we shall penalize this fellow because he refused to take suitable employment, assuming that this law is in effect, and we do cancel some of his benefit payments, and say, "You refused a suitable job," in that case under our law, and under the law of many other States, we have a right to cancel a part of his

benefits. We have the right to cancel anywhere from one to four benefit periods. That means from 2 to 8 weeks.

Say we cancel 8 weeks unemployment benefits. Under the terms of this law, it would simply mean that the Federal Government would pay those 8 weeks of unemployment compensation that we canceled, because the law provides that he is going to draw these benefits until he has drawn 26 times his weekly amount.

So it would be to our advantage to be a little more stringent with our disqualifications and disqualify them all, all we could under the law, and let the Federal Government pick up and pay the bill.

Actually your bill is not going to eliminate the disqualifications. It eliminates them as far as the States are concerned, but it transfers the burden of paying the benefit for the period in which the disqualification is invoked on the Federal Government.

Senator VANDENBERG. It puts a premium on disqualification.

Mr. WILLIAMS. Yes; it certainly does.

Many of these war workers have migrated from low-wage States, migrated from industries and occupations that are low wage, and they have gone into high wages. Their only chance for being reemployed is in that occupation that they left.

Now, what are the wages in those occupations that they are going to go back to?

The Bureau of Labor Statistics of the Department of Labor published a schedule showing the average wages by industry in the United States. I shall not review them all, but only a few occupations that I know about, and to which these people are going back.

These average wages are before any deductions, before withholding tax or social-security deductions, or anything of that kind.

In the cotton-manufacturing industry the average wage is \$27.70; \$27.70 a week. In the silk and rayon manufacturing industry it is \$29.83. In the brick and tile manufacturing industry, \$35.90. Furniture manufacturing, \$37.80. Tobacco manufacturing, \$31.22. The retail industry, \$27.69.

Senator VANDENBERG. Is that over all of the United States?

Mr. WILLIAMS. Yes, sir.

Now, when you make the deductions for the social-security tax, the withholding tax, the cost of transportation to and from work, and lunches, the \$25 weekly amount as provided in this bill is going to exceed the take-home wages of these wage earners when they go into peacetime industry.

I say that we cannot afford to set up that kind of a system of unemployment compensation. The Postwar Economic Policy and Planning Committee recognized that in their report last year, and stated—I shan't bother to quote, but substantially this—that there must be a wide variance between the unemployment benefits and the take-home wage of the worker, otherwise the incentive is lost.

Senator MILLIKIN. I have before me a tabulation which indicates the average weekly wage in Texas is \$38.45.

Mr. WILLIAMS. That is correct. Incidentally, I furnished that schedule there, showing the percent of workers in the States, the average weekly wage, the maximum benefit amount, and the maximum duration of benefits.

Senator MILLIKIN. These figures are as of what year?

Mr. WILLIAMS. Effective July 2 this year.

Senator MILLIKIN. What was the average weekly wage in 1939?

Mr. WILLIAMS. Twenty-nine-dollars-some-odd cents.

Senator MILLIKIN. Roughly speaking, you will go back to that average of 1939?

Mr. WILLIAMS. Yes, sir.

Senator BREWSTER. What do you mean by the percent of covered workers?

Mr. WILLIAMS. The percent of covered workers is the percent as it bears to the total number of workers covered under the unemployment compensation laws of all States.

Senator BREWSTER. Their percentage of the national total?

Mr. WILLIAMS. Yes, sir. That is their percentage of the national total.

You will find there 23 or 24 States whose maximum benefit amount now equals or exceeds 50 percent of the average wages of covered employees in the respective States. Most of them are around 47 or 48 percent of the average wage.

Senator MILLIKIN. I notice Michigan is 51 percent. Connecticut has a high percent, 56. Alabama, 59 percent. South Carolina has 77 percent.

Mr. WILLIAMS. That is correct.

Senator VANDENBERG. Seventy-seven percent of what?

Senator MILLIKIN. The covered wage. The maximum benefit in relation to average weekly wage.

Senator BREWSTER. When you speak of percent, is there any implication that there is some aspect of coinsurance here between the worker and the employer, that he was supposed to look after one-half of his unemployment and the employer look after the other half?

Mr. WILLIAMS. That has been the underlying philosophy throughout the program. The schedule of benefits provided that 50 percent of one's earnings while employed was a fair amount to pay while he was unemployed.

Incidentally it has been pointed out that this bill does not help the low-wage earner, but it helps the high-wage earner exclusively.

Now, I would like to touch on the proposition of extending coverage.

The CHAIRMAN. It helps the low-wage earner in the extension of coverage period.

Mr. WILLIAMS. Yes; but not in the weekly benefit amount.

I would like to touch on one other technical phase.

The question was raised by Senator Byrd the other day relative to whether or not an individual could draw more than one spell of 26 weeks of unemployment compensation during a 2-year period, and the testimony was to the effect that they could not. That is erroneous.

Under this, under our present laws, a claimant can draw two spells of unemployment compensation on his base period wages.

Now, let me be specific.

We have two types of State laws. One is a variable law, with the benefit year beginning with the date that the claimant files his claim, and it runs from the date he files it until the end of that year. The other is a fixed-year period beginning with a specific day in a month.

For instance, if it is April 1. It runs to March 30 of the following year.

Now, in order to compute the benefits that these workers are entitled to in the variable year States, you take the first four out of the

last five completed calendar quarters and on the basis of those wages you determine the amount and the duration of benefits he is entitled to during that benefit year. That leaves a lag quarter of wages that have not been used to compute or pay benefit.

So that after you have taken the first four out of five and he has exhausted those benefits, then during his next benefit year, he picks up this lag quarter and that would qualify him, at least for the minimum, and it may qualify him, due to the high wages in the war industries, to the maximum amount, but not for the maximum duration.

So under this law, you would come along and pick him up and carry him in the second benefit year for a full 26 weeks. Thus, under the provisions of this bill, a claimant would be entitled to draw unemployment compensation during a 2-year period for two 26-week periods.

I hope I have made that clear. It is a little technical, but that is the effect of the law.

Senator LUCAS. Does the fellow in the variable States obtain a full contribution from the State in those two periods too?

Mr. WILLIAMS. No.

Senator LUCAS. At the present time?

Mr. WILLIAMS. No. Maybe I misunderstood you.

Senator LUCAS. In the example you gave where the man picked up, say, in the middle of the quarter, started getting his compensation, then after that period was over, the next year he could pick up again.

Mr. WILLIAMS. That is right.

Senator LUCAS. But you say under this bill he could draw two 26-week payments?

Mr. WILLIAMS. That is right.

Senator LUCAS. Could he draw that same amount in the State of Arizona, say?

Mr. WILLIAMS. No.

Senator LUCAS. Your State limits him, while this would give him the full amount?

Mr. WILLIAMS. Let me explain that. Where a man worked for five calendar quarters, the first four entitles him to the benefit amount for the maximum duration. That would be 26 weeks. The last quarter, or the lag quarter; that is, the fifth quarter, he only earned \$80. That would entitle him to two.

The CHAIRMAN. You confuse me by talking about the fifth quarter.

Mr. WILLIAMS. You compute your benefits on the basis of the wages earned in the first four of the last five calendar quarters. The fifth calendar quarter is not used to compute benefits. So that leaves a lag quarter. When he has exhausted his benefits on the basis of the first four, he has a right to draw benefits on the wages earned in the fifth quarter.

The CHAIRMAN. You lap it over the calendar year?

Mr. WILLIAMS. Yes. If you had \$80 in that quarter, that would entitle him to two \$5 payments. The Federal Government would pick up then and pay him for 22 more weeks.

Senator BREWSTER. Twenty-four more weeks.

Mr. WILLIAMS. Yes, sir; 24 weeks.

Senator BREWSTER. Suppose after he draws on the basis of a fifth quarter 24 weeks, and went to work, how long would he have to work again after the end of that period to draw again 26 weeks?

Mr. WILLIAMS. Long enough for the wages under the formula to give him the maximum amount for the maximum duration again.

Senator BREWSTER. Do you interpret the bill to mean that the unemployed worker would get substantially 26 weeks unemployment benefits over any 12 months period?

Mr. WILLIAMS. He would get 26 weeks, yes.

Senator BREWSTER. In each successive 12 months period?

Mr. WILLIAMS. He would be entitled to draw 26 weeks in each year.

Senator BREWSTER. In each year regardless of calendar?

Mr. WILLIAMS. That is right. In a variable year now.

Senator BREWSTER. You disregard the calendar as a matter of fact?

Mr. WILLIAMS. No, not in the States that have a fixed year from April 1 to March 30. The wages that are used to compute the benefits paid—let me get it clear. On April 1 of 1945 the State of Maryland began its benefit year. The wages earned during 1944 are the wages that are used to compute the benefits. The wages he has earned since April 1 down to the present time, 1945, are not used. So this worker, laid off in a war plant in Baltimore, files for unemployment compensation on his 1944 wages. When he has exhausted that 26 weeks and April 1 comes around, he files an application for benefits again. Then the wages he earned from April 1, 1945, down to the time he was laid off, say on August 14, are used to compute his benefits in the year 1946.

Senator BREWSTER. Don't they use the first 3 months of 1945 also, the first quarter of 1945?

Mr. WILLIAMS. Yes.

Senator BREWSTER. It would go from January 1?

Mr. WILLIAMS. That is right, but the benefit year would begin April 1. That means this: With all the war workers in Maryland drawing high wages, they would be entitled to two periods of unemployment compensation at \$25 a week for 26 weeks within the 2-year period.

Mr. JACOBSTEIN. They would be on the same basis as under the GI bill of rights.

Mr. WILLIAMS. I would like to address my remarks for a moment or two to the extension of coverage to the small employers.

That is not an emergency matter. There is no emergency with reference to the small employer. If we are going to absorb the unemployment from the war plants, the smaller employers must be the ones to absorb them, certainly a large part of them, so there is no necessity for any emergency treatment of the employee of the small employer. It should be handled on a long-range basis.

As indicated by Mr. Rector, the unemployment compensation administrators were in favor of the extending coverage. Most of us recommended the coverage be put at one or more. The legislature said no. We can have our personal opinion, but our State legislatures say we are wrong and they refused to do so, as they refused to raise these benefits to \$25 a week for 26 weeks.

If the Congress thinks that the State legislatures are wrong, they can amend the unemployment tax act and put those employees of the small employers permanently under the program. Then we collect a tax from their employers and pay benefits out. But that would take an amendment of the Unemployment Tax Act.

We haven't the authority to go out and put under our laws by regulation people that are excluded by specific statutory enactment. We can't do it. We would have to get our legislatures in session and have them authorize us to extend the coverage to those small employers, to require reports from them, of wage records from them.

Senator MILLIKIN. Mr. Williams, in your opinion, would your economy have remained sound in Texas had you raised the benefit to \$25 and increased the coverage?

Mr. WILLIAMS. Yes, sir. It has never been a question with any of the States as to whether we had the money. We have always had the money to increase our benefits even larger than our laws provided for, but our legislatures, after thoroughly considering the problem, have said that the benefit schedule as provided in our State law is of the kind and character that fits into the economy of our State, and that is what we think it ought to be.

Senator VANDENBERG. Mr. Williams, what would you say to this: The duration of these benefits payments, I suppose would average out under the State laws at about 20 weeks?

Mr. WILLIAMS. I think so; yes, sir.

Senator VANDENBERG. Let us assume, for the sake of the argument, that this reconversion unemployment crisis proves to be more difficult than you contemplate, and it runs beyond 20 weeks, creating a very serious and critical social as well as economic situation in the major war production centers of the country.

What would you say to the proposition that the Federal Government, leaving benefit payments at the scales where they now are, as set by the States, should enter this emergency at the termination of the State expiration date, and confine its relief to supplemental payments for additional periods at the State rates?

Mr. WILLIAMS. We would be authorized to enter into an agreement of that kind, and I think that might be done. There is this which you must consider, however, that an extension of the duration of these benefits might extend the period of time that many of these claimants would take before going back to peacetime occupations.

Senator VANDENBERG. Well, we are going to confront that hazard under any action we take.

Mr. WILLIAMS. That is right.

Senator VANDENBERG. I am asking whether, assuming something has to be done, whether that would be a fair alternative.

Mr. WILLIAMS. I would say that that would be a fair alternative, and I think it would be one that could be administered without any difficulty, and I think it might fill the need.

Senator LUCAS. You think your State could administer that?

Mr. WILLIAMS. Yes.

Senator LUCAS. Without a special session of the legislature?

Mr. WILLIAMS. Yes, because the action is the action of the Government, without regard to our State laws, after we have exhausted all benefits under our State laws. You can't draw the two together.

Senator LUCAS. But you are not going to exhaust all your benefits under the theory of Senator Vandenberg.

Senator VANDENBERG. They are going to have money left in the reserve, but there will be no right of withdrawal to the individual.

Senator LUCAS. That is true.

Mr. WILLIAMS. We pay benefits for 18 weeks in the State of Texas and then we are through.

Senator LUCAS. But you still have plenty of money in your reserve.

Senator BREWSTER. With no statutory power.

Senator LUCAS. While we are meeting up here, dishing out money for Texas, you have got plenty of money to do it, and can do it by calling a special session of the legislature and amending your law.

Mr. WILLIAMS. Yes, sir. I believe every State, should such occur, would recommend the calling of a special session to provide extended benefits, should it develop that the present duration of benefits are not sufficient.

Senator VANDENBERG. Senator Lucas, your observation is no more a criticism against the alternative than it would be against the original bill, isn't that true?

Senator LUCAS. That is correct.

Mr. WILLIAMS. I want to reiterate that it has never been a question of money. The State is not asking for money.

Senator LUCAS. I don't see why you should. With those reserves, I wouldn't be asking for money either, but you would be if you didn't have the money. Many times in the past you fellows, when you couldn't raise the money, you trekked to Washington, D. C., for the dough.

Mr. WILLIAMS. The Federal Government is much more adept in deficiency financing than we are in the States. We have to go on a pay-as-you-go basis. As long as the Federal Government controls the printing of money, you will find us at the front door. But you have about reached the end of that road, where you are able to pitch money out without levying taxes.

Senator VADENBERG. You would recommend that whatever we do, we levy a tax for it?

Mr. WILLIAMS. We pay the bills as we go. The reason we have surrendered these rights to the Federal Government is, as Mr. Rector said, this is a purchase proposition. You want to purchase some more of our State rights and functions by the handing out of money.

Senator McMAHON. Pay as you go? I am looking at a deficit in Texas of 22—maybe I am wrong—

Mr. JACOBSTEIN. That was for last year.

Senator LUCAS. That is before the war.

Senator McMAHON. 1944. I have a chart here which shows a minus sign in front of two-two-one-seven-seven.

Mr. WILLIAMS. You have to understand that we have different funds. That is a deficit in the general fund of 22 million, but if you look in another fund, you will find a surplus of 120 million. So you must take the funds together.

Our general fund was deficient by 22 million, but the other fund had a plus balance. So the over-all picture is that we have a surplus.

Senator MILLIKIN. Are those constitutional funds?

Mr. WILLIAMS. Some are constitutional and some statutory.

Senator MILLIKIN. How about the highway fund? That is statutory?

Mr. WILLIAMS. Yes.

Senator MILLIKIN. You could take it out of there.

Mr. WILLIAMS. Yes. We took \$2,000,000 out to do some building. Our permanent school fund is a constitutional fund.

Senator VANDENBERG. In other words, you take it where you find it?

Mr. WILLIAMS. That is a Federal habit. In Texas we call it "hot checks." We issue a check against the fund, and if we don't have the money, we call them "hot checks."

I want to say a word about the statement Mr. Green made charging us with bad faith. He said that we came here and led you fellows to believe that we were going to pass a \$25 for 26 weeks program. I don't recall any administrator that said that. They said, "We will review this situation, we will present it to our legislatures, and you can depend upon us doing what is necessary to take care of the situation in our States."

We did it. We went back and presented it to our legislatures and they made the changes that they felt were necessary in view of the economics of our respective States. The fact that we didn't pass what Mr. Green wanted us to pass should not be construed as bad faith. We weren't under any obligation to Mr. Green. We went back there and presented the situation to our legislature and they passed the kind of law they thought we should have.

I shall not review the progress made by the States in this respect. It has been well done heretofore.

Senator MILLIKIN. Mr. Williams, in your judgment are the reserve funds, these unemployment funds, sufficient in all of the States to carry on, and if an emergency develops, would there be time enough to call special sessions and deal with it in the States?

Mr. WILLIAMS. Yes, sir. There would be just as much time to call a special session as there would be to put the proposal of this law into effect. I believe that that would be the very thing that would happen in the States. I think the States have finally awakened to the fact that they are going to have to assume a major part of the responsibility in a good many of the problems that the Federal Government has financed on a deficiency basis.

The CHAIRMAN. Do you take care of the maritime workers in Texas?

Mr. WILLIAMS. Yes, sir. Our law was amended to cover maritime workers, although there is a gap in the law in that we don't have the authority to cover those on the high seas.

We recommend the passage of the Lynch bill. Mr. Loysen of New York will talk on that.

Senator VANDENBERG. The Lynch bill, not the antilynch bill?

Mr. WILLIAMS. No, sir. You would find me on the opposite side of the question with reference to that one.

The CHAIRMAN. What is your judgment as to the Federal workers?

Mr. WILLIAMS. My position, and the position of the State administrators has not changed from that of last year. We recommended that they be covered under State laws. For the reasons stated this morning, it would not be fair to bar arsenal workers and workers in shipyards or pay them a different schedule of benefits. The coverage of Federal employees is desirable. It should be done under the benefit schedules of the State laws.

The CHAIRMAN. What about the processing of agricultural products, to what extent are they covered?

Mr. WILLIAMS. They are generally covered. Processors of agricultural products, canning, packing sheds, and such, are covered.

The CHAIRMAN. What about gins?

Mr. WILLIAMS. I believe gins are covered in Texas; yes.

Senator BYRD. Do you agree with the interpretation of Mr. Rector?

Mr. WILLIAMS. Yes, sir. It would cover agricultural workers.

The administrative difficulties have been pointed out. It would be an impossible task. You can't go out and find out how many dollars a fellow earned from these farmers. They don't know. They haven't the records. There would be no way to find out. There would be no way to determine the benefits.

Senator BYRD. Are any investigations being made looking toward some plan to put the farm workers under social security?

Mr. WILLIAMS. Yes; there have been a number of studies. Usually they go on the approach of a stamp book plan. Studies have been made in that field. But I am frank to say that no one yet has worked out a satisfactory method of covering agricultural laborers.

Senator BYRD. It should be done if it can be done.

Mr. WILLIAMS. Yes; I think it should be too. I see no reason for the exclusion of anyone. As I say my legislature disagrees with me. I believe it should be done.

Senator BYRD. But a plan has got to be worked up first. You can't put them under if all the States disagree.

Mr. WILLIAMS. It would be an impossible situation.

The CHAIRMAN. You would simply have an estimate.

Mr. WILLIAMS. Yes.

The CHAIRMAN. Just a rough estimate is all you could possibly make.

Mr. WILLIAMS. I should like to conclude by saying I don't believe that there is any necessity for the passage of these supplemental benefits. I believe the benefits provided under the State laws are adequate, and there is no necessity for supplementation either as to amount or duration.

I would say further that should the situation become an acute one in the States, that I believe you could rely upon the States to meet the emergency out of the funds they have, and they have adequate funds.

Senator VANDENBERG. How could they do it on an emergency basis?

Mr. WILLIAMS. I say if the emergency gets too great that we would be able, by calling a special session, to extend the duration of these benefits. In fact, we can do that just as well as to get a special session to go into this law.

Senator LUCAS. You believe the Federal employees have a case, though?

Mr. WILLIAMS. I have taken the position that if Congress wanted to include them, I had no objection to it, and as administrators, we would administer the law. I think there is some argument, and sound argument, against the inclusion of Federal employees. I recall last year I urged upon the Texas congressional delegation that they support the proposition for the incorporation of Federal employees and I was certainly out of step with my Texas congressional delegation. They didn't agree. The reason they gave was that the average Government worker makes \$1,600 a year, and by working here for 2 years would draw from the Civil Service Commission and unused leave pay almost \$400, and they didn't believe that the Federal Government had its Treasury in shape to dig down and put up another \$400 unemployment compensation.

Senator LUCAS. There may not have been as sound a reason for it then as there is now. It does seem to me that these Federal employees, having gone into the shipyards, and so forth, solely for the war effort, and who now find themselves in a spot where it is going to be difficult to obtain a job, that those people ought to be placed on the same basis as the fellow who has been making planes and aircraft parts in Detroit, for instance.

Mr. WILLIAMS. I recall that we discussed that with our Texas congressional delegation and they sought to eliminate it. They tried to draw a distinction, and they were unable to ever separate them. Rather than to pay unemployment benefits to the political employees, they decided to throw them all out. That is the way I got the story.

Senator LUCAS. You have a lot of political employees, haven't you?

Mr. WILLIAMS. That is true.

Senator LUCAS. You are one of them now.

Mr. WILLIAMS. Yes; not by request.

Senator LUCAS. I don't know about that, but a lot of fellows came down here during this war, not by request too.

Mr. WILLIAMS. Mr. Chairman, I believe that completes my statement.

The CHAIRMAN. Any further questions?

Senator MILLIKIN. One question, if I may, Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Mr. Williams, at the outset of your testimony I understood you to say that the commission in Texas as now constituted is in accord with your views. Do you have a reservation in your mind?

Mr. WILLIAMS. I have resigned effective October 1.

Senator MILLIKIN. Will that make a change of view?

Mr. WILLIAMS. No, sir; I don't believe it will. I happen to know the man that is going to take my place, and his views coincide with mine.

The CHAIRMAN. Thank you very much, Mr. Williams.

Mr. Isserman.

Mr. Isserman, please come around.

STATEMENT OF A. J. ISSERMAN, COUNSEL, NATIONAL FEDERATION OF CONSTITUTIONAL LIBERTIES

Mr. ISSERMAN. The National Federation of Constitutional Liberties includes among its objects the preservation and extension of constitutional liberties and civil rights with emphasis on their human side. The federation is a national organization having branches, affiliates, and cooperating organizations and individuals throughout the country.

The Federation supports S. 1274 as an important contribution to an orderly transition from a war to a peacetime economy. Our interest is not in the technical aspects of the bill. We are satisfied from the opinions of experts that this bill is sound, that it is admirably adapted to extend unemployment compensation in amount, duration, and coverage.

We are satisfied that it will take up at least some of the shock, hardship, and misery which millions of our workers will be subject to—and are being subjected to—while the rejoicing over the destruction of

Fascist military might is still being celebrated. Not only will this bill alleviate hardship to individuals but it is a most important component of those measures which are essential to a sound economy. It is a prime weapon in the fight to win the peace—a victory equally essential to the preservation of our democracy as those we celebrated on VE-day and will celebrate on VJ-day.

The Federation is interested in the speedy passage of this legislation not alone from the viewpoint of labor and those employed whose vision on the course of our economy is clear, but also and primarily, from the standpoint of the public interest. It is the general public made up of millions of workers, professional people, and small businessmen which suffer most when our economy is out of gear.

Orderly transition in the reconversion period has deep and significant meaning to the public. It means absence of strife, jobs at decent wage levels as soon as possible, and, in the meantime, at least a minimum of bread, fuel, and shelter. It means real freedom, constitutional, civil, and economic, to the people of our country. It means that the millions who work to keep alive, to keep their homes intact and their families protected have at least a measure of security while our country goes on, we hope, to greater levels of production and to a real and lasting prosperity.

The Federation for Constitutional Liberties as a civil rights organization knows too well what disorderly transition means to our communities and our people. It means crisis, depression, hunger, bread lines, and sharp struggle in which violence and terror play a major part. The long history of our previous depressions tells us exactly what to expect if we run into another one and are not equipped to alleviate the hardships which ensue.

We know from the record that crises and depressions have meant clubs and tear gas, injunctions, lawless activity by police officials, employer violence, prosecutions and persecutions, assaults on meetings, demonstrations, and peaceful parades. It means the suppression of constitutional liberties, of the right of speech, of assembly, and of petition. It means attacks upon union organizations and upon their concerted activities made more urgent in the hard fight for bread.

Orderly transition minimizes community tensions and tends to eliminate them. Bread riots and race riots (closely tied together) are avoided. The propaganda of hate, fear, and violence tends to fall on deaf ears and interference with civil rights is generally lessened.

The facts as they have been placed on a number of occasions on the records of the Senate bear out these conclusions fully. We do not detail them here. The La Follette committee's voluminous reports on the violations of civil liberty in this country tell the story. So does the actual day-to-day experience of the Federation for which I speak.

The Federation will continue to defend the innocent victims of violence and terror in the periods of economic crisis. But a much more important job is the elimination of the root causes. Preventative social action is better than mitigation and better than cure. The Federation looks forward in this period to an affirmative, positive approach to the elimination of these evils. Democracy is strong enough to do it because democracy is strong enough to survive.

Fascism is on its way out as a world philosophy. However, it still has strongholds in Spain, Argentina, Portugal, and elsewhere. Fascist

criminals still await punishment. The Fascist fifth column elements originally stimulated by Hitler still exists in this country. At this very moment they carry on their divisive, disruptive propaganda of hate, fear, and violence, nurturing the seeds of future trouble in this country. They reach into high places—even into the Senate. They still have hope of success. They count heavily on the dislocation of reconversion. When our economy is out of balance, they thrive, select scape goats, and gain adherents playing on the fears and insecurity of our people.

We must win "freedom from want." We must win "freedom from fear." The battle for them is still ahead. This bill helps materially in advancing our fight.

By insuring orderly transition now, and a sound and stable economy to follow, in which jobs are available and sufficient unemployment compensation is afforded to allow for necessary change-overs, we are building the best shield against fascism. We forge a strong bulwark for the full exercise of our constitutional and civil rights which the National Federation of Constitutional Liberties along with millions of other Americans is pledged to defend and extend.

The CHAIRMAN. Thank you.

Senator LUCAS. How many people are there in your organization?

Mr. ISSERMAN. With our affiliates, I would say several hundred thousand.

Senator LUCAS. What do you mean?

Mr. ISSERMAN. I mean affiliates, that cooperate with us.

Senator LUCAS. I am talking about your organization, the National Federation of Constitutional Liberties. Where is it located?

Mr. ISSERMAN. At 204 East Forty-second Street, New York City.

Senator LUCAS. What is your position?

Mr. ISSERMAN. I am one of the counsel.

Senator LUCAS. You are a lawyer for the Federation?

Mr. ISSERMAN. Yes.

Senator LUCAS. How many people belong to that organization?

Mr. ISSERMAN. We are a federation of other organizations, as well as having some individuals who cooperate directly as members.

Senator MILLIKIN. Can you furnish for the record a list of those organizations who are affiliated with you?

Mr. ISSERMAN. I can supply to the committee a full statement of the organizations in the various States that cooperate with us, and our affiliates and branches.

The CHAIRMAN. Thank you. Do so.

Mr. Mortimer W. Newton.

STATEMENT OF MORTIMER W. NEWTON, RHODE ISLAND UNEMPLOYMENT COMPENSATION COMMISSION

The CHAIRMAN. Have a seat, Mr. Newton.

You are a member of the Rhode Island Unemployment Compensation Commission?

Mr. NEWTON. Yes, sir.

The CHAIRMAN. Are you speaking for the commission?

Mr. NEWTON. I am speaking for the Governor of Rhode Island. I am also Chairman of the Rhode Island Unemployment Compensation Commission.

The CHAIRMAN. We will be glad to hear you.

Mr. NEWTON. I am not going to take up much of your time, because all of the thoughts that I may have had prepared to present to you have been gone over quite thoroughly by Mr. Rector and Mr. Williams.

Senator BREWSTER. You associate yourself with their views?

Mr. NEWTON. In certain respects. I think when Mr. Williams and Mr. Rector say we oppose the bill, they do not mean that we oppose the bill in its entirety. There are certain features of this bill, for example, the coverage of Federal employees, which I heartily endorse.

Last year when I was down here before this committee, I expressed concern for the people who were working in Government arsenals and in organizations connected with the Army and the Navy. In our own small State of Rhode Island at the present time we are faced with a lay-off of about 13,000 torpedo-station workers who are not covered by our law.

The CHAIRMAN. Does your law cover the maritime workers?

Mr. NEWTON. No.

The CHAIRMAN. You believe in covering them?

Mr. NEWTON. I do; yes, sir.

I mean, when I say I do not oppose this bill, I don't oppose it because of those reasons. There are certain features of the bill which are admirable and should be adopted.

Senator BYRD. Do you think that the Federal employees should be covered under State law, or under the District of Columbia law?

Mr. NEWTON. I think under the State law. I think if they are going to be covered, they should be covered under the law of the State where they are working and where they live. I also agree that agricultural workers, which is a very minute problem in my State, perhaps cannot be covered. Those States that have a large number of agricultural workers know that problem better than I do.

My governor's views on this bill are that he endorses it in most respects. He had the privilege of addressing the governors' conference on social security, and at that time he gave his views with respect to the entire social-security problem as he sees it.

In that speech he made recommendations as to how he thought unemployment compensation should be handled on a Federal-State proposition.

Senator BYRD. What other parts of the bill do you endorse?

Mr. NEWTON. I think I have covered the maritime workers, the Federal employees, and, as I say, the agricultural end of it we are not concerned with too much.

On the question of \$25 for 26 weeks I believe my governor's position would be this: As a temporary measure he would find no fault with it, if the bill continues to operate merely as a temporary measure.

I do not feel, like some of my brothers in the organization feel, that every time a bill is proposed in Congress there is a "nigger in the wood pile," that there is going to be an attempt to federalize the program. Maybe I am wrong. Maybe I am too innocent, but I don't look at it that way.

I feel that perhaps Congress has a duty to at least inquire into this program and to assist in having a program at the same time based on a State-Federal relationship.

Senator VANDENBERG. Did you hear Mr. Williams' testimony?

Mr. NEWTON. I did.

Senator VANDENBERG. Would you have to have a special session of your State legislature in order to implement this action, Mr. Newton?

Mr. NEWTON. I am not sure. I believe we perhaps would. My law has practically the same language as the Texas unemployment-compensation law. In fact, as Mr. Williams said, 40 of the States have language exactly the same in that respect in their laws. I think perhaps that we would have to, but I don't know definitely that that would have to be done.

So, without going into the technical features of the act, because you have had that explained to you, I just want to simply say that I agree with what my brothers on the Interstate Conference executive committee and the organizations, that there are many parts of this bill that should be endorsed.

As a temporary measure, I don't think that this will disrupt the administration of unemployment compensation in the State of Rhode Island.

The CHAIRMAN. What is your maximum payment?

Mr. NEWTON. \$18 per week for twenty and a fraction weeks.

I may call attention to this fact, that after appearing last year, my Commission, the commission of which I am the chairman, prepared legislation for our legislature increasing the benefits to \$20 a week for 22 weeks. There were bills introduced also for \$25 for 26 weeks. None of those bills passed. The legislature had the matter before them. We have to administer the laws as passed by the legislature. It is the legislature's duty to say what the benefit rate and structure duration shall be. We thought our benefits rate of \$18 was too low, so we prepared the necessary legislation. Our legislature did not pass it. That is not our problem. We have to administer the law that the legislature passes.

We agree and our governor agrees that our rate of \$18 is too low.

Senator TAFT. But the people of Rhode Island have decided that they don't want to make it any higher?

Mr. NEWTON. Yes.

Senator TAFT. For what reason we don't know. There may be any number of reasons, but that is the position of the people of Rhode Island today.

Mr. NEWTON. Yes; I can't give any reasons as to why the legislature did not amend the law.

Senator MILLIKIN. Mr. Newton, I invite your attention to the amount of \$71,370,000 in your unemployment compensation trust fund.

Mr. NEWTON. That is right.

Senator MILLIKIN. And you have a surplus of \$4,455,000 general surplus.

Is it your opinion that out of your own resources in Rhode Island that you could equal the Federal benefits if your legislature were inclined to do so?

Mr. NEWTON. Out of our reserve fund. Our reserve fund will stand an increase of benefit rates.

The CHAIRMAN. Thank you very much.

Mr. Hake, Department of Employment Security of Tennessee.

STATEMENT OF W. O. HAKE, COMMISSIONER, TENNESSEE DEPARTMENT OF EMPLOYMENT SECURITY

Mr. HAKE. Mr. Chairman, I am here representing Governor McCord of the State of Tennessee, who is a former Member of Congress.

I have a statement here and I presume it would be best to read it through. It is not too long, if you will indulge me, and then I will be glad to answer any questions that I may be able to.

The CHAIRMAN. You may proceed, Mr. Hake.

Mr. HAKE. Gentlemen, you have before you for consideration S. 1274, which brings before Congress the vital and perplexing question of unemployment compensation during the period of reconversion to peacetime production.

The unemployment compensation program in the United States is a Federal-State system. The States share in the program to the extent that benefit formulas, rates of contribution, and administration are determined by State legislatures and made effective by State administrative organization. This has meant that the various elements of the benefit formula have been geared into the economy of the State with regard to State wage levels, industrial patterns, and characteristics of unemployment. It is a long-range program also in the sense that it contemplates cycles of good and bad times, that is periods of rapidly expanding pay rolls and employment, and to the contrary, periods of slump with declining pay rolls and employment.

The period of war production since 1940 has been one of extraordinary expansion in employment and pay rolls in Tennessee, which in turn has brought several hundred thousand workers under the protection of this program. During this period contribution taxes have swollen the reserves of the State system to over \$86,000,000, an increase in 4 years which would likely have taken 15 to 20 years to attain in ordinary times.

At the same time, benefit payments have declined to negligible levels. This very large reserve is now immediately available for the payment of benefits to all eligible unemployed workers. This is precisely the basic function of the unemployment compensation system, to accumulate sufficient reserves in periods of expanding business and full employment so as to protect covered workers in a substantial manner against loss of income in periods of declining employment. As already indicated, the extraordinary increase in employment during the last 4 years has also provided us with extraordinarily large reserves to meet the problems of reconversion unemployment.

The question at issue is, Are these payments large enough and for long enough periods to provide the protection which should be afforded by this program? For the time being we in Tennessee think they are. If subsequent events should prove to us that revisions are necessary, the State has authority to call an immediate session of the legislature to make the necessary adjustments. We believe that for the immediate future the answer to this question, namely, the adequacy of payments and duration periods, should rest with the respective states. We have been making ready for this reconversion ever since the war began.

Of course, no one can predict with accuracy for how long a continued period or how severe the reconversion stage will be.

As already indicated, subsequent events may reveal to us that further action is needed to revise our formulas to cope with new developments.

We recall quite readily, however, the pessimism that developed in certain quarters concerning our ability to shift into war production without causing serious problems of unemployment. A measure of Federal supplementation of benefits was proposed at that time. Subsequent developments did not record the doubts with respect to the ability of the State system to withstand adequately the problems of unemployment growing out of conversion, which were freely expressed at the time. For the present, therefore, we believe the States should be permitted to cope with this problem, at least insofar as the \$25 maximum, 26-week duration issue is concerned.

Having expressed my views generally, I now propose to discuss the outstanding features of the bill in a more specific fashion.

I. The first features to receive my attention will be those increasing the maximum benefit amount as provided in State laws up to \$25 following the State formula and extending duration provided in State laws up to 26 weeks for all eligible claimants.

These features of the bill are unsound in that they erroneously assume that State benefit formulas are inadequate to cope with reconversion problems and that in the event the necessity arises the State will be unable or unwilling to make the necessary changes.

Many workers have become attached to the labor market during the war whose unemployment should occasion no alarm due to the fact that they do not normally belong in such markets. For example, this group will include housewives who expect to return to their homes, older persons who expect to again retire, and young people who should return to school.

According to a statistical report released by the Tennessee State Labor Department, 27,971 children were issued work permits during the fiscal year ending June 30, 1945, as against 2,949 issued permits for the fiscal year ending June 30, 1942. In connection with this report it is to be noted that all children between the years of 14 and 16 are required to obtain work permits and children between the ages of 16 and 18 are required to obtain work permits only in event they are employed in hazardous occupations. Undoubtedly the figure would be considerably greater if all employed children under 18 were considered. This amazing fact leads to the inevitable conclusion that approximately 25,000 or more children should be immediately taken from the labor market and sent back to school.

Senator LUCAS. How many were in the labor markets in Tennessee?

Mr. HAKE. Additional during the war, because of the war, or the entire labor market?

Senator LUCAS. The entire labor market?

Mr. HAKE. Well, we had 470,000 under our system of unemployment compensation, and had about 200,000 additional because of the war.

Senator LUCAS. So you had about 600,000 or 670,000 all told.

Mr. HAKE. Yes.

Certainly unemployment compensation was not intended to keep children out of the classroom. If this bill were enacted into law it

would surely follow that children would remain out of school in order to draw the full benefits to which they would be entitled for 26 weeks which is certainly an undesirable result.

Another point which might be easily overlooked is the fact that a large number of families had more than one member gainfully employed during the wartime that normally rely on a single breadwinner. As a consequence of this situation, several members of a family would be eligible to draw unemployment compensation at the same time during the reconversion period and thus necessity for increased benefits would certainly not be applicable to this group.

Another point to be noted is the fact that covered workers have increased their earnings tremendously during wartimes; which in turn will increase the weekly unemployment compensation benefit amounts to which they are entitled under the State law.

Let me illustrate this point:

In 1939 the average covered worker in Tennessee earned approximately \$19 per week and received an average unemployment compensation benefit check per week in the amount of \$7. In 1944 the average covered worker earned the sum of \$35.55 per week and received a weekly unemployment compensation benefit check in the amount of \$12. Thus economic conditions in themselves have tended to raise unemployment compensation benefits in this State. This situation will continue during the reconversion period as unemployment compensation benefits will continue to be based upon wartime wages for at least 15 months.

An additional point to be noted in connection with the features under discussion is the fact that tremendous liquid savings have been accumulated by the workers during the war which can be used by them to defray their expenses or to supplement State unemployment compensation during the reconversion period.

Senator McMAHON. Have you any figures on that?

Mr. HAKE. I am just getting to that now.

Reputable economists agree that approximately \$100,000,000,000 has been saved by the individual workers of this country since the war started. This, of course, is in addition to any saving which they may have had prior to the inception of hostilities.

Still another significant point in analyzing these features of the bill is the relationship between the increased cost of living on the one hand and the increased wages on the other hand. It is a noteworthy fact that wages have increased since 1940 to a much higher relative level than has been the increase in the cost of living.

In Tennessee average weekly wages have increased approximately 100 percent, while the economists tell us that the cost of living during this same period has increased approximately 35 percent. This fact would lend validity to my contention that many workers now have the means through their savings to protect themselves at least partially against reconversion unemployment.

Is it unreasonable to assume that a worker, during a period of greatly increased earnings, should have been capable of building up an individual reserve to partially sustain him through the reconversion period in the same way that the State has built up similar reserves to sustain its part of the program?

This last fact leads me to another point which I desire to especially emphasize.

The true philosophy of unemployment compensation is that same should be used as a tide-over during periods of unemployment. It should never be used as a substitute for gainful work. The corollary to this premise is that unemployment compensation should never be paid in sufficiently large amount to discourage the worker in seeking employment.

In Tennessee during 1939 and 1940 approximately one-half of the covered workers were in the so-called low-income group. The truth of this statement is completely borne out by the fact that the covered worker has only to earn in excess of \$182 during 4 calendar quarters within his base period in order to qualify for as much as \$8 weekly unemployment compensation benefits, whereas the average worker in Tennessee received only \$7 unemployment compensation benefits during the years 1939 and 1940.

Payment of unemployment compensation in the amount of \$25 per week or in any amount approaching that sum would certainly tend to encourage idleness on the part of such workers. Instead of solving the problem of reconversion it would greatly tend to aggravate same.

Let it be clearly understood that I do not contend for the payment of low wage rates to any worker in our State. It is not the province of our program to determine wages between employers and employees. The point I am attempting to make is that economic conditions will undoubtedly tend to cause a return or at least a partial return to pre-war wage levels, and therefore any unemployment-compensation-benefit payments which are based on wartime wages might conceivably approach, equal or exceed peacetime wages, particularly in the case of the large-scale class of low-income workers in semi-industrial areas similar to that existent in our State.

The above facts lead to the next objection which I desire to record.

The bill disregards or at least tends to disregard sectional differences in wages and living costs. Tennessee might be classed as a semi-industrial State. It has been gradually changing its economy from agriculture to industry. It is still in this process. This measure views the economy of our State in the same light with which it views the economy of other States, such as the highly industrialized areas of New England. Such an unrealistic approach would tend to disrupt orderly reconversion.

The provisions in the Tennessee unemployment compensation law with respect to benefit amounts and duration are geared to the economy of our State. Such factors as prevailing wage levels, usual periods of unemployment, and so forth, have been taken into consideration in connection with the construction of these matters.

With approximately \$86,000,000 in our unemployment compensation reserve fund and with a benefit formula which as we have already indicated is closely tied in with our wage structure and the economy of our State, we feel that we should be afforded the opportunity of solving our own problems, at least until such time as it is shown that we are unable to do so.

For the reasons indicated we believe that the features of the bill under discussion are undesirable and would constitute a genuine obstacle to speedy reconversion in Tennessee.

Senator MILLIKIN. When did the Legislature of Tennessee last pass on this matter?

Mr. HAKE. The last time is 2 years ago, 2 years ago last January.

Senator BREWSTER. You haven't had a session since?

Mr. HAKE. We had a session last year.

Senator BREWSTER. Were there any bills proposed on this subject?

Mr. HAKE. Yes, we had an administration bill proposed.

Senator BREWSTER. The last legislature did consider it and they decided not to make the changes?

Mr. HAKE. No, sir. The last legislature liberalized the program, but the amendments were not passed. It was no fault of the Governor, nor the legislature, but the bills came in at the last moment of the legislature and they were lost.

The CHAIRMAN. When do you have another session?

Mr. HAKE. We have one in 1947. The Governor is very much in favor of liberalizing the law.

Senator BREWSTER. Do you mean that the last legislature simply didn't enact legislation on this matter?

Mr. HAKE. They did not.

Senator BREWSTER. They gave it consideration?

Mr. HAKE. They never gave it any consideration; the bill was never brought out of the committee.

For the benefit of the committee, I might give you one reason why it wasn't passed. I have with me the general legislative report of all of the labor organizations of the State, including the locomotive engineers, A. F. of L., CIO, et cetera, one paragraph of which might give you a little enlightenment as to why we didn't get the bill passed.

Although labor and employer representatives agreed to support this bill, which would have assured its passage, at the last minute the AFL legislative representative decided to withdraw his support and oppose the bill. This action caused the administration to drop the entire bill and it died with adjournment of the legislature.

That is partially true, but all groups agreed. We agreed on the bill—organized labor and employers.

Senator TAFT. May I ask what the administration bill provided?

Mr. HAKE. \$18 for 18 weeks.

On the other features of the bill, which we are not so much concerned about, I am in concurrence with the other representatives that have been here.

If you want to ask me questions I will be happy to answer if I can.

We have no opposition to the inclusion of Federal employees.

The problem of administration is not going to be too easy, because we have the difficulty of wage credits and things that will have to be ascertained before we can pay any benefits.

Senator LUCAS. Mr. Hake, you say that you had an increase of approximately 200,000 workers in Tennessee during the war period. Do you know where they were recruited from?

Mr. HAKE. Farms, cafeterias, clerks, domestics—

Senator TAFT. Gas stations?

Mr. HAKE. Gas stations closed up. The great bulk of those are Tennesseans, excepting at Oak Ridge, where they came from all over the country.

Senator LUCAS. That is what I was going to ask, if they are folks that came primarily from the State of Tennessee.

Mr. HAKE. Outside of a few aircraft industries and the atomic bomb plant at Oak Ridge, I would say they are practically all Tennesseans. Michigan got the rest of the Tennesseans.

Senator LUCAS. They will probably come back.

Mr. HAKE. They are already back, and they got back without being transported by the Federal Government, too.

Senator LUCAS. You said that approximately 25,000 children went into the labor market who would probably withdraw now that the emergency is over. Undoubtedly there is another group that came into the market, that of older people. Do you have any figures on that number?

Mr. HAKE. I don't have those figures with me. The Bureau of Labor Statistics has those figures. There are a great many women, housewives and servants, that went into the labor market, and who should return to their former employment.

Senator LUCAS. You don't have the figures?

Mr. HAKE. I don't have them with me.

Senator BREWSTER. Those are, I gather, mostly unskilled?

Mr. HAKE. They started out unskilled. It is the same as with the children of 14 and 15. They went into a school of riveting or sheet-metal working. Those children should go back to the school-room. I am concerned about that. It frightens me to know that those children can stay out of school and draw \$25 for 26 weeks.

Senator LUCAS. They can still go to school and draw it, can't they?

Mr. HAKE. No, not in our State.

Senator BREWSTER. What about the Federal provision which Mr. Williams spoke of, about deducting the Federal contribution?

Mr. HAKE. That doesn't apply as it does in his State. There would have to be a deduction, but there wouldn't be anything that I know of that would keep us from entering into such an arrangement.

Senator LUCAS. Do you have a State law relative to children being in school?

Mr. HAKE. 16 is the minimum.

Senator TAFT. Do you cover employers down to eight or more?

Mr. HAKE. That is right.

Senator TAFT. You don't attempt to go below?

Mr. HAKE. No.

Senator TAFT. Is it feasible for you to do this by State law without a change in the Federal tax law?

Mr. HAKE. No. We could do it, but we are waiting on Congress to tell us it would be well to do it. I am an administrator. I had an enabling amendment that would provide that if and when Congress recommended it, we would automatically do it.

I believe coverage should be extended.

Senator TAFT. It would be much less expensive to you if the Federal Government extended the tax.

Mr. HAKE. Yes. It would simplify it administratively if we had them reduced to one or more. Then you don't have to argue with a man who says he has seven, and we think he has eight or nine.

Senator TAFT. What about agricultural labor and household workers?

Mr. HAKE. We have never been able to figure out how you would administer the agricultural part. Domestics, of course, are another question, and our legislature is not very keenly interested in it. They don't have any, however, now, so it doesn't matter.

Senator VANDENBERG. Is your State in the same situation that Mr. Williams described in respect to Texas, namely, that you would

have to have a special session of your legislature in order to come under the terms of this proposed bill?

Mr. HAKE. Of \$25 for 26 weeks? I don't think so. I think we could come under it. But the question of redetermining all the claims that are being filed now would be monstrous, or impossible.

We don't view the reconversion with any great alarm. We have more jobs in Tennessee than we can fill.

Senator VANDENBERG. I am asking about the legal point only, as to whether or not you can qualify in Tennessee under this proposed law without a special session of the legislature.

Mr. HAKE. We can on the 25-26.

I might advance this as my own thinking, that we are not so much worried about amount, because you can reach the point where they don't want to work if they get too much. I think duration is a matter that could be well considered. We don't know what the reconversion period is going to run into. If it lasted too long it would necessarily mean that we would have to call a special session perhaps to extend the duration.

Senator VANDENBERG. I assume you agree with the suggestion that I submitted a little while ago that the Federal Government is to supplement this unemployment compensation by way of emergency action. You would believe it preferable that the Federal assistance come by way of extending the duration of existing State rates rather than to proceed as indicated by the pending proposal?

Mr. HAKE. Yes; I believe you would do less violence to the economy of our State if you let the amount of benefit be determined by our State legislature and extend the duration for—we don't know how many weeks. I am not qualified to guess because time only will tell. It might not be 26. It might be 20. I wouldn't know. It depends on the impact of the reconversion period.

Senator VANDENBERG. Wouldn't it more logically fit into the theory of meeting the emergency?

Mr. HAKE. Certainly the time element is more important from my point of view than the money element.

Senator VANDENBERG. In other words, it is less important whether he gets \$25 or \$26 than it is whether he gets something to tide him over.

Mr. HAKE. It is more important for him to eat than not to eat at all.

Senator McMAHON. Mr. Williams testified that under the Texas State law there would have to be a deduction from the State unemployment benefit of that amount which would be provided for by this bill. I am not clear from your answer to Senator Vandenberg whether you have a comparable situation in Tennessee.

Mr. HAKE. We have such a clause in our act. It doesn't anticipate anything that we are talking about now, the extension of unemployment compensation by the Federal Government.

I don't know whether you regard it as unemployment compensation.

Senator McMAHON. In other words, you are not certain as to what the law of Tennessee provides by way of making mandatory a reduction in the amount paid by the State if this amount was granted by the Federal Government?

Mr. HAKE. That is right. We would have to get an opinion from the attorney general.

Senator McMAHON. I think it would be well if you would immediately call for that and submit it for the record.

Mr. HAKE. I will be happy to.

Senator MILLIKIN. You mentioned that Tennesseans were coming back under their own steam. May I ask if those who came into the State from other States are commencing to leave under their own steam?

Mr. HAKE. I haven't had any complaints from any source about anybody worrying about getting to or from. They have the means for transportation.

As proof of that, I checked with one of our leading hotels, the Andrew Jackson Hotel, and they had registrations from families representing 43 States in the Union that were passing through. They weren't staying in tourists' camps. They were in a hotel where I rarely ever stay unless my expenses are paid.

Senator MILLIKIN. If the State of Tennessee should decide that this period ought to be lengthened, you have the reserves in Tennessee adequately for the purpose?

Mr. HAKE. Abundance. The Governor said he would call a special session if a contingency arose. We are very happy to be left alone on it.

The CHAIRMAN. Thank you, very much, Mr. Hake.

Mr. Haddock, will you come around? We will be very glad to hear from you, Mr. Haddock.

STATEMENT OF HOYT S. HADDOCK, EXECUTIVE SECRETARY OF THE CIO MARITIME COMMITTEE

•Mr. HADDOCK. Mr. Chairman, I appear on behalf of 200,000 maritime workers affiliated through 7 international unions to the CIO maritime committee. These unions are: National Maritime Union; American Communications Association; Marine Cooks' and Stewards' Association of the Pacific; National Marine Engineers Beneficial Association; International Longshoremen's and Warehousemen's Union; International Fishermen and Allied Workers of America; Inland Boatmen's Union of the Pacific. Some of our members are longshoremen, some are fishermen, some are inland boatmen, but the majority are seamen.

Our members have loaded the ships that carried the troops across. They are now bringing them back to America. Through their contact with our millions of servicemen they have gained an insight into the hopes and aspirations of these gallant men and women. They know that our servicemen look forward to decent jobs and many aspire to start their own businesses and farms. Adequate unemployment compensation is a vital link in a program that will maintain purchasing power during the transition months to those good jobs, successful farms and businesses.

For this reason our unions strongly support the general presentation of the CIO in regard to unemployment compensation. We should like to confine our remarks to the question of unemployment-insurance coverage for merchant seamen.

First, let us review briefly the facts related to the maritime labor force. At the outset of the war we had approximately 55,000 active seamen. In those early days, our Navy was spread thinly; subs,

planes, and mines took their toll and the attrition rate was great. Those 55,000 men were expendable. They gave us time to train and recruit the men that today make up our active labor force. Their losses were, in the first year of the war, proportionally eight times higher than any branch of the armed forces.

On January 1, 1945, they were still three times higher than all of the armed forces combined.

Senator LUCAS. Proportionally?

Mr. HADDOCK. Proportionally.

The present labor force is made up of former merchant seamen and Navy men who returned to sea and of thousands of trainees, many within the pre-selective-service age groups. They have learned rapidly and equipped themselves well.

There is little need to relate the stories of heroism, courage, and patriotism of our merchant seamen. It has been told by General Eisenhower, General MacArthur, Admirals King and Waesche, and honorable members of this body.

As the committee knows, the lack of unemployment insurance for seamen has a long history.

Seamen were excluded from the Social Security Act of 1935 on the recommendation of the President's Committee on Economic Security which "favored a separate nationally administered system of unemployment compensation for railroad employees and maritime workers." In 1938 the Railroad Unemployment Insurance Act was passed, giving coverage to railroad workers.

That maritime unemployment compensation should be of national instead of State scope should be clear to every Member of Congress. The Federal Government has absolute authority over the maritime industry. Federal legislation governs every conceivable phase of shipping. National standards are legislated by Congress with respect to minimum living and safety conditions of the seamen as well as all movements of the vessels. The seamen's complete life aboard ship is governed by Federal laws, which also cover certificates of efficiency and every man going to sea must qualify in time and ability before obtaining these certificates.

The first bill to create a Federal maritime unemployment compensation system was introduced into the House on April 8, 1938, the second bill was introduced in January 1939, and the third in May 1939. All three bills were referred to the Ways and Means Committee. No hearings were held and no action taken.

The fourth bill was introduced early in 1940 and referred to the House Merchant Marine and Fisheries Committee. Hearings were held. This bill was reintroduced into the following session.

Then in July 1941 the fifth bill, a revised draft, was introduced. Hearings were held before the House Merchant Marine and Fisheries Committee but the advent of war stopped proceedings for nearly 2 years.

In June 1943 the House Merchant Marine and Fisheries Committee held further hearings on two new committee prints.

The House Merchant Marine and Fisheries Committee was prepared to act in 1944 when a parliamentary question was raised.

In August 1944 Representative Jackson introduced the sixth bill which was reintroduced in the session as H. R. 1899, now pending before the House Ways and Means Committee.

Thus we have a record of 10 years, with six different bills and two committee prints behind us and with no coverage for maritime workers.

Senator TAFT. You say there were 55,000. What is the number today?

Mr. HADDOCK. Approximately 230,000.

Senator TAFT. Have you any estimate what they will be when you get back to peace?

Mr. HADDOCK. That depends upon a number of factors.

First, it depends upon the general economy of the world; second, the general economy of the United States; and third, whether or not the government bodies and the shipping companies adopt proper steps.

Senator TAFT. If we doubled our merchant marine, it would be approximately 100,000 men; is that correct?

Mr. HADDOCK. That is correct.

Our organization drew up a postwar program which, if carried out, would carry employment at 155,000 seamen.

Following the exclusion of maritime workers and Federal workers from unemployment protection under the War Mobilization and Reconversion Act in 1944, Senate and House leaders from both parties promised speedy consideration of measures to afford satisfactory coverage for these two groups.

Fully a year has passed and Congress has not acted.

Senator VANDENBERG. You absolve the Senate at that point, don't you?

We acted.

Mr. HADDOCK. Action by the Senate doesn't mean very much, I am afraid, unless we get it through the House too.

Senator VANDENBERG. I agree you have to have them both.

Mr. HADDOCK. We also had promises from many Senators that they would use their good offices to see if something couldn't be done with the other side.

To date we haven't had that action from the other side.

Senator LUCAS. You don't realize just how tough that is.

Senator VANDENBERG. We fought over that issue, my friend, for days and days to sustain your point of view.

Mr. HADDOCK. I don't know what can be done with the House of Representatives to make them realize their responsibility to the people of the country.

I am hopeful that we are going to get better action from some of the Senators to attempt to induce them to accept their responsibilities.

Senator TAFT. Is it not very difficult to do this on a State basis? I mean one shipowner owning one ship would have to report to a dozen States perhaps, from which the men came.

It seems to me your argument for a Federal system is very persuasive.

Mr. HADDOCK. I am for a Federal system.

It is conceivable that it can be done on a State basis.

Senator TAFT. Has New York State got it yet?

Mr. HADDOCK. They claim that they have, but we don't know of any seamen who have collected any unemployment compensation.

Theoretically, they have unemployment insurance.

Senator TAFT. Until very recently there hasn't been very much unemployment.

Mr. HADDOCK. There has been little or no coverage for deep-sea seamen.

There are a few States that have coverage for inland waterways workers.

Senator LUCAS. Would they be classified the same as those that you are talking about, that is, the inland waterways boys?

Mr. HADDOCK. No; the inland waterways, that is, rivers, lakes, and harbors, can and should be covered perhaps by State laws.

It is significant to note, however, that they have not been covered by State laws, despite the fact that now the States come out and claim that maritime workers should be covered by States.

In New York they are covered.

I learned only today that they are covered in Texas.

I know that some of our people are not getting unemployment compensation who work in the harbors and in the inland waterways in Texas, however.

Senator LUCAS. Do we have that in Illinois?

Mr. HADDOCK. You do not to my knowledge. It is a recent innovation if it is covered at all.

One of the reasons why we have no unemployment insurance for deep-sea fisherman, in my opinion, is the fact that State compensation commissions interceded in regard to a Federal bill and were instrumental in having it pigeonholed in the Ways and Means Committee.

Senator LUCAS. They are all for it now according to the testimony I have heard here.

Mr. HADDOCK. Well, it is very nice to hear that.

I have personally spoken to at least 90 percent of the Congressmen and Senators on this same question. They are all for it. Significantly enough, we don't have it.

Senator MILLIKIN. Mr. Haddock, what was the unemployment history prior to the war of the deep-sea seamen?

Mr. HADDOCK. I don't have the figures with me.

As I recall it, 55,000 merchant seamen was the active labor force.

General estimates were that 20 percent of the 55,000, or approximately 12,000, would be a labor force that was necessary to maintain the ships. They were people who were ashore and some portion of those would nominally be covered under unemployment insurance, I assume.

Senator MILLIKIN. Take over the course of a year, what would be the average unemployment of a deep-sea fisherman prior to the war?

Mr. HADDOCK. Well, the average employment or average length of work the average seaman runs—well, it ran during the war years 10 months per year. That is actual employment.

There is also pending in both Houses of Congress a seamen's bill of rights, a much needed measure to provide aid for the war-disabled, the families of the war-deceased and the teen-aged recruits.

It was at the request of our unions that readjustment allowances, contained in the first draft were removed from the present version of the bill. We felt that the Nation's first responsibility was to those men who had made the major sacrifices, either by giving their lives or by acquiring a war-service disability, in our merchant marine. We were desirous of paring the bill of rights to such proportions as to effect speedy passage for their protection. Action on this measure is long overdue.

We are certain that Congress recognizes the basic injustice that has been done to our merchant seamen in denying them the elemental form of protection long since granted other American workers. Our seamen expect and deserve immediate action on emergency unemployment insurance.

There are currently pending before Congress two proposals in regard to temporary unemployment insurance coverage for merchant seamen. Both contemplate Federal action to provide coverage until June 1947. With this there can be little disagreement. One bill, however, H. R. 3736, would provide unemployment benefits—

equal to the compensation which would be payable to such individual under the State unemployment compensation law (as supplemented under paragraphs (1) and (2) of this subsection) if such services had not been excluded from the definition of employment in such law.

The other, S. 1274, and the companion measures in the House, H. R. 3891, and so forth, would provide unemployment benefits—

equal to the compensation which would be payable under the District of Columbia Unemployment Compensation Act as amended (as supplemented under paragraphs (1) and (2) of this subsection), as if such services had been performed in the District of Columbia and had not been excluded from the definition of employment in such Act.

Senator Kilgore has suggested changes in his bill establishing a benefit schedule. We are in complete agreement with this idea.

It is unclear in H. R. 3736 whether seamen would be covered in the State in which they reside or in the State from which they ship out. Presumably it would be in the State in which he awaits shipping in order to be feasible. The other, the so-called Kilgore-Forand bill, contemplates uniform coverage throughout the Nation.

We urge that the principle of uniform coverage as contained in the latter measure be accepted.

We believe that the following facts are conclusive in behalf of a uniform system for seamen:

1. Many technically proficient groups which have given detailed study to this problem have concluded that a uniform system for the maritime industry is most feasible. These groups include the President's Committee on Economic Security, the Social Security Board, the Railroad Retirement Board, and the House Merchant Marine and Fisheries Committee.

2. Equality of sacrifice requires equal treatment. Our maritime labor force has been drawn from every State of the Union. The seamen from each State have been subjected to similar hardships and deprivation. Each State has had its share of deaths and disabilities. If bullets, shells, mines, bombs, and torpedoes do not distinguish between our seamen, why set up different standards for them in regard to protection against the harsh results of unemployment.

At this point I would like to have put in the record United States merchant-marine casualties for merchant seamen, excluding injuries, deaths resulting from injuries. These figures are compiled from casualty and prisoner-of-war lists supplied by the Navy Department, and the casualty listings go up to June 14, 1945, and the prisoner list to November 18, 1944.

It also shows the labor force which was furnished by the War Shipping Administration.

I would just like to refer to a couple of these.

For instance, in Georgia, prisoners of war, 4; missing, 121; dead, 14; total casualties, 139; from a total labor force of 3,090.

From Colorado, prisoners of war, none; missing, 11; dead, 1; total, 12; from a labor force of 2,150.

From Michigan, prisoners of war, 7; missing, 60; dead, 9; total, 76; from a total force of 6,320.

From Connecticut, prisoners of war, 2; missing, 46; dead, 7; total casualties, 55; labor force, 3,850.

The CHAIRMAN. That document may be made a part of the record. (The document referred to is as follows:)

United States merchant marine casualties (injuries not included)

(Figures compiled from casualty and prisoner-of-war lists supplied by Navy Department. Last casualty list as of June 14, 1945; last prisoner list as of Nov. 18, 1944; labor force from our control office)

State	Prisoners of war	Missing	Dead	Total casualties	Labor force
Alabama.....	2	88	25	115	5,140
Arizona.....	0	4	0	4	460
Arkansas.....	2	12	2	16	780
California.....	114	223	60	397	39,420
Colorado.....	0	11	1	12	2,150
Connecticut.....	2	46	7	55	3,850
Delaware.....	1	16	2	19	460
District of Columbia.....	1	19	2	22	1,520
Florida.....	6	140	20	166	5,260
Georgia.....	4	121	14	139	3,090
Idaho.....	1	4	1	6	580
Illinois.....	7	95	12	114	6,550
Indiana.....	1	28	4	33	2,100
Iowa.....	2	14	3	19	1,540
Kansas.....	1	7	2	10	1,850
Kentucky.....	1	12	3	16	910
Louisiana.....	12	199	39	250	7,560
Maine.....	2	45	9	56	1,900
Maryland.....	7	178	25	210	6,730
Massachusetts.....	17	402	67	486	9,640
Michigan.....	7	60	9	76	6,320
Minnesota.....	1	41	2	44	3,520
Mississippi.....	1	23	8	32	1,720
Missouri.....	3	38	6	47	4,530
Montana.....	0	5	1	6	610
Nebraska.....	0	4	1	5	960
Nevada.....	0	1	0	1	400
New Hampshire.....	2	16	2	20	890
New Jersey.....	18	239	38	295	10,550
New Mexico.....	0	5	1	6	300
New York.....	72	1,215	176	1,463	45,490
North Carolina.....	4	65	10	79	3,820
North Dakota.....	0	9	0	9	280
Ohio.....	6	80	12	98	10,170
Oklahoma.....	3	20	3	26	1,720
Oregon.....	4	38	8	50	4,070
Pennsylvania.....	19	363	47	429	15,380
Rhode Island.....	3	49	13	65	1,420
South Carolina.....	2	37	6	45	1,920
South Dakota.....	0	5	0	5	350
Tennessee.....	0	37	3	40	1,570
Texas.....	22	319	43	384	11,060
Utah.....	0	7	1	8	890
Vermont.....	2	1	0	3	200
Virginia.....	3	101	11	115	5,340
Washington.....	14	53	12	89	9,360
West Virginia.....	0	10	3	13	940
Wisconsin.....	1	33	2	36	3,540
Wyoming.....	0	1	1	2	180

Senator MILLIKIN. Does your argument go to a permanent system of unemployment insurance or are you speaking of merely dislocation, that is, emergency?

Mr. HADDOCK. My testimony deals with the emergency situation. However, I am requesting that immediate action be taken with respect to the permanent system.

Moreover, these men have had a uniform Nation-wide wage scale. This has been recognized by the War Shipping Administration, War Labor Board, industry and unions as the greatest stabilizing factor in the industry.

Why set up different standards for unemployment benefits if uniform wage standards prevail?

Senator MILLIKIN. Would you tell us what are the wages earned by the deep-sea seamen during the war compared with what they were prior to the war?

Mr. HADDOCK. I will only take the rate which we use as a standard for able seamen.

The able seaman is always used as a comparative figure.

His scale of wages during the war was \$100. That was increased from \$87.50 prior to the war. That may be somewhat misleading, because added to that \$87.50 was \$17.50 so-called emergency wage. That was negotiated as the result of increase of cost of living and was simply added in as a permanent wage instead of so-called cost-of-living wage. So the actual figure was the same.

Senator MILLIKIN. I am a little confused on that \$87.50. Was that the peacetime base wage?

Mr. HADDOCK. That was the peacetime base wage.

Senator MILLIKIN. Does this addition apply to his total over-all during peacetime or are you carrying that forward?

Mr. HADDOCK. That applies to his peacetime wage, \$87.50 plus \$17.50.

Senator MILLIKIN. In the war, what did he get?

Mr. HADDOCK. \$100.

Senator MILLIKIN. Did he get any additional bonuses?

Mr. HADDOCK. He obtained additional bonus depending on where he ran, what the danger was, and so forth.

Senator MILLIKIN. Could you give us a rough idea what it was?

Mr. HADDOCK. Approximately 100 percent of his base wage. That would make \$200 per month.

Senator MILLIKIN. Some cases more and some cases less?

Mr. HADDOCK. That is correct.

The CHAIRMAN. That is a monthly figure you are speaking of?

Mr. HADDOCK. That is a monthly wage.

Senator McMAHON. Who set those bonuses, the War Shipping Administration?

Mr. HADDOCK. Those bonuses were established originally through collective bargaining between the unions and industry.

At the outbreak of the war, the unions and industry and War Shipping Administration got together and established what is known as the Maritime War Emergency Board, rather requested the President to establish it. That was done.

The Maritime War Emergency Board established all bonuses after that date.

Senator MILLIKIN. Has there been any kind of insurance system during the war?

Mr. HADDOCK. Yes, during the war and prior to the war also.

The unions negotiated with the owners and insurance coverage of \$5,000 prior to the war, and the Government through the Maritime War Emergency Board also took that over.

Senator MILLIKIN. Was the amount the same during the war?

Mr. HADDOCK. The amount has increased to \$7,500.

Senator MILLIKIN. That is for death?

Mr. HADDOCK. That is right.

I don't know all the schedules. They vary.

3. The principal of H. R. 3736 might bring about a maldistribution of manpower at a time when a huge job remains before the merchant marine.

Our merchant fleet has an enormous task ahead—return of our armed forces, supplying of the occupation troops, relief and reconstruction supplies for the devastated nations of the world, and resumption of world commerce on levels heretofore unequalled.

In the course of this job there is likely to be dislocation with temporary geographical and perhaps Nation-wide unemployment. We had such periods even during the war.

Seamen have great mobility. They will tend to gravitate to those ports which will afford the best protection, should there be no immediate job available. The great ports of Houston, Galveston, Port Arthur, New Orleans, Mobile, Tampa, Jacksonville, Savannah, Charleston, Norfolk, and others may be depleted of their manpower while seamen would be attracted to New York and San Francisco because of better provisions, if the States basis for unemployment compensation is accepted.

4. The State unemployment compensation laws were not drafted to include seamen. Many are constructed so as to present serious problems in regard to adequate coverage for maritime workers. Even the District of Columbia law has major shortcomings, but it is considerably better suited to such coverage.

An example will illustrate this problem.

The eligibility requirement in the three great ports are as follows:

Port of New York in New York State, 25 times the weekly benefit amount.

Port of Baltimore in the State of Maryland, 30 times the weekly benefit amount.

Port of San Francisco in the State of California, \$300.

In the District of Columbia it is 25 times the weekly benefit amount or \$250, whichever is less.

Assume a seaman works 3 months and earns \$400. His weekly benefit amount under the California and Maryland laws would be \$20.

Under the New York and District of Columbia laws it would be approximately \$17.50. As 25 times \$20 is \$500, and the seaman only earned \$400, he would not be eligible for benefits in New York.

Similarly he would not be eligible in Baltimore. He would be eligible in San Francisco or under the District of Columbia law.

If he earned only \$290 he would be eligible for benefits only under the District of Columbia law.

Senator MILLIKIN. When is a seaman paid, on each trip?

Mr. HADDOCK. His pay, of course, is monthly, and a cruise. He can draw in foreign ports up to one-half of the remaining amounts due him. He can also allocate a certain amount to his dependents. His final pay-off, however, comes at the home port in the United States. That is, at the end of the voyage.

Now it is quite possible that a seaman may ship out for 2 or 3 months and upon his return find no job opportunities. Moreover, the illness and injury rate among seamen is high because of the nature of their

work. The ill or injured man who recovers, returns to the shipping industry and finds no work, will have difficulty in meeting the eligibility requirements in many States but frequently not under the District of Columbia law because of its greater liberality.

This is only one example. The State of Missouri requires wage payments in three different quarters. Since a seaman gets paid off at the end of the voyage, his records of earnings might be accredited to only one-quarter in a year. Consequently, he would be ineligible for benefits in Missouri. Many other States have unemployment compensation laws which would seriously limit proper protection for seamen.

I would like to say that during the war there were instances during the war where they were credited with only one-quarter in 2 years.

If the eligibility requirements present serious obstacles, it is safe to say that disqualifying requirements of the States present unsurmountable ones.

The committee should understand that if a seaman leaves a ship on his return from a long voyage, that his doing so is not a "quit" as understood by landlubbers. A seaman doesn't just work 8 hours a day, 5 days a week, at the same job with the same people as do shore-side workers. A seaman works, eats, sleeps, and carries on whatever recreation there is with the same people. This he does 7 days a week without interruption. It is not uncommon for persons to be ship-mates who do not get along. Where this exists, one or both are usually miserable and often the entire crew is upset. Too, the food on a ship may be particularly bad. The captain, mate or engineer may not like the man personally—this being the case he either leaves the ship or is fired.

No State law to date takes into consideration the problems of the merchant marine with respect to qualifying or disqualifying provisions. While the District of Columbia law is not designed to give full protection to seamen, it would constitute a form of temporary coverage.

The Kilgore-Forand bills would afford a measure of protection for our seamen in the months ahead. It would have a beneficial effect on the manpower problems of the industry which will continue for as long as 2 to 3 years in the opinion of Admiral Land.

However, justice to our seamen and the perpetuation of a stable and trained labor force for our peacetime merchant marine so necessary to our defense and commerce requires prompt congressional attention to the long neglected problem of permanent unemployment protection for maritime workers.

We strongly urge:

1. Immediate enactment of S. 1274 and H. R. 3891.
2. Your committee memorialize the House of Representatives to enact H. R. 1899 notifying our organization of such action.

The CHAIRMAN. Any further questions?

If not, thank you very much, Mr. Haddock.

Mr. HADDOCK. Thank you.

The CHAIRMAN. We have three other witnesses here this afternoon who are scheduled, Mr. Craighead from the Unemployment Compensation Commission of Montana; Mr. William McKee, from Vermont Unemployment Compensation Commission; and Mr. John W. Rhodes from the Virginia Unemployment Compensation Commission.

Come around, Mr. Craighead.

I thought I would make a little inquiry of the other two witnesses, Mr. McKee, of Vermont, and Mr. Rhodes, of Virginia.

I doubt if we can finish with more than one of you this afternoon, because it is now 10 minutes of 5 o'clock. So probably you will have to come back tomorrow. We thought we would go until noontime tomorrow.

Is that convenient for you gentlemen?

Mr. PATTY. I am representing Mr. Rhodes and the Governor. It is impossible for me to be here tomorrow, but I have a prepared statement that I would be glad to leave with you to be placed in the record as though I had made it here.

The CHAIRMAN. You may file it with the reporter as though you have made it.

Would you mind stating the recommendations you make?

Mr. PATTY. We object wholly to the bill. We don't recommend that any features of the bill be passed.

The CHAIRMAN. You may file the statement.

(The statement referred to is as follows:)

STATEMENT OF KENNETH C. PATTY, ASSISTANT ATTORNEY GENERAL OF VIRGINIA

Mr. Chairman and gentlemen of the committee, I am appearing as a personal representative of Hon. Colgate W. Darden, Jr., Governor of Virginia, and Hon. John Q. Rhodes, Jr., Unemployment Compensation Commissioner of Virginia. This statement has been edited by both of these gentlemen and represents their views.

STATEMENT OF HON. COLGATE W. DARDEN, JR., GOVERNOR OF VIRGINIA, AND JOHN Q. RHODES, JR., UNEMPLOYMENT COMPENSATION COMMISSIONER OF VIRGINIA

Proposals are being considered by your committee which have as their purpose the authorization of Federal appropriations to supplement the unemployment compensation reserve funds of the States so as to enable them to increase the unemployment benefits now authorized under State laws, and to pay benefits to groups who are not now entitled to benefits under any State law.

Such proposals, if enacted into law, would involve large Federal subsidies and more Federal control and interference with State laws and administration. Experience shows that whenever the Federal Government puts up funds to subsidize any State activity, it imposes controls with reference to such funds, and the commitment for money becomes permanent.

The State of Virginia does not desire any Federal legislation imposing on the State the necessity of revamping its State unemployment compensation law in order to meet the conditions that would be attached to such Federal grants. This would be another step toward centralization of power in the Federal Government and would, perhaps, eventually result in the federalization of the unemployment compensation system. Virginia is opposed to the federalization of the unemployment compensation system, or to any plan that would lead or tend to such federalization, because it believes that the work to be done can best be done by the States themselves. This was the original plan and we see no sound reason to depart from it.

The reserve of more than \$62,000,000 in the unemployment compensation fund of Virginia is ample to enable the State to meet any reasonable contingency that may result on account of the transition from war industry to peacetime industry. The State systems of unemployment insurance must remain more or less stabilized and not subject to change every time we are confronted with a temporary problem. We have built up the system to protect us in difficult times and emergencies and it should be allowed to continue without further interference from the Federal Government. If it is necessary to take care of emergencies or special situations, these should be taken care of, but not by harming or tending to harm our present State systems, and not until there is evidence that the existing State laws are unable to meet such emergencies.

The reserve fund has been accumulated under a sound actuarial basis after analysis by each of the States of the potential needs of the workers who may become involuntarily unemployed. A Federal supplement would break down and destroy the insurance feature of the system and result in the payment of benefits from moneys not collected into the fund by the process of imposing a tax on the employer. The strength of the system lies in the fact that premiums (taxes) have been paid in advance for the purpose of creating a reserve to meet the situations now under consideration. When payments are made out of funds not already in reserve, such payments may be termed outright relief gifts rather than unemployment benefits. The States should be allowed, free from Federal pressure, through their duly elected lawmakers, to liberalize their laws when in their judgment the need becomes urgent.

It may be reasonably assumed that many of the Federal workers who will become unemployed are people who have not been, and are not now, attached to the regular labor market. This group will not desire employment but will return to retirement or domestic duties. They have been well paid for their services during the war emergency and should not expect unemployment benefits. The balance of the Federal groups of workers will, no doubt, find employment in private enterprise. This group has not been employed under conditions holding out the promise of unemployment benefits. Many of these workers, upon finding that they can collect a maximum of \$25 per week from the Government while unemployed, will lose some of their eagerness to really make an effort to secure employment. Most people who obtain jobs search for them; the \$25 per week will, in many cases, merely promote idleness by removing the desire for a job. Moreover, according to an editorial statement in the New York Times of August 26, 1945, there has been an increase of more than \$125,000,000,000 in savings during the war. Before the Federal Government begins to pay weekly compensation to high-waged, wartime civilian employees, would it not be wise to adhere to the custom, once deemed sound, of permitting those who have savings to dip into such reserves first before making them wards of the Government?

Now is not a proper time, especially in view of the existing public debt, to place an additional burden upon the Public Treasury, except in the public interest. Can it be in the public interest to make grants from the public funds to private individuals who are not shown to be in dire distress? Special funds, created by taxing pay rolls, is the only way to finance such grants.

If it is deemed wise to include the workers now exempt from coverage within the scope of the unemployment compensation system, and to broaden the system so as to include employers of one or more, such action should be taken in an orderly manner so as to give the States ample time to amend their laws to meet the situation, and so as to pay no benefits to any individuals except upon wages earned in covered employment. We favor coverage of one or more.

The Richmond News-Leader, edited by Dr. Douglas Southall Freeman, in an editorial in August 28, 1945, expressed the sentiment of Virginians so well that this statement is closed by quoting the editorial, which is as follows:

"A NEW WORD BADLY NEEDED

"The nature of the 'unemployment' existing at the moment is plain to everyone. In the usual sense, it is 'unemployment' only on the tongue of those who wish to make the word a lever for pushing over new projects of Government insurance. If those plans for the extension of social-security are sound and practicable, by all means let them be advanced, but on their own merit and not by misrepresentation of the situation that now prevails. There is no extensive 'unemployment.' Anyone who seeks to procure competent workers will discover that quickly enough. Persons who have left the war industries are changing their work and, as they have a temporary grubstake, they are picking and choosing among jobs. Most of those who want to work can get it tomorrow—through not under the conditions or at the swollen rates of pay they have enjoyed. A word for this condition is badly needed. 'Displacement,' the term used yesterday by an official in Washington scarcely is accurate. 'Shift-over' is awkward. 'Transfer' is equivocal. What is a precise, descriptive word for the situation that prevails in industry today?"

The CHAIRMAN. Mr. Craighead, you are appearing on behalf of the Unemployment Compensation Commission of Montana?

Mr. CRAIGHEAD. Yes, sir.

STATEMENT OF BARCLAY CRAIGHEAD, CHAIRMAN AND EXECUTIVE DIRECTOR OF THE UNEMPLOYMENT COMPENSATION COMMISSION OF MONTANA

Mr. CRAIGHEAD. I appreciate, Senators, how extremely patient you have been all day, and I shall just ask for 3 or 4 minutes to bring up one point that has perhaps not been covered, and also for authority, if I may, to file a prepared statement.

We in Montana believe that the legislation that you are considering may injure the permanent social security program.

We believe that if the program is to be sound that it must have tax collections to go along with the benefits.

We know that our Federal-State program is a patchwork program with a good many cost coverages, such as domestic servants and agricultural workers, and all that you have discussed today.

On the other hand, so far at any rate, what we have done has been businesslike, and I think it is a fair statement that never before in the history of the world has any government accumulated something like \$15,000,000,000 for any purpose.

That is about the total of the old age and survivor insurance and unemployment compensation.

Never before has any money such as that been accumulated for any purpose at any time.

In the State of Montana we have a surplus of \$1,500,000 in our industrial accident board, and it was operating 20 years before the Federal social-security system was set up.

We have surpluses in our teachers' retirement, and we have other surpluses. We have always had cash to meet our public-welfare payments. We have about \$18,500,000 in our unemployment compensation.

Now, it seems to us that unless you carry along a permanent program if you introduce the elements of benefits paid without tax collections that you jeopardize the whole system because that, it seems to us, will come up again and again.

Now, also, Senators, we are apparently one of the deficit States.

I recommended, and our governor did, to our legislature that our benefits be increased to \$20, but our legislature refused to do so, and we pay only \$15 for 16 weeks. It was thoroughly discussed, several bills introduced, and we were voted down about 2 to 1.

On the other hand, the point I want to make to you is that there are other elements that affect liberality besides simply the height of your benefit payment.

For example, eligibility requires only \$150 earnings, and theoretically an individual might earn the \$150 in a single day. Therefore, we do reach down on the one or more people and we have proportionately a much wider coverage.

Now the evidence of that is brought out by the fact that we were the last State, with Illinois, to begin paying benefits, and we have always collected, and still do, the full 2.7 percent.

On the other hand, if we had from the beginning paid the \$25 for the 26 weeks, we would have gone broke at the end of 22 months, and that can be mathematically figured out for you.

During the first 2 years we paid out more than we collected.

That is about all, gentlemen, that I have to say unless you care to ask any questions.

The CHAIRMAN. Any questions?

Senator VANDENBERG. Have you anything to say, Mr. Craighead, about the point raised by the Texas commissioner?

Would you know whether your State would require a special session of your legislature in order to accommodate itself to this proposal?

Mr. CRAIGHEAD. I am quite confident it would not, because we have a special provision in our law that allows us to cooperate with the Federal Government in any type of program that the Federal Government may set up. But that is a special legislation which appears, I believe, only in our law and a few others.

We also very much prefer, if you are determined to pass this legislation, the suggestion you made as to the extension of duration rather than the higher benefit and the extension of duration, or we would prefer longer duration than both.

Senator MILLIKIN. Is there any constitutional prohibition in your State against the governor calling a special session at any time, if the Governor sees fit?

Mr. CRAIGHEAD. No, sir.

I have no word from the governor that he would do so, but he can call a special session at any time he cares to do so.

The CHAIRMAN. Thank you very much.

Senator VANDENBERG. He wants his statement inserted in the record.

The CHAIRMAN. Yes.

You may file it with the reporter.

(The statement referred to is as follows:)

STATEMENT OF BARCLAY CRAIGHEAD, CHAIRMAN AND EXECUTIVE DIRECTOR OF THE UNEMPLOYMENT COMPENSATION COMMISSION OF MONTANA

I appear before the committee at the direction of the Governor of our State, the honorable S. C. Ford, but I do not maintain that my views are always the views of our Governor. Governor Ford is a kindly and tolerant Republican and I am a South Carolina Democrat. I think my views represent our unemployment compensation commission, and we have a mandate in our basic law, passed with only four dissenting votes in both House and Senate, directing as follows:

"* * * The commission shall fully cooperate with the agencies of other States, and shall make every proper effort within its means, to oppose and prevent any further action which would in its judgment tend to effect complete or substantial federalization of State unemployment compensation funds or State unemployment compensation and employment security programs, or any part of the social-security program."

Montana is opposed to the pending, and similar legislation (unless greatly amended) relating to the unemployment compensation and social-security laws because:

1. We believe any sound and permanent system of social security should provide earmarked tax collections for specific purposes. We believe the people who participate and the general public should know what they are buying and the costs. It follows, then, we think, that any sound and permanent social-security program must carry the "blood, sweat, and tears" spread by the tax collectors.

In Montana we have followed these principles. To this date the national social-security laws have followed these principles.

Never before in the history of the world has any government accumulated, for any purpose, such large cash reserves as have the social-security laws of the States and Nation—some \$15,000,000,000—divided very roughly—nearly \$7,000,000,000 accumulated by the unemployment-compensation commissions, some \$6,000,000,000 in the old-age and survivors' insurance, in excess of \$1,000,000,000 in Railroad Retirement Board funds, and other hundreds of millions in smaller federally sponsored programs.

From the beginning of social legislation in our State, we have followed these principles. Our industrial accident board, functioning two decades prior to the national social-security law, has accumulated about 1½ million dollars in reserves. Our teachers' retirement law has in excess of ½ million dollars in reserves. Our public-welfare beneficiaries have always been paid from cash on hand without resorting to bond issues. Our public employees retirement board has assessed against State workers perhaps the highest contribution tax of any public retirement system in the Nation—reaching 10 percent. We shortly will have some \$20,000,000 in our unemployment compensation reserves, or one-fifth of a full year's normal pay roll in industrial and commercial fields. We have collected the full 2.7 percent tax from the first day to the present, throughout the war period, so that these accumulations would be on hand when needed.

The legislation before your committee tosses into the ash can all of the previous conceptions of sound social security, developed at National and State levels. It does not provide for tax collections to accompany benefit payments. It does not provide any system of reserves. Indeed, it makes no pretense at tax collections. It provides, in effect, benefit payments through bond issues. It will be popular with the beneficiaries but we think it would not be sound or in the long-run interest of even the beneficiaries. It even provides indirectly for washing up reserves accumulated under the present system and would mean a constant fight before the Congress and before all the State legislatures at each session for still larger benefits and larger bond issues at the expense of the unknown taxpayer of the future. We do not think the long-run permanent interest of social security will be served by making the program a football of politics. We do not think the gentlemen in the departments who have prepared this legislation for your consideration are, in this instance, working in the interest of permanent social security for all of the people.

2. We oppose the present legislation because it tends to throw the tax burden from the beneficiaries or their employers to the general public. It would increase the benefits to workers in industrial and commercial firms who lose their positions and are unable to find suitable work at the expense, in part, of the agricultural and other interests having workers not even partially covered. It would give more to those already protected and take the costs, in part, from the pockets of those not protected at all. It increases the benefits to a group of workers already especially favored—without any payments on their part for unemployment compensation in all except four States—without specific additional tax collections from these already especially favored workers or their employers. It takes from the lowly—from the have-nots and gives to the haves. It is pressure-group legislation and special legislation in an extremely vicious degree, or so we think. Our janitor in the unemployment compensation commission offices in Helena will be required to pay through the income and other taxes a portion of the cost involved in paying higher benefits to war defense workers who have been receiving in many instances overtime wages alone in excess of his total monthly salary. What stimulus is this for prudent savings? We do not believe such a system can be defended in equity and that it will tend to disrupt any sound social-security program.

3. We object to the pending legislation because it increases the benefits to be received by a favored few and does not extend even the present benefits to the large uncovered sectors of our population. We believe in first things, first. We think, before we increase benefits to men and women in special classes already favored, coverage should first, in simple decency, be extended to other groups who have no protection now. Under the present interpretation of the Social Security Board, unemployment compensation may not be paid to a worker who loses his job because of illness. We think before enlarging benefits to the able-bodied industrial worker, who loses his job, allowances should be made as well for the industrial worker and the agricultural worker, who loses his job because of illness and who is beset by a double calamity in the form of not only the loss of his position, but perhaps the loss of earning power in the future, plus high medical costs. We think the agricultural worker who loses his job gets just as hungry as the industrial worker who loses his place. We think the employee of an industrial firm with less than eight employees has as much right to receive unemployment benefits as the individual employed by a firm with seven additional workers. We think some provision should be made for the poor devil who has been permanently disabled.

We cannot help but feel that the scrub woman, reaching 65 years of age, has the right to expect protection from her Government though she may be employed packing out bedpans in a hospital—and that she has the right to ask for this

protection before increasing benefits, partly at her expense, to workers already protected even though these workers may be supported by the pressure group lobbyists especially when such legislation would add to her tax burden to the profit of workers already favored beyond her. We think, in line with a memorial passed by our last Montana Legislative Assembly, that the Congress of the United States should "cause to be made a resurvey of the present old-age and survivors insurance program, and the entire taxation structure applicable thereto, with a view to expanding coverage to include workers not presently covered; to increasing benefits to provide reasonable security to workers in their old age; and, extending coverage on a voluntary basis, for a minimum of protection, to the self-employed and local public employees willing to pay both employer and employee contributions, to join the system, meeting where desired all payments for past years to obtain greater protection."

4. We oppose the proposed legislation because it tends toward uniformity of benefit payments, while we think the people of this country are not uniform and do not wish to become so. The Congress decided, possibly with propriety, that the veterans' readjustment allowances should be uniform with the same payment made in Alabama and Montana without regard to the cost of living. In the case of the veterans, we do not insist that this was unfair and in error, but what are the results?

We find, according to the last tabulation sent us by the Veterans' Administration, that 87,614 continued claims were paid to out-of-work veterans in Puerto Rico from September 1944, to April 1945. In the same period our unemployment compensation office paid 1,238 claims in Montana. The Government disbursed to the veterans of Puerto Rico in an approximate number equal to all of the entire covered workers in civilian pursuits in Montana; disbursed more to Puerto Rico than to New York or Texas; at a time when industry begged for men for war work. We predict the same thing will shortly be happening in the Philippine Islands. Will this increase or decrease the long-term problems of reconversion in Puerto Rico and the Philippines? We have no knowledge of the cost of living in the Philippine Islands. If justified by the cost of living, we would not object to a weekly benefit to unemployed veterans of \$40, \$50, or even \$100 per week in either Puerto Rico or the Philippines, but if the cost of living is less than in Montana, we would not consider it unjust to pay even a smaller benefit to the veterans of Puerto Rico than is paid to the veterans in Montana. It is the trend toward uniformity in the proposed legislation, and all of its implications, that appears to us to violate common sense and nullify good administration.

5. Next, the war's end will lift the lid from many social and economic conflicts that have been stewing for the past 4 years. Unless we want to multiply the certain social turmoil, we in Montana, believe we had best allow some of these problems to be solved locally and not trust completely to the foresight of the Washington bureau chiefs. From Montana some 30,000 of our citizens, in addition to our men and women in the armed services, have been attracted to war jobs in other States by high wages or patriotic motives. They have been receiving high wages. Job opportunities do exist for them in our State at present, but there is little possibility of their utilizing their wartime skills.

The question of what constitutes suitable work for this type of worker will present many serious problems, the solution of which can best be found in the local community where the problem will occur and where local customs, wage levels, habits, etc., will come into play and the opinions and example of their neighbors and friends will carry due weight when they accept or reject job offers.

6. We oppose the pending legislation because we do not wish to become a drag upon other States—we want to pay our own way and bear our full burden of reconversion—and this legislation would threaten the solvency of our unemployment compensation funds—unless we sucked from other States.

Montana, with Illinois, was the last State to begin unemployment compensation benefit payments. We have not reduced our tax collections. We have always collected the full 2.7 percent on pay rolls and still do. We began benefit payments July 1, 1939. During our first 2 years of payments, we disbursed about all of our collections in the same period; our average payment was about \$12 per week and our average duration about 12 weeks. If we had paid \$25 per week for 26 weeks we would have been bankrupt in approximately 22 months. We would have disbursed all of our reserves; we would have disbursed in 22 months our collections for 4½ years. At that time there was no George bill allowing noninterest loans. Today we could borrow but Montana does not want to borrow to meet social-security benefits. We think in times of prosperity, such as wartimes, we should accumulate funds to tide us over the dark days. We do not want to rely upon the other States. We hope you do not force us to do so.

7. Next, we are opposed to this and similar legislation—the Wagner-Murray bill No. 1, and the Wagner-Murray bill No. 2—a South Carolina born Democrat, serving under a tolerant Republican Governor, I hate to oppose any measure proposed by my friend the distinguished junior Senator from Montana—but we are opposed to all this legislation because all this legislation attempts to deceive the people by hiding the costs. We cannot keep up with Washington. We oppose the efforts to further federalize all governmental activity in Washington.

We believe it is neither wise nor possible to govern properly in all minor details a country or people as varied as ours from this single city on the eastern seaboard.

We believe, when a statute, such as the social-security law, is passed, affecting the lives of tens of millions, and uprooting the settled habits of men, the law should be slow in development and administered at the grass roots. The traditions and customs of people in Montana and Mississippi are too different, the country is too varied, for general regulations to succeed from coast to coast.

8. We think the immediate unemployment problems have been greatly magnified. We think the most recent estimates by the War Manpower Commission predicting 6,200,000 unemployed by Christmas will not prove correct. We agree that some day we may have millions of unemployed again because you cannot reduce Federal spending sixty or seventy billion dollars a year without creating vast unemployment, but we are certain in Montana the immediate problem will not be so large as the flood of literature coming from Washington would imply. We would have some eighteen or twenty thousand unemployed in Montana by Christmas if current estimates for the Nation apply to our State; we think exactly the opposite will prove correct; we have some 15,000 job openings.

The CHAIRMAN. We have a statement here of Mr. James J. Graham, acting executive director, Connecticut Employment Security Division, representing Gov. Raymond E. Baldwin, of Connecticut. That statement may be filed with the reporter and inserted in the record.

(The statement referred to is as follows:)

STATEMENT OF JAMES J. GRAHAM, ACTING EXECUTIVE DIRECTOR, CONNECTICUT EMPLOYMENT SECURITY DIVISION, REPRESENTING GOV. RAYMOND E. BALDWIN, OF CONNECTICUT

To the Members of the Senate Finance Committee:

Governor Baldwin and I both appreciate the courtesy extended to the State of Connecticut in permitting us to testify on this very important legislation. We have analyzed the provisions of Senate bill 1274 and find that we are in agreement with the provisions which extend coverage to Federal and maritime workers and with those which permit the payment of benefits to those presently excluded from State coverage, such as employers excluded because of size of firm, farm workers, domestic servants, etc.

We believe, however, that supplementation of present State benefits will ultimately lead to nationalization of the entire system, and to this we are opposed. We continue to be in agreement with the position taken by the Conference of Governors at Hershey, Pa., in May 1944, which directed the executive committee of the Governors' Conference "to take whatever steps it might deem necessary to see that the present method of State administration of unemployment compensation systems shall be maintained in full force and effect and not either transferred to Federal control directly or indirectly hampered by Federal subsidy provided in the name of some possible future emergency."

State legislatures have always been sensitive to the demands of their constituents, and we feel that the States are well equipped to handle the present emergency. In Connecticut we have at the present time a fund of about \$180,000,000, or an amount sufficient to pay \$500 each to 60 percent of our covered population. We do not feel that much more than half of that 60 percent will apply for benefits during the present emergency, and of those who apply only a relatively small proportion will exhaust their benefits. In other words, we expect that reconversion will be fairly fast in Connecticut and that within 3 or 4 months the great bulk of our war workers will be transferred to peacetime industries.

Let me point out some of the changes in our law which our State legislature has already effected. In 1938 the maximum we could pay any claimant was \$195—\$15 a week for 13 weeks. Under our amended law, recently signed by Governor Baldwin, the maximum becomes \$560 within a benefit year—\$28 a week for 20 weeks. Our Connecticut Legislature has therefore approximately tripled benefits within the past 7 years.

Let me also mention that Connecticut is one of the many States that has a fixed benefit year beginning April 1. Without being technical about this phase of the program, it simply means that it is possible for a Connecticut claimant to draw benefits for 40 of the next 52 weeks. To cite a specific example, a claimant starting to draw benefits around November 1, 1945, could collect for 40 of the next 41 weeks or until about the end of August 1946. If entitled to the maximum of \$28 a week, he would receive a total of \$1,120.

We feel that the States have the funds and the initiative to cope with the present situation. We, therefore, are opposed to the supplementation part of this program, feeling that it ultimately leads to federalization of a program that can best be handled by the States.

The CHAIRMAN. We have also a statement by Milton O. Loysen, chairman, subcommittee on maritime coverage of the Interstate Conference of Employment Security Agencies. That statement also may be inserted in the record at this point.

(The statement referred to is as follows:)

UNEMPLOYMENT INSURANCE FOR SEAMEN

Statement by Milton O. Loysen, chairman, subcommittee on maritime coverage of the Interstate Conference of Employment Security Agencies, to the Senate Committee on Finance, re S. 1274 (Kilgore bill)

I. MEASURES BEFORE CONGRESS

There have been before Congress, introduced in the House of Representatives, two measures dealing with unemployment insurance for seamen, since the spring of this year. One of these measures is exemplified by H. R. 1899 (Jackson bill), establishing a complete and separate Federal system of unemployment insurance for seamen. The second measure is exemplified by H. R. 2564 (Lynch bill), implementing a plan for unemployment protection of seamen under State unemployment-compensation laws. The latter measure repeals the exclusion of seamen from the taxing provisions of the Federal Unemployment Tax Act, thus alining the maritime industry to all other industries which are now subject to this Federal taxation. Against taxes thus payable by maritime employers, as is the case regarding other employers, contributions paid into State unemployment funds could be credited, up to 90 percent of the Federal tax. H. R. 2564 also includes enabling provisions for the purpose of dispelling any doubt concerning the jurisdiction of States over maritime services rendered on the high seas and outside the territorial limits of any given State.

The recent introduction of S. 1274 (Kilgore bill)—and a similar bill was introduced in the House of Representatives as H. R. 3736 (Doughton bill)—brings in a third method of dealing with unemployment benefits for seamen. This bill provides for agreements by which States will pay, among other provisions, benefits to seamen and will be reimbursed from Federal sources for expenditures so incurred.

Congress is, therefore, confronted with the choice of—

- (1) Either enacting a new and separate Federal system of maritime unemployment insurance; or
- (2) Of superimposing on existing State systems a federally financed measure, administered by the States; or
- (3) Of amending existing laws of general applicability so as to facilitate State coverage and State administration of unemployment insurance for seamen.

States are ready to assume the added responsibility under their own laws, with full financial liability, in the manner reflected under the aforementioned item 3. An interstate agreement for the solution of technical questions has been perfected and submitted to the States for subscription. However, as will be explained later, operations depend on the enactment of H. R. 2564 by Congress.

There are weighty reasons against the establishment of a complete and separate Federal system of maritime unemployment insurance which would oust States of jurisdiction in the field occupied by such system and against superimposing on State laws a semi-Federal measure. That States are otherwise vested with jurisdiction was established by the United States Supreme Court in a decision (319 U. S. 306) rendered in 1943.

II. ARGUMENTS AGAINST COVERAGE BY STATES WITHOUT BASIS

Before the reasons against the approach proposed by S. 1274 or by H. R. 3736 and against an independent Federal system are listed, it may be well to discuss the arguments which have been advanced in favor of a Federal plan.

It has been said that seamen's services are rendered in several States under the same contract of employment and that they may be within the territory of any State when they become unemployed. This argument implies that there would be difficulties in the administration of benefits if the State where the unemployment occurs should not be the State which is liable for the payment of benefits. It further implies that there would be no such difficulty under a Federal system.

Such an argument overlooks completely the highly successful operations of the interstate benefit payment procedures which have been in operation in the States for many years. A benefit claim so filed is transmitted to and paid by the liable State under this procedure. It can hardly be said that such a system is less efficient than a Federal plan. An entirely independent Federal system, furthermore, would require reference to central records of some sort.

It has been said that the services of a seaman in the course of a year might be covered by the unemployment-compensation laws of several States, thus "splitting" his wage credits among such States and impeding his benefit rights. This point again is unfounded, since benefit rights in such cases are protected by another interstate agreement, the interstate plan for combining wages.

It has further been said that it would be difficult to allocate maritime services to a proper State in connection with tax liability and for the purpose of indentifying that State which is responsible for the payment of benefits.

This problem has been completely solved by the afore-mentioned new interstate maritime reciprocal arrangement which is in the hands of States for acceptance and which only awaits the enactment of H. R. 2564 for complete operations. The identity of the responsible State is established by this arrangement. That State collects the contributions and pays benefits in which the operating office is located from which the operations of the vessel, on which the seamen's services are rendered, are ordinarily and regularly supervised, managed, and controlled.

None of the arguments advanced in favor of a Federal system is, therefore, valid.

III. REASONS AGAINST FEDERAL SYSTEM

Specific reasons against the proposal made by S. 1274 (Kilgore bill) and H. R. 3736 (Doughton bill) are as follows:

1. A federally financed system is needlessly superimposed on existing State systems, thus creating new complications and difficulties.

2. The proposed plan would benefit maritime workers without having their employers participate, in the financing of such benefits. Employers in other industries, including other fields of the transportation industry, are subject to payroll taxation for unemployment-compensation purposes. An unfair advantage would be gained by the maritime industry against other industries.

3. The same goal can be achieved through financing under State laws, by payments out of State funds, without resort to Federal moneys.

4. A complex administration machinery must be created. Principles as to entitlement to benefits must be established. If solely principles embodied in the State law were to govern, only a fraction of maritime services would be covered because of the limitations in the general tests for the definition of "employment" in State laws with respect to the place or places where the services must have been performed. The identity of that State which is responsible for benefit payment would be difficult to establish. If these tests were to be disregarded, and that State is made responsible where the claim is filed, complicated, and yet unreliable, safeguards against successive benefit claims in the several States must be established.

The reasons against an independent Federal system are many. Some of these reasons apply with equal force to the plan proposed by S. 1274 and H. R. 3736:

1. A Federal maritime unemployment-insurance system results, by necessity, in a single industry pool for financing. Theorists and practical administrators generally consider such a system less desirable than a pool composed of all of the diversified industries in the interest of an equitable and sound spreading of the risk and of the burden. This is particularly important if the single industry is subject to a high labor turn-over and an appreciable degree of unemployment. The maritime industry before the war, and possibly again when the war conditions have been liquidated, shows these characteristics in a high degree. Financing of unemployment benefits for and by such single industry requires excessive

taxation or subsidies from the general funds. On the other hand, States, under their unemployment-compensation systems, could easily absorb such costs, since the amount of maritime employment and unemployment in proportion to total State coverage is negligible.

2. Federal administration of maritime unemployment insurance would require a new organization, unfamiliar with the problems.

States have established efficient machineries and an accumulated wealth of experience in unemployment-insurance administration. The inclusion of maritime employees under the State program can easily be absorbed and is hardly different from the inclusion of any other group, heretofore excluded. States are best equipped to handle the program as part and parcel of the general administration of their unemployment-insurance law.

3. A separate Federal administration would result in duplication of effort and expenditures.

Integration of unified unemployment compensation and unified employment service in local areas will afford maximum protection to workers and best labor-market control. Divided responsibilities of employment-service operations, constituting an integral part of any unemployment-compensation administration, would create complexities. Some maritime employees will be available for employment outside the maritime industry. Some workers, not members of the maritime industry in the past, may be interested in maritime work. Furthermore, dual unemployment insurance and placement administration maintained side by side in the same locality is unsatisfactory and wasteful and must so appear to employers, employees, and the general public.

4. Superimposing a new system on the present unemployment-compensation systems, which are coordinated by interlocking reciprocal agreements, will add confusion and have unsatisfactory results.

Many seamen, in addition to wages earned in maritime employment, will earn wages in other employment. Many workers, not usually attached to the maritime industry, will earn some wages by employment on vessels. If coverage prevails in the same States, no problems are encountered under a State system, whereas some exceptional handling would result from a separate maritime system.

Even if coverage prevails in different States, the interstate plan for combining wages offers a ready solution, whereas an additional Federal system would complicate matters.

5. Under a separate Federal system of maritime unemployment insurance, it would be necessary for employers to "split" their pay roll for reporting and tax payment. It would not suffice for the employer to differentiate between employees engaged on land and employees engaged on vessels. There would be a further division, as shown by the Federal bill under discussion, between persons engaged on vessels falling within Federal jurisdiction and persons falling within State jurisdiction: H. R. 1899 (Jackson bill) does not cover all maritime employers but leaves a substantial portion to State jurisdiction. Serious reporting difficulties and confusion could be expected.

IV. CONCLUSIONS

The foregoing observations have evidenced that there is no valid reason in favor of a new and separate Federal system of unemployment insurance for seamen or for superimposing a federally financed plan, administered by the States. This observation is not even altered by the precedent of an independent railroad unemployment-insurance system.

Railroads represent a tightly knit and organized industry with seniority and other rights granted to employees; with steady rather than fluctuating employment; and with little interchange of workers between railroad and other employment. Attachment of a given employee to a specific company is the rule.

The maritime industry offers quite a different picture. It shows a high turnover of labor, drastic fluctuations of employment, and shifting of employees from employer to employer, inside and outside the industry. Furthermore, company offices and representatives can be utilized in the railroad industry for claims taking and placement purposes. Such possibility hardly exists in the maritime industry.

As a matter of fact, all valid arguments and principles of sound and efficient administration demonstrate that the needed unemployment protection for seamen should be carried out in full under the existing State unemployment-compensation systems.

It has been stated above that all of the necessary plans have been laid by the States. The States are ready to begin operations. They will do so in an all-inclusive manner when H. R. 2564 (Lynch bill) is enacted. The enactment of

this bill is required in order to overcome the hesitancy of some States to participate in the operations until Federal tax legislation relating to seamen's wages is provided, establishing the conventional system under which State unemployment-insurance contribution may be credited against such Federal tax. As an evidence of this tendency, some of the States, in repealing the exclusion of seamen under their statutes, have specifically stipulated that this repeal should only become effective when the exclusion of seamen is delted from the Federal Unemployment Tax Act.

Congress has it, therefore, in its power to afford to seamen the long-delayed unemployment protection by the simple device of repealing the exclusion of seamen under the afore-mentioned Federal act. No elaborate new system and no new organization is required. Existing State administrations are ready, willing, and able to assume the respnsibilities under their existing laws.

The provisions proposed for the Federal Unemployment Tax Act are not novel. They are but a complete replica of the provisions now embodied in the Federal Insurance Contributions Act. This act levies taxes for old-age and survivors' insurance benefit purposes and, by virtue of an amendment of 1939, includes seamen.

States are waiting for action by Congress. The interstate maritime reciprocal arrangement, in accordance with the opinion expressed by several States, is, by specific provisions in this arrangement, made contingent on concurrent congressional action. The arrangement, now in the hands of the States for signatures, will become operative when seamen's wages are taxed under the Federal Unemployment Tax Act.

In view of all these considerations, it is urged that early and favorable action be taken on H. R. 2564 and that all other proposals pertaining to unemployment benefits for seamen be laid aside.

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:55 p. m., the committee recessed until Saturday, September 1, 1945, at 10 a. m.)

EMERGENCY UNEMPLOYMENT COMPENSATION

SATURDAY, SEPTEMBER 1, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Barkley, Radcliffe, Lucas, McMahon, Vandenberg, Taft, Millikin, and Brewster.

Also present: Senator Kilgore.

The CHAIRMAN. The committee will please come to order.

Mr. McKee, will you come around please?

Senator VANDENBERG. Mr. Chairman, before the witness proceeds, I would like to put a figure in the record.

The CHAIRMAN. Very well, Senator Vandenberg.

Senator VANDENBERG. There have been many suggestions by witnesses that they are not confronting any serious challenge in respect to unemployment-compensation claims, and that the statistics are not at all alarming.

I want to demonstrate from our Michigan situation that that is not true in these concentrated war-production areas.

The total number of claims filed during the week ending August 25 in Michigan reached a peak of 163,152, more than three times the total of 54,305 filed in Michigan during the previous week.

It is very interesting that of this total, 45.2 percent were filed by men and 54.8 percent were filed by women.

Senator BARKLEY. The Michigan men are not doing their duty.

The CHAIRMAN. Have a seat, Mr. McKee.

STATEMENT OF WILLIAM L. McKEE, CHAIRMAN, VERMONT UNEMPLOYMENT COMPENSATION COMMISSION

The CHAIRMAN. Mr. McKee, you are chairman of the Vermont Unemployment Compensation Commission?

Mr. McKEE. Chairman of the Vermont Unemployment Commission and chairman of the interstate benefits committee of the interstate conference.

I believe you have a telegram here from Governor Proctor.

The CHAIRMAN. I will get it. I haven't it before me right now.

Mr. McKEE. In view of the very many and comprehensive explanations by Mr. Rector yesterday, I shall confine my remarks to the emergency and to the supplementation of the benefits.

In my opinion the fears for unemployment during the reconversion period, on the basis of which advocates of this proposed legislation base their argument, are without justification in fact. What the more distant future may be, I do not know; but I feel that the several States have convincingly demonstrated that they can rapidly adjust their laws to meet changing conditions, and that the States are better qualified to judge the real benefit needs in their own regions. There seems to be an increasing number of people in responsible governmental positions obsessed with the idea that the States are no longer capable of running their own affairs and that the people should be increasingly subjected to Federal control, their independence and self-respect wheedled away from them by the promise of "benefits" under one guise or another.

We may be unconsciously building an atomic bomb under our system of Government far more dangerous than the one that hit Japan.

If the Federal Government is to pay for the difference between the amount of weekly benefits provided by the State laws and \$25, what incentive will there be for States to increase their payments? Such payments by the Federal Government will be paid "out of Federal funds." This means that payments will be made from the general funds and not from the reserve fund, which has been created out of employer's contributions. If this proposal is accepted, the entire system of unemployment compensation, as created by the individual State on the basis of its own individual experience, may as well be thrown overboard.

This legislation in one aspect creates a serious departure from the present philosophy of unemployment insurance. Presently it is one of insurance where the funds are supplied by the tax contributions of the employers, and in a few States employee contributions.

Presently, unemployment insurance is on a sound economic basis. It is not charity or relief and shouldn't be such. Enact this proposed legislation and the door will be opened so that in the future demands will be made of the Congress to enact legislation to subsidize one so-called emergency after another.

In Vermont we have, as you know, a strong, persistent tradition of independence and self-reliance which is shared by all groups of our citizens; farmers, workers, and industrialists alike. We like to think we can take care of ourselves. We like to think that these attributes which are commonly regarded as the working principles of our democracy have persisted with special strength in our State.

We believe that the principles of unemployment compensation are sound; we believe that the Government has an obligation to alleviate the hazards of unemployment; but we believe that this responsibility rests upon the States rather than upon the Federal Government. Conditions vary to such an extent in different sections of our country that we do not believe that any over-all compulsory system of payments can be applied to the country as a whole.

At previous hearings which I have attended, proponents of Federal legislation argued that State funds were not financially able to meet the burden of unemployment. Others advocated a bill to provide millions of dollars of Federal money to subsidize State payments during conversion from peace to wartime production. You gentlemen

will recall that these proposals were not accepted, and history shows that they were not necessary.

I may say this, that I have been down here for many emergencies that have never happened. I feel like the fellow who went to a funeral and someone asked him who died, and he said he didn't know, he just went for the ride.

In the State of Vermont our unemployment compensation law has been revised and liberalized, we believe, to conform to conditions in our State. This revision has been accomplished with the agreement of both management and labor.

At the session of our legislature this spring, the maximum weekly payments were increased from \$15 to \$20, and the potential benefits increased from 18 to 20 weeks. Our representatives were aware of and hoped for the possible ending of the war in 1945. Therefore, it was the feeling of our commission that these provisions are the maximum advisable on a reasonable basis under employment conditions in our State.

My chief objection to this proposed Federal subsidy in unemployment benefits is based on the thought that such legislation reflects a defeatist attitude which, in my opinion, is wholly unwarranted and destructive to national morale at this time. Such a proposal envisions a nation burdened with mass unemployment, a nation whose industry has stopped production; in short, the picture of a defeated nation. It is based on a proposition which is quite unjustified, on the assumption that a high level of employment cannot be maintained by private industry for some time to come. I do not believe that our war veterans expect to return to such a situation.

If I might be permitted to make a suggestion to this honorable committee, it would be that all members of the Senate and House of Representatives get better acquainted with their State unemployment compensation systems; see how they are working; note how they have been progressing during the past 8 years and consult their State labor people.

It is surprising how few Congressmen have visited their State unemployment compensation agencies, according to my fellow administrators.

If we Vermonters had anything to say about the future, we would caution all Americans to slow down the fast pace of life which we have developed, and to get off the auction block before it is time to be sold out. It may be that we, too, should be thinking about returning the people to the land where they can think for themselves and turn their thoughts to things that cannot be purchased with money.

In Vermont, I have always been considered a friend of labor, and I believe in organized labor. I believe in sound social laws. I wish to say in this connection, however, that unless the greatest care is exercised in the type of legislation selected as either temporary, emergency, or otherwise, under the label of social security, there can be built a type of governmental control that may eventually lead to the greatest single competitive factor with sound labor organizations.

The CHAIRMAN. Mr. McKee, you spoke of a telegram from the Governor. The clerk advises me that he hasn't received a telegram from the Governor. Have you a copy of it?

Mr. JACOBSTEIN. It is possible, Senator, that it went to the Postwar Committee, and I will look for it in the file and see that it gets into the record here today.

The CHAIRMAN. Do so.

Mr. JACOBSTEIN. I am sure he did send such a telegram.

The CHAIRMAN. Are there any questions?

Senator BARKLEY. Mr. McKee, I would like to ask you, is there any difference in principle between a general contribution for old-age-pension assistance and Federal contribution for unemployment compensation?

Mr. McKEE. Yes; I think there is.

Senator BARKLEY. What is it?

Mr. McKEE. Unemployment compensation, I think, is an entirely different thing than a pension.

Senator BARKLEY. It is different because it is paid for unemployment instead of being paid for being old.

Would you advocate that Congress repeal the law providing for a 50-percent contribution to your State for all those who draw old-age pensions? Or the contribution for building highways in your State?

Mr. McKEE. No, sir.

Senator BARKLEY. Would any representative of a State represent to Congress that it get out of the picture on anything else except this?

Mr. McKEE. I think the States have demonstrated that they are capable of running their unemployment compensation without the interference of the Federal Government.

Senator BARKLEY. That is a matter of opinion. I don't happen to agree. I think it is absurd to have people in the same category, with the same circumstances, drawing \$16 a week in one State and \$28 in another. That may be all the State can pay, but here we are in an emergency. That emergency was not created by the States of Vermont, Michigan, and Kentucky. The States of Michigan, Vermont, and Kentucky didn't declare war on Germany and Japan. The United States did. These States didn't induce these people to go from one place to another to help in the war effort. Many of them were actuated by patriotic motives; others seeking higher levels of wages. This emergency is created by a national situation.

Even though you may be correct as to the general over-all picture and the permanent picture in regard to unemployment compensation, don't you think that the National Government owes some obligation to those who have been displaced and misplaced all around over the country, whatever their motive, and now find themselves without employment of a period of a few months?

Mr. McKEE. I think, Senator, the States have been preparing for this emergency for quite a long time. They have been building up funds to take care of it.

Senator BARKLEY. They have made a stagger at it, I think, but in many cases it seems to me to be inadequate, and I think that if some of the State authorities had been as unanimous and as active and as enthusiastic about trying to work out a uniform system to apply all over the country, which the States would accept responsibility for, we might not have this legislation here.

Mr. McKEE. There is a difference in the conditions over the country.

Senator BARKLEY. The differences in the amount payable and the

circumstances under which they are paid are not all accounted for by differences in conditions, in my judgement.

I happen to come from a State that pays \$16 a week, and where living conditions are practically the same as those in Michigan or in Connecticut, where a man may draw \$28 a week. That difference is not accounted for by any difference of living conditions. It costs as much to live in my State as in Michigan or in California.

On the whole people live about the same.

Mr. McKEE. Of course, our legislature recognized the increase in the cost of living when they increased the benefit from \$15 to \$20.

Senator BARKLEY. That is true. Some of the States only increased it from \$16 to \$18. That doesn't bridge the gap between the cost of living 3 or 4 years ago, and the cost of living now. It may be an idle dream to think that it can be bridged, but I don't think so.

Has there been any effort made by the State organizations that have been in session, and who have agreed to oppose this legislation, have there been conventions held by them to work out a uniform system that might be adopted in the various States?

Mr. McKEE. I think they are opposed to a uniform system.

Senator BARKLEY. They are opposed to a uniform system even if they could come to an agreement among themselves and leave Congress out of?

Mr. McKEE. I am inclined to think so.

Senator BREWSTER. Isn't that because they feel the conditions in the different States are so varied that no uniform rule could be applicable?

Mr. McKEE. Yes, sir.

Senator TAFT. Don't you think that the people of each State have a right to decide whether \$18 is the right figure or whether it should be \$20 or \$25?

Mr. McKEE. Yes.

Senator TAFT. Haven't the people of each State the right to decide what the policy of that State should be?

Mr. McKEE. I think that is the way the Constitution provides for it, for the States to say what they need for themselves.

Senator VANDENBERG. Mr. McKee, we are constantly comparing the benefit rates with wage rates. It seems to me that that is an unfair comparison. The \$20 benefit payment is equivalent of take-home pay, isn't it?

Mr. McKEE. Yes, sir.

Senator VANDENBERG. There are no deductions?

Mr. McKEE. That is correct.

Senator VANDENBERG. What would that represent comparably in gross wages on the job? Wouldn't it be \$30?

Mr. McKEE. I should say, speaking on the basis of \$25, it would be anywhere from \$27.50 to \$30.50, maybe more.

Senator VANDENBERG. I think it must be more, because you have a 20 percent withholding tax to start with.

Mr. McKEE. Yes.

Senator VANDENBERG. So when we talk about a \$20 benefit payment, we are really talking about the equivalent of \$20 in take-home pay, which is the equivalent of \$30 in wages; isn't that right?

Mr. McKEE. I think that is correct.

Senator BREWSTER. You have a \$12,000,000 reserve in Vermont, have you?

Mr. McKEE. Yes, sir.

Senator BREWSTER. So you are in a pretty strong position.

Mr. McKEE. Yes; we believe we are in a very strong position.

Senator BREWSTER. And if the hope of all of us that the period of reconversion is not too extensive, is not beyond 5 or 6 months, before we begin to get into more normal operations, if that hope is not realized, it would be possible to call the Vermont Legislature to get together.

Mr. McKEE. Yes, sir.

Senator BREWSTER. To extend the period in which payments might be made, if it seems advisable?

Mr. McKEE. Yes, sir.

Senator BREWSTER. You would be inclined to favor such a procedure rather than increase the weekly payments, I gather?

Mr. McKEE. Yes.

Senator BREWSTER. If any steps were to be taken to meet any emergency, if one should exist?

Mr. McKEE. Yes, sir.

Senator BREWSTER. You have, as I believe about nineteen one-hundredths of 1 percent of the covered workers of the country, and your fund is approximately 18 one-hundredths of 1 percent, so that you apparently have reserves adequate to meet your proportion of the covered workers of the country?

Mr. McKEE. Yes, sir.

Senator BREWSTER. You have been thrifty enough for that purpose?

Mr. McKEE. Yes, sir.

Senator BREWSTER. And was there an agreement between the labor and management on this increase in Vermont?

Mr. McKEE. Yes, sir. Our practice is to meet with a group of labor leaders and also a group of management leaders and decide upon the figure that is to be presented to the legislature.

Senator BREWSTER. And that was done in this case?

Mr. McKEE. Yes, sir.

Senator BREWSTER. So this represents the considered agreement of all groups in Vermont as to what was the wise limits to fix?

Mr. McKEE. That is right, sir.

Senator BREWSTER. That was in this last winter's session of the legislature?

Mr. McKEE. Yes, sir.

The CHAIRMAN. If there are no further questions, thank you very much.

Mr. JACOBSTEIN. Mr. Chairman, several Senators have requested information concerning the financial status of the States. I have a table which shows the balance on hand, the surplus in the State funds, in addition to the insurance reserve.

The CHAIRMAN. Was not that put in the record yesterday?

Mr. JACOBSTEIN. Not the general funds. The reserve funds were put in.

The CHAIRMAN. Later on I thought we put in another table that covered all the various funds.

Mr. JACOBSTEIN. No.

I got it from the Census Bureau.

The CHAIRMAN. It may be placed in the record.

Senator BREWSTER. Does that cover the other funds also, beside what you call the general funds?

Mr. JACOBSTEIN. It shows the general fund and there is a separate column for highway funds and also other special reserves in the general treasury of the States.

The CHAIRMAN. Put it in the record.

Senator BREWSTER. I wonder if we could have a copy of that?

Mr. JACOBSTEIN. Yes.

The CHAIRMAN. We have the Secretary of Labor with us this morning. Just have a seat, Judge.

We will be glad to hear you, Mr. Secretary, on this bill, S. 1274, that is to say, the temporary unemployment program recommended by the President as it is contained in this bill.

STATEMENT OF HON. LEWIS B. SCHWELLENBACH, SECRETARY OF LABOR

Senator VANDENBERG. Mr. Chairman, I would like to welcome the Secretary on the occasion of his first appearance before us in his new capacity, and to express my very deep sense of confidence in him in connection with the task to which he is now dedicated.

Mr. SCHWELLENBACH. Thank you.

The CHAIRMAN. I am sure that sentiment is universally entertained, Mr. Secretary, by the members of this committee and our colleagues in the Senate.

Mr. SCHWELLENBACH. Thank you.

Senator BREWSTER. I want to add, he has demonstrated his very good judgment by selecting one of his chief assistants from the State of Maine.

Senator VANDENBERG. And another one from the State of Michigan.

Senator LUCAS. It finally came out.

The CHAIRMAN. I regret to say that he has shown a lack of good judgment in not going down to Georgia, but perhaps he will.

Senator BREWSTER. I hope we are not embarrassing the Secretary by this adulation.

Mr. SCHWELLENBACH. For the last 4½ years I have sat up on the bench and had people appear before me, and I have wondered just how they felt being subjected to the examination that I have given them.

By the time I get through here, I probably will know. [Laughter.]

I am in accord with the purpose of S. 1274 which, as I understand it, is to provide an emergency method for handling the temporary unemployment which will face the country during the coming months.

Although it is difficult to estimate the exact number of people who will be without jobs in the immediate future, it stands to reason that there will be sizable temporary unemployment. Businesses will be converted to peacetime operations. War workers will be looking for suitable peacetime jobs and demobilized veterans will be fitting themselves into the civilian economy. The process of readjustment will take time and, during this period, people who are able and willing to work may not be able to secure satisfactory employment as rapidly as we would wish.

The provision of unemployment insurance to meet this condition is not a proposal which requires lengthy justification. The social-se-

curity law has been on the books for 10 years and has gained wide acceptance. S. 1274 should enable the existing machinery to meet this emergency more adequately with respect to three main items; amount of benefits, duration of benefits, and coverage.

Benefits should be increased to a maximum of \$25 a week. This does not mean that every unemployed person will receive \$25 each week that he is unemployed. The bill provides that the benefit amount shall continue to be determined by the methods prescribed by State law. In many States, these methods provide that the unemployed person shall receive one-half his average weekly earnings for some specified period of employment. In a State which determines benefits in this way, no person will receive unemployment compensation of \$25 a week unless he had been earning \$50 a week or more, while employed.

At present, the States fix various basic maximums ranging up to \$25 a week. The majority of the States, however, fix a maximum of \$15 to \$18 a week. These maximum rates are not adequate under present cost of living conditions. The proposed increase in benefit amount should help workers, unemployed through no fault of their own, to meet this increased cost. The increase in compensation benefits should also help the businessman and the farmer by keeping up the purchasing power of the worker.

If this action is taken for the unemployed war worker, I would, of course, favor the provision of the bill increasing the unemployment allowance of the veteran to \$25 a week plus \$5 if he has one or more dependents.

I am also in agreement with the view that provision should be made for 26 weeks of unemployment benefits. In approximately one-half of the States benefits are limited to 16 weeks and in most States the duration of benefits may be further limited by the duration of past covered employment.

With the current uncertainty, it appears wise to provide for insurance which will cover a 26 weeks' period in case the worker cannot find a job. If he finds a job before the end of that period, he will, of course, be entitled to compensation for the period during which he is actually unemployed.

The State laws which limit the duration of benefits in accordance with the duration of past covered employment have the effect of giving a maximum number of benefit weeks to an employee who has had steady employment over a long period of time, and a substantially smaller number of benefit weeks to an employee whose employment has been irregular and of short duration. The important thing to accomplish in the immediate future is keeping up the purchasing power of the working population. From this standpoint it is advisable to adopt a uniform period of benefit duration.

There are large numbers of workers who are not covered by unemployment compensation under the existing social-security system. I do not believe that we can effectively accomplish our objective of easing the shock of reconversion to the national economy and the individual worker if we do not make provision for these groups. The bill provides for the extension of coverage to Federal workers, maritime employees, and persons engaged in agricultural processing operations.

It also authorizes the States to agree to further extension of coverage. Under this authorization, it will be possible to give employees

of small establishments, employing one or more persons, the benefits of unemployment compensation.

I understand that a number of States cover such employees and that additional States have provisions in their unemployment compensation laws which will permit coverage of such employees as soon as the Federal Unemployment Tax Act is amended to tax employees of one or more. Authorization for such coverage in this bill will provide for a more uniform treatment of the problem and will permit administrative authorities in the States to put already declared legislative policy into effect.

I would like to emphasize, particularly, the problems of the Federal worker and of the seamen.

It should be noted that most of the Federal workers are not white-collar workers. They are employed in such establishments as arsenals, munitions plants, and navy yards. Many of them were engaged in employment covered by unemployment compensation before coming to work for the Government. Upon the surrender of Japan they find themselves in the same position as the employees of private munitions plants and shipyards. They do not have the security of tenure which is ordinarily associated with Government employment. It seems to me that a simple justice requires equal treatment for the Federal worker.

Many of these considerations also apply to the men who were drawn into the expanded merchant marine during the war. In addition, they have seen hazardous service during the war and have special claim for consideration.

Question may be raised as to why the Federal Government should assume this responsibility. I think that one main reason for the assumption of responsibility is necessity. If we wish to meet the reconversion unemployment problem, then action must be taken on a Federal basis since it will be a physical impossibility to reconvene all the State legislatures to take appropriate steps in time.

Furthermore, it must be recognized that the problems facing us are as much a part of the war as contract terminations and tax rebates. The appropriation of Federal funds for the purpose of meeting the reconversion problem should be recognized as a necessary expense in the liquidation of the war effort.

I would suggest, however, that consideration be given to the development of plans whereby at least a portion of the Federal moneys expended under this program are repaid from State funds, especially where the tax levels of a particular State are not up to the national average.

I would like to digress for just a moment from the text here.

These further suggestions are made upon the theory that this is a special statute intended to meet a special emergency situation, intended to be administered by another agency of Government than Social Security, and not to be a part of the permanent social-security program.

There is some doubt in my mind as to whether or not it is desirable to have O. W. M. and R. in charge of this program. I have resolved the doubt upon the basis that these changes which are suggested in this bill and the further changes that I suggest are merely temporary.

I think that the States can be protected by having it administered by O. W. M. and R. and not as part of the social-security organization itself. I say frankly that if this were being set up in such a way that

it would be a part of a permanent program, that I am very doubtful whether or not the Federal Government should pass into the realm of problems which should be decided by the States.

I look upon this, as I said, purely as a liquidation of the war effort, and I think that the distinction can be made, and must be made, and there is a valid distinction upon the basis of the method of administration.

For that reason, while I don't like to see another agency of Government, even temporarily, taking up work which ordinarily is performed by established agencies of Government, I think that there is an advantage in this particular case, and that there is some protection to the States in the fact that it is to be administered as provided in the bill.

Going on:

I have some additional suggestions that I would like to submit for your consideration:

1. The bill would provide for a total maximum weekly unemployment allowance of \$25, including the total share payable under State law and the supplemental share which would be provided by the bill. It is my understanding that there are at least three States—Connecticut, Michigan, and Nevada—and the District of Columbia whose unemployment-compensation laws make provision for an allowance in addition to the base amount of compensation where the worker has dependents.

Under the bill as it stands, the maximum allowance in these States would still be \$25 weekly, and the advantage of the State provisions for dependency allowance would in effect be lost. For this reason, I would suggest that the bill be amended to provide that in the case of States having such a dependency allowance, an individual's adjusted weekly benefit amount should be a maximum of \$25 plus the amount of the dependency allowance.

2. Under the bill, eligibility to receive unemployment compensation benefits would continue to be determined under State unemployment-compensation laws. Many State laws contain restrictive disqualification provisions, tending to deprive those most in need of unemployment compensation of benefits which they should receive, such, for example, as have been adopted with respect to the requirement that the applicant for benefits be available for work, and the requirement that he accept any suitable position which may be offered to him at the risk of cancellation of his wage credits toward unemployment compensation.

In addition, there is lack of uniformity in the eligibility provisions of State laws. The reasons most commonly asserted for the absence of uniform eligibility provisions in the Federal social-security laws are that the States should be left free to conduct their own experimentation in methods of administering social insurance, and that requirements suitable for one State might be inappropriate for another.

If this bill is enacted into law and we adopt a policy which in many States will result in paying the worker \$25 a week provided he had been earning twice the amount to be paid, it seems illogical and inconsistent to me to disqualify the individual by forcing him to accept work at less than the amount of his compensation.

The problem with which S. 1274 deals is, however, Nation-wide in scope, and cannot, I believe, be effectively solved unless the bill is amended to provide uniform standards of eligibility for the benefits it would confer, and to prevent the negation of those standards by unduly restrictive qualifications.

I think you can understand why I make this statement. I don't view this bill as unemployment compensation primarily. It is a bill to meet a national situation, to be administered in a different and separate way, and without any attacks upon the right of the States and the desirability of the States in establishing their rules for themselves.

If the Federal Government adopts a policy that a certain amount should be paid up to \$25, if it doesn't exceed half the amount of the previous earnings of the worker, there is a very definite distinction between the provisions of this statute and the social security unemployment compensation as we have come to know it in the past.

3. Provision should be made which will lessen the present tendency of the unemployment compensation laws to deter children from returning to school. This can be done by regarding a person of school age as available for work, if he is prepared to accept employment, even though he is attending school. In effect, the young worker will be spending his waiting time in school rather than idling his time away. I do not mean that going to school can be used as a subterfuge to avoid working—it would only apply to those who in good faith want to work—but cannot secure work and would prefer to study than to loaf.

The CHAIRMAN. Are there any questions?

Senator VANDENBERG. Mr. Secretary, first let me explore with you for a minute the figure of \$25 a week.

Let me say that I agree with everything you say about the maritime workers and the Federal employees. I substantially agree that there is an emergency situation here to which we have got to give some sort of attention. The question in my mind is what is a practical method of reaching a result. When you talk about increasing benefits to a maximum of \$25 a week, remembering that under the statistics we have received I think something like 80 percent of the war workers are in the States which pay \$20 for 20 weeks—

The CHAIRMAN. \$20 or more.

Senator VANDENBERG. \$20 or more for 20 weeks.

In other words, that would seem to be the consensus of the localized opinion in practically all of the areas where this problem exists as to what the rate of compensation ought to be.

Now, when you talk about \$25, you are talking about take-home pay of \$25. That is not comparable with a wage of, a gross wage of \$25. It is more comparable to a gross wage of \$35. The existing \$20 rate is equivalent to a regular wage of certainly \$30 a week.

Would you not think that unemployment compensation pegged at the level of a \$30 wage was reasonable and adequate?

Mr. SCHWELLENBACH. Well, first let me ask, Where do you get the spread between \$20 and \$30?

Senator VANDENBERG. In the first place the \$30 is subject to a 20-percent withholding tax. There goes \$6 of the \$30. It is subject

to unemployment taxes. It is subject to union dues, and so forth. I think it is a conservative statement that \$20 net is equivalent to \$30 gross pay roll.

Mr. SCHWELLENBACH. I will answer your question "yes." The theory of this is on the basis of one-half of the previous amount. If they get one-half of the previous amount, as a result of the adjustment of the taxes, and so forth, yes, I agree with you.

Senator VANDENBERG. Then let me——

Mr. SCHWELLENBACH. I don't agree with you necessarily; I don't know whether—none of us knows whether \$25 or \$30 is the right amount.

Senator VANDENBERG. I am not asking you to agree with my arithmetic, but with the theory, namely, don't you think it fair to look upon \$20 as an equivalent figure to a wage return of \$30 because it is equivalent to a wage return gross of nearer \$30, certainly.

It seems to me that if this bill were saying that the employed shall have wages of \$30 everybody would say it is completely generous and adequate, and I am submitting that that is what is the existing situation in those States which now pay \$20 unemployment compensation.

Mr. SCHWELLENBACH. I think the theory of the bill is that the shock of reconversion will best be met by seeing that they get at least 50 percent of what they have been earning.

Now, I am not going to say that \$20 or \$25, and I don't think you want to say, that that amount is necessarily the governing matter. So far as I am concerned, if, under the lack of necessity of paying withholding tax and things of that kind, they get 50 percent of the amount, then I agree with your conclusion.

Senator VANDENBERG. Well, I think that, under the State laws which are at the \$20 level, if the unemployment compensation rates were considered in the light of take-home pay, I think in practically every instance they would be on the basis of 50 percent.

Senator BREWSTER. In that connection, may I correct one of the statements which the Secretary made, for the record?

Senator VANDENBERG. Yes.

Senator BREWSTER. I know that the Secretary undoubtedly got his information from his advisers, as we are all obligated to do.

You say in your statement:

The majority of the States, however, fix a maximum of \$15 to \$18 a week.

I have here a tabulation of maximums, and I find that 27 States out of the 48 have a maximum of \$20 or more. So that would be factually, apparently, inaccurate. I think it is based on the situation before this year, when many of the legislatures increased their maximums.

Mr. SCHWELLENBACH. Thank you.

Senator BREWSTER. Similarly, on the next page you have a statement reading:

In approximately one-half of the States benefits are limited to 16 weeks, and in most States the duration of benefits may be further limited by the duration of the past covered employment.

Referring to the same tabulation, I find that 36 of the States out of 48 have more than 16 weeks, and 35 of them have 18 or more.

So that I think your assistants should bring their tabulations more nearly up to date. I know that you are desirous of that, as we are.

Mr. SCHWELLENBACH. Yes.

Senator BREWSTER. Excuse me, Senator Vandenberg.

Senator VANDENBERG. That is all right. I think it is good to have the record straight.

Now, Mr. Secretary, I want to submit one other consideration to you. If you had been there through these hearings, you would discover that the chief difficulty which this bill confronts, and which, I am sorry to say, may even hazard it, because I think there ought to be a bill, concentrates at this point where we are proposing to change the State rates.

There are a good many pretty formidable arguments against changing the State rates, not the least of which is the position of the Texas Unemployment Commissioner who testified that in 40 States this bill cannot operate without an intervening session of the State legislature. If that is even remotely true, it is a pretty serious hurdle.

Now, this is what I want to ask you:

Let us assume that we are going to spend a given amount of money on this job. In other words, let us eliminate what I am about to say from any suggestion that anybody is trying to save money at the expense of unemployment, let's say that we are going to spend everything that the Kilgore bill proposes to spend. I want to see if there isn't a more logical, simpler way to do it, which would obviate nine-tenths of the opposition to the entire bill.

Under the bill, duration of payment stops at 26 weeks. Under the theory of the bill as presented by Dr. Altmeyer, the burden of unemployment is by no means going to be over at the end of 26 weeks. Therefore, so far as the bill is concerned, it does not meet the situation.

I am wondering whether, still bearing in mind the fact that 80 percent of our war workers can get \$20, speaking generally, net, take-home pay under their existing State laws, I am wondering whether the logical thing for the Federal Government would not be put all of its supplementary relief at the point of duration, leaving, in other words, the State standing as decided upon by the State, but recognizing the fact that the emergency may run 40 weeks or longer, and that the point at which the emergency will arise is in respect to duration, rather than in respect to rate, and that, therefore, instead of attempting to change the State rates, and the moment we eliminate that factor we eliminate about 90 percent of the opposition to the measure, instead of changing the States rates we leave the State rate in each instance as it is and find a formula under which we shall apply our resources to an extension of the duration of the period in which those rates shall be paid.

I would like to hear your comment on that suggestion.

Mr. SCHWELLENBACH. Well, if we have 48 States that are paying \$20 a week, I would say "Yes." While it is true that you have got 80—you say 80 percent covered by \$20 a week—

Senator VANDENBERG. That figure may not be accurate, but it is somewhere in that area.

Mr. SCHWELLENBACH. I don't think it will meet it.

Senator McMAHON. Mr. Secretary—

Senator VANDENBERG. Excuse me. May I ask one further question?

Senator McMAHON. I wanted to develop your thought on that.

Senator VANDENBERG. All right. Go ahead.

Senator McMAHON. Mr. Secretary, bearing upon Senator Vandenberg's suggestion, I note this line in your statement:

The increase in compensation benefits should also help the businessman and the farmer by keeping up the purchasing power of the worker.

That has had a good deal of bearing, that theory, upon my thinking. However, I must say to you that our expenditures have been \$100,000,000,000 for war-making purposes, and under the highest of the three estimates, low, intermediate, and high unemployment, the total amount this bill would pay over 21 months is approximately \$2,000,000,000. Am I right, Senator?

Senator VANDENBERG. Yes.

Mr. JACOBSTEIN. That is the maximum.

Senator McMAHON. Do you think the \$2,000,000,000, being 2 percent of what we have spent for war-making purposes, would have a measurable result in keeping up the purchasing power for the worker, bearing upon Senator Vandenberg's theory that it would be better to add that two billion in extent if it wouldn't do a concrete job during the period of the 21 months of the provisions of this bill?

Mr. SCHWELLENBACH. I don't think it can be measured in the amount of \$2,000,000,000. I think that the difficulty you run into when you attempt to approach it from that point of view is that it isn't the total amount of money that is involved. Suppose that in order to meet the problem, we would appropriate \$2,000,000,000 to 10,000 people. That wouldn't keep up the purchasing power. It is this additional amount that each one has that results in purchasing power.

We have people who have incomes far in excess of the amount that they can spend. The effect of their income, up or down, has nothing to do with the purchasing power of the country, because they just don't spend that. But to give to a large number of people a small additional amount results in a lot more purchasing power than to give a small group a large amount of money.

So I don't think that there is a relationship between the \$2,000,000,000 and purchasing power. I don't think that that is the way to look at it. I think that the approach you make overlooks the fact that a spread-around purchasing power is the important thing.

Concentration of amount would not result in increased purchasing power, and I do not think it is a proper approach to just say two billion as compared with two hundred billion.

Senator VANDENBERG. Purchasing power is important after this 26 weeks is over, too.

Mr. SCHWELLENBACH. Yes; I agree with you that it is important. I don't know when these people are going to start being unemployed. That is one of the imponderables in this situation. There are a lot of them unemployed right now, but a lot of the prophets around here are saying some of them are going to start being unemployed next January, next November, and next spring. So that it isn't a matter of starting on the 1st day of October and figuring out 26 weeks. It is figuring beyond the twenty-sixth work period.

Senator VANDENBERG. I presented figures this morning indicating something like 160,000 claims were filed in Michigan last week, three times the previous week. We are going to get our peak now, and then

we hope we are going to slide up to a happier net result as swiftly as possible.

Of course, the 26 weeks will not be continuous for everybody.

Mr. SCHWELLENBACH. It will be staggered.

Senator VANDENBERG. Yes. Would you not maintain and apprehend that this graph is going to be pretty consistent? It seems to me that when we on the one hand, under the estimates of the Social Security Board, contemplate a very heavy load beyond the 26 weeks, and then reduce our emergency treatment exclusively to 26 weeks, that it is scarcely a logical solution as it would be to proceed on the other basis.

However, that is a matter of argument. I am very much interested in your viewpoint on it.

There is one other thing I want to ask you about. In your statement you say:

I would suggest, however, that consideration be given to the development of plans whereby at least a portion of the Federal moneys expended under this program are repaid from State funds * * *.

Can you amplify that in any way, Mr. Secretary, as to indicate what you have in mind?

Mr. SCHWELLENBACH. My understanding is that there are certain States that have ample funds with which to take care of the problem they contend they have, and some of them have low tax rates. I don't think the Federal Government, if the State is able to pay this bill, should take it on and not have some return of the money from the States.

Senator VANDENBERG. That, of course, is a very sound generality, but I am wondering if you could help us at all in a specific application of that theory. I was wondering how you would do it.

Mr. SCHWELLENBACH. No; I can't give you an example.

Senator BREWSTER. Supplementing the figures which you referred to, my tabulation indicates that 90.25 percent pay \$18 or more as a maximum, and 76.73 pay \$20 or more, which is nearly 80 percent of the covered workers that are under these much larger provisions. The States which have these lower maximums, in many instances, are States with very small groups of covered workers. If you take it on the covered workers' basis you get figures substantiating your position.

Senator VANDENBERG. If that is true, my figures should be still further enlarged because I am talking about displaced war workers.

Senator BREWSTER. Yes.

Senator VANDENBERG. I think it is fair to say that most of the war workers under existing State benefits are going to get \$20 take-home pay, which is equivalent, certainly, to \$30 on the pay roll they have left, and which is certainly 50 percent of any obligation that we ought to assume.

Mr. SCHWELLENBACH. I will agree with you on the 50 percent.

Senator VANDENBERG. If my figures are correct, will you agree with my conclusion?

Mr. SCHWELLENBACH. I agree with your conclusion.

Senator BREWSTER. On the 50 percent, is the background of that the coinsurance?

Mr. SCHWELLENBACH. No; my understanding is that the philosophy of this bill is that it is 50 percent of the amount.

Senator BREWSTER. On what basis do you take the 50 percent figure? Usually, over the last decade, it has been on the idea of coinsurance. A fellow ought to look after half of his problem, and you will help him on the other half.

Mr. SCHWELLENBACH. As I view this bill, it is purely an emergency bill to meet the problem. I don't look upon this as the ordinary unemployment compensation proposition. I don't think any of the standards that are used in unemployment compensation are necessarily applicable here. My understanding is that those who drafted this bill had the theory that in order to meet the shock of unemployment during reconversion that there should be a 50 percent amount.

Senator BREWSTER. You wouldn't want anything that would seem to permanently integrate this arrangement as a part of the permanent unemployment system of compensation?

Mr. SCHWELLENBACH. No; I would not.

Senator BREWSTER. You would want to review that in a larger view?

Mr. SCHWELLENBACH. Yes, sir.

The CHAIRMAN. Are there any further questions?

Mr. JACOBSTEIN. Mr. Chairman, may I ask the Secretary, in his statement does he not leave the impression, the erroneous impression, that a man would have to earn \$50 to get \$25?

Is that your thought, Mr. Secretary?

Mr. SCHWELLENBACH. Yes, sir.

Mr. JACOBSTEIN. Whereas the bill provides, on page 5, beginning with line 7, that the payment of compensation may be two-thirds, not 50 percent. If this bill were passed and became law, a man earning \$38 a week would get \$25.

Mr. SCHWELLENBACH. Not to exceed two-thirds.

Mr. JACOBSTEIN. Yes. Therefore, it would almost, but not quite, automatically, if the States elect to do so, and there is every reason to believe they would since it wouldn't cost them anything—in other words, it isn't really on a 50-percent basis.

You have to discuss this question on the basis of two-thirds.

So that workers would not be required to earn \$50 previously to receive \$25. They would have to earn \$38.

Senator BREWSTER. \$37.50.

Senator KILGORE. That is with one proviso, that the State provided two-thirds. The State would have to agree up from 50 percent to two-thirds to get it or you would still be governed at the State level on the percentage theory.

Mr. JACOBSTEIN. As many Senators have said, since it wouldn't cost the States anything to elect to use the two-thirds maximum, why shouldn't they do it. That is all the State has to do, and the State comes in and makes an agreement with the Social Security Board. Your bill provides these supplementary payments, any new cost to the State, any burdens, financial burden that falls upon the State resulting from the operating of this bill, would be met out of Federal funds.

Senator Kilgore, I wrote, at the request of Senator George, I wrote Mr. Altmeyer and asked what would be the cost under this bill, and the figures that he gave and which are now in the record indicate how much it would cost the Government; the Federal Government, if this bill were adopted, first, under the mandatory provisions, and, second, under the voluntary provisions, and this comes under the voluntary provisions.

On page 5 it says that any State which enters into an agreement to pay compensation may include it in its agreement and that additional cost falls upon the Federal Government. Those figures are incorporated in Mr. Altmeyer's statement. That is why the cost runs up to 2 billion dollars.

So I think the Secretary's statement carries the wrong impression. I don't think he wants to leave it quite that way, that a man must earn \$50 in order to get \$25. He would have to earn only \$28—only \$37.50—or \$38.50 to get \$25. That has been the impression left here by the witness.

Senator VANDENBERG. I understand the Secretary simply to be stating his general theory that if the unemployment compensation nets 50 percent of the wage that it is reasonable.

Mr. SCHWELLENBACH. I have an analysis here of Mr. Altmeyer's statement which refers to permissive increases as representing such amounts that may be required if States wish to agree to the coverage of small establishments, and that is the distinction we make between mandatory and permissive increases.

Mr. JACOBSTEIN. Certainly, the impression left here in the discussion was that if a State elected to come in then that State—

Senator KILGORE. Excuse me. I think we have been talking at cross-purposes. You are speaking about the small employer, the employer of the small group?

Mr. JACOBSTEIN. I am talking about page 5, under "c," group 1:

Any State which enters into an agreement to pay compensation in accordance with subsection (a) of this section may include in its agreement provision for—

(1) payment of compensation to individuals on the basis of adjusted weekly benefit amounts which do not exceed \$25 and do not exceed two-thirds of the individual's previous weekly earnings, * * *

It doesn't say 50 percent. It says two-thirds. Therefore, a worker in my State of New York who earned \$38 would be entitled to get \$25. Today he only gets \$22. In some States it is \$18.

Senator VANDENBERG. He would be entitled to get \$25 take-home pay as against \$38 which wasn't take-home pay.

Mr. JACOBSTEIN. That is right.

Senator McMAHON. Provided the State of New York changed its law.

Mr. JACOBSTEIN. Yes.

The CHAIRMAN. Some States already pay substantially two-thirds.

Mr. JACOBSTEIN. Yes.

The CHAIRMAN. Not all pay 50 percent.

Mr. JACOBSTEIN. No. Some pay 60 and some two-thirds.

Mr. SCHWELLENBACH. I think you are wrong about it. You take the position that the two-thirds is a matter that has to be taken care of by the Federal Government, and you base it upon the testimony of Mr. Altmeyer.

I have an analysis of Mr. Altmeyer's testimony. You say that he has mandatory increases and permissive increases and you include this permissive increase, to be paid by the States, as what he referred to as permissive increases. His testimony was that mandatory increases represent such amounts as are required to extend the amount and duration of benefits to \$25 and 26 weeks, and extension of coverage to Federal workers, maritime workers, and agricultural processing

workers. Permissive increases represent such amounts as may be required if States wish to agree to coverage of small establishments.

So it seems to me that the basis of your argument falls when you rely upon Mr. Altmeyer's analysis of it.

Senator McMAHON. But he can't change the provisions of the bill, Mr. Secretary.

Mr. SCHWELLENBACH. The bill gives to the State the permission to increase to two-thirds if it wishes.

Senator BREWSTER. It also provides, under section 706 (a):

Each State entering into an agreement under this title shall be entitled to be paid an amount equal to the total of all supplementary payments made in accordance with such agreement.

That would cover both the mandatory and the permissive. It would certainly cover increases which were made by the States under this section (c) (1), if it were a matter of agreement, even though it might later be made a matter of law. I should say that would be the interpretation. The fact that you had made an agreement would affect it if you later made a law to comply with it.

The CHAIRMAN. I think, Mr. Secretary—

Mr. SCHWELLENBACH. I would like to answer that, if I may.

The CHAIRMAN. Yes.

Mr. SCHWELLENBACH. It says, "as defined and determined by the State unemployment compensation agency."

That is in (c) (1).

Mr. JACOBSTEIN. Is it your understanding then, Mr. Secretary, that if a State were faced with an additional cost because of that section, the State would pay it, whereas the philosophy of this bill is that all supplementary payments will be absorbed by the Federal Government? That is the philosophy of the bill, isn't it, Senator Kilgore? All additional supplementary payments?

Senator KILGORE. Within the limitation of the law, on page 3. Look at that provision of the agreement:

Any such agreements shall provide—

(1) For supplementing the amount of compensation payable to any individual during his benefit year in such amount that compensation will not be denied to any individual, by reason of exhaustion of his benefit rights, until he has been paid an amount of compensation equal to 26 times his adjusted weekly benefit amount; and

(2) For such payments as are necessary to provide compensation on the basis of their adjusted weekly benefit amounts to individuals entitled to the maximum State weekly benefit amount payable under the State unemployment compensation law of any State in which such maximum State weekly benefit amount is less than \$25: *Provided*, That the adjusted weekly benefit amount of each such individual shall be determined by an appropriate extension (with a maximum adjusted benefit amount of \$25) of the method used under the State unemployment compensation law in determining the State weekly benefits amounts of individuals entitled to less than the maximum State weekly benefit amount; * * *

Senator LUCAS. Let me ask you, Senator, is it your understanding that if the State accepted the permissive group and declared that they should come under, they would automatically more or less go into the same group as the mandatory group, the group we are now considering and the State would have to make the same payments they are making in the mandatory group supplemented by what we give them from the Federal Government?

In other words, there is a group that does not come under in these States.

Senator KILGORE. That is right.

Senator LUCAS. They have the right to come under, under this bill, providing the State wants to put them under. If the State decided that they wanted this permissive group to come under, if they do that, is it your understanding the State has to pay its proportionate share?

Senator KILGORE. No. It assumes supplementation for this group by the Federal Government until the social-security tax features and State laws are amended.

Senator BREWSTER. In regard to "as defined and determined by the State unemployment compensation agency," on page 5, section (c) (1), that applies, Mr. Secretary, as I understand it, entirely to the determination of the State unemployment compensation agency as to whether it is two-thirds of the individual's previous weekly earnings.

Mr. SCHWELLENBACH. Yes.

Senator BREWSTER. It is simply the way they determine it by the State law. It wouldn't affect the other question, of whether the Federal Government would be obligated to pay all of the increases as a result of these agreements.

The CHAIRMAN. I think, Mr. Secretary, that you are accurately interpreting Mr. Altmeyer's testimony, but if you read his entire statement, I think you will find he said in effect, that the analysis of the bill which I presented to him was correct, and there is an optional provision with regard to the States with respect to benefit payments, and with respect to coverage. Two options.

Now, when he was estimating his costs, he did refer to the later option, that is, to coverage, and he made it very plain, to my mind, that his estimate of cost, of course, is based on an assumption that includes everything that the bill provides, excepting the travel pay. He said that he had not attempted to make any estimate of that cost. But otherwise, he had tried to estimate the actual cost under this bill and under the bill also pending in the House.

Mr. SCHWELLENBACH. Am I not correct in saying that his analysis of the bill limited permissive increases to the coverage of the small establishment?

The CHAIRMAN. That is correct; he did make that statement and that is the reason I asked him if this analysis was substantially correct, and that analysis sets up what this agreement first must provide and a second agreement may provide for raising weekly benefits to not more than two-thirds the weekly wage provided for in the Senate bill. The House bill has the same provision, by the way.

Mr. JACOBSTEIN. Mr. Chairman, may I add this word:

If you feel that this two-thirds provision does not involve further expense to the Federal Government and only gives permission to the State to change its own law at its own expense, it doesn't need this law. Any State can always provide, under its own law, that a worker shall get paid up to two-thirds. This permissive feature means nothing to the State unless it means also that the Federal Government will pay the bill.

The CHAIRMAN. The optional agreement under coverage is that the States are permitted to extend coverage to any excluded service or employing unit, and while you are quite correct in quoting as you did,

Mr. Secretary, yet subsequently his testimony will disclose that he said this was a correct analysis of the bill as he interpreted it.

Senator KILGORE. I was arguing with the gentleman (Mr. Jacobstein) on the two-thirds. My interpretation of the bill is that if you bring in a noncovered group that the Government pays it, but they cannot raise the percentage on a noncovered group unless they raise the entire percentage of pay in the State.

Mr. JACOBSTEIN. That would be true, but those who are now covered, as, for instance, a war worker in Michigan can draw, under this bill, if Michigan accepts it, accepts the agreement, a war worker who earned \$38 would be entitled to \$25 a week. Under the Michigan law, he wouldn't get \$25 if he only earned \$38. Since there is an additional cost, that cost would be defrayed by the Federal Government; that is my contention.

Senator VANDENBERG. I don't see how there would be any doubt about the accuracy of that analysis.

The CHAIRMAN. Are there any further questions?

Senator McMAHON. Mr. Chairman—

The CHAIRMAN. Senator McMahan?

Senator McMAHON. Mr. Secretary, I presume, in view of your statement on page 4 that the problem with which this bill deals is Nationwide in scope, and cannot be solved unless the bill is amended to provide uniform standards of eligibility for the benefits it would confer, I presume you have had some complaints, as I have, that in the administration by the States of their unemployment compensation laws, they are cutting pretty ruthlessly off of the rolls, applicants on the ground that they haven't accepted what the State director thinks is suitable employment.

I assume from this language that you would write in certain standards for the payment by the Federal Government to the State. That is the intent and purpose of that language?

Mr. SCHWELLENBACH. Yes.

Senator McMAHON. If they continued in an unfair way, let us assume, to cut people off, the only remedy the Federal Government would have would be to withhold payments from the State. That would only punish the worker, it would seem to me, further, as the State wouldn't give them any money if you cut them off. That doesn't help the unemployed worker, does it?

Mr. SCHWELLENBACH. That is theoretically true, but I don't think practically it is true. I don't think that the individuals in charge of a State office, if they were cut off because of their unwillingness to comply with the Federal standards, and were insisting that people take jobs which, under the Federal standards they should not be required to take, I just don't think they are going to stop once the Federal Government tells them that they have to comply. Just as a practical situation, I don't think the situation which you envisage would ever arise.

Senator BREWSTER. Have you formulated a provision which would cover what you have in mind?

Mr. SCHWELLENBACH. No, sir. I would like to make a statement on that. I sat in this body for 6 years and I got sick and tired of people proposing bills and amendments and I don't intend to write any bills or amendments to bills as long as I am in the executive branch of the Government.

Senator BREWSTER. That is a very refreshing declaration.

Senator VANDENBERG. That simplifies your problem, Mr. Secretary, because you can come up and make these very fine suggestions and then say, "What are you going to do about it?"

Mr. SCHWELLENBACH. No. I have always thought that the legislative branch was perfectly capable and the Members of Congress were capable of writing their own laws. Just don't ask me to write any amendments or laws. Maybe after I have been down there long enough I will get the other point of view, but for the present, that is my point of view.

Senator BREWSTER. The figures over there [indicating chart]—this is a little on the philosophy of this situation which you discussed here—show 6½ million wage earners in war industry if you return to 1939, out of 8 million, if you return to the 1939 situation, and with a million and a half servicemen returning to their jobs. Do you feel that it is possible for our economy to employ those people at their increased skills during this immediate postwar period?

Mr. SCHWELLENBACH. I think they are going to be in between jobs for a period of from 8 months to a year.

Senator BREWSTER. I am speaking now of a longer look. I think some of the previous witnesses have said that most of those people came from unskilled labor into the war industries to acquire their skills. My question is whether we are going to be able to employ them in those skills or whether many of them will have to return to their former occupations.

Mr. SCHWELLENBACH. I think unfortunately they will.

I went out to a place near Spokane called Galena, where they repair airplanes. They had a number of skilled workers there, hundreds of them, skilled and trained to do one particular phase of the job.

Now, it is very unfortunate; but I am afraid those people are going to think that they are competent machinists and that they can get work as machinists generally. They have taken a 3 or 6 weeks' course, and they have learned how to do that particular task very well, but they are not going to be repairing airplanes in the future.

Senator BREWSTER. That is going to be true of a vast number of unskilled workers who came in in response to this need, and particularly with reference to women. Probably most of the women previously were not qualified in these industries, and probably will not find opportunity in the future there.

Is it your thought that they should not be encouraged to resume their old occupations and at what were their old standards as against keeping them on unemployment compensation?

Mr. SCHWELLENBACH. You are talking about the amount?

Senator BREWSTER. That is right?

Mr. SCHWELLENBACH. No; I don't. I view this bill not merely as a matter of the individual worker, but as a matter of the general economy of the country, and keeping our purchasing power, letting those people have some money so that they won't cash their bonds or won't stop purchasing during this period. Nobody knows when we may have inflation and when we may have deflation. You have half of the economists in the country saying we will have inflation and the other half saying we will have deflation.

Senator BREWSTER. Now, would you agree that what we all want is to return as quickly as possible to a situation in which our economy

can function effectively, and that if a person can get anything comparable to their old job, that from the standpoint of the country, it is a better proposition?

Mr. SCHWELLENBACH. I agree, but I think you will find, surprisingly, that people will be more interested in a permanent job, even though it is at a reduced amount, than in receiving this unemployment compensation.

Senator BREWSTER. So you wouldn't want to take any steps which would discourage that tendency?

Mr. SCHWELLENBACH. You have two problems there, one working against the other. I don't think you need worry too much. A man that is working in a war industry and sees a permanent job for himself back there, I think he is going to take it. I don't think you discourage him so much by paying him \$25 a week.

Senator BREWSTER. As Senator Vandenberg has pointed out, that is equivalent, or close to \$35 a week. In other words, what they term the incentive pay would be negligible. A fellow, unless he got over \$35 a week, wouldn't be getting over \$2 or \$3 for working as against loafing. Isn't that a temptation to put before the average fellow, that he can loaf and get \$25 every week, or he can work and get a couple of dollars more.

Mr. SCHWELLENBACH. I think you are going to be surprised at the willingness of people—the thing people in this country worry about is permanent unemployment. If they can get themselves a permanent job, I think they are going to take it.

Senator BREWSTER. Now, suppose a fellow is offered a job at \$20 or \$30. Do you feel that we should pay him unemployment compensation rather than to permit, if not require him, to take that job?

Mr. SCHWELLENBACH. Yes; he should take the job.

Senator BREWSTER. You think he ought to take the job?

Mr. SCHWELLENBACH. I think he ought to take the job. I think in most cases he will.

Senator BREWSTER. If he doesn't take it, would you continue to pay him \$20 a week?

Mr. SCHWELLENBACH. Yes.

Senator BREWSTER. Isn't that encouraging the fellow who ducks rather than the people who are going back to work and who will have to take the burden of this fellow who refuses the job?

Mr. SCHWELLENBACH. You have got two sides to that bill; one the side which I think is not the important side, and the other is the maintenance of purchasing power, maintenance of morale in the country, and the reconversion and liquidation of the war effort as smoothly as possible.

I think that side is the most important. I don't worry about the people not taking the job. If it is an \$18 job, with some degree of permanency, if it is his old job, or one in that category, I think you will find he will take it.

It seems to me inconsistent to say that we will pay \$25 because we want to maintain the economy in this country, but you have got to take an \$18 temporary job that you may have for a week or more.

Senator BREWSTER. Let's take what I think will be the border-line cases, in the \$20 and \$30 categories. Let's take a specific case.

A man can get \$25 a week compensation. He can get a \$30 job, which is at private rather than Government expense and is a much sounder economy. Twenty percent of that will go to the Government as taxes, \$6, so that the Government makes the money.

On the one hand you have the individual that is pulling his share of the economic load and getting approximately the same as he would from compensation. In the other case you have the Government paying the whole thing to a man to do nothing, not contributing to our economy.

From the standpoint of our economic system, isn't it clear that it is much more healthy if everybody possible does get back to private occupations as quickly as possible, and your economy can readjust?

Mr. SCHWELLENBACH. Yes; and I think that we are all going to be surprised, as I said before.

People will think back to those days of unemployment. It is something that hovers over them. If they can tie themselves into permanent jobs, I think they will do it. I think the workers will all want to go back to permanent jobs.

Senator BREWSTER. Of course, if he takes it and it isn't permanent, he can always come back on the other things. You think that most of the workers will be more anxious to work at any fair wage than they will be to simply draw compensation?

Let us estimate human nature. Take the 25 or 30 percent of the workers who won't take that attitude or prefer to loaf rather than work, should the Government encourage them in that attitude rather than discourage them?

Mr. SCHWELLENBACH. I don't think it is 25 or 30 percent. I don't know what the percentage is, but I think you are entirely too high on the percentage of the American people who would rather loaf and draw compensation.

The CHAIRMAN. Any other questions?

Senator VANDENBERG. In answer to one of Senator Brewster's questions, you said you thought we confronted a period of 8 to 12 months?

Mr. SCHWELLENBACH. Yes.

Senator VANDENBERG. What do we do after the 26 weeks are over under those circumstances?

Mr. SCHWELLENBACH. I think we are going to meet the problem.

With all due respect to the Senator from Michigan, I think you have a peculiar situation in the State of Michigan. I make it out in my own section of the country. In the Vancouver area we have a similar situation, and yet in the Puget Sound area it is going to be a gradual situation. I think there are just a few places in the country where they are going to be confronted with the problem you have in Michigan and in Vancouver and in Bath, Maine.

Senator LUCAS. According to the witnesses from the States that have appeared yesterday and at other times, they have a sufficient amount of money in their reserve funds to take care of any emergency, and they have so testified, and so consequently if this bill doesn't go through, it is a certainty that the States themselves will have to convene their legislatures in order to give these people a longer period of time in which to collect this unemployment compensation.

One witness after another has testified as to the reserve funds. And they, if the Federal Government will leave them alone, have enough money to carry through.

So, if that thing occurs, I for one would not be in favor of contributing anything unless it was a real emergency, somebody really suffering, if this bill is defeated on that theory. The States will have to look after themselves.

The CHAIRMAN. Are there any further questions?

Senator KILGORE. You talked about the 8 to 12 months of unemployment. Now, you view that on a Nation-wide scope? I mean, don't you view that from an over-all conversion of the Nation's industry rather than the individual's problem of finding work? So, probably, the 26 weeks as to the individual may be sufficient, but the period that will have to be covered by taking care of unemployment will be longer.

Mr. SCHWELLENBACH. Is that a question?

Senator KILGORE. That was a question. I just wondered if that was your thought.

You used the 8 to 12 months as a period.

Mr. SCHWELLENBACH. I don't think we can prophesy to that degree of accuracy. We do know that there are certain places in this country where it is going to be particularly bad. We do know that the large majority of American industry doesn't need to reconvert at all.

But judging from the speed-up methods, and our ability to do things faster than they have done them before, I don't believe that the period of reconversion is going to be more than 8 to 12 months.

Senator KILGORE. That is the idea. Your 8 to 12 months was a period of reconversion and not necessarily a period of unemployment for individuals?

Mr. SCHWELLENBACH. I don't think they are going to stay in these areas which are subject to drastic reconversion during the whole period of reconversion. I think they will go back and try to find themselves a job in the garages, for instance, at home.

Senator KILGORE. In the first place, you have bad housing conditions, congested housing conditions, and the people won't sit around to get the \$25. The crowded conditions in those areas will tend to make them scatter out to other places even with the \$25.

Isn't that right?

Mr. SCHWELLENBACH. We had some 65,000 people in eastern Washington on a certain project there, construction workers. It is no longer a military-secret project. It was just surprising how inside of 2 or 3 weeks they were all gone; they all left. I don't know where they went.

Senator BREWSTER. Do you favor the return of the employment services to the States?

Mr. SCHWELLENBACH. No, sir; I do not.

Senator BREWSTER. You heard the testimony of the State representatives that it makes it very difficult for them to administer compensation laws when the two are not coordinated?

Mr. SCHWELLENBACH. I know that is their position.

Senator BREWSTER. You would prefer to set up Federal standards for the suitable occupations and force those on the States?

Mr. SCHWELLENBACH. I don't like the question the way you put it, Senator.

I think we would have chaos in this country at the present time or in the immediate future if you had State administration of the employment service.

Jobs aren't governed by State lines.

If you will examine the records of the States, you will find, for example, in the State of Michigan, that the State unemployment compensation called upon the United States Employment Service for their assistance, and that was at a time when they should have been looking for jobs instead of accepting claims and taking applications for claims.

Anytime you have a rush to State unemployment compensation offices and you have got the two of them together, what they do is take these people who should be out at that particular time looking for jobs and have them taking applications, and the States will neglect the job part of it and have their office forces attending to the taking of applications on unemployment compensation.

Senator BREWSTER. We had testimony here from Wisconsin that 3,000 people were referred to jobs by Federal agencies and only a sprinkling of them accepted, but no adequate data was given to the State unemployment compensation commission on which to base whether or not they were entitled to assistance.

Mr. SCHWELLENBACH. I am not saying the present operations of offices are perfect.

I have some ideas about that which I don't care to discuss at this time. It is not pertinent at this time as to where the employment service should be. I don't think that is pertinent to this inquiry.

Senator BREWSTER. I think there has been evidence here that the whole thing certainly needs coordination under one or the other roof. The only question is what tent it is going to be under.

I take it you would favor the Federal tent of some character; is that right?

Mr. SCHWELLENBACH. I don't see such great difficulty. I think it is overcome by the practice that has been proved. It is perfectly logical.

You have got a thousand people in here with applications and you have an office force. That force is set up for normal conditions, normal situations. You have got a number of stenographers who will take applications for jobs and applications for unemployment compensation, and you have a thousand people walk in with a thousand applications for unemployment compensation, and the first thing you know the employment work is dropped and neglected just at the time when it shouldn't be dropped and neglected.

Senator BREWSTER. Haven't the States transferred the employment phase to the Federal agency so that the Federal agency has both the funds and workers to do that job?

Mr. SCHWELLENBACH. Yes.

For example, in Michigan a couple of weeks ago they borrowed half of the staff of the Federal Employment Service in order to help them out because they didn't have the staff in the unemployment compensation to take the applications.

Senator BREWSTER. Would you agree that labor placements should be, as far as the Federal Government is concerned, integrated in one agency?

Mr. SCHWELLENBACH. Yes.

I could talk for a long time about integrating the labor functions of this Government in one place.

Senator BREWSTER. This is very pertinent to this issue because of this question of getting jobs.

One department of the Federal Government is today paying \$75,000 to transport 1,500 workers from Kentucky to Maine, while another Department, the Labor Department, has the distress agency in Portland and Bath, where people can't get any jobs, and they are lugging 1,500 people 1,500 miles from Kentucky right up to Maine to do the work that is required at Federal expense.

Isn't that rather grotesque?

Mr. SCHWELLENBACH. Yes. I would like to have a more detailed memorandum on that. It might be of assistance.

Senator BREWSTER. I think it would be most useful in this. I wired the Governor about it, and I will be glad to furnish it when it is received.

Senator LUCAS. I am wondering why it was that these people in Kentucky had such peculiar qualifications for digging potatoes.

Senator BREWSTER. I would have to let Senator Barkley answer that.

Mr. SCHWELLENBACH. Mr. Chairman, if we are going to have an argument between Illinois and Maine about potato digging why—

The CHAIRMAN. Thank you very much, Mr. Secretary.

Senator VANDENBERG. Mr. Chairman, I would like to ask Senator Kilgore one question for the record.

We have not had an opportunity to hear from any of the sponsors of the bill in response to a statement made by the Texas commissioner yesterday which seems to be of great importance, namely, that in 40 States of the Union there are statutory or constitutional provisions—I think statutory—that would make it impossible for any worker to get any cash advantage out of these benefit payments contemplated in this bill without a session of their State legislatures.

Has that phase of the matter been given any consideration by the sponsors?

Senator KILGORE. This is the first inkling I have had of it.

I had relied on Social Security to make the study of those various laws and give me the information. I will try to get it and get it to the committee sometime today.

Senator VANDENBERG. It is very fundamental, obviously.

Senator KILGORE. If you will remember, Senator Vandenberg, I said when I appeared before the committee that I was not fitted to go into that one feature and had asked the Social Security agency to present to the committee a full study of all the various laws and the conflicts if any.

Senator LUCAS. If the position taken by the Texas commissioner is true, it would mean that the Federal Government would have to administer all of these funds and set up their own agencies throughout the country.

Senator KILGORE. Yes.

May I ask if he gave any citations?

Senator VANDENBERG. Excuse me.

Even that wouldn't help the worker any, because, as I understand it, under the State law it would have to deduct—

Senator LUCAS (interposing). What I meant was ignore the State entirely and set it up under Federal jurisdiction and check the questions on eligibility and qualifications and proceed to administer.

Senator KILGORE. This is the first time that I have heard that State law prohibited the State from getting anything from the Federal Government.

Senator BREWSTER. They get it all from the Federal Government, but they take it as from the worker.

Senator KILGORE. I thought Senator Lucas was referring to the additional payments.

Senator LUCAS. That is what I was referring to.

Senator KILGORE. That is what I would have to look into before I could answer that question.

Senator VANDENBERG. Obviously it is a serious question in connection with this bill, and I would like to know what the answer is.

Senator KILGORE. I would also like to know what the gentleman from Texas citations were in these various laws.

Senator BREWSTER. He gave the Texas one and said 40 States had similar provisions.

Senator VANDENBERG. The Texas statement was supported by an opinion from the Attorney General.

Senator MILLIKIN. It seems that someone promised to furnish us a digest of those State laws.

Mr. JACOBSTEIN. I will get that for you.

Senator MILLIKIN. I think we asked the Texas man for it and he said he would furnish it.

Mr. JACOBSTEIN. I discussed that while the bill was being drawn with a member of the Social Security Agency, and he admitted that was substantially in all State laws. The only answer they gave was that this might be construed as not being a payment under social insurance but a different animal altogether, this supplementary payment.

The CHAIRMAN. Mr. Cromwell, will you come around?

Mr. Cromwell, you represent the Interstate Conference Employment Agency?

STATEMENT OF STEPHEN C. CROMWELL, DIRECTOR OF MARYLAND UNEMPLOYMENT COMPENSATION BOARD

Mr. CROMWELL. My name is Stephen C. Cromwell. I am director of the Maryland Unemployment Compensation Board and I am speaking for the Governor in opposition to the proposals whereby the weekly benefit amount and duration of benefits, as provided in State unemployment compensation law, are to be supplemented by the Federal Government.

Our opposition is predicated upon the premise that Federal legislation in this field will effectively kill State legislation to improve and liberalize unemployment compensation laws. Any advantages that might be granted temporarily to the unemployed workers will be more than offset by the disadvantages that will accrue in the long run.

The best way to present Governor O'Connor's position is to quote from an address he made before the Governors' Conference at Hershey, Pa., on May 29, 1944. He was referring to proposals for the supple-

mentation of State unemployment compensation payments then being considered by the Congress. The Governor said:

The bait of Federal money is again being dangled before our eyes. It is a tempting lure, but all of us are fully aware that Federal money means Federal controls.

Those of us who feed most strongly that State systems of unemployment compensation are preferable to a uniform national system have sound reasons for our convictions. There is always grave danger to our form of government in the centralization of power at the Federal level.

The very nature of the problems which arise in unemployment compensation is such that the States can function more effectively and efficiently.

The several States present a variety of patterns as to their economic structures. Each State law is designed to meet the conditions prevailing in the individual State because its effect is essentially local in character. With an understanding of local situations the State is the proper jurisdiction to determine what constitutes a labor dispute, what type of job referral is suitable for the unemployed worker, what constitutes good cause for quitting employment, the amount of weekly payments and the period of time during which payments are to be made.

The correct answer in one State might prove wrong in another. We believe it is self-evident that the traditions and customs of people in one section are so different from another that general rules and regulations prescribed for use from coast to coast cannot be applied with equal success everywhere.

We doubt the ability of a single official in Washington to prescribe regulations which will apply satisfactorily from Maine to California. The intimate contact necessary to efficient administration with tens of millions of individuals can best be supplied by local and State authorities.

If effected, the proposed radical changes in this field would mark a turning point in Federal-State relationships. For this reason thorough consideration is not only justified but demanded.

Federalization of the State unemployment-compensation programs would ultimately, inevitably, result from any plan providing Federal money for the payment of State benefits.

The sponsors may point out that some current proposals for Federal "aid" would leave administration with State governments. But such local administration would be only a "shell," with the substance destroyed. Federal "standards" would control.

Under any of these plans the Federal Government would either force or induce, through Federal funds, compliance by every State with the views of Federal officials on all basic questions.

The Federal Government would ultimately fix the benefits to be paid to all classes of individuals. It would fix the rules by which administrators would determine whether individuals are voluntarily or involuntarily unemployed.

The benefits and the rules under which benefits are paid would be identical in all States, regardless of local conditions or local desires.

State administration would be reduced to the routine of carrying out orders handed down from Washington.

The functions of State legislatures would be reduced to enactment of enabling legislation to permit the Federal program to operate.

Suggestions that a "temporary" program be adopted only for the reconversion period are unrealistic. If the Congress once makes Federal funds available for payment of State benefits, thus usurping States' responsibility, the States will, in effect, be invited to seek a permanent Federal subsidy.

The result will be permanent, uniform, federally-controlled unemployment compensation.

I should like to illustrate our position by summarizing very briefly the actions of the Maryland legislature in the 1945 session. Members of the legislature were interested in and familiar with the hearings and conclusions of congressional committees considering similar proposals in 1944. Particular attention was given to the report of the Special Committee on Postwar Economic Policy and Planning. They noted with interest the statement that "with the benefits to soldiers fixed by S. 1767 at \$20 a week, the Congress would not be justified in extending this figure for civilians." The maximum weekly benefit

payment under the Maryland law was \$20 a week. The members of the legislature felt that the "soldiers" of production on the home front could receive no more than service men and women who were entitled to readjustment allowances after being separated from the armed forces. Therefore, the maximum weekly benefit amount of \$20 was left unchanged. However, a provision, rather unique in the history of Maryland legislation, was written into the unemployment-compensation law which provides that if the Federal Congress increases the readjustment allowance under the Servicemen's Readjustment Allowance Act, the weekly benefit amount to unemployed workers in Maryland will be similarly increased up to a maximum of \$25 a week. The fact that there was a Federal law providing for a set amount on a national basis to be paid servicemen prevented increases in the weekly benefit amount to unemployed workers under the State system. It is reasonable to assume that specific legislation in this field on the Federal level will effectively prevent any increase above the figure set nationally even though such increase might be desirable in a particular State.

To illustrate the point that the Maryland Legislature has been ready to enact a comprehensive and adequate system of unemployment insurance, we need but look at the law. We cover employers of one or more at any time. We pay benefits for a maximum of 26 weeks. We have no waiting period, which is unique in the United States and not to be found in any other State law. We have a provision, which was subsequently adopted by one other State—namely, Nevada—that provides for benefit payments to those individuals who become sick or disabled after they have lost their jobs through no fault of their own. We had anticipated that large numbers of people might be laid off and that, before plants could be converted to peacetime operations, some of these laid-off workers would become sick or disabled. When there was no suitable job offer available for them, we felt that they should be paid benefits and have so provided.

It seems clear to us that a schedule of benefit payments that is fair and proper for that State in which the average weekly pay is the lowest will retard the progress of those States in which higher weekly pay is the custom and whose legislatures desire to go beyond the nationally established benefit payment.

In conclusion, I should like to refer to the question of adequacy. The proponents of this legislation have argued that payments under State laws are inadequate. The term "adequate" is a relative one. The draft boards of this Nation have inducted into the armed forces large numbers of men who were the sole support of their wives or the sole support of their widowed mothers. These wives and mothers have received a Government allotment of \$50 a month. The draft boards have inducted into the armed forces large numbers of men who were fathers of one child and the sole support of the wife and the child, yet to the family left behind the Government allotment has been \$80 per month.

I suggest, therefore, that compared with the allotments which represent the sole income of these mothers, wives, and children, that benefit payments of more than \$80 per month in most industrial States seem adequate.

The CHAIRMAN. Any questions?

If not, thank very much, Mr. Cromwell.

Senator MILLIKIN. should like to ask the witness what is his reserve in unemployment?

Mr. CROMWELL. We have approximately \$128,000,000.

Referring to the statement made by one of the members of the committee that it seems absolutely unrealistic to permit long-term unemployment where no job offer was available with a substantial reserve, that when, as, and if that does occur, it seems only reasonable with the sufficient funds that have been built up for this purpose that the duration of benefits, if necessary, could be extended.

As a matter of fact, the duration of benefits for individuals unemployed the 1st of October would be 52 weeks. We would pay 26 weeks until the end of our benefit year, which starts April 1, and then start again.

Senator MILLIKIN. Is there any prohibition of your Governor calling a special session if the need should appear?

Mr. CROMWELL. No, sir.

Senator MILLIKIN. What is your State general surplus?

Mr. CROMWELL. I am unfamiliar with that.

Senator MILLIKIN. The figures I have here indicate about \$8,000,000.

Mr. CROMWELL. We do have in this fund some \$128,000,000.

Senator MILLIKIN. In other words, you don't feel you need any Federal assistance in this matter at all?

Mr. CROMWELL. No, sir.

The CHAIRMAN. Thank you very much.

Senator BREWSTER. Mr. Chairman, I would like to put in the record this statement dealing on this question whether or not the State laws would be adversely affected by a new Federal Act, which I gather this would be.

This is from the book published by the Council of State Governments entitled "Unemployment Compensation in the Postwar Period."

On page 16 the following quotation appears:

All but four States deny payments to claimants receiving benefits under another State or Federal Unemployment Compensation Act.

I think that will indicate the importance of having the whole situation very carefully reviewed with the existing State law in mind and see whether or not it is substantiated.

The CHAIRMAN. Thank you very much, Senator Brewster.

Mr. Marion Williamson, will you come around Mr. Williamson.

STATEMENT OF MARION WILLIAMSON, GEORGIA EMPLOYMENT SECURITY AGENCY

Mr. WILLIAMSON. Mr. Chairman, I have just returned from four years of duty in the Army, and I am director of the employment security agency in the State of Georgia.

If I thought that the bill now under consideration would serve to solve the problem that our late President said was the No. 1 economic problem of the Nation, I would be for it 100 percent, but as long as we haven't freight equalization down in Georgia, and as long as wages are low, I do not believe that paying unemployed workers \$25 per week will solve the problem.

I would like to refer to my notes and give some of the detailed reasons why I am of that opinion.

In considering any legislation that attempts to make radical changes in an existing law or organization, I deem it wise to review the purpose and functions of the law or organization and then consider whether or not the new legislation tends to truly improve the purposes served, or whether or not it, in any way, tends to defeat them.

As we all know, the unemployment-compensation law was designed to serve as a protection for workers during periods of unemployment—be they caused from reconversion, depression, or technological changes in industry. It was built on the idea of furnishing subsistence in a form that would allow the unemployed worker to maintain his morale and self-respect. The worker draws his unemployment insurance benefits with the secure feeling of not having to resort to charity.

The unemployment-compensation law was not established for the purpose of encouraging idleness, nor was it created as a vacation fund or "rocking-chair money." Nor was it created primarily to maintain purchasing power.

The subjects of benefit amount, duration, and coverage under Georgia economy were given wide discussion before the 1945 session of the Georgia Legislature. Neither the public in general nor the members of the legislature of the State deemed it necessary to further amend the Georgia Unemployment Compensation Act in these respects at that time. Accordingly, the present coverage and benefit provisions of the Georgia law represent the prevailing sentiment in the State of Georgia as to what these should be.

Senator MILLIKIN. Did I understand you to say your views were in accord with those of the Governor of Georgia?

Mr. WILLIAMSON. I am Director of the Employment Security Agency which administers the unemployment compensation law, and the Governor and I usually see eye to eye on things of that nature.

Senator MILLIKIN. Would you say you are seeing these things eye to eye?

Mr. WILLIAMSON. He has not directed me to appear in his absence, but it is a fundamental principle with the Governor that he doesn't want "leather tailed" people getting unemployment compensation.

It is my estimate that the citizens of Georgia feel that they are competent to judge the local matter of the duration and the amount of benefits without any outside assistance. I think that they would be as much resentful of interferences in this matter—telling them what their benefit law should be to be a proper one—as they have resented or would again resent any person coming in from the outside and telling the citizens of Georgia whom they should elect to the National Congress. In short, we feel competent to attend to our business.

If problems not anticipated at this time should arise during the reconversion period which require amendments to the Georgia law, the State legislature will have an opportunity to further consider these matters when the next session convenes in January 1946. By that time trends could be studied to determine more accurately the type of amendments, if any, which may be desirable for the protection of the workers of the State.

With the exception of Federal workers, the unemployment of workers not covered by the present State act should not present a major problem. The majority of such workers are engaged in types of work that provide relatively stable employment and will likely be least affected by conversion from war to a peacetime basis. Provisions to extend coverage at this time to any group other than Federal workers can hardly be considered pertinent to the subject of the bill under consideration which is intended to provide for an orderly transition from a war to a peacetime economy. The extension of coverage to other groups relates to the long-time program of unemployment compensation and is not properly a specific problem of reconversion. Even if such provisions are enacted as a part of the bill, there would be little opportunity to actually make them effective during the early part of the reconversion period because some kind of wage records or some basis of determining rights would have to be established which would require considerable time in the initial states of operation.

Senator MILLIKIN. May I ask how much money you have in your reserve?

Mr. WILLIAMSON. We have approximately \$80,000,000 at the present time.

Senator MILLIKIN. What is your general State surplus, if I may ask?

I may say I have a figure which indicates \$12,861,000.

Mr. WILLIAMSON. I assume that is correct.

Senator MILLIKIN. Do you see any emergency that would cause those funds to expire before next January?

Mr. WILLIAMSON. I can't conceive of any under any imagination whatsoever.

Senator MILLIKIN. Your Georgia colloquialism "leather tailed," I think, needs explanation.

Mr. WILLIAMSON. I think if they paid workers down in Georgia \$25 a week unemployment compensation, many wouldn't hit at a snake.

With regard to payment of benefits to Federal workers through the State agency, this coverage could be effected with a minimum of administrative difficulty if such payments are made in accordance with the law of the State in which the claim is filed.

Enactment of a provision that would extend the duration of benefits to any group would involve no administrative problems if the present State laws as to weekly benefit amount are retained. However, there is no information available as yet which indicates any necessity to extend the maximum duration beyond that already provided by State laws. In Georgia where the maximum duration is 16 weeks we have the experience of the agency during the reconversion period from peace to war production during 1942 as the best guide on that subject. Records of the agency show that the average Georgia beneficiary who established a claim during that period received benefit payments for less than 10 weeks. Only one out of five claimants during that period with a weekly benefit amount of between \$15 to \$18 remained unemployed long enough to exhaust his benefit rights at the end of 16 weeks.

For the protection against misuse of the fund certain penalties have been prescribed in various State laws in the form of periods of dis-

qualification. Apparently the maximum benefits payable with the Federal supplement provided by this bill is fixed at 26 times the adjusted weekly benefit amount without regard to any disqualification which might be imposed under a State law. In that case the net result would be that a larger portion of the benefits might be chargeable to Federal funds where disqualifications are imposed, with the resulting reduction in charge to experience rating accounts of employers where such provisions are in effect, but the maximum total benefits paid to a claimant in a benefit year would not be affected by any disqualification. This would be true even in the most flagrant cases of misconduct connected with a claimant's work, such as theft or destruction of an employer's property, or upon absolute refusal to accept a referral to a suitable job. If it is the intent of Congress to permit payments under such circumstances as is indicated by the present wording of the section referred to, this possibility should be pointed out and recognized. If this is not the intent of Congress, the wording of this section of the bill should be changed.

There will always be work that must be done and jobs that must be filled, therefore, an insurance provided strictly for protection during periods of supposedly temporary unemployment must not compete with the prevailing wages paid for full time employment. Benefit rates which will apply during the reconversion period will be based in most cases on extremely high base period wages as the result of higher wage rates and overtime work during the war period. This will automatically result in an average weekly benefit amount higher than ever before if the present provisions of the various State laws are retained. If the benefit amount is further raised by Federal legislation as provided in this bill, numerous workers who much return to lower pay jobs than they enjoyed at war plants will be encouraged to file claims for unemployment compensation rather than to seek or to accept suitable work promptly. They would eventually accept the best job available after exhausting their benefit rights. At the same time a vacation financed with unemployment compensation funds equivalent to pay offered on a job would be a temptation too great for the average person.

Senator BREWSTER. You don't agree with the Secretary of Labor that the fellows would rather work than get paid?

Mr. WILLIAMSON. No, sir; I couldn't follow the Secretary's point. To point out another disadvantage, the application of the new benefit formula, as it relates to weekly benefit amounts in the proposed bill under consideration, would necessarily complicate the processing of claims under a heavy load. This will temporarily delay payments to some unemployed persons and would materially increase the expense of administration. Needless to say, if unemployment compensation is to fulfill the need for which trust funds have been accumulated in the various States, it is imperative that payments be made with a minimum of delay regardless of how rapidly a claim load may develop either locally or Statewide.

I would like to inject here that last week in Georgia the initial claims exceeded by 50 percent the highest week in the history of Georgia. That is generally true over the United States.

The CHAIRMAN. How rapidly are they being absorbed by the industry?

We have a 2-week waiting period, do we not?

Mr. WILLIAMSON. Yes, sir.

It is encouraging in Georgia the way they are being absorbed. Shortly before I left Atlanta I was called by a representative in Macon and he said they had 461 jobs available there at a much lower rate of pay than they had been getting and they had 800 people wanting those jobs.

Senator BREWSTER. They were ready to take them?

Mr. WILLIAMSON. They took them until they were exhausted.

As to the "transportation allowance" provision of this bill, this relates to a subject that is foreign to the purposes of the program of unemployment compensation as previously administered by the various States.

The provision which would amend the Servicemen's Readjustment Act of 1944 would apparently complicate administration of that program unnecessarily by adding burdensome calculations with respect to claims now active at a time when a tremendous increase in load with respect to all types of claims may be expected. Whether the additional protection which would be afforded veterans of World War II under such a provision justifies this complication of the administration of that act seems questionable. It might be wise to consider amendments to that act apart from other provisions of this bill and postpone consideration of this provision until further study reveals whether such changes are actually needed.

In conclusion I would like to state that matching idle veterans and war workers with suitable work would be expedited and unemployment compensation administrative problems reduced by the earliest possible return of the Employment Service to the States. Coordination of employment service and unemployment compensation activities under States control would enable the program to most effectively cope with local conditions and requirements which are of paramount importance to the wage earners throughout their working life. I should like to add that two functions which were performed by the employment service when it was under State direction have now been discontinued on Federal operation. Farming, which is very popular down in our State, is being given a lot of consideration now, and the farmers are disgruntled because they can't get enough workers. Today no farmer can request the United States Employment Service to refer a single farm laborer to his farm and no local board of school trustees can secure referrals of school teachers through requests to that agency.

Senator BREWSTER. Why is that?

Mr. WILLIAMSON. There is a rule against it.

Senator BREWSTER. The Employment Service will not furnish farm labor?

Mr. WILLIAMSON. No, sir. Somebody will come in and register as a farm laborer, and they will put him down as a laborer, and if they can get him a job as a common laborer with a gas company or some other outfit, they will; but they will not make any referrals to the farm. That is not localized in Georgia; it is throughout the United States.

Senator BREWSTER. I am quite aware of that.

Mr. WILLIAMSON. Referral and placement of farm workers and school teachers could be immediately resumed by an employment serv-

ice under State direction. The reunion of employment service and unemployment compensation activities under State direction has been expressed as the desirable combination by a great majority of citizens expressing themselves pro or con on the subject in all the States.

I would like to state here that my Governor fostered a resolution at the recent Governor's Conference on the return of the Employment Service, and he is eager to see it returned, to the States.

That leads me to another suggestion which might improve the State unemployment compensation laws and facilitate the enforcement of the Federal-State unemployment compensation tax acts, and that is for the Federal Unemployment Tax Act to be amended to include employers employing one or more workers regardless of the number of weeks that workers are employed. That would cut out lots of arguments as to whether or not the employer had eight persons. It would cut a lot of argument as to whether or not he had operated 19 weeks or 21 weeks.

Senator MILLIKIN. Would that throw any extra heavy burden on the State unemployment funds if that were done?

Mr. WILLIAMSON. Not immediately; no, sir. Most of those are stable. It is mighty hard to tell an employer on this side of the street that is paying the tax why the fellow on the other side of the street that has had 20 workers maybe for 19 weeks out of the year and 7 the rest of the time, is not paying. He feels that he is operating under a handicap and it is unfair.

Senator MILLIKIN. You think the State system could bear whatever additional burden there might be if that law was so changed?

Mr. WILLIAMSON. Yes, sir.

That would also help stabilize employment, which is one of the fundamental principles of unemployment compensation.

Lots of times a fellow comes under the law by mistake. I had an employer appeal his liability status to me recently. He said, "Damn it, if I got under this law, I made a helluva mistake. I thought I cut them off on the nineteenth week."

The Federal Unemployment Tax Act might also be amended to include certain classes of people that are not included, such as processing farm products, religious and charitable organizations, commissioned insurance agents, and the like.

I might say that in Georgia in 1941 we amended our law to cover any worker that is covered by the Federal Unemployment Tax Act. That has been followed in a number of States since that time.

I would like to make one other statement about covered Federal workers. If they could be given a discharge slip telling the number of weeks that they had worked, you could tell their compensation. It would be almost as simple as the GI bill where they come in with a discharge showing the date of entrance to the military service and the date of discharge, and it wouldn't be very complicated. I would be glad to answer any questions.

I would like to insert into the record at this point section 54-611 of the Georgia Code, which provides:

An individual shall be disqualified for benefits for any week with respect to which he has received or is seeking unemployment compensation under an unemployment compensation law of another State or of the United States.

The CHAIRMAN. Any questions?

Senator BREWSTER. You have an average wage, according to our report, in Georgia, of \$31.50. I presume that is the current rate.

Mr. WILLIAMSON. I presume so.

Senator BREWSTER. With 20 percent deduction, that brings it down to \$25.20. Less 1 percent for pension, it would reduce it 32 cents more, which would make an average in Georgia of take-home pay of \$24.88.

Mr. WILLIAMSON. I don't think that would be the take-home pay, because a fellow has to go to and from the job, and he has to have lunch money.

Senator BREWSTER. Then, he gets below the \$25. It would be your impression that would not encourage reconversion?

Mr. WILLIAMSON. I think if we paid \$25, under those circumstances, it would cause a crisis rather than relieve the economic situation.

Senator VANDENBERG. In figuring that 20-percent reduction for the withholding tax, we must in fairness realize that it is not 20 percent in a great many cases. In fact, there are exemptions that reduce it substantially below that point. But there is a deduction.

On the other hand, I might add that there are other factors we haven't considered at all, such as income taxes which do not apply to the Federal payments but do apply to the wages.

Senator BREWSTER. The Secretary of Labor testified that he thought we should amend the bill to provide uniform standards of eligibility for benefits.

What would you say as to that?

Mr. WILLIAMSON. We think that ought to be left to the States as to the conditions of eligibility. I think every State administrator has tightened up on the requirements during the war period to meet the economic situation which existed. For instance, we declared that a person was not available for work if he would not go a reasonable distance to work, and we didn't let them limit the right to one employer or one little village. A lot of them have been disqualified during the war period for purposes of increasing our production. That is an honest fact.

Senator MILLIKIN. The Secretary of Labor this morning intimated that the State systems are a little bit too fast in paying benefits, that they are putting too much emphasis on that to the prejudice of getting jobs for the men, and that they ought to be liberalized by a remote Washington administration of the subject.

Mr. WILLIAMSON. I caught the Commissioner's statement along that line. I remember quite vividly a few days ago when we anticipated a number of lay-offs and the War Manpower Commission came in and said:

We want to help you to take those claims; we know you are going to have a load, and you had better not limit us. We have been authorized by you to let us help take claims before. Don't you think you had better give us a blanket authority.

I thought then there was some "nigger" in the wood pile behind it. The purpose was so that they could come up here and say, "They could not do the job so we had to pull these folks off and put them on taking claims." I thought of that at the time. I said, "I will ride the devil when he is going my way."

The CHAIRMAN. You have just come out of the service, haven't you? You were in Europe with Patton, weren't you?

Mr. WILLIAMSON. I was on Patton's staff and Clark's staff and Eisenhower's staff.

The CHAIRMAN. You are well familiar with our servicemen, aren't you?

Mr. WILLIAMSON. Yes, sir; I was previously adjutant general of the State.

The CHAIRMAN. Is there any widespread demand for changes in the GI bill with respect to the amount of weekly compensation?

Mr. WILLIAMSON. No, sir. Very few claims have been exhausted for the duration. I think there have been approximately 20 short-timers in Georgia to exhaust benefits. They are mighty happy over the \$20, and it is in line with the \$18 that the regular civilian worker gets, and they are very well satisfied in Georgia.

The CHAIRMAN. Any further questions?

Mr. WILLIAMSON. I understand you asked what the condition was in Atlanta yesterday. I have a wire on that that shows 2,073 claims were filed last week in the Atlanta office; in the Marietta office, 962; Macon office, 1,048; Milledgeville office, 429; Savannah office, 702. The rest were scattered throughout the State. There was a total filed in the State last week, of initial claims, of 6,976. Among the big lay-offs that have taken place in Georgia there were 9,000 Bell and Firestone. Those were aircraft workers. There were 5,500 shipyard workers and 5,600 munitions plant workers; 1,800 other manufacturing workers.

The seasonal lay-off on account of tobacco warehouses, 800.

Those are some of the rough points.

I would like to get into the record, if you please, Mr. Chairman, that during July of 1940 Georgia had the highest claim load. It was not broken down by weeks but by months. We divided that and found that the average by weeks was 4,647. Last week initial claims filed in Georgia were 6,976.

The CHAIRMAN. You haven't any figures on how many of these workers filed have been reemployed or found other employment, have you?

Mr. WILLIAMSON. No, sir. No doubt there will be a lot of these claims that have been filed that will not develop into compensable claims. We have a 2 weeks' waiting period in Georgia, and in the past a study was made, and about 40 percent did not reach compensable claims.

The CHAIRMAN. Any further questions?

Senator MILLIKIN. I would like to ask what is the percentage of women who have been discharged by the cut-backs in the war business?

Mr. WILLIAMSON. I expect it is better than 50 percent. The majority of claims filed lately has been by old men and women.

Senator MILLIKIN. I didn't mean the filing of claims. I was getting at general statistics of what is the percentage of women of the total force of war workers that have lost their jobs in Georgia.

Mr. WILLIAMSON. I haven't any late figure on that.

Senator MILLIKIN. Could you give us a rough estimate?

Mr. WILLIAMSON. I would say 60 percent.

The CHAIRMAN. Thank you very much, Mr. Williamson.

Mr. Dwight, will you come around?

**STATEMENT OF BEN DWIGHT, PERSONAL REPRESENTATIVE OF
THE GOVERNOR OF THE STATE OF OKLAHOMA**

Mr. DWIGHT. Mr. Chairman, my name is Ben Dwight. I am a personal representative of the Governor of Oklahoma. My statement will be very brief and general.

The Governor appreciated the thoughtfulness of the committee in inviting him to be here, and he would like to have been here had it not been for previously arranged schedule.

My specific purpose is to get before this committee his personal attitude toward this general type of legislation. We can go along, of course, with the people who have testified here on the theory that the State of Oklahoma is fully equipped to handle its own business, but we believe that this type of legislation is of such national importance that it warrants a certain amount of cooperation between the States and the Federal Government.

We, of course, would not be a party to federalizing the operation of unemployment security in Oklahoma completely, nor any other Federal agency that is operated upon this Federal-State cooperative basis.

We do not share, however, the misgiving that legislation of this type, which is predicated upon that cooperation, must of necessity develop into an extreme federalized operated set-up in Oklahoma.

That statement, I believe, is in keeping with the statement that was made yesterday by Governor Warren, of Pennsylvania, who is chairman of the Governors Conference—chairman of the executive committee of the Governors Conference.

Senator VANDENBERG. That was Governor Martin.

Mr. DWIGHT. Governor Martin, I beg your pardon, Senator.

Of course, Governor Kerr, being a member of that committee, shares that view.

As to the operations of our law in Oklahoma, I am not informed as to the statistical background, the data, which certain questions have attempted to elicit from witnesses, but I think on the whole that we would like to go along with the principle of this particular bill that is before this committee for its consideration, realizing, of course, that it is not perfect, that it perhaps is in a stage of being written, and that various thoughts and opinions are being explored.

It appears to us that certain features of this bill are necessary, with more particular reference to bringing in under the unemployment set-up certain classes of people that had not been under it, or for whom there are not provisions already in operation.

There is considerable dislocation on the part of workers from one State to another, and the traveling feature of this bill appears to me to be well taken.

I am of the opinion that this is a part of the general legislative activity and effort that has for its general purpose the liquidation of the war effort.

I believe from the terms of the bill itself that there is a time limit set for the discontinuance of the operations under this particular bill which, to me, seems to be a rather normal and cautious and advisable precaution. We are pretty well convinced that general unemployment compensation legislation had been operated very satisfactorily before the postwar period. We are further of the opinion that during these last few years certain dislocations have taken place which would

warrant national consideration given to legislation that will, in effect, help taper off the war effort without overnight plunging us back too far into an order that might not work under the circumstances.

I am not just sure that the State of Oklahoma could get a lot of advantages from this particular bill without additional State legislation. I see difference of opinion among the witnesses who have appeared here and among the members of this committee as to the operation of this bill. But I do believe that it is an appropriate step at this time to throw into gear legislative authorization that will permit the States, in keeping with their own idea of State rights and their ability to handle their own affairs, to have an opportunity of participating in expanded or additional benefits during the period in which this law will operate. And it seems to me to be advisable to have that type of legislation under which the States can come in and make agreements with Federal agencies in keeping with their own needs.

It appears to me that this legislation more or less is enabling legislation; it is not mandatory on the States to come in and take advantage of every provision of the bill, at least unless and until they have made agreements with the Federal Government, it being assumed within certain boundaries, certain limitations of the bill, that those agreements can be made upon the basis of a meeting of minds between the State agencies and the Federal agencies.

I believe, Mr. Chairman, that that covers my general purpose of being here in attempting to get before you the personal attitude of the Governor of Oklahoma regarding this legislation.

The CHAIRMAN. Thank you, Mr. Dwight.

Any questions?

Senator VANDENBERG. I understand you are not passing upon the details at all; is that correct?

Mr. DWIGHT. I have not attempted to do that, Senator.

Senator VANDENBERG. You are not endorsing the details of the bill; you are endorsing the principle?

Mr. DWIGHT. The general principle of the bill.

The CHAIRMAN. Well, thank you very much, Mr. Dwight.

The next witness is Mr. Herrick.

I think we can finish with the witnesses we have listed for today.

Mr. Herrick, do you represent the Division of Unemployment Compensation of the State of Kansas?

Mr. HERRICK. I am representating Governor Schoeppel.

The CHAIRMAN. We will be glad to hear from you, Mr. Herrick.

**STATEMENT OF ARTHUR A. HERRICK, EXECUTIVE DIRECTOR,
DIVISION OF UNEMPLOYMENT COMPENSATION, REPRESENTING
HON. ANDREW F. SCHOEPPEL, GOVERNOR, STATE OF KANSAS**

Mr. HERRICK. My name is Arthur A. Herrick, and I am appearing as a representative of Gov. Andrew F. Schoeppel of the State of Kansas.

I had the pleasure of appearing before members of this committee, constituting the Special Committee on Postwar Economic Policy and Planning on the 1st of June 1944, when the special committee was considering the problem of unemployment and reemployment after the war, and the statement appearing at page 963 of part 3 of the

hearings before that special committee, in opposition to bills essentially the same as the bill being considered by this committee, is reaffirmed. There is no essential difference between the proposal then considered and the present bill, S. 1274. We have carefully studied the problems which we anticipated would develop during the post-war period. Our position then, as now, was based upon such studies. There have been no developments since either VE-day or VJ-day which have indicated any error in our calculations or in our anticipation of the problems which would arise. In fact, it is apparent that the speed with which industry would be in a position to convert from war production to peace production has been, if anything, underestimated. We are therefore in the position today of reaffirming the statements which were made a year ago last June in respect of this issue.

At that time we stated—

The legislators back home can be depended upon to legislate respecting unemployment compensation in a manner which will answer the needs of their particular States, and the Congress should do nothing that will in any way lessen the desire of these State legislatures to fully discharge their responsibilities in this regard.

Our Kansas Legislature carefully considered the provisions of our unemployment compensation law and the need for revision in the light of the postwar situation. In view of these conditions, amendments were made to our law, increasing the maximum benefits which were payable under it by 33 $\frac{1}{3}$ percent. This involved an increase both in the maximum weekly benefit amount and in the total amount of benefits payable. Duration of benefits has been extended to 20 times the weekly benefit amount. This provides for 5 months of compensable unemployment for the individual who is entitled to the maximum benefit payment; 77 percent of all Kansas workers can qualify for the maximum benefit payment of \$320, and over 90 percent of the war workers now being laid off are qualifying for this maximum payment. This last session, the Kansas Legislature considered all of the pertinent conditions bearing upon the needs of the Kansas workers, such as living conditions, cost of living, prevailing wage rates, average weekly earnings, probable length of unemployed, probability of prompt reemployment, and other factors which have a direct bearing upon the needs of an unemployment benefit program in the State of Kansas. Moreover, Kansas considers uniform benefit amounts illogical. What may be needed or considered ample in one part of the country does not apply to all parts of the country, due to differences in living conditions, living costs, prevailing wages, and other factors. Therefore, the provisions in this bill which would provide uniformity will either constitute a gross overpayment in those States where living costs are low and wage scales are low, or they will be inadequate and unfair to the workers of those States where living costs are high and wage levels are likewise high.

The uniformity of duration of benefits imposed by the bill is fundamentally unsound. In Kansas, as in 37 other jurisdictions, the duration of benefits is limited to a percentage of earnings during the base period. In our State benefits are limited to one-third of such earnings, and the earnings eligibility test set forth in the Kansas law is

extremely low. A worker who has earned as much as \$100 in two of the four calendar quarters of his base year is qualified to receive benefits, but will receive only \$5 per week for 7 weeks. By virtue of the fact that his duration of benefits is limited to 7 weeks, the earnings eligibility test is extremely low. Under the provisions of this bill such an individual would receive 7 weeks of benefits from the State of Kansas and 19 weeks payable from Federal moneys.

As a service to the State agencies, the Social Security Board has from time to time published memoranda in respect to the amendment of State laws. Such a memorandum was issued in November 1940, entitled "Proposed State Legislation for Unemployment Compensation and Public Employment Offices" and identified as Employment Security Memorandum No. 13. On page 41, the following statement is made:

Special attention should be given to the qualifying requirement in the event that uniform duration is desired. Some States have in the past adopted qualifying requirements that in some instances allowed individuals to become eligible on the basis of very inconsiderable amounts of earnings. Although the trifling payments issued in such cases were a waste of effort on the part of the agency, it was not a very serious matter where the payments were limited in a ratio to base period wages. With uniform duration, however, care must be taken to see that the qualifying requirement does not admit into the system any substantial number of individuals who may draw maximum benefits on the basis of a merely casual attachment to the labor market.

No special attention has been given to the qualifying earnings requirement in the proposal incorporated in this bill to provide a uniform duration of 26 weeks for every benefit claimant in the country. Existing earnings qualifications of the State laws are applicable in determining the rights to benefits of the workers receiving the benefits proposed to be distributed. It is therefore clear that the proposed extension of duration is unsound, in view of the advice given by the Social Security Board to the States.

The bill further proposes that the Federal Government should pay the cost of unemployment benefits to its employees. This clearly is a case wherein the Federal Government has a responsibility to carefully consider its obligations in connection with the unemployment compensation program of this country. I join with Mr. Rector and others in urging that if, as a matter of policy, it is determined that employees of the Federal Government should receive these benefits, such benefits be paid on the basis of the State law in which the Federal employee has performed services for the Government.

The bill further proposes to pay unemployment benefits to the officers and members of the crews of American vessels. The service of such individuals is not now taxable under the Federal Unemployment Tax Act, and the bill provides for the Federal Government paying the entire cost of such benefits. I join with others who have preceded me in suggesting that this committee give careful consideration to the Lynch bill, presently pending before the House Ways and Means Committee, which would extend the coverage of the Federal Unemployment Tax Act to services performed by members and officers of the crews of American vessels. This will facilitate the orderly and systematic extension of unemployment-insurance benefits to the portion of the workers who are not now covered. At the same time it will require the employers of such individuals to pay the tax to finance

such benefits. There is no justification for the Federal Government paying the cost of the benefits to the employees of private industry. Further, the enactment of this bill would create unprecedented confusion with respect to the payment of unemployment benefits to the great majority of maritime workers, for the reason that the States of California, New York, Pennsylvania, and a number of other States have included them without the coverage of their unemployment-compensation laws, effective January 1, 1945, or before. The great majority of maritime workers employed by private industry are thus entitled to receive unemployment benefits payable from these State funds, and financed by taxes paid by their employers with respect to that employment. Thus under those State laws such employees are entitled to State benefits payable out of State funds, and this bill would propose to grant to them unemployment benefits, payable out of Federal moneys.

Senator VANDENBERG. Before you leave that point, Mr. Herrick, isn't it true, however, that most maritime workers for the last 3 or 4 years have been virtually employees of the Federal Government and have not been covered by these payments you are talking about?

Mr. HERRICK. That is probably true. Coming from the Midwest, however, I do not know what percentage is covered in the various States.

The bill further provides for the payment of benefits to all individuals who are engaged in the handling of agricultural or horticultural products. I believe that it has already been made clear that this provision would grant unemployment benefit rights to every agricultural worker in the United States. Whether or not this was the intention of the proponents of the legislation is beside the point. Coming from an agricultural state, and one wherein the obtaining of agricultural labor has been one of the most acute problems experienced during the war, may I say that this provision is unworkable.

There has been much discussion about the need for this bill. It has been stated to this committee that the bill only expands the present system on an emergency level in order to meet pressing reconversion needs. May I inquire as to what is the pressing emergency reconversion need, requiring the payment of benefits from the Federal Treasury to employees of nonprofit educational institutions? How is the emergency reconversion problem in any way associated with such organizations? Without considering or discussing the other types and classes of employees who would be granted benefits out of the public till, without the collection of any taxes in respect to their services, I point out that there is no more connection with pressing emergency reconversion between the class named than there is the other classes of employees who would receive the benefits proposed. The fact of the matter is that clear thinking must differentiate between those provisions of this bill which may be said to be on the subject of the problem of reconversion unemployment and those provisions of the bill which are mere riders, with no relation to the reconversion problem of unemployment. Such matters as the extension of benefit rights to employees of employers of less than eight, to agricultural workers, to domestics, to employees of the State Government and its subdivisions, to the employees of nonprofit, educational, charitable, and scientific organizations, to minors employed by their parents, wives employed by their husbands, or vice versa, certainly are deserving of

the careful study of this committee and of the Congress before irrevocable commitments are made upon these subjects; and "irrevocable" is the proper term, for once benefit rights are extended to these groups, little discretion will be left to the Congress in respect to the adoption of a permanent policy contrawise.

Those who have preceded me have suggested that the enactment of this bill may require State legislative action to permit the payment of supplemental benefits. I concur in the views which have been expressed with regard to their application to Kansas.

The State of Kansas could administer any such supplementary benefit program better and more efficiently than any other agency can do that job in Kansas; and we have undertaken many difficult administrative problems and solved them in the course of the 8 years of unemployment compensation in Kansas. However, I feel duty bound to warn this committee that the imposing of the administrative problems which are presented by this bill may have the effect of breaking down the administration of unemployment compensation. The Kansas agency, until the 14th day of August, was staffed with individuals trained in unemployment compensation administration and geared to the processing of a claims load of a few hundred claims per week. The claims load has increased manyfold until, in the week ending August 26, a total of 6,759 new claims were received. This claim load was far more than the claims loads which the agency was staffed to handle. Of course, we have put on additional employees to handle this load, but they are untrained and inexperienced, and when State merit registers were exhausted, we picked workers out of the line of claimants to take the claims of their fellow workmen. When you consider the fact that every claim in the State of Kansas, on the effective date of this bill, will have to be redetermined, there will be lines of unemployed workers demanding service which cannot be rendered. This means that payments will not be made when due. This bill will unquestionably jeopardize the prompt payment of benefits to those workers who are presently covered by our law; and yet we respectfully assert that we could handle this job better and pay these benefits more promptly than could ever be paid through any other existing agency or one which may be established for the purpose. So, gentlemen, if this develops, let it not be represented to you that the failure of the prompt payment of benefits is the result of any break-down in the administration of unemployment compensation at the State level.

The question has been raised in these hearings as to what is the average amount in dollars by which the weekly benefit amount paid under State laws has been increased in the past sessions of the State legislatures. That figure would be wholly insignificant in respect to dealings with the problem involved. The more pertinent question is, What has been the increase in benefit rights as a result of the last session of the legislatures? These increases range from \$1 to \$10 in weekly benefit amounts, and increases in total benefits up to in excess of 200 percent, but a far more significant factor is the substantial increases which have occurred in those States where industrial employment is concentrated, and where the great majority of workers are located. For instance, it is comparatively insignificant in the over-all picture that the State of Mississippi, whose legislature did not meet in 1945, pays but \$15 per week for 14 weeks, when you consider that

but 158,500 workers are involved. On the other hand, where you have a State such as Ohio, which has increased its weekly benefit amount by 30 percent and has increased the total benefits payable under its law by 60 percent, and when you consider that the Ohio law applies to 2,115,200 workers, it is quite clear that a simple calculation as to the average number of dollars, by which weekly benefits have been increased during the past sessions of the legislatures, is wholly insignificant.

In the hearings before this committee, there has been much discussion as to the duration of benefits provided under the existing State laws, and there appears to be some confusion concerning this issue. It has been stated that, in the State of New Jersey, a claimant may draw a certain amount, based upon previous earnings of employment prior to the time he is laid off. If the claimant draws payments for 26 weeks and gets no further work for 26 weeks more, he has no base period upon which to compute further benefits. That was an erroneous statement. The New Jersey law in this respect is identical with the Kansas law. Benefits are based upon the first four of the last five completed calendar quarters preceding the filing of the claim. A worker becomes unemployed the day this bill becomes effective and files his claim for benefits. He will be entitled to receive 26 weeks of benefits, such benefits calculated on the first four out of the last five completed calendar quarters prior to the date he files his claim. Whether he has any subsequent employment or not, during the next 26 weeks, he can at the end thereof file a second claim, and his earnings in the fifth and the incomplete calendar quarter will then constitute his new base period earnings and entitle him to a second 26 weeks of benefits. This brings to light a factor existing in approximately 49 State benefit formulas, which has not been fully explained. This is clear from the many statements which speak of benefit rights under the State laws being limited to 14, 18, 20, or 26 weeks. The fact of the matter is that, depending upon the particular time of the filing of the claim and the subsequent unemployment and employment of the claimant, it is possible, under almost all State laws, for an unemployed individual to receive during one continuing period of unemployment substantially more than the amount of benefits which are fixed in the State law as the maximum payable in one benefit year.

Now, gentlemen, under this proposed bill, which would permit the payment of 52 weeks of benefits, there can be only one result—to wit, the freezing of this purportedly large segment of our labor force in congested areas, where they can draw these benefits for almost an indefinite period of time, and starve those localities, those industries, and agriculture, which are remote from war centers, and where their services may be badly needed to speed the reconversion to a peacetime economy.

In conclusion, we suggest that the pending bill possesses so many inherent undesirable features that its enactment will be detrimental to the best interest of our country and will retard, rather than expedite, the transition from war to peace.

The CHAIRMAN. Any questions?

If not, thank you very much.

I have two other witnesses that we must finish at this session. I hope the Senators will remain.

Mr. Davis desires to return to Washington this afternoon, as I understand.

Mr. Davis, we will hear from you at this time.

STATEMENT OF JOHN D. DAVIS, WASHINGTON STATE UNEMPLOYMENT COMPENSATION COMMISSION

Mr. DAVIS. Mr. Chairman, I am the director of the State Department of Compensation of Washington. I am here representing Governor Wallgren, who conveys his compliments to you and regrets that he can't personally be here.

The CHAIRMAN. We would be glad to see him, but we are also glad to hear from you.

Mr. DAVIS. Thank you.

I shall try to make my statement very brief. Just to get the record straight, I should like it known that the State of Washington is as much opposed to federalization of unemployment compensation and the employment service as any other State. We believe that unemployment compensation is best administered at the State level, because we believe that the decision that must be had with individuals can't be handled by long-distance directives from Washington, D. C.

We feel that this bill and the Doughton bill are intended to meet a temporary and very difficult situation, one of reconversion.

I should like to make it plain that we agree completely with the intent and aim of the legislation. We don't agree with the methods which are proposed in either bill. We think they are cumbersome, and we agree with some of those that have been before this committee, that they would be expensive and difficult to administer. Nevertheless, the intent is good.

Another thing which is undesirable in the present proposal is the matter of inequity between States, particularly as between those States which have been relatively backward in their benefit formula and those States which have been relatively liberal and which have attempted to provide for the unemployed workmen.

The CHAIRMAN. Does your State have the \$25 maximum?

Mr. DAVIS. Yes, sir; we have \$25 weekly maximum with 26 weeks' duration.

The CHAIRMAN. You are giving in your State what this bill would give substantially?

Mr. DAVIS. Although our duration runs from 12 to 26 weeks—

The CHAIRMAN. You do take into consideration the earnings?

Mr. DAVIS. The average duration in this postwar period we estimate to be about 23 weeks, and the average weekly benefit will probably run around \$21 or \$22 on the average.

The weekly amount in our State is conditioned upon the total earnings of the individual in the base year, and approximates about 50 percent of the previous earnings of the individual.

We think that the provision to cover Federal workers is very necessary, particularly from our standpoint. In Washington, the Federal employment has expanded from about 22,000 in the prewar period to about 94,000 today. We have potential unemployment of about 72,000 Federal workers, most of whom are in our armament plants, Government armament arsenals in the State of Washington.

I think some better provision could be made for meeting that problem than that which is proposed in this bill. Possibly some suggestion as the one made by the previous witness as to the weeks of employment be indicated be a very good formula. The supplement to the State weekly benefit standards is, of course, desirable in some States. I think. It is going to be very difficult probably to put that over. Some of the States are still paying benefits which are extraordinarily low in terms of their average weekly wage. Some 12 States are paying an average weekly benefit of less than 30 percent of the average weekly wage, which is pretty low to meet the reconversion problem.

Senator VANDENBERG. Very few of those States, however, would be called industrial States; would they?

Mr. DAVIS. I think that is true.

The provision providing for transportation of workers is very interesting to us, because in Washington we have probably the most severe problem in the United States in that respect. We have had a terrific importation of workmen to do the armament jobs in Washington in the shipyards and aircraft plants. Some of them are not going home; some of them are unable to go due to the lack of finances.

Our cost of living is high in Washington; wages have been high; and the costs have been high, and many of them will not have sufficient money to get themselves back home and reestablish themselves.

We think the increase in veterans' allowance provisions should only be made if there is a commensurate increase in the benefit standards for the ordinary workmen; they should not be quite so far out of line; that is, if the ordinary workman is permitted a top benefit of \$20, it is perhaps not unreasonable to raise the veterans' benefit to \$25.

I am very much interested in Senator Vandenberg's proposal to extend the duration. I think perhaps that is a good solution to the problem.

In our State we were very much worried about the postwar problem with our huge proportion of industrial workmen engaged in armament work. About 50 percent of our people will go through the ring of unemployment in the next 2 years.

We were concerned about duration more than we were concerned about the weekly benefit amount.

The \$25 top in our State doesn't mean very much. The top could be \$50 and not raise the average weekly benefit amount more than about \$2. If the top was only \$20, it would only reduce it about 50 or 75 cents.

It is the duration which counts.

We have a maximum duration of 26 weeks. We consider very seriously going further than that. And I think it not reasonable to guarantee a duration up to as much as 52 weeks for a workman who has had substantial earnings and has been in the labor market in a substantial way.

I think very strongly that the duration should be conditioned upon the amount of earnings. I feel that when we go to a uniform duration we have lost completely insurance principles of unemployment compensation.

If some arrangement could be worked out that the duration could be increased by a percentage or by a flat number of weeks for each case, then, that might be desirable.

I said I would try to make my testimony brief, and that is about all I have to say, unless you have some questions.

The CHAIRMAN. Any questions?

Senator MILLIKIN. According to the information I have here, you have a reserve fund in your system in Washington of 151 million-plus.

Mr. DAVIS. That is correct.

Senator MILLIKIN. And you have a State surplus of \$39,000,000-plus.

Mr. DAVIS. It is probably a little higher than that. I accept your figures, however.

Senator MILLIKIN. Taking your figures as I have them here, it would appear that Washington is in shape to take care of the problem for the foreseeable future.

Is that right?

Mr. DAVIS. Yes. We don't foresee at all any insolvency.

Senator RADCLIFFE. It is my understanding that you would leave the period of time at 26 weeks except that there would be a leeway in certain special cases, or special types.

You didn't develop that idea very much, and I didn't know whether you meant there should be an extension or whether it should be within a certain restricted field.

Mr. DAVIS. I feel very strongly that the insurance principles of unemployment compensation should be retained, and for that reason I don't think there should be very much faith put in the flat duration of 26 weeks. I think it is much more desirable if the duration is conditioned upon the earnings.

The earnings indicate the extent of the individual's participation in the labor market.

Senator RADCLIFFE. What do you mean by the amount of earnings, that a man getting higher earnings should have a longer period or vice versa?

Mr. DAVIS. The man who has worked longer and has earned more money in the base period should have accordingly a greater protection.

Senator RADCLIFFE. You consider not only what he is earning at the time but the period of time during which he has earned it?

Mr. DAVIS. If he has been in a stable employment and kept his job and worked solidly during his base period, then, he should be guaranteed longer protection.

The CHAIRMAN. Thank you very much, Mr. Davis.

Mr. Rohrer, will you come around?

This is the last witness we have.

Mr. Rohrer, you can come and make your statement.

STATEMENT OF CHARLES C. ROHRER

Mr. ROHRER. When I get back home I am going to tell the neighbors you fellows never do stop for dinner when they tell me about your big money.

I am very grateful as a common American, that I can appear before such an important assembly as this.

I come here representing no specific interest or group. In fact, I came over to fight another bill pending before the House Military Affairs Committee, the peacetime conscription bill, which I opposed religiously as un-American.

I was very much pleased that this committee was in session also at this time.

My wife and I are a sample of the hundreds of thousands of people who face a great upheaval in their social and economic life at this time. It is inevitable. It may be a good thing. At least, it mixes the blood of the Nation.

If you have ever been in Kentucky or Tennessee, there is hardly a family that is not blood relation. This great upheaval is going to do the blood of the Nation some good.

As to the other work, my wife and I were laborers in a factory making good wages. When the boss cut my pay from \$8 and \$10 to \$4 and \$5, I quit, and I went out and bought a little farm of 12 acres.

We had saved \$500 and we went in debt for \$2,000. We bought a little bit of a farm.

The CHAIRMAN. Where is your home?

Mr. ROHRER. In Indiana.

I have never regretted it. I worked in a garage there in a local town for \$1 a day, which was not so big in those days, and we secured a hog and some chickens, and my wife's folks gave us a cow. They were farmers also. They gave us a good old cow.

We worked for a long time and the Lord blessed us, and I say this not boastingly, but we own 500 acres of land and 100 dairy cows, and everything is free of debt.

We had no Government help, and I am glad in my case that we never did have.

I want to point out that I don't think I am an exception to the average. I am just a common farmer.

If I had Government help I might still be over there in that old factory, which I detested. I never did like factory work.

But when they took and cut my pay, I scattered right now.

I didn't have no transportation. I bought myself an old model T Ford and away we went.

I went back and worked at a garage for \$1 a day.

This old cow gave us more milk than we could drink, and I got myself together and peddled milk.

That one cow grewed into 100 dairy cows. That is what a man can do.

I am telling you boys that these fellows have got to come back.

I was born and raised on a farm. I went to town during the other war and made \$500. That is all we saved.

Incidentally, I have never heard yet any place in Washington people talking about saving.

My dad always told me to save and wear out the old things first. I have never heard anything like that over here.

It is always give, give.

The CHAIRMAN. That is a strange doctrine in Washington, saving.

Mr. ROHRER. It is sure enough.

I think we need to get back to some of old Benjamin Franklin's philosophy.

Senator MILLIKIN. I would like to point out to you that we follow the cow philosophy here in Washington.

The Federal Government is a gigantic udder out of which 130,000,000 people have been fed.

Mr. ROHRER. It has come in pretty handy.

The Bible says, "A man should earn his bread by the sweat of his brow or somebody else will."

Senator VANDENBERG. The Bible was written before the New Deal.

Mr. ROHRER. Yes, that is right.

I think we ought to kind of remember some of old Benjamin Franklin's sayings. He said, "If you keep your shop, your shop will keep you." I think that is right. A man had lots rather keep his own shop than let somebody else keep his shop. I am sure of that.

I am truly grateful that the Government never gave me a dollar. I have been just as poor as they get. I was down and out and didn't have a penny in my pocket, and I had a wife to keep up too.

We pulled through it. I have been just as hard up as they get.

When I wanted to buy my cow, I went to my bank and I said, "Now my neighbor has an old cow for \$75 and I have \$15 of them." No, I had all but \$10. I scraped all up but \$10.

You know, when I went to the bank they wouldn't give me the rest on that old cow. I had to get the man to let me have credit on that cow.

That is what a man can do.

I am not an exception to the rule.

I thought chickens was a fine thing. We went into chickens and we lost \$1,000 the first year. The bottom dropped out. It certainly did hurt.

I am just a common fellow, mind you. I am no different from any other American.

I haven't got a high-school education, but any American that has a little brain can get him a cow and a sow and a hen and can live.

Mind you, boys, they have got to do it. We can't live off this Federal Government or State government. You have got to get that through your heads sooner or later. We are just about at the end of the rope.

I will tell you the truth. I would rather see these folks given a farm and 40 acres and let them earn their own living than give them a dole.

They can do it. I know. I have seen it happen. I have sold some of my own land. I had more than that. But I was kind of scared you fellows would let the bottom drop out and I let loose of some of it. That is a fact. I sold some of my surplus cattle before I come up here because I knowed the bottom is dropping out.

I knew it would happen. I have seen it. That is what I want to impress upon you.

Everything I have heard is, "Help him along, give him a cane, give him a crutch." That ain't the way to make America. It will never work. You are going to make loafers.

Out in my neighborhood right now there are some women and men sitting down and they told me they wasn't going to turn a tap, until that compensation was all soaked up, and they will sure do it. I know. I live out there and I know what they are doing.

Now I will read my prepared statement if I can.

I am a dairy farmer from Indiana.

I would like to say a word about full employment.

Now this full employment—being a farmer I would like to see full employment in order that I may market as much of my goods at the best figure that the market can stand. I mean that. I mean just all she can bear. I don't want little stuff. I want all that I can get. I think that is right.

The bill is so all-inclusive and broad we will have to include not only the factory labor but us farmers and the banker as well, and the candlestick maker. We all must have full employment, and I believe we ought in the interest of good government include the politicians and the civil servants, and that is no joke. I mean that. I mean just that.

I honestly believe that this whole Congress actually needs a raise in salary for the good of the country's sake. Government costs are more these days, and don't like to see fine men like Mr. Woodrum of Virginia leave the Government because he can do a little better elsewhere.

When I have a good man in my own employ, I try to meet the competition and retain him.

The old saying, "Money is what makes the mare go," still stands. I like to receive a good round figure for my products. Then I can go into the market places with a nice wad of folding money and purchase the things which my factory brothers have produced, and I expect the prices to be also good and round, so the men who have handled those goods can also make a nice wad of that folding money also.

Yes; I believe we should gladly do unto others as we would have them do us.

In order to have full employment and full pocketbooks we must not forget our exports and dealers in international exchange of moneys and goods.

Our money and prices have literally been jacked above world levels, as in the price of bullion silver. It is something like three or four times above world levels.

I know, because I went down to Mexico last winter and when I went over the border I had to turn in my money and I got five Mexican pesos for my silver dollar, and there was no comparison in the weight of it.

It is four times as high. Let's see. I have the wrong place here. Will you excuse me a moment?

As in the present bullion silver—I still have the wrong place.

Now I have noted in some streams of navigable water it is sometimes necessary to build locks to help ships get up and down the stream. Gentlemen, we need a few locks built to help our international ships of commerce get up and down the world trade levels.

There may be ways to construct a lock, but build one we must, if we are to have full employment.

I have lost my place again. Will you excuse me while I go over my notes?

The best one I have in mind is the subsidy of all exports which require it. Then our cotton from the South will have a sound market. Wheat will flow out to a hungry world, and then they should be carried in American ship bottoms by American boys. At least, that many boys will never see the PWA.

Gentleman, let us look after America first. This is a man's first duty. The Bible says that he that does not provide for his family is worse than an infidel.

I don't want to see the price of milk go down after the war. Neither does my factory brother want to take a cut, and I don't believe we have to take a cut if we plan properly.

If I produce too much milk, then, after the home market has absorbed all it can, at a price set by the Government, and a board of farmers and middlemen and consumers, then, I will attempt to sell abroad all I can.

Then after all this, there is only one sensible thing for me to do, and that is to curtail production and go fishing or hunt something else to do, and this pattern will apply to all trades, I believe. I don't think one business is any different from any others when it comes to that.

If a manufacturer makes 2,000,000 hammers and they can't get enough for those hammers they are going to quit.

If we do not subsidize our exports, will someone explain how we are going to market a single bushel of corn when that commodity is one-half cheaper in the world market?

How is a single hour of American labor going to be sold abroad against free labor, and how are our great corporations going to meet terrific competition of foreign cartels any other way?

However, there are some pitfalls and dangers in this bill, and one is that such classes may seek to hog the trough, but this can and must be prevented.

Understand, I am not against labor. I belong to a labor organization. But I know this is for their own good. I believe that the Secretary of Labor, who has just talked, should revise his statement on writing any new bills. I believe that is true.

Every board has two sides. No matter what kind of board it is, it has two sides, opponents and proponents. It is only the ostrich that is supposed to run and hide his head in the sand to escape recognizing facts they run in.

Therefore, we should examine the opponents' views and maybe they have a few good points also.

One point I hear against this bill is that it is glorified PWA. Certainly, we don't want that if we can at all avoid it. Certainly, it would make loafers and vagrants out of a great many people. We also don't want that.

There may be some truth in their statement.

I personally know of some people in my neighborhood at this time sitting around and they say they will not strike a lick of work until they have used all of their compensation.

My father told me to always be thrifty, to work hard and try to save something for my old age. Surely we should never get away from personal responsibilities.

Necessity is a great teacher and the mother of invention. That is a truth we don't want to ever forget. Necessity of man will really make a man out of you.

We all know that lots of these people have gone to town and wasted their income and resources. I know it is the truth. We all know that it is the truth. Why should I work and slave to keep a man up that went out and boosted his money up and then threw it away? We know that is universal.

I don't like to pay taxes to keep a man up that won't help himself. I am charitable enough to help any man. I will when it is necessary. I have never yet turned a man down that needed it. But I am against helping a man that doesn't help himself.

Unless I am mistaken, living costs are coming down in the near future. I think taxes must come down, where people can save for their families and their stockholders instead of just to keep up an expensive government, and if we have gotten ourselves into debt too much, that it interferes with full employment, then there is only one thing to do, get solvent, no matter what the cost.

Just how this is to be done is very important, if we do not want another great depression to come on us. It is going to take some skillful and unselfish thinking to work out these problems.

I wish I had the time to go into the economic situation.

Let's see. That isn't what I want. I have the wrong page.

Another criticism. It would make us a Fascist state. One man said he would rather be free and poor as to lose his political, social, and economic freedom for a meager measure of economic freedom. Of course, there is some danger in this statement and should be guarded against. I believe that is true.

Please pardon this diversion from the subject, but I feel that I must get this off my chest.

I hope we do not make the same mistake that ex-President Hoover did in granting dollar credits. We should consult present and past history on repayment of these foreign loans.

If Uncle Sam wants to do any giving away, then I can use a few automobiles and some other things free of charge.

I would rather see this fund of unemployment spent at home. I hope Congress will continue to set prices on commodities of labor.

We in America are a large family and we all know that our family should have justice, fair play, and peace and order. One furnishes the milk, one the vegetables, another the bread, and another the hardware, and so forth, and all should have equality in the family income, all work for the prosperity of the family.

However, if one member of the family becomes selfish and unruly, and so forth, tries to tell the parents off, and so forth, has bad manners at the breakfast table by insisting that he shall have the largest piece of sausage, then either papa or mama should take him firmly by the arm and lead him down to the basement or out to the family woodshed and teach him the principles of democracy.

We all know what happens to a family when the kids run the parents.

Free competition, they say, is the life of business. But it also often is the death of many businesses.

We must progress in our Government and our human relations, and it is the duty of the parent corporation to stabilize our economy, the Treasury Department, to look at our interests that America may have the fullest employment and well-being instead of a boom and then a "bust," which benefits only the rich.

The CHAIRMAN. Thank you very much.

We will recess until Monday morning at 10 o'clock.

(Whereupon, the hearing adjourned at 1:35 p. m., to reconvene at 10 a. m., Monday, September 3, 1945.)

EMERGENCY UNEMPLOYMENT COMPENSATION

MONDAY, SEPTEMBER 3, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Barkley, Guffey, Lucas, McMahon, Vandenberg, Taft, Millikin, and Brewster.

The CHAIRMAN. The committee will come to order.

Have any witnesses come here who are scheduled to appear today?

Mr. WEYLER. Yes, sir; Ed Weyler.

The CHAIRMAN. Mr. Weyler, come right here [indicating], please.

STATEMENT OF EDWARD H. WEYLER, SECRETARY-TREASURER, KENTUCKY STATE FEDERATION OF LABOR

The CHAIRMAN. You are Edward H. Weyler?

Mr. WEYLER. Yes, sir; secretary-treasurer of the Kentucky State Federation of Labor.

The CHAIRMAN. We will be very glad to hear from you on this bill to supplement the unemployment compensation payments by the States.

Mr. WEYLER. Speaking in behalf of S. 1274 and its companion bill, H. R. 3891, to provide for an orderly transition from wartime to peacetime economy, may I say the executive board of the Kentucky State Federation of Labor, as well as the various central parties in the State have given the bill considerable study. As a result, we can find only one objection to the bill, and that is it does not provide for complete federalization of unemployment compensation which we feel sorely needed because of the variation of the 48 different State laws in the country. It is our opinion that unemployment compensation is a national problem rather than a State problem, and having observed our tremendous transportation of employees from one section of the State to the other during the war we know unless there is an orderly return of those people back to their places and some sort of compensation or travel assistance to get them back, that a lot of those people will be stranded.

We favor the ceiling that is established in this bill, believing that unless we assist in some way to hold the high standard of earnings which we have had during the war that we will go into a deflationary period that will be entirely more harmful than even an inflationary period may be.

Now, we realize that we have a debt of some \$285,000,000,000 that we created on about the 68-cent dollar. If we permitted a deflationary spiral we don't know where we will go. Unless we have proper assistance for those who have not earned sufficient funds in wages to save money against unemployment they will not be consuming what they should be consuming in the market. We further believe that production depends solely upon consumption and unless we do have the consuming market we fear that we will have failed in attempting to create peace or to win the peace.

There is another reason why we favor this bill. In the State of Kentucky we have \$83,000,000 in our fund. We have attempted from year to year to get our law liberalized and we have continually met with the opposition of the employees and have been unable to do so.

In the Courier-Journal of Friday, August 31, there came out an article by Mr. Babb, who is executive director, that if we paid every legitimate claim against unemployment compensation in Kentucky, we would have \$16,000,000 left over. Now, he intimates in his article that this is a wonderful opportunity for the employers to secure a reduction in tax. Now, we think, rather than a reduction in tax we should use the \$16,000,000 for the purpose for which the money was collected but which we have been unable to do, because we cannot get the law liberalized. Therefore, we are indeed happy when the Federal Government takes a stand for setting up a higher standard that would be universal.

Senator VANDENBERG. Was this subject up in your Kentucky Legislature this year?

Mr. WEYLER. It comes up in January, sir.

Senator VANDENBERG. The legislature did not meet this year?

Mr. WEYLER. Our legislature goes into session this coming January.

Senator VANDENBERG. Can you tell me whether or not there is anything in your Kentucky law which prohibits the acceptance of these Federal payments without deduction from the State payments?

Mr. WEYLER. I did not get that.

Senator VANDENBERG. The statement has been made to us that in all but four States the State laws prohibit the beneficiaries of unemployment from accepting unemployment compensation from any other source, and if they do it has to be deducted under the State law. I was wondering whether Kentucky was one of those States.

Mr. WEYLER. I vaguely recall a provision of that type, but, in my opinion, that meant if a person had received a wage from any other source it would be deducted, and in fact I think the term "wage" was used.

Senator MILLIKIN. The term what, please?

Mr. WEYLER. The term "wage." If that be true, what would you do with the support that we have offered to the veteran? If we could not give to the production employees assistance in this matter neither could we give assistance to the veteran.

Now, I think this, sir: I think the chief thing wrong with the employment compensation throughout the Nation has been that the majority of the people administering the law have not been favorable to liberalizing the law.

Senator VANDENBERG. I was just wondering what your law was.

Mr. WEYLER. Yes.

Senator VANDENBERG. You are not sure about that?

MR. WEYLER. No, sir. I would prefer to read the law before I attempt to state what it is. I would not want to embarrass myself.

Senator VANDENBERG. I will find it.

MR. WEYLER. There are some who probably will say that unemployment will be so small that the Government, the Federal Government, should not go to these means of supporting the workers. I read an article in the New York Times day before yesterday by Joseph J. Loftus. He says:

The number of unemployed has now risen to 3,000,000. The outlook will be 6,000,000 by the end of the year and 8,000,000 by spring.

I don't know where he arrived at his figures, but I think the New York Times is a sufficiently conservative paper that they do not make wild statements, and I quite agree we are going to have a tremendous unemployment problem.

Now, where do we go from there, if we have it?

Why have we been fighting the war? To secure a peace or secure certain freedoms, to find security. Well, if we are to permit this wave of unemployment to go across our Nation without an effort to overcome it, then I do not think the Government has kept faith with its citizens.

So, we are wholly in accord with the passage of this bill, and we urge that your committee recommend the same favorably. Now, if there are any questions that you may care to ask me as to any attitude of our people in Kentucky, I will be very happy to answer them.

Senator VANDENBERG. How long do you think this difficulty is going to last, this unemployment?

MR. WEYLER. You mean the unemployment problem?

Senator VANDENBERG. How long do you think before conversion is completed?

MR. WEYLER. I think that depends solely upon Congress, sir, as to the courage and intelligence that Congress demonstrates. As an individual citizen, in speaking my own thoughts, I think the future looks very dark. Now, if you permit me, I will tell you why.

Senator TART. You mean because of lack of confidence in Congress to do these things?

MR. WEYLER. No; I think Congress is responsible for it because of some of the actions of its body. I would like to have full and complete confidence in every Member of the Congress, but Congress has not conducted itself in such a manner that I could.

For instance, gentlemen, in 1933 we had 13,000,000 unemployed in this country and we had 36,000,000 working. At that time the gross national production was \$54,800,000,000. The American dollar value was approximately \$1.35. In 1943 we had 54,000,000 people working and 11,000,000 people in the armed forces. The national gross production that year was \$198,800,000,000, with the dollar value at approximately 68 cents.

Now we talk of full-time employment and some say 60,000,000 jobs. Well, if we have full employment we will need 65,000,000 jobs, if we had the 54,000,000 people working plus the 11,000,000 that were in the armed forces. Now, naturally, we should deduct a certain amount for older people who retire, or the wives who go back to their homes, or the youngsters who go back to school, but that could not

go over two or three million, in my opinion. Well, if we take the difference between the gross national production of \$54,800,000,000 and \$198,800,000,000, I think that shows us that technological improvements have enabled us to produce four times as much now as we did 10 years ago. Production depends solely upon consumption. I think that we will realize a tremendous unemployment problem until we have corrected this unbalanced system that we strive under.

Senator MILLIKIN. Senator Vandenberg asked you how long you think it will take to make this conversion.

Mr. WEYLER. I probably did not understand the question.

Senator MILLIKIN. How long do you think it will take?

Mr. WEYLER. I think in some localities the reconversion would not be over 2 or 3 weeks, or a month, depending upon the nature of the industry, and in others, I think it would possibly take a year to a year and a half. I think it will practically be the reverse of what we had when we went into the war, with the exception we will not have to make new dies, and so forth, in the industry; we can replace the old.

Senator VANDENBERG. That is the point that interested me. It seems to me our emergency, that this particular bill is directed to, involves the duration of payment a great deal more than it does the rate of payment, because, otherwise, at the end of 26 weeks you are going to be flat, without any cushion.

Mr. WEYLER. That is right. I do not think that there is any injustice in the 26 weeks' period. On the other hand, when you have State laws that only provide 20 weeks and in some cases less, I think if we were to attempt to stretch it beyond 26 weeks we would run into such a wave of opposition that we probably may not be able to get as conservative a bill as this over.

Senator VANDENBERG. Excuse me. On the contrary the opposition of the State has been, as expressed here, exclusively to the change in rates. There has been, rather, evidence of acquiescence if we extend the duration instead of change the rates.

Mr. WEYLER. That has been the attitude right along, because the records in regard to drawing unemployment compensation I think show about 30 percent of those eligible have ever drawn the total amount which they were eligible to draw.

Senator BARKLEY. Most of the opposition of the States has been on the ground that it was not a Federal problem at all, that the States were able to handle it. Is there any difference in principle between the boosting the amount of pay while it lasts and extending the time in the State provision? Is a man better off if he is to draw for 9 months and does not draw enough than if he draws what is reasonable during 6 months, or whatever the time may be? Is there any less a State problem in the extension of time than there is in the increase of the amount?

Mr. WEYLER. I would like to answer that in this way: The only problem to me is that in Kentucky every time we attempt to liberalize the law the employers say: "Don't make it more than 16 weeks. If you do you make it more profitable for the employee to loaf than to work."

Senator BARKLEY. That all depends on how it is administered, if you allow a man who is a professional loafer to draw unemployment-compensation payments.

Mr. WEYLER. We understand the employee must accept suitable employment before he is eligible to draw unemployment-compensation payments.

Senator BARKLEY. The point I am trying to bring out is: Representatives of the States opposing this legislation have opposed it on the ground that it presented no Federal problem, and that the States were able to handle it. I do not agree with that philosophy myself, but if they are able to handle it so far as the amount of benefit is concerned, they are able to handle it so far as the extension of time during which it is to be drawn is concerned. I see no difference, as a matter of principle, between the Federal Government increasing the amount while it is in existence and increasing the time, as far as the State figures are concerned.

The CHAIRMAN. Your State system is \$16 for 20 weeks?

Mr. WEYLER. Yes.

The CHAIRMAN. The dollar maximum actually received by an employee, an employed worker, depends upon his credit; is that right?

Mr. WEYLER. Quite right. There are not very many people who draw the top for the full length of weeks. In addition, under our State law, the disqualification clauses are very, very stern and very unfair. That is another reason why we would like to see a total federalization of the law, in order that there may be more justice in that respect.

Senator MILLIKIN. I am curious why your State legislature can follow such a system in Kentucky.

Mr. WEYLER. Possibly because the employers are stronger in the legislature than labor, and we do not want it, that is all.

Senator MILLIKIN. You have the power to correct it, do you not?

Mr. WEYLER. We would have the power if we could pass the legislation.

Senator MILLIKIN. The people in Kentucky, if they are dissatisfied whatever with the legislature, have the power to correct it, have they not?

Mr. WEYLER. You know, of course, you must get the legislation passed.

Senator MILLIKIN. I know the ordinary procedure.

Mr. WEYLER. We have attempted to get liberalization, and we have failed repeatedly. In fact, we cannot get action on a bill unless it is agreed to. The majority of the legislators do not know what unemployment compensation is, to begin with. They have never read the bill, and if they did read it they probably did not take time enough to understand it.

Senator TAFT. Cannot you educate the people in Kentucky and not just appeal from them to educate us?

Mr. WEYLER. When I was speaking of the legislators I was speaking of the Kentucky legislators. I hope I haven't offended you, now, because I am not accusing this body of not understanding what are the laws that have been passed.

Senator TAFT. I did not mean that. Why appeal to us?

Isn't it your job, under a democratic system, to go out and try to persuade the people of Kentucky as to what you think is right?

Senator BARKLEY. It is almost physically and politically impossible for the legislature of any State—and Kentucky is no better or worse than the rest of them, it is about on the average—that meets only once

in 2 years and then for only 60 days, to have the time and the opportunity, and frequently inclination, to go into all these problems that affect employers and employees, the question of insurance, unemployment compensation, and old-age pension.

Mr. WEYLER. That is right.

Senator TAFT. We work in Ohio under the same limitations and still we increased the rate from \$16 to \$18 and increased the length of time. Our legislature is perfectly competent to go into that.

Mr. WEYLER. I will answer your question, if I may, sir. You speak of educating all of the masses in order that they demand this and thus, we create this legislature to do for us collectively that which we cannot do for ourselves individually. When you have elected people to public office it would seem it is their duty to do the things that are necessary for the people, without pressure or force upon them and without getting the people educated.

Senator TAFT. You said you could not educate the legislature in Kentucky. I was in the Ohio State Legislature for 8 years. The people there were just as intelligent as the people in Congress. I see no difference whatever in the general standard of the people. There is a little lack of background, if you please, but they are the same kind of people as are in Congress, exactly.

Mr. WEYLER. I did not question the intellectual ability of the members of the legislature, but people who are in session for 60 days, who have some two or three hundred bills before them, and some of them perhaps 200 or 300 pages in length, certainly will never read them all, and if they do they will not know what is in them.

Senator MILLIKIN. That is entirely true here.

Mr. WEYLER. But you are in session practically around the calendar.

Senator TAFT. And we have six times as many things to consider.

Mr. WEYLER. That is right.

Senator MILLIKIN. I would like to ask you what is the reserve in your unemployment compensation fund in Kentucky?

The CHAIRMAN. About \$80,000,000.

Mr. WEYLER. We have \$83,000,000. I have a newspaper clipping here from the Courier-Journal of August 31 that I would like to leave, if you wish it, where Mr. Babb, the director, says if we paid every possible claim we would have \$16,000,000 left over.

Senator MILLIKIN. You are in a highly solvent condition.

Mr. WEYLER. We are one of the most solvent in the Nation, I think.

Senator MILLIKIN. If some money is needed for the extension of time of weekly benefits you have got the reserve to accomplish it, have you not?

Mr. WEYLER. Yes, but you must have a way in which you can do it.

Senator MILLIKIN. Your legislature could change it, could it not?

Mr. WEYLER. But experience has shown us that it is impossible to liberalize the law. We have passed a reduction in tax for the employers, but we have failed in the effort to increase the benefit to the workers.

Senator TAFT. As a matter of fact, the legislature has not met since a year ago, has not met in the present emergency situation at all.

Mr. WEYLER. But in the last two sessions we brought the bill before them and predicted what was coming.

Senator TAFT. That was a year ago last January?

Mr. WEYLER. Certainly. But if these men are as intelligent as we believe them to be they would have known a year ago what the unemployment problem would be at such time as we reach this stage.

The CHAIRMAN. I would like to ask you, Mr. Weyler, have you got a great many open jobs in Kentucky now?

Mr. WEYLER. What would you consider open jobs?

The CHAIRMAN. I mean jobs that are not filled. I am just asking you if that is not a fact. Haven't you got a great many industries that are not able to start because they haven't got workers.

Mr. WEYLER. No.

The CHAIRMAN. You haven't any?

Mr. WEYLER. Industries that cannot go into reconversion because they have not workers?

The CHAIRMAN. Or a sufficient number of workers.

Mr. WEYLER. No; we have no such industries.

The CHAIRMAN. So you haven't any jobs in the State now available to workers? I am not speaking of the price. That is another question entirely, as I see it, at the moment, Haven't you the jobs there available?

Mr. WEYLER. We are adding about 2,000 people weekly to the unemployment compensation rolls in the city of Louisville alone, according to newspaper statements.

The CHAIRMAN. I am not asking so much about newspaper statements, I am asking about facts. You are here from the State, and I thought you were a good one to ask that. What I would like to know is if there were not many unfilled jobs in that State?

Mr. WEYLER. No, sir; there are not.

The CHAIRMAN. There are not?

Mr. WEYLER. No, sir.

Senator BARKLEY. In addition to the situation in Louisville, I would like to ask you, if you haven't already stated it, how many men were thrown out of employment by closing the war plants making ammunition in and around Louisville?

Mr. WEYLER. We had 12,000 people working at 1 plant, and there are 2,000 working there now. We had 20,000 people working in another plant, and that job has closed down. All of that stuff went out of production; it has all ceased. The Curtiss-Wright plant, with approximately 4,000 employees, are not operating. We had the Vultee's remodification center closed down.

Senator BARKLEY. Any discharges in the Reynolds' plants?

Mr. WEYLER. About two-thirds of the Reynolds' plants have been closed down since VJ-day; they will start rehiring the middle of this week.

Senator BARKLEY. There are plants located in various parts of the State that have been closed up. I know one in my own home town, Paducah, that has closed recently. Some of those have closed up in Cincinnati, Covington, Newport—have closed up—several manufacturing Government supplies. I think that is true of Ashland.

Mr. WEYLER. The Ashland shell plant closed down. The Henderson ammonia plant, the TNT plant in Paducah, the shell-loading plant at Mayfield—they all closed down. Up in Cincinnati district, we have a tremendous effect from the airplane engine plants closing down. So, all over the States we have big unemployment

problems without opportunity for decent relief of the people because of our poor law.

The CHAIRMAN. Were there many workers that came into Kentucky from other States?

Mr. WEYLER. No.

The CHAIRMAN. Is it largely local people?

Mr. WEYLER. I am sorry to admit, but we sent about 35,000 semi-skilled and unskilled workers out of the States. We did not have very many who came into the State other than the highly skilled and professional workers, such as the chemists, and technical people, that came to operate the synthetic rubber plants.

Senator BREWSTER. Are you having much call for workers to go out and help in other sections of the country?

Mr. WEYLER. We have sent some 35,000 out of Kentucky to other sections.

Senator BREWSTER. I mean currently. They are sending five trainloads of 1,500 people up to Maine. I am wondering whether other States are calling on you.

Mr. WEYLER. Not from Maine. We sent some workers to the west coast shipyards, which was the last drive that I know of.

Senator BREWSTER. Do you know of a recruiting campaign for the Maine harvest?

Mr. WEYLER. I do not recall.

Senator BREWSTER. Does that come to the attention of the federation? Do you know anything about those people?

Mr. WEYLER. No.

Senator BREWSTER. I was advised last night that five trainloads were coming up this week.

Senator BARKLEY. That is a temporary situation. They came up last year when you raised more potatoes than you ever raised in Maine.

Senator BREWSTER. I am glad that we had that help, but I wondered whether that call came from any other States to go and assist in the harvest.

Mr. WEYLER. I haven't heard of it. Even now, while we have as many unemployed people as we have in Kentucky, we still find the use of the German prisoners in the tobacco harvest.

Senator BREWSTER. Isn't that rather grotesque?

Mr. WEYLER. Nevertheless, we have it.

Senator BREWSTER. Who is responsible for that?

Mr. WEYLER. I am not sure.

Senator BARKLEY. The farmers who raise the tobacco and who have to harvest the tobacco during the period of 3 or 4 weeks in the tobacco sections have asked the War Department to allow them to have war prisoners. They did it last year. The average person who is a skilled workman or factory workman, looking for permanent employment, does not, of course, seek to get a temporary job for a week or two out in the country cutting tobacco. These war prisoners are housed in that section. They have been allocated to some county down there, and that is true not only of Kentucky but other agricultural States, where they go out for distances of 25 miles to not only house the crop but in the spring to plant the crop. Because of shortage of farm labor the farmers were glad to get these prisoners. They do pretty good work. They only ask for them in sections where they cannot get labor otherwise to house their tobacco crop.

Senator BREWSTER. I certainly would not want to challenge the Senator from Kentucky or the representative of the federation here, but it seems to me if several hundred of your people from Kentucky are willing to travel 1,500 miles up to Maine to help us out in our harvest there would be many of them who would be willing to help out in the Kentucky harvest. It seems unusual if that is not the case. It seems grotesque for us to be marshaling out German prisoners of war all over the country to do labor work when we have vast numbers of unemployed. I can understand how the situation has developed, because up to the last month we had a war before us, but with the war over, now that we are reconsidering the whole situation, don't you think the people would be able to find profitable employment even if it were only for 2 or 3 months?

Mr. WEYLER. The power to reduce the use of prisoner labor in industry or agriculture lies in the city of Washington.

Senator BREWSTER. You would think that the administration, the authorities here, then, should take cognizance of that?

Mr. WEYLER. I think when you have unemployed people it is very unwise to permit competition with those workers, particularly by prisoners of war.

Senator BREWSTER. That is the same old problem we used to have in the matter of prisoner labor in competition with other labor in this country. Those, at least, were American prisoners, not German prisoners.

Senator BARKLEY. These people working on these crops are working because the farm labor has not returned. The crop of tobacco will not wait until 4 or 5 months to be cut.

Senator BREWSTER. What I am interested in getting from this witness is what steps have been taken to see that they can be recruited. It has been demonstrated that your people were willing to work in the harvest.

Mr. WEYLER. It was claimed last year it would be impossible to operate the warehouses and loose-leaf plants without the use of prisoner labor. There were a lot of farmers who contended if they brought German laborers in the warehouses they would not bring the tobacco in there and sell it. They got by without the use of German prisoner labor. I do not attempt to speak for or against the farmer or the farmer's problem; I don't know that, and I have no right to speak for them or against them, but I do know tens of thousands of farm people have worked in industry in Kentucky and all over this Nation that I would think would return to farm labor if they did not have competition.

Senator BREWSTER. Mr. Thomas, of the CIO Auto Workers, testified he felt the greater part of the new additions to industry had come from unskilled labor. Would you think that was probably so, either from farms or other labor of that character?

Mr. WEYLER. You mean as to the so-called disturbing elements?

Senator BREWSTER. No; I do not suggest anything about that. I mean simply the increase of many millions of our skilled labor in industries had come from unskilled labor, either from farms or other common labor.

Mr. WEYLER. That is the only source you had for them to come from.

Senator BREWSTER. You feel a great number of those will normally and naturally return?

Mr. WEYLER. The farm, if I read the statistics right, will only afford a decent living for one-third of its born population; the other two-thirds must go elsewhere to seek a livelihood. So I would think that the answer would be "Yes." But that makes it all the more important that we should have a national law to take care of this situation.

Senator BREWSTER. I think the commissioner from Georgia testified that the Employment Service of the United States did not refer workers for farm labor. Do you know anything regarding that?

Mr. WEYLER. That the USES does not refer?

Senator BREWSTER. Yes; does not refer people to agricultural employment, that that is against their regulations and their jurisdiction.

Mr. WEYLER. I would not know about that; I am sorry.

Senator BREWSTER. He testified to that, so it indicated this lack of coordination between industrial labor recruiting and agricultural labor recruiting. You would feel, I take it, that prisoner labor in America, particularly German prison labor, should not be employed where American labor that is willing to work is unemployed?

Mr. WEYLER. Economic principles preclude that, because production depends solely upon consumption. There isn't any other medium that enters into the medium; unless the workers, who are more than 85 percent of the population of the country, receive a salary that will afford them a decent standard of living; then the wheels of industry cannot turn. We have what we normally term "overproduction," but when we look at the facts, when we see the Army rejecting 42 percent of all of the people examined for the Army for malnutrition, then we break down the idea of overproduction. It has been underconsumption. We must provide the consuming markets.

Senator BREWSTER. Would you agree that the reason this prisoner labor had been employed hitherto was because of the war conditions, that the war was on and we did everything we could to produce? That was, I presume, the reason, was it not?

Mr. WEYLER. I cannot be honest and say "Yes," because I know the majority of the plants and shops have been overmanned. If we had been honest with ourselves and had been working only such people as we needed we would not have had that crude method.

Senator BREWSTER. You would not have needed the prisoner labor to labor in industry?

Mr. WEYLER. We would not.

Senator BARKLEY. As a matter of fact, prisoners of war have not been working in plants and factories as a rule.

The CHAIRMAN. Not as a rule, but they have been employed and are now employed in some of the essential industries. They have been in the lumber industry in my State.

Senator TAFT. And in the canning industry.

Senator BARKLEY. I thought they only worked on the farms and only on the urgent request of the farmers in those cases.

The CHAIRMAN. Certainly, we have had a complete shortage of labor, and in some sections it is just as acute as it has ever been. It is even a little more acute in Georgia.

Senator MILLIKIN. I would like to suggest to the Senator from Kentucky that perhaps these prisoners of war that are working on the farms in Kentucky and elsewhere at the present time are working there because of contracts and arrangements that had been made

near the close of the war. We have prisoners of war working in Colorado on contracts made before the war closed.

Senator BARKLEY. Undoubtedly that is true, but this is also true, that farm labor has not returned to the farm. We have been out of this war 3 weeks at best, and the physical mechanics of getting the men out of the Army and back home is a tremendous job, and they have not returned. These emergency crops have to be harvested or they are ruined within a week or two. That is the reason the farmers in my State asked the War Department to ship to them certain prisoners of war to help them harvest their tobacco.

Senator LUCAS. We would have had three crops perish in Illinois if we had not had the labor from the prisoners of war. We just could not get anything else.

Senator BARKLEY. I am not advocating the use of prisoners of war generally, but where you employ farm labor and the crop must be harvested within a certain length of time or it is ruined the farmer becomes desperate. The farmers became desperate in this case and I know they did ask the Government to let them have some of the prisoners. The prisoners were available. The Government had to support them anyway. It worked both ways. It was only done as an emergency matter.

Senator BREWSTER. Do I understand from what the Senator said that you mean the contract we have for the labor of German prisoners is not revocable?

Senator BARKLEY. I do not know about that. The contract he is talking about, I presume, is the contract between a group of farmers of a certain community and the Government of the United States.

Senator BREWSTER. I do not think the German prisoners have any particular right to labor in our industries or factories.

Senator BARKLEY. Of course not. Nobody contends that they have.

Senator BREWSTER. I do not think the United States Government is going to make a contract for the labor of German prisoners if there are thousands of unemployed Americans.

Senator McMAHON. I discussed that very problem with the officials of the War Department. They are very conscious of the fact that when the emergency that required their use is over. I understand they are making a survey right now to cancel out the contracts where there is any possibility of them being in competition with available American labor.

Senator BREWSTER. In other words, they are aware of the fact that the war is over.

Senator McMAHON. Of course, they are.

Senator BREWSTER. Now, there is an utter lack of coordination. I have investigated this very carefully also. I wanted this gentleman to testify as to the conditions existing between the United States Employment Service and the Department of Agriculture as to agricultural labor. There is no coordination of controls. They have not even been on speaking terms. They have been as jealous as the Army and Navy have been of each other. The Department of Agriculture would not permit the Employment Service to have anything to do with the supply of agricultural labor. The result is while we have mounting thousands, if not millions, applying to the United States Employment Service for work, the Department of Agricul-

ture is going along its own sweet way without any regard to that tremendous supply and trying to recruit its own. It is another example of utter lack of coordination. I can implement this in detail from my State and the other States if it is desired.

Mr. WEYLER. Gentlemen, let me bring up another point here. There were some 25,000 people working out of Kentucky in the State of Michigan. The Michigan unemployment compensation law says that unless the worker is available in the locality for reemployment in the locality and available for the same type of employment upon which he earned credits, he is unable to draw unemployment compensation.

Senator BREWSTER. He must be available within 72 hours. I think that is what they testified.

Mr. WEYLER. That is not the way the law reads. If you remember, Senator Barkley, I came to you for your assistance in regard to that sometime ago. How are we going to get 25,000 people back into Kentucky to assist the farmers with that kind of law in Michigan, where they have earned the credits and worked probably 2 years? How are we going to get them back when employment in Kentucky would only be seasonal, a matter of 2 weeks.

The cock-eyed thing about all this is that unemployment compensation is a Federal problem. Until such time as we get the courage to put it under Federal control, regardless of whether States like it or not, we will not do the job right, and the citizens in the country will suffer from it.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Yes, Senator. Let's make a little progress here.

Senator MILLIKIN. You testified that your unemployment compensation fund in Kentucky is about \$84,000,000.

Mr. WEYLER. \$83,700,000.

Senator MILLIKIN. Do you recall what your general surplus is?

Mr. WEYLER. According to a statement in the newspaper where Mr. Babb is alleged to have been quoted, if we paid all eligible claims there would be \$16,000,000 left there.

Senator MILLIKIN. In the general surplus?

Mr. WEYLER. Even with the sliding rate for employers and no contribution from employees the Kentucky commission is \$16,000,000 more than solvent.

Senator MILLIKIN. I think you misunderstood my question. I was speaking about the general surplus in the treasury of the State as distinguished from the unemployment compensation fund.

The CHAIRMAN. Outside of the special funds.

Senator MILLIKIN. My figures show it is about \$10,000,000.

Mr. WEYLER. I would not be able to answer that question.

Senator BARKLEY. I think, from newspaper reports, it is generally understood, during the war when the State could not improve its eleemosynary institutions, could not build highways because of lack of material, there was accumulated a surplus of \$10,000,000 in the general fund. Of course, it is in Kentucky like it is in every State. As soon as they resume normal construction, improvement of the State facilities, highways, hospitals, one thing and another, that surplus will disappear. Furthermore, it is not available for this purpose anyhow.

Senator MILLIKIN. What is the surplus of the Federal Government?

Mr. WEYLER. I am sorry, I cannot answer that question; I do not know.

Senator MILLIKIN. The witness has undoubtedly heard that we had a deficit of about \$300,000,000,000.

Mr. WEYLER. I understand that our deficit is somewhere around \$285,000,000,000. Now, I only read newspapers which I hear do not always give facts.

Senator MILLIKIN. The witness understands that we are running into heavy deficits every year—that is, the Federal Government.

Mr. WEYLER. Yes.

Senator MILLIKIN. Does that have any impact in his mind as to where the responsibility for this thing should be?

Mr. WEYLER. I recall just a few years ago when we herded the veterans out of Washington, when we told them it would bankrupt the United States if we paid the bonus of \$3,000,000,000. Now we have a deficit of nearly \$300,000,000,000. I am wondering if we are willing to gamble as much for peace as for war.

Senator MILLIKIN. Of course, there is a big difference between \$3,000,000,000 and \$300,000,000,000 when you consider the financial condition of the country at those two different times.

Senator BARKLEY. The point is we finally paid the bonus.

Mr. WEYLER. It did not materially affect the solvency of this Government.

Senator MILLIKIN. There is a distinction, you will recognize, between the payment of \$3,000,000,000, considering the financial condition of the country at that time, and the payment of \$300,000,000,000 at this time.

Mr. WEYLER. I think I do get this distinction, sir: We are facing our last chance to solve the problem. If we do not balance our economy domestically and internationally now, we are into another war yet in my time. If we do and we prosecute it as scientifically as we did the last one, we do not worry about the results, if we continue the use of the atomic bomb. I think to mention or to intimate that the cost of \$3,000,000,000 for human rights would be exorbitant because we are in debt is just out of the question, sir. I think we have a right to gamble as much to win the peace as we gambled to win the war. We are negligent in our duties to the citizens of this Nation and the citizens of the world if we do not do it.

Senator BREWSTER. You used the phrase, "balance our economy." I think you said, "Unless we do balance our economy." Do you distinguish between that and balancing our Budget?

Mr. WEYLER. A balanced economy will take care of the Budget.

Senator BREWSTER. What about the reverse?

Mr. WEYLER. The interest rate on your debt will be approximately \$7,000,000,000, will it not?

Senator TAFT. We hope not more than \$6,000,000,000.

Mr. WEYLER. As a matter of fact, I don't know. I am not a banker, I am a laboring person, I figure just the way the people do. Why worry about the Budget until we know what we are going to do about the whole picture? Now, I know I haven't said that in a sensible way.

Senator BREWSTER. Perhaps we are agreed. We are concerned about doing both things, balancing economy and balancing the Budget. The only question is how they will be interrelated.

Mr. WEYLER. We did not worry a bit about balancing the Budget when we were at war, and we said we were at war for some four freedoms, to secure security, and so forth. Now, were we? I do not know. I am not prepared to say whether we were or were not, but if we want to gamble as much for peace as we gambled for war, then we need not worry about another war.

Senator TAFT. If you have a deficit of \$50,000,000,000, whether for peace or for war, then you have a complete destruction of our economy. You cannot just assume because you have a deficit of \$50,000,000,000 in wartime that we can go on indefinitely on that basis. If the war ran twice as long we would have had to face it. I think the balance of the Government, the outflow, expense, income of the Government are the important factors in determining the balance of the total economy.

Senator LUCAS. Is this gentleman a financier or an economist?

The CHAIRMAN. He did not appear here for that purpose.

Senator BREWSTER. Excuse me for having opened up this subject.

Senator VANDENBERG. He has not been questioned by any expert banker or expert economist.

Senator BARKLEY. The answers were just about as intelligent as the questions propounded.

The CHAIRMAN. Thank you, Mr. Weyler.

Mr. WEYLER. Thank you.

The CHAIRMAN. Mr. Lloyd Klenert.

STATEMENT OF LLOYD KLENERT, INTERNATIONAL SECRETARY-TREASURER, UNITED TEXTILE WORKERS OF AMERICA

The CHAIRMAN. Mr. Klenert, you are here on behalf of the United Textile Workers of America?

Mr. KLENERT. Yes, sir.

The CHAIRMAN. All right, sir, we will be glad to hear you on this bill. You probably will be asked a great many irrelevant questions. Go right ahead.

Mr. KLENERT. At any rate, I hope I know the answers to a few of them.

Senator BREWSTER. Perhaps we made a mistake in returning here at the request of the chairman.

The CHAIRMAN. No; you did not make any mistake.

Senator BREWSTER. We have here given the Labor Day holiday to this matter. I just want to say I forwent my vacation at the request of the chairman, thinking we might perhaps contribute in some way. I do deprecate the fact that the chairman, or others of the committee, should join the chorus which seeks to discredit the Congress or the Senate of the United States as to their intelligent approach to this matter. I think it is somewhat unfortunate.

The CHAIRMAN. I thought we better confine these witnesses more or less to the pertinent matters before us today. But anybody may ask any questions they wish.

Senator TAFT. The last witness made a lot of wholly irrelevant answers. The 42 percent of the people that were called to the Army

were rejected because of malnutrition in childhood, for instance, has no direct bearing. But certainly we do not have to sit here and receive these theories without questioning them, unless we want to.

The CHAIRMAN. That is correct. The chairman is corrected.

All right, Mr. Klenert.

Mr. KLENERT. Organized labor in the textile industry is vitally interested in the passage of the Kilgore unemployment-compensation bill. This is not because we expect extensive unemployment to face the textile industry in the next year or so, but rather because we both favor social justice to our fellow workers who are disemployed and especially because the economic progress of our industry and our workers is intimately interconnected with the well-being of all American workers.

Even though we do not expect general unemployment in the textile industry, we too are feeling the effects of unemployment in certain fields, such as in woolen manufactures, in which a slack period is expected for some 3 or 4 months.

Senator TAFT. Why is that, Mr. Klenert?

Mr. KLENERT. There is a general reconversion from the manufacture of Army goods back to civilian items.

Senator TAFT. Does that require retooling or new kinds of machinery?

Mr. KLENERT. It requires a change of gears on the machinery, on the looms.

Senator TAFT. Nothing like the reconversion of the automobile industry?

Mr. KLENERT. No, nothing that extensive.

In Massachusetts today, workers are already working alternate days off and on. Only the other day, one of our Virginia mills laid off 20 percent of its personnel. That is in the woolen mills. These are just a few straws in the wind.

Everyone knows that there is a great pent-up demand for consumer textiles ready to burst upon the market. However, growing unemployment, fear of insecurity, and economic depression can dry up this great torrent of demand and make the textile industry just another great American desert. The prosperity of consumer goods industries like textiles is based on the prosperity of the broad masses of American workers. It is dependent upon their increasing purchasing power, their confidence in the future and the regularity of their source of income. Unless these are maintained during this serious period of reconversion, we shall have, not reconversion but another disastrous depression.

It is generally admitted that the State laws on unemployment compensation are, at present, extremely inadequate. They are particularly inadequate in the face of special serious problems arising out of the readjustments of an economy being shifted from war to peace. Their coverage excludes workers in many fields seriously disrupted by reconversion. In most States, benefits average less than \$15 a week. In no State does it average more than \$20 a week.

Senator VANDENBERG. You are speaking of actual payments?

Mr. KLENERT. Yes; with the exception of one State. I think New York pays a little more than that, but I think the others are less than \$20 a week. This is obviously terribly inadequate to meet the

needs in the present transition of workers with families to provide for. The duration of benefits is limited in about one-quarter of the States to only 16 weeks, which is obviously much too short a period to meet the emergency problems of our times.

Workers referred to jobs in other cities by the United States Employment Service must obviously be provided traveling allowances to facilitate the readjustments in the labor market required during the reconversion period. Finally, unemployment compensation benefits for veterans are inadequately dealt with in the GI bill of rights. Benefit payments should vary with the existence or nonexistence of dependents. The amount of service required of veterans if they are to get 52 weeks' benefit should be reduced from 9½ months to 90 days. After 3 months in service, the economic ties of veterans with the civilian economy are invariably snapped and veterans require an extensive period of benefits to tide them over.

It should be evident to everyone that even if the reconversion to peacetime employment and production were handled with perfection that it would still take quite a bit of time and that unemployment would grow substantially before the economy got sufficiently under way to reduce it noticeably. Only a short while ago, it was estimated that there would be 8,000,000 unemployed by the spring of 1946.

For millions of families, therefore, an adequate unemployment benefit will be the major protection to tide them over this period of readjustment and to sustain their living standards. The United Textile Workers of America does not want to see this unemployment snow-ball and engulf the textile workers as well as the munitions workers of the Nation. We, therefore, urge the immediate passage of S. 1274.

The CHAIRMAN. Are there any questions from Mr. Klenert?

Senator BARKLEY. Mr. Klenert, it is true, I believe, that there are only two or three States which have an allowance under their compensation, unemployment compensation, for dependencies. It is a straight-out allowance regardless of the size of the family, isn't it?

Mr. KLENERT. Yes.

Senator BARKLEY. I think Connecticut, probably Michigan, and maybe Nevada make allowances for dependents, but in all the other States it is just a straight-out amount, no matter if a man has no children or has eight. Is that your understanding?

Mr. KLENERT. Yes. The question of dependency that I raised here was with regard to the veterans.

Senator BARKLEY. I understand, but still the same logic might be applied to the unemployed man in civilian life.

Mr. KLENERT. I think it should be. Perhaps we are just trained to the thought that these forms of compensation have been based on earnings of the workers.

Senator BARKLEY. Yes.

Does any State make any provisions for veterans as such?

Mr. KLENERT. Not to my knowledge. I do not know, sir.

Senator McMAHON. I think they do, Senator.

Senator TAFT. Michigan did that.

Senator BARKLEY. I mean, does any State make provision for the compensation of veterans merely because they are veterans?

Senator McMAHON. Yes; they do. Massachusetts does, for one.

Senator BARKLEY. What I have in mind, whatever is done for the veterans as veterans is generally recognized as a Federal obligation.

Mr. KLENERT. Yes, sir; I should say so.

Senator BARKLEY. That is all.

Senator TAFT. Mr. Klenert, has not the theory of unemployment compensation really been an earned-wage theory, to tide over a temporary period? It is has no relation whatever to need, has it? You might have thousands of dollars saved up and yet you would get your unemployment compensation.

Mr. KLENERT. Generally, it has been to alleviate a condition brought about not by the worker himself.

Senator TAFT. I mean it was brought about by the fact that the worker earned the wages while he was working and contributed to the unemployment fund and he had the right to collect unemployment compensation when he was unemployed. It seems to me the theory of unemployment compensation, at least up to date, has been one of contract rights, to cover a temporary situation and not one to deal with permanent need, or to deal, in fact, with any relation to need at all.

Mr. KLENERT. I should say, sir, it was based on need, because the average worker, after a very short period of unemployment, is in serious need of financial help.

Senator TAFT. My point is this: If it were based on need the man with the lower wage would get more money; whereas, as a matter of fact, it is related to what he earned and not related to his present-day needs, or anything of that kind. That is true of any unemployment system that I know of.

Mr. KLENERT. That has been the case. What it really actually should be is insurance against loss of earnings, something to carry him over until he gets a new job, something to get food for his family, for the kids and wife.

Senator TAFT. If you base it on the insurance principle it has no relation to the dependencies. It relates to the wages and not the present-day need or dependency. I do not say it should not be changed. I mean the States have carried out in this respect what has always been the theory of unemployment compensation. It was true in England, at least until recently. I don't know whether they have changed it recently. Is that correct?

Mr. KLENERT. I think up to the present time a lot of it has been too low. Insurance, to my mind, is not a form of relief, though. It is insurance against loss of wages. The worker has accumulated this during his earning period so as to tide him over if he loses his job.

Senator TAFT. Something he has earned?

Mr. KLENERT. Something he has earned, yes.

Senator TAFT. Something to which we make the employer add his contribution. What I mean is the theory of it. I do not say that is as it should be, but the theory has been one of contract right rather than one related to the present-day needs of the particular worker and his particular family.

Mr. KLENERT. I think that is so.

The CHAIRMAN. Mr. Klenert, outside of the woolen textiles, woolen fibers and other fibers, there isn't at the present time any unemployment?

Mr. KLENERT. No, sir; we expect a very good employment condition in cottons and rayons, and we do envision a healthy condition in about 6 months for woolens and worsteds. We believe the general unemployment condition will inevitably affect the consumption of textiles and thereby affect the production of textiles.

The CHAIRMAN. Does unemployment compensation, which cannot, as suggested, take care of more than half of the wage, take care of the problem?

Mr. KLENERT. Not adequately.

The CHAIRMAN. You would have to do much more than that to get full employment at good wages?

Mr. KLENERT. Yes, sir.

Senator BREWSTER. What is the average wage in the cotton textile industry?

Mr. KLENERT. The average take-home pay right now in cottons I would say is about \$27 a week.

Senator BREWSTER. Does that include the taxes?

Mr. KLENERT. No; I do not think that is less withholding, or anything else.

Senator BREWSTER. That includes it?

Mr. KLENERT. Yes—that is, in cottons.

Senator BREWSTER. If you take out the withholding tax it would be not much over \$25?

Mr. KLENERT. I would say so. Of course, it is dependent on the amount of dependencies, but I imagine it will be that, sir. That is a good approximation.

Senator BREWSTER. Do you feel there would be any difficulty in getting employment if workers were drawing about \$25 unemployment compensation as against \$25 for working?

Mr. KLENERT. Well, in this particular case, as I understand this bill, it does not create a \$25 minimum. It is a \$25 maximum.

Senator BREWSTER. Yes.

Mr. KLENERT. A worker who was making the average wage of \$27 would not be eligible to receive \$25 unemployment insurance. But even if that was the case, speaking for my own personal reaction as an individual, I can honestly say, sir, I would rather work and receive \$25 than be idle and receive \$25.

Senator BARKLEY. Of course, if you were offered a job and would not work, then your compensation would cease anyhow.

Mr. KLENERT. That is also a very good point. That is true. If a worker refused a job that was offered him he would not be eligible for this unemployment insurance.

The CHAIRMAN. Thank you very much, Mr. Klenert, for your appearance.

Capt. H. Martin.

STATEMENT OF CAPT. H. MARTIN, PRESIDENT, NATIONAL ORGANIZATION MASTERS, MATES, AND PILOTS OF AMERICA

The CHAIRMAN. You are appearing here for the Masters, Mates, and Pilots?

Captain MARTIN. Mr. Chairman, I have a short prepared statement to read after the conclusion of which I would like to speak extemporaneously.

The CHAIRMAN. Yes, sir.

Captain MARTIN. Mr. Chairman and members of the committee, my name is H. Martin, and I am president of the National Organization of Masters, Mates, and Pilots of America, A. F. of L.

I am appearing here today in behalf of the members of our organization and ask that your committee support the Kilgore bill, S. 1274.

We, in the maritime industry, know the vital need of this bill and are hoping that at long last something besides lip service will be given to the officers and men who served so courageously during the war. We hope that their efforts and sacrifices were not in vain.

We in the maritime industry know the need for unemployment insurance. We know that before long the maritime industry will be in a chaotic condition. We know that many thousands of officers and seamen are going to be without employment in the only industry they have ever worked in. We know that the postwar program, advocated by the head of the War Shipping Administration and the U. S. Maritime Commission, will throw many thousands of officers and seamen out of work. Out of 4,000 vessels used today, they intend to eliminate over 2,800 in the postwar period. This is not mere supposition. These are Admiral Land's own figures. He says it is his desire to operate 17,000,000 tons of shipping after the war.

Seafaring men live in no particular State in the Union. The members of our organization reside in every one of the 48 States, including Alaska, Hawaiian Territory and Puerto Rico. Many of the States do not have any unemployment compensation, and none of them have employment compensation for maritime workers.

What will become of these men, some of whom have been going to sea all their lives? Who is to look out for them? Where will they get enough money to buy the bare necessities of life? What about their families?

During the transition period from wartime to peacetime, it will become necessary to maintain our economic purchasing power.

In conclusion, we feel that there is a vital need for legislation such as the Kilgore bill, S. 1274, and we ask that you support it for the mutual benefit of the country and its citizens.

Senator BARKLEY. Where is your home, Captain?

Captain MARTIN. My home?

Senator BARKLEY. Yes.

Captain MARTIN. I am originally from the State of Ohio, but I am a voter in the State of New York today.

Now, Mr. Chairman and members of the committee, writing speeches, for me, is quite an effort. I do a little better extemporaneously.

I tried to confine myself only to the industry with which I am acquainted, that is, the maritime industry. When it comes down to the question of postwar employment, I think we are going to be one of the hardest hit, for the simple reason there will be nothing in the re-conversion program which will allow the members that go to sea to have employment.

The members of our organization are the highest skilled in the country. They are professional men. Some of them have gone to sea for 40 or 50 years or more. They have commanded our largest transports, largest freight vessels; they have acted as pilots in and out of

mine-infested waters, and they have done a very good job, during the war, as have all seamen.

Now, we feel that this is a national program. This is not a State program, because if it were left to the States alone the maritime worker would not even be considered, because take the State of Colorado, or Montana, where they have no seaports, they are not interested, they do not give a darn. They would say, "Well, that is not one of our problems."

We know we are going to have a lot of opposition from the various shipowners against the inclusion of maritime workers in the Kilgore bill—we know that.

Senator LUCAS. Why?

Captain MARTIN. Because of the 2.7 percent of the wages which they will have to pay into this unemployment fund. They are exempted at the present time.

Senator BARKLEY. They would not have to pay under the Kilgore bill, because whatever is allowed to the maritime workers would be paid out of the Treasury.

Captain MARTIN. But the States themselves have to pay.

Senator BARKLEY. Yes; if the States cover them they would have to pay it.

Captain MARTIN. That is true.

Senator BARKLEY. For this temporary purpose, the Kilgore bill does not provide a tax. In fact, we could not provide a tax here in the Senate. Under the Constitution all the tax matters have to originate in the House.

Captain MARTIN. They ought to do it.

The CHAIRMAN. You don't know whether there is a bill in the House on it?

Captain MARTIN. No. I am going to ask Mr. Green to give a copy of the bill to me.

Senator BARKLEY. In your prepared statement you said under the 1944 program there would be 2,800 men put out of employment.

Captain MARTIN. 2,800 vessels.

Senator BARKLEY. 2,800 vessels?

Captain MARTIN. Yes, sir; that is the minimum amount.

Senator BARKLEY. I thought you said men.

Captain MARTIN. There are going to be thousands of men. The United States Government has spent millions of dollars training these men.

Senator BARKLEY. Do you have any idea how many of them there will be that will be let out?

Captain MARTIN. Roughly speaking, just speaking for the officers, the members of my organization, I would say approximately 11,000 or 12,000.

Senator BARKLEY. That is officers?

Captain MARTIN. Yes.

Senator BARKLEY. How many men?

The CHAIRMAN. How many men are there ordinarily on the ships?

Captain MARTIN. Well, take 2,800 and multiply that by a very conservative figure of 40 to the crew, perhaps, you would have about 115,000, and there will be no prospect of them getting any job.

Senator BREWSTER. You mean they would not be likely to be reemployed in any period you can foresee in the maritime industry?

Captain MARTIN. That is right.

Senator BREWSTER. You feel they will be let out for all time?

Captain MARTIN. That is right.

Senator BREWSTER. It is a question of their getting back into some other form of activity eventually.

Captain MARTIN. All I can say to that is this: If a man goes to a college for a period of 4 or 5 years and he graduates and becomes an attorney and then we have too many attorneys and somebody says, "I am sorry, I do not have a job for you in my law office, you have got to go out and work with a pick and shovel," what is that attorney with the college education going to think? Are you going to make him work with a pick and shovel?

Senator BREWSTER. You do not mean you expect we are going to support these people forever because of this maritime situation? You feel ultimately they would have to get back into the economy somewhere, don't you?

Captain MARTIN. I do feel if the Kilgore bill passes it may eliminate some of the questions that originated on the unemployment insurance. These men who have gone to sea all their lives have been officers for the last 30 or 40 years, now because the United States Government trained young fellows to become officers, they are going to be thrown out of work entirely, certainly we do not feel that.

Senator BREWSTER. You do not have any seniority protection?

Captain MARTIN. Our seniority protection is our economic strength.

Senator TAFT. The United States Government has trained millions of boys to be first-class workers in the Army in this war, and those men are going to have to find other walks of life when they return from the Army.

How many masters, mates, and pilots were there at the beginning of the war, would you say?

Captain MARTIN. There were thousands and thousands.

Senator TAFT. I mean in actual figures. Can you give me how many there were?

Captain MARTIN. How many there were?

Senator TAFT. Yes.

Captain MARTIN. I am not prepared to give you the actual figures, but you can get them from the United States Department of Commerce record book.

Senator TAFT. Are there three times as many today or four times as many today?

Captain MARTIN. No, sir; there are not three or four times as many.

Senator TAFT. You said all of these people who are now masters, mates, and pilots have not spent their whole life being masters, mates, and pilots, because obviously there would be two or three times the number of men now as before the war.

Captain MARTIN. Well, after the last war this country did the same thing as they intend doing now; they tied up thousands of ships, put them in the back channels. They did not care what became of the men working on the ships, whether they were masters, mates, or ordinary seamen; they were not interested in their welfare at all. If they did a good job in the last war, that is all the thanks they got out of it. They got nothing for their troubles. We say we do not want that to happen again. We feel it is up to the Congress of the United States to do something about it.

Senator TAFT. There is no doubt that this is a perfect case for this unemployment compensation. I do not question that for a moment, because obviously they are going to have a period, a good many of them, or serious unemployment.

Senator LUCAS. I would like to make the observation that I know at least 8 or 10 boys in my section of the country who endeavored to get into the Army or Navy and were rejected because of some slight physical defect, and I think 6 out of the 8 fellows went into the maritime service. Do you know anything about that phase of it, Captain?

Captain MARTIN. Well, of course, there are a lot of workers who work for the Maritime Commission who are shore personnel. They do not go to sea.

Senator LUCAS. These are very fine fellows. They wanted to do something for their country, and because of some physical defect they could not get in the Army or Navy. They did not want to stay home, and they were able to get into the Maritime Service. I think there must be thousands of that type of fellows in the service at the present time.

Captain MARTIN. There must be thousands in the maritime service at the present time.

Senator LUCAS. I was wondering if there was any way of knowing how many of them would stay in the maritime service. Obviously, most of those fellows will not stay with the maritime service. Those fellows may go home to some job that they had before they went into the service.

Captain MARTIN. Since VJ-day I have had about 20 men who had taken out what they call withdrawal cards from the organization. They are young fellows. They are going back to college, every one of them. They want to finish their schooling. Of course, they are not going to be so very many of them.

Senator LUCAS. Let me ask you this: You say the Government spent a lot of money in training a group of men for this maritime work. Is there anything that those trained men could do back in civilian life, where they had special technical training? Isn't there something that those men could do in a civilian way?

Captain MARTIN. That is a pretty hard question to answer, for the simple reason that these young fellows, who never went to sea before the war, were taken and put aboard ship for a period of 4 months, they went ashore and studied for 14 months; they know the theoretical problems aboard ship and they are pretty smart young fellows, they know how to navigate, but when it comes down to the practical end of it, seamanship, and so forth, their education has been sadly neglected. You take the old-time sailor, the old-time mate or master, he could do any kind of a job aboard ship, he could be a rigger in the shipyard, he could be a painter—almost anything.

Senator LUCAS. That young fellow you are talking about probably would not stay in the service anyway, would he?

Captain MARTIN. Not those that received licenses; very few.

Senator LUCAS. Very few are going to stay in, even if you keep it up to its normal strength. In other words, they are in there for patriotic reasons as much as anything else.

Captain MARTIN. From 1921 to 1940 I dare say there were 15,000 men who were officers in the American merchant marine, who had licenses and who left the industry because there were no jobs for them. Conditions being as they were, they left the industry and entered other lines of endeavor, such as insurance salesmen, anything to make a living for the families, which they could not get at sea. Some men were working for as little as \$26 a week. That is not a lot of money for a man who has an executive job and executive responsibility.

Senator LUCAS. Assuming Admiral Land knows what he is talking about, how many men will be left in the Maritime Service under the Land program?

Captain MARTIN. 17,000,000 tons of shipping, which was his figure, will include the largest type vessels that we have. That will include the largest passenger ships, and, of course, they will run, in tons, 35,000, probably 40,000, or a little less.

Senator LUCAS. Give us an estimate.

Captain MARTIN. When you break it down into the amount of ships, you may have about 1,200 ships. One thousand and two hundred ships will employ a maximum of about, say, 5,300 officers, because the larger type ships have 5 or 6 and the smaller ships only have 3 mates and masters.

Senator LUCAS. How many other men? I am talking about the total men. I am not talking about so much the officers.

Captain MARTIN. Of course, I am confining myself to the organization and the men that I represent. I feel I am qualified to speak for them only.

Senator LUCAS. I understand you are qualified also to tell us how many men are involved.

Captain MARTIN. I would say, roughly, there is going to be about 140,000 to 150,000 men who will be out of the industry.

Senator LUCAS. How many are there in there now? Would you say about 250,000?

Captain MARTIN. Pretty close to that.

Senator LUCAS. That would leave 100,000 men in the industry.

Captain MARTIN. I doubt if there would be 100,000.

Senator LUCAS. What did you have before the war, a year or two before the war?

Captain MARTIN. Before the war?

Senator LUCAS. Yes.

Captain MARTIN. I think we had about 170,000 altogether. They were not all employed.

Senator LUCAS. I am talking about the number that were actually in the service before the war, say, 1 year before the war started. How many were in the service?

Captain MARTIN. I would say about 140,000 to 150,000.

Senator LUCAS. 150,000 in the service before the war started?

Captain MARTIN. Yes.

Senator LUCAS. We are going back to 100,000 or less, which would be 40,000 or 50,000 less than we had the year before the war started?

Captain MARTIN. That is right, for the simple reason that the average sailor would work on the ship for a while, then quit and work ashore for a while, and then go back to sea again. He never worked over 9 months a year.

Senator LUCAS. I do not know anything about the Land program. As far as I am concerned, I certainly am not going to permit the maritime service to become 50 percent less than it was before the war started.

Captain MARTIN. They did that after the last war and they will do it again after this war if you let them.

Senator BARKLEY. The building of those ships has been the result greatly of the war, as a war measure. It is contemplated by everybody that we will have a larger merchant marine and it will do more hauling in the commerce of the world than we had before the war.

Captain MARTIN. They contemplate doing that, and at the same time they start to worry about competition in trade. They are going to build the big, fast ships.

Senator BARKLEY. That does not mean that all the men employed in the merchant marine during the war can be employed in the merchant marine after the war.

Captain MARTIN. That is true.

Senator BARKLEY. It seems to me there ought to be a considerably larger number of employers in the merchant marine after the war, and if they continue the process of staggering, as you describe it, working 3 months, staying ashore a month or two, and then going back again, the number who are in the industry will be proportionately increased. That does not account for those that are going to be left out regardless of the size of the merchant marine. I do not know whether you are in a position to estimate the number that will be employed in whatever merchant marine you have left the war when we level out and get into the international trade situation which will employ our ships.

Captain MARTIN. It is a very simple problem. When you take a ship of 35,000 tons that employs five men, going to do away with five ships which carried four men each, you are building up a large type merchant marine as far as vessels are concerned, but you are letting out a lot of men employed in the industry, because they have no more need for them, because this one ship is going to do away with four others.

Senator BARKLEY. If you tie up a ship that employs 4 officers you can figure 40 or 50 men, not officers, that will be tied up, too.

Captain MARTIN. Yes, and sometimes 250 to 350 to a ship.

Senator BARKLEY. You said, I thought, 40 men to a ship.

Captain MARTIN. Forty crew men.

Senator BARKLEY. Forty crew men?

Captain MARTIN. Yes; approximately.

Senator GUFFEY. Captain, how many men took the intensive course of training to be mates, captains, or pilots? You said they trained for 4 months. Is your interest only in those who are qualified to be mates and pilots?

Captain MARTIN. I beg your pardon, sir, my interest is in every man that works for a living.

Senator GUFFEY. You are speaking especially for the mates and pilots?

Captain MARTIN. Yes; I am speaking especially for the captains, mates, and pilots.

Senator GUFFEY. How many mates and pilots have been educated by the Government? It was a good course. I know a lot of fellows who took it.

Captain MARTIN. That is right. I would say there are thousands of them. Then, we have other officers who came up the hard way, through the fore-castle.

Senator GUFFEY. How many mates, captains, and pilots are there in the merchant marine in your organization? Are there 50,000 or 40,000? I am trying to find out how many you feel will be perpetually on the pay roll after this is reduced.

Captain MARTIN. Senator, you must realize there are thousands of men who do not belong to any labor organization that belong to these company unions.

Senator LUCAS. Don't you keep any record of the officers?

Captain MARTIN. We have a record of the officers.

Senator LUCAS. You haven't it with you?

Captain MARTIN. I am talking about the entire merchant marine now, and he is confining himself to the organization.

Senator LUCAS. You are talking about the thousands who took the course, the thousands not in your organization, and so forth. That does not mean anything unless you give us the facts.

Captain MARTIN. A lot of these men that the United States Government trained are not union men; they do not work on ships where the men are members of our organization; they work for the Standard Oil Co., they work for the United States Army Transport Command, the United Fruit Co., and these other companies.

Senator LUCAS. The point I make is you, as a witness, ought to have the facts about your organization.

Captain MARTIN. I have the facts about our organization.

Senator McMAHON. How many have you got?

Captain MARTIN. In our organization?

Senator McMAHON. Yes.

Captain MARTIN. We have over 16,000 men.

Senator McMAHON. How many do you estimate are not in your organization, that do your kind of work?

Captain MARTIN. I would say there is another 3,500 at least.

Senator McMAHON. 3,500?

Captain MARTIN. Yes.

Senator McMAHON. Approximately 20,000 in this class you are talking about?

Captain MARTIN. That is right.

Senator BARKLEY. Did any recruiting agency for the merchant marine hold out as an inducement for men coming in and receiving the training and getting these jobs, that when the war was over that they would qualify themselves for permanent jobs in the merchant marine?

Captain MARTIN. Every radio station in the United States pleaded, "Now is the time to get big pay," and when the war was over they would take care of you. That was one of the inducements.

Senator BARKLEY. I am not talking about radio stations, unless what came over the radio stations came from some Government authority.

Captain MARTIN. It came from the War Shipping Administration and manning and recruitment division. Every newspaper and every radio station did it, and they are still doing it today.

The CHAIRMAN. Captain, unless there are further questions, thank you for your appearance here.

Captain MARTIN. Thank you.

The CHAIRMAN. Mr. Black, will you come around?

Mr. Black, you are from the Kansas State Federation of Labor?

Mr. BLACK. That is right.

The CHAIRMAN. We will be very glad to have your statement.

STATEMENT OF F. E. BLACK, KANSAS STATE FEDERATION OF LABOR

Mr. BLACK. The main thing I want to stress is that we are in support of Senate bill 1274, basing our decision on Kansas unemployment compensation law. We have a maximum benefit of \$16 per week.

The CHAIRMAN. How many weeks?

Mr. BLACK. Twenty weeks.

Senator VANDENBERG. Speaking of your law, do you know whether the Kansas laws denies payment to claimants receiving benefits from another State, or from the Federal Unemployment Compensation Act?

Mr. BLACK. No; it doesn't.

Senator LUCAS. Right on that point, Mr. Chairman: I wasn't here on Saturday afternoon.

I would like to make this suggestion for the committee to think about. The gentleman from Texas testified that 40 States had laws which would not permit them to take this compensation unless they held special sessions of the legislature and agreed to such a program.

I don't know whether anybody has made an analysis of those laws or not. But, in view of the fact that the gentleman from Texas submitted an opinion from the Attorney General, it did seem, maybe, that it might be worth while from these other 39 States to have an opinion from their attorneys general to see whether or not they could accept this fund.

Whether that is worth while or not, I don't know.

The CHAIRMAN. We have asked for an analysis of the laws, Senator, and we will have that before we close.

Senator LUCAS. We have asked for an analysis of the laws from whom, Mr. Chairman?

The CHAIRMAN. From the staff.

Senator MILLIKIN. Our technician said he would supply that.

The CHAIRMAN. Probably from the Social Security Board.

Senator LUCAS. I think this gentleman who represents our committee said the Social Security Commission recognized that they did have these laws, but took a different viewpoint than that which the gentleman from Texas took.

Obviously, if the attorneys general of these States are not in agreement with the social-security opinion, or any opinion that is rendered by joint committee down here, the governor of that State and legislature is going to follow the opinion of the attorney general. That is the only thought I had. It may not be worth anything.

Senator VANDENBERG. I think it is very important that we do exactly what you say.

Senator LUCAS. It wouldn't be difficult to send wires from this committee immediately asking them whether or not they could accept these funds, and before we get on the floor of the Senate, we would have that information.

Senator VANDENBERG. I would like to point out again that Senator Brewster quoted from this official pamphlet this one sentence:

All but four States deny payments to claimants receiving benefits under another State or Federal Unemployment Compensation Act.

Senator LUCAS. That is probably the fact, but it seems to me it should be buttressed with the opinions from the attorneys general.

Senator BARKLEY. I understood your statement related to authorities.

The CHAIRMAN. Dr. Jacobstein, you can probably get that from the several attorneys general from the several States by wire.

Senator BARKLEY. Doesn't the bill indicate that if the States fail to make the agreements, that the amount can be administered by the Federal Government, and it doesn't interfere with the supplementing of the funds?

Senator VANDENBERG. Pardon me, Senator. The law that the gentleman from Texas pointed to would require the State to deduct from their payments the amount received, even if the Federal Government paid direct.

Mr. BLACK. Don't you think that statement is based on the generality of the law? Now, the Kansas law, in case you earn less than the maximum benefit amount, you are eligible to draw the difference through the unemployment compensation. I think probably most of the laws are written similarly. I think that would carry a pretty broad interpretation as far as the Federal Government additional revenue.

Mr. JACOBSTEIN. Mr. Chairman, I am informed that the Social Security Board is preparing today, and you will probably receive it tomorrow, a computation covering all these State laws.

I am not a lawyer myself, but I spoke to a man who is regarded very highly in the legal profession. He is in the Department of Justice, by the way.

He said that in the last analysis, since these are State laws, if the law is passed here, as stated, that the deductions would be made by payments outside, it would be passed upon constitutionally by the highest court of the State.

If the high court of the State upheld the constitutionality of those States laws, then, the deductions would naturally take place.

The CHAIRMAN. I think you can ascertain from the attorneys general of the several States how they construe their law on that point.

Mr. JACOBSTEIN. That statement will be sent to you by tomorrow, Senator.

The CHAIRMAN. All right, Mr. Black.

Mr. BLACK. Our interpretation of the unemployment compensation is that it is merely a cushion to provide funds or means for the worker while he is temporarily unemployed.

We don't hope, and I know you folks don't, that we have a long period of unemployment. But we do feel that the purchasing power should be maintained during the unemployed period. I think that is the only way we can maintain a proper economic balance.

I don't think \$25 is at all out of line as far as compensation is concerned during the period of unemployment in comparison with the cost of living.

Senator LUCAS. Do you understand that each employee that is out of work is not going to get the maximum of \$25? That seems to be

prevalent throughout the country that these men, regardless of what they would get under the State plan—that the Federal Government is going to supplement that amount to the tune of \$25. I know that is the feeling among a lot of these workers. You don't understand it that way, of course?

Mr. BLACK. That is true. I could cite the State of Kansas. Our maximum is \$16. I think our benefit average is \$14.02 at this time.

The CHAIRMAN. Practically all of the unemployed in Kansas will get your maximum, won't they, in view of the high wages that they have made during the war?

Mr. BLACK. The majority will, yes.

The CHAIRMAN. Kansas has an average weekly rate of \$35.64. So, on the average you would get your maximum, and beyond, if that is true, on the average. Of course, that wouldn't mean everybody would get it.

Mr. BLACK. That doesn't bear out, according to the Unemployment Compensation Division figures. They quote \$14.02 as the average benefit payment as of August 27.

Senator BARKLEY. That is, the State authorities give that figure as the average?

Mr. BLACK. Yes. So there are some pulling that maximum down.

The CHAIRMAN. I understand that.

Senator BARKLEY. When did your State legislature meet last?

Mr. BLACK. 1945.

Senator BARKLEY. Last January?

Mr. BLACK. Yes, sir.

Senator BARKLEY. Did they make any changes?

Mr. BLACK. They got generous and gave us \$1 a week increase. We did get a 4-week extension on the benefit period.

Senator BARKLEY. You got from 16 to 20?

Mr. BLACK. Yes.

Senator BARKLEY. Let me ask you this question. This bill provides for supplementing funds up to \$25. In the States where the employee would be drawing two-thirds of his compensation under the State law, he would get no addition under this bill, because it limits it to \$25 or to the two-thirds of his previous earnings for the base period; and also extends benefits to 26 weeks where States don't extend it for that length of time.

If it should turn out that Congress was willing to do one of those, but not both, as between an extension of time for 4 weeks, we will say, or 5, or even 9 weeks beyond the present State coverage, and increasing the compensation for the time fixed in the bill here, which would be more beneficial to the unemployed?

Mr. BLACK. Frankly speaking, I think the \$25 is the more important.

Senator BARKLEY. In other words, if a man is unemployed for 3 or 4 or 5 months, it is more important to him to get \$25 a week during that time than it is to have it extended beyond the time fixed in the States on the possibility that he will still be unemployed when that extension comes; is that your view?

Mr. BLACK. That is my theory. I think the other way is slow starvation.

Senator BARKLEY. Of course, you are for the bill as it is written?

Mr. BLACK. That is right.

Senator BARKLEY. If there had to be an alternative, you think that the amount is more important than the extended time?

Mr. BLACK. I do, because I think more people would enjoy more benefits out of that than they would the extended coverage. We hope to get back in employment as soon as we possibly can.

Senator BARKLEY. Everybody out of a job hopes he will not have to stay out of a job 6 months.

Mr. BLACK. That is right.

Senator BARKLEY. Many of them won't have to be. Many of them may get jobs within a month or two, and undoubtedly will. While they are out of a job, the benefit to them during that period is in the amount they get and not a sort of hopeful benefit that they might get if the time runs beyond 6 months or 4 months. That is my theory. Is it yours?

Mr. BLACK. That is right.

Industry, I think, is going to convert as soon as possible. The State of Kansas doesn't have too many industries that will convert. It is going to have to be new industries.

Senator BARKLEY. Did the working people in Kansas seek greater increases in benefits in the last legislature than they got?

Mr. BLACK. Yes.

Senator BARKLEY. What was it you were asking for?

Mr. BLACK. We were asking for similar figures as this. However, we did a little sparring around and finally agreed to \$16. The senate came out with a bill for \$18 and 20 weeks. We found that was going to be the maximum that we could possibly get out of the Senate. Fortunately, we wound up with \$16 out of the house.

After three conferences between the senate and house, we got it to \$16 and \$20. But we did ask for more, and had hopes of getting it.

Senator BARKLEY. To what do you attribute your failure to get more?

Mr. BLACK. Our house is mainly made up of agricultural representatives—that is, representatives from the agricultural area—and they are not quite as much concerned about the worker as the representatives from the more densely populated and industrialized areas.

Senator LUCAS. The agricultural people are not paying any of this bill.

Mr. BLACK. That is very true.

Senator LUCAS. They are making the policy in all of these States, and yet they are not paying a dime toward the cost.

The CHAIRMAN. They will be affected by it, won't they?

Mr. BLACK. Definitely so, yes; through purchasing power.

The CHAIRMAN. Their wage payments would be affected, wouldn't they?

Mr. BLACK. Well, yes; possibly so.

The CHAIRMAN. I am not arguing against the bill, but I think the farmer has a perfect right to be heard. He constitutes a right considerable factor in our economy.

Mr. BLACK. That is true. I am not condemning the farmers for the attitude they took on the bill. I don't think they realize the problems of the worker who lives in the city.

Senator LUCAS. We have done a good deal for the farmer in this country. I come from a farm district. We have got their prices

pegged up where they can't lose very much during the next 2 years after this war is over.

Senator BARKLEY. Naturally a man who lives in the country and doesn't come in contact with these acute economic conditions in urban sections doesn't, by the very circumstances, feel it as much as those in the cities. It is not to his discredit that he doesn't have an acute interest in it like those who work in the cities. It is just one of those things that come about because of his removal from the seat of the trouble.

Mr. BLACK. In our State the senate is made up by a big majority of attorneys, and I think most of them are employed by industry, directly or indirectly, and they were quite liberal-minded toward it, but the farm group, or the agricultural house, was definitely opposed to it. They gave us some rather ridiculous arguments, but they stayed in there opposing the thing right up to midnight of the closing of the session.

Senator MILLIKIN. Do your views represent the Governor of the State of Kansas?

Mr. BLACK. I don't know. I haven't heard the Governor comment on it, or read where he commented on it. I think his representative testified last week before your committee, Mr. Herrick, of Kansas. I don't know what his testimony consisted of, but I imagine it would probably be in opposition of the bill.

Senator VANDENBERG. That is correct.

Senator MILLIKIN. I notice that Kansas has a general surplus of \$12,000,000 plus, and has in its unemployment compensation reserve fund \$54,000,000 plus.

You have given some testimony as to your theory why Kansas has not raised these amounts. Is it not your opinion that the State of Kansas is in position out of its own funds, to raise the amount and lengthen the benefits, if it is so inclined?

Mr. BLACK. I think the State of Kansas is. I think most other States are, but they won't do it. I think it is up to the National Government to accept their obligation, because the States have proven that they are not going to move until someone moves them.

The Kansas Legislature came up \$1 through a lot of toil and argument.

Senator MILLIKIN. The testimony shows that the legislatures have improved their systems.

Mr. BLACK. That is true.

I can't say this authentically, but I think a lot of them lowered the premiums on the employer too. I know Kansas did. I think the amendment to the bill in Kansas is a saving of about \$300,000 a year to the employers.

Senator MILLIKIN. It would seem to me you have very ample reserves there. I don't know whether that entered into it or not.

Mr. BLACK. They did that through a change in the merit rating step-up proposition. I think that is a rather unfair proposition where they were reluctant to help the workers, but they were anxious to help the employer.

Senator BARKLEY. Did that reduction take the form of reduction in the amount to be contributed, the percentage, or did it take the form

of getting more of them off the roll through exclusions or make it more difficult for them to draw it?

Mr. BLACK. It didn't take more off the rolls. It just added two steps to the merit rating.

Senator BARKLEY. Does that automatically affect the amount that the employee draws?

Mr. BLACK. No, it doesn't affect the amount the employee draws, but it affects the amount the employer pays in.

Senator BARKLEY. He pays in according to the merit system?

Mr. BLACK. That is right.

Senator BARKLEY. And that merit system was changed to his advantage?

Mr. BLACK. That is right.

Senator LUCAS. Did they change the qualifications?

Mr. BLACK. No. There was an attempt made to change the qualifications, but it was defeated.

Kansas, of course, only covers employers having eight or more. That consequently leaves thousands of workers without any protection. There wasn't any change in the qualifications. They are severe enough as it is.

Senator BARKLEY. Is that administered in a way by which the effect is the same as if the law had been changed? I know in the administration of the old-age pension laws in some States they act very arbitrarily in determining whether an old person should draw a pension. That is an administrative matter.

Mr. BLACK. That is right.

Senator BARKLEY. Have the State authorities, in administering the unemployment compensation, been liberal in the interpretation of their regulations in determining whether or not a worker should draw at all or, if so, how much?

Mr. BLACK. I wouldn't say they have been liberal. I think they have lived up pretty well to the law. I think they have been reasonably fair. I wouldn't say they have been liberal. I think the law defines who is eligible and who isn't.

Senator BREWSTER. In the country as a whole, I think most of the workers are covered by what you call 20-20. That is \$20 for 20 weeks. Do you feel that labor would prefer to get \$5 more for 20 weeks or get the same over a longer period of time?

Mr. BLACK. I think most of them prefer the increased benefits with the hopes they are going to be employed when that period is over or before.

Senator BREWSTER. Even though they are gambling they will get less if the longer period should prevail?

Mr. BLACK. That is right.

Senator VANDENBERG. You finally got agreement in the last legislature that gave you an increase of \$1 in benefit and 4 weeks in duration; is that correct?

Mr. BLACK. Yes, sir.

Senator VANDENBERG. That would look as though out in Kansas you put greater importance on duration than you do on benefits.

Mr. BLACK. You don't know the Kansas Legislature.

Senator VANDENBERG. I understood you to say it was a matter of agreement.

Mr. BLACK. No; it wasn't agreement. That was the best we could get.

Senator VANDENBERG. And seeking the best you could get, you were apparently trying to get duration instead of benefits?

Mr. BLACK. No. The Kansas Legislature was less reluctant to give us an increase than give us extended time.

Senator BARKLEY. Hoping everybody would be reemployed before the period expired?

Mr. BLACK. I don't know what they were hoping for.

Senator BARKLEY. Of course, everybody was hoping that.

Senator GUFFEY. You were speaking about the legislature's unwillingness. Is that due to lack of information or misinformation they receive?

Mr. BLACK. I don't think it is so much lack of information, although there are a lot of them that don't thoroughly understand the unemployment compensation. I think it was more or less reluctance to give the unemployed worker an increase in benefits because of the argument that has been presented here, that it will encourage unemployment rather than get them back to employment.

Senator GUFFEY. That is misinformation.

Mr. BLACK. I think that is more or less the manner in which you want to interpret it. I don't think it is so much lack of information. Maybe we did do a poor job, but we tried our best to clarify that. I don't think a lot of them were willing to accept that.

Senator BREWSTER. Your average wage is \$43.64 in Kansas, according to this report. Is that about right?

Mr. BLACK. That sounds plenty high for Kansas. That might be true including the construction industry on the 7-day 10-hour basis. That would be the only way it could be true.

Senator Brewster. That does not include agricultural labor?

Mr. BLACK. I would say not.

Senator BREWSTER. That is the average agricultural wage?

Mr. BLACK. I think in establishing the prisoner-of-war wage scale it was 45 cents, which would be, generally speaking, pretty close to the average.

Senator BREWSTER. How many hours would that be?

Mr. BLACK. Generally from sunup to sundown. They didn't pay any attention to hours. Of course, the German prisoners, I think, spent 8 hours from the time they left camp until they returned.

Senator BREWSTER. The transportation is added?

Mr. BLACK. Yes. Most of the time hot lunch was furnished.

The CHAIRMAN. Well, sir, if there is nothing further, thank you very much, Mr. Black.

Senator McMAHON. Is it 50 percent in Kansas?

Mr. BLACK. Yes, sir. That is about what it runs.

The CHAIRMAN. Mr. W. H. Brown, will you come around?

Mr. Brown, do you represent the International Association of Machinists?

Mr. BROWN. I do.

The CHAIRMAN. Do you wish to read your statement?

Mr. BROWN. I prefer to read it.

The CHAIRMAN. How long is it, Mr. Brown?

Mr. BROWN. About 30 minutes.

The CHAIRMAN. Well, you may proceed, if you wish to.

I thought perhaps you wanted to discuss it informally, but if you wish to read it into the record you may do so.

Mr. BROWN. I prefer to do so, Mr. Chairman.

STATEMENT OF HARVEY W. BROWN, INTERNATIONAL ASSOCIATION OF MACHINISTS

Mr. BROWN. My name is Harvey W. Brown. I am international president of the International Association of Machinists, affiliated with the American Federation of Labor.

I am representing 700,000 members of my organization. These members are machinists and those associated with the machinists' trade and are employed in all types of industries, including aircraft and ordnance plants.

I am appearing here today in support of Senate bill 1274, a bill to temporarily amend the War Mobilization and Reconversion Act of 1944, during the present period of reconversion and economic adjustment.

Mr. Chairman, it is regrettable that Congress has waited until this late date to hold hearings on this important emergency measure. This bill should have been introduced in 1944, when other legislation for the reconversion period was enacted into law. Had this been done this Nation's workers would now have a substantial cushion to ease the shock of unemployment as the result of the end of hostilities.

In 1944 groups of State administrators appeared before Congress and persuaded the congressional committees to leave the matter of unemployment compensation to the various States.

The Senate Special Committee on Postwar Economic Policy and Planning stated, in June 1944:

In the case of some of the individual States, the committee feels that the benefits might well be somewhat higher * * *. It points out however, that more adequate State benefits would do much to weaken the argument for federalization of the State systems and the committee respectfully recommends that the States survey their situations in the light of the generally increased wage scales and in the light of the greatly increased reserve fund.

The evidence before the committee leave little doubt of the adequacy of unemployment compensation funds to meet any possible drain on them.

The committee also feels that there should be brought under the State systems all classes of workers which, within the limits of administrative possibility can be brought under them.

The Special Committee of the House on Postwar Economic policy and Planning, in a report issued August 4, 1944, stated:

The committee believes that "unemployment compensation" is the principal means of protection which the Government can provide for the unemployed worker.

A study of the provisions of the several State laws, however, indicate that if adequate protection is to be provided, there should be increases in the duration of benefits and in the weekly amounts in most States * * *. The committee strongly urges the State authorities to give immediated consideration to improving the State laws, particularly with respect to increasing the duration and level of benefits.

The committee also feels that the unemployment compensation law should be extended to cover groups which are not now included, such as Federal Government employees, maritime workers and employees of concerns having less than eight workers.

Since that time the 46 State legislatures have been in session. Forty-three of these will not meet before 1947. These State bodies have amended their various State laws which govern the payment of unemployment compensation. Most of the amendments have been to improve the various acts, but by far the majority of the States failed to provide adequate benefits for unemployment.

The results of these State bodies have been digested and reported in a very exhaustive study of Ruth Reiticker, Chief Legislation Section, Division of Administrative Standards, Bureau of Employment Security. This study appears in the July 1945 issue of the Social Security Bulletin, page 9, under the title, "State Unemployment Compensation Law of 1945."

For the committee's ready reference I am submitting herewith two tables which appear in the study. Table I, entitled "Maximum Weekly and Annual Unemployment Benefits, Maximum Duration of Benefits, and Qualifying Wages for Maximum Benefits, by States, June 30, 1945," and table II, entitled "Weekly Benefit Amounts for Total Unemployment and Maximum Potential Benefits in a Benefit Year for Five Hypothetical Claimants With Specified High-Quarter and Base-Period Wages, by States, June 30, 1945," which appeared as table 10 in the article referred to above, are attached hereto as exhibit A.

MAXIMUM AND MINIMUM DIFFERENCES IN BENEFITS IN THE VARIOUS STATES

Table I points up the wide differences in a maximum benefit still existing under the latest State laws. The fact that a worker entitled to maximum benefits can collect only \$210 over a 14-week period in Arizona and \$572 over a 26-week period in New Jersey certainly indicates that Federal legislation is necessary if we are to move forward to a speedy period of full-time employment.

The discrepancies in total amounts collectible in the various States as shown by table I are even more unfavorable than appears. Table II points up the disparities in benefits for the same wage credits.

Gentlemen, a study of these tables should convince the most ardent supporter of the States' rights doctrine that all of the States have failed to provide adequate unemployment compensation.

Referring to this table we see at a glance the wide variation of benefits claimants with identical wage credits would receive in the various States. The table lists four individuals with wage credits ranging from minimum to maximum.

A claimant, call him A, in a very low income group, with only \$200 base-period wages and \$100 in his high quarter, would be ineligible to receive any benefits in 11 States, and in the remaining States would receive benefits in varying amounts in the different States from \$34 if he lived in Arizona spread over a 6-week period at \$5 per week, whereas, if he lived in Vermont or New Hampshire he would receive \$6 per week for 20 weeks, or a total of \$120; quite a difference.

Furthermore, the weekly benefits range all the way from \$4 in seven States to \$10 in Oregon, and the duration of the payments varies from 5 to 20 weeks.

A claimant in the next higher wage bracket, claimant B, having wage credits of \$250 in high-quarter wages and \$600 base-period wages, would receive compensation in each State. His weekly rates would

range from \$8 to \$16, depending on the State he worked in. His annual benefit would range from \$100 to \$286 and he would receive compensation in periods ranging from 10 to 26 weeks.

The claimant in the next higher bracket, claimant C, with high-quarter wages of \$400 and base-period wages of \$1,000, would qualify for maximum benefits in 22 States. He would receive from \$15 to \$25, depending upon where he was working, and his total benefits would range from \$167 to \$460. The weekly payment would range from 14 to 26 weeks, despite the fact that he had the same wage credits.

Claimant D, with high-quarter wages of \$500 and base-period wages of \$1,500, would qualify for the maximum weekly benefit in 39 States and for the maximum amount annual benefits in 28 States. He would receive benefits varying from \$15 to \$25 for as many as 26 weeks and as few as 14 weeks. His annual benefits will vary between \$210 and \$500.

Claimant E, the man with the highest wage credits, with high-quarter wages of \$600 and base-period wages of \$2,100, is eligible for maximum weeks of benefits in all States except Wisconsin and for maximum weekly and annual benefits in all States except Hawaii, Washington, and Wisconsin. He would range from \$572 to as low as \$210. The duration of his payments would range from 26 weeks to as low as 14 weeks.

A glance at the chart shows still greater disparities.

In a number of States the number of weekly payments are uniform. For example, in South Carolina payment of benefits for 16 weeks is made to all claimants. Maryland would make no payments to claimant A's case, would pay for 11 weeks in B's case, 12 weeks in C's case, and 18 weeks in D's case, and 26 weeks in E's case.

In addition, several States make provisions for additional benefits for dependents. The laws relative to the dependents vary in each of these States. This results in still wider variations between claimants with dependents having identical wage credits.

OTHER DIFFERENCES BETWEEN THE STATES AFFECTING BENEFITS

Mr. Chairman, just these few examples which point out the discrepancies between the State acts should be reason enough to enact this bill into law.

These are by no means all of the variations. There are different rules for disqualification, many of them unfair. Some of the States have provided that the claimant must not leave the State.

We have a report from Wichita, Kans., that unless out-State claimants sign affidavits that Wichita, Kans., would be their permanent home, they will be ineligible for benefits. Michigan has a limitation which prohibits workers from leaving the State.

The manner in which the various States compute wage credits varies widely. One State bases maximum amounts on the Bureau of Labor Statistics cost of living index. Some use base periods of four quarters, several of eight quarters, and others use formulas which take into consideration a base period of 1 year plus the highest earnings in one-fourth of the base year. The percentages and the manner in which these periods are applied in the formula vary in most of the several States.

Another factor which enters into the actual amounts due to claimants is the fact that some States have provisions that when the fund drops below a certain figure benefits are reduced.

Most States allow benefits for partial unemployment, but the amounts actually collected vary from State to State.

Another unfair limitation, one which this bill will remedy, is the provision in State laws exempting employers with fewer than 8 employees from the act. There is no just or equitable reason why a worker employed by one of these small employers should be denied benefits.

Waiting periods form another source of difference between the various State acts. The period varies from 1 day to 2 weeks during the benefit year, and some States have additional waiting periods of the claimant had previously served a waiting period in the benefit year.

Availability requirements are different in various States. Some are rather liberal, but in the main they are unnecessarily restrictive.

Many States have provisions for disqualification for voluntary quitting, et cetera. Many of which are too severe. The recent trend has been to modify some of these restrictions, but in most cases they are still far too severe to be beneficial to the workers during the reconversion period, when many out-of-State employees trying to get home will want to refuse low paid jobs available.

Mr. Chairman, there should be no doubt about the need for Congress to act favorably on this bill. I fail to see how anyone can justify a condition which permits the wide variations in benefits to claimants with identical wage credits as pointed out above. The International Association of Machinists contends that a worker is entitled to the same benefits whether he resides in Arizona or New York, Washington State, or Florida.

EXHAUSTIONS

It is my belief that the minimum which would result from this bill should be higher in order to protect our national economy during the reconversion period. The theory behind unemployment legislation is to provide for the workers a fair percentage of their former purchasing power during temporary periods of unemployment. The purpose is to provide the employee approximately 25 to 50 percent of his regular pay; however, due to the short duration periods which many of these State laws have, many claimants exhaust their benefits before finding reemployment. Consequently the average actual recovery of wage losses sustained throughout the unemployment is only approximately 10 percent.

In 1940 and '41, a high employment year, 50 percent of all the claimants had exhausted their benefits before they found another job. In some States this average ran as high as 70 percent, and even during 1943, a peak employment year, 33 $\frac{1}{3}$ percent of all the claimants had exhausted their benefits before they had found other employment.

The 26-week period provided by this bill will go a long way toward preventing exhaustions. Some say the extension of benefits to a 26-week period will cause malingering. I don't think so. I rather agree with the following excerpt appearing in the September 1944 issue of the Social Security Bulletin in an article entitled "Unemployment

"Compensation Goals in the Reconversion Period," by Gladys R. Friedman and William H. Wandel.

Such statements suggest that the shorter the duration of benefits the more effective would be the program and that probably no program at all would be the most effective. Full employment of the war years has already obliterated from the minds of some the reason for the enactment of unemployment compensation—the fact that unemployment is not caused by individual frailty but by economic circumstances. Moreover, more extension of potential duration does not automatically provide benefits for longer periods; workers who refuse suitable employment will still be disqualified from receiving benefits. Adequate duration of benefits will go a long way in aiding the worker in search of a job; it will go a long way toward maintaining our standards of living, purchasing power, and employment.

In the October 1944 issue of the Social Security Bulletin the Social Security Board, in recommending the 26-week period, said:

Certainly 26 weeks' duration is not too long to give workers the needed assurance that unemployment compensation will tide them over this period. Nor is it so long as to demoralize the individual and make him work-shy. Mere extension of potential duration of benefits will not automatically provide benefits for longer duration; workers who refuse suitable work will still be disqualified from receiving benefits. Twenty-six weeks of benefits should go a long way toward giving the worker, business, and the community the assurance that unemployment compensation is performing its allotted task and that other measures will not be necessary for this period.

Mr. Chairman, it is my honest conviction that the danger of malingering is a myth that exists merely in the minds of those who oppose unemployment compensation in any form. This is merely fictitious argument put forth by those who would like to see a large army of unemployed. They could then force wages down to deflationary levels.

I am convinced that we need the 26-week duration clause to apply uniformly throughout the country during the present period. I urge your committee to recommend this feature of the bill.

The coverage of civilians in the employ of the Federal Government and the coverage of individuals processing agricultural products, under section 702, paragraphs 3 and 4 of the bill, are certainly desirable and necessary. Your committee should make every effort to follow the recommendation of the Social Security Board as outlined in the October 1944 issue of their bulletin, as follows:

Although the employed workers covered by State unemployment compensation laws increased from 20,000,000 in 1938 to nearly 31,000,000 in September 1943, many workers are still not included under any unemployment compensation law.

Among the more important groups still not covered are employees of small firms, maritime workers, Government employees, agricultural labor, and workers of nonprofit institutions. While the States can extend coverage to many of these groups without congressional action, some of the groups, such as Federal workers, cannot be covered by a Federal system or included under the State systems without specific congressional authorization. State and local government employees, however, should be included by any State able to do so. Because of the particular employment characteristics of the maritime industry, a Federal system seems more appropriate for this group. * * *

Another large group of workers not now protected by unemployment compensation laws are agricultural workers. In their search for new jobs they, too, need the type of protection offered by an unemployment compensation program. Every State which feels capable of doing so should extend coverage to agricultural labor; if the administrative task of including all agricultural labor is too great at this time, at minimum workers on industrialized farms should be included. The work on such farms is in many ways similar in manufacturing establishments. The administrative task of including these workers under an unemployment-compensation program should create no difficult problem.

It would be regrettable if Congress were to leave these employees at the mercy of public charity. Certainly they, too, played an important part in our successful war effort. They should be afforded the protection of unemployment compensation.

THE URGENT NECESSITY FOR THE BILL

As pointed out above, 46 of the 48 legislatures have been in session since 1944; 43 of them will not meet until 1947, the year this bill would expire. These States will not have an opportunity to liberalize their laws further. Moreover, State unemployment security administrators promised before congressional committees in the summer of 1944 that adequate changes would be made. In my opinion they have failed. It is too late now to go back to the States. There is but one solution to the problem. Congress must act, and act at once. We cannot afford to let it be said that we provided too little too late.

The best and most reliable estimates are that there will be from 8 to 15 million unemployed during the reconversion period. I believe it is safe to say that at least 10 million will be out of work for as much as 15 months, and I believe I am safe in saying that those who will be out of work longest will be those who possess the least skills.

They are the ones who received the lowest rates of pay during their employment. They are least able to weather a period of unemployment.

My reasoning in making this statement is that most of the highly skilled and higher paid workers will be retained during the reconversion period to do the retooling and reconverting of the Nation's plants. The skilled worker is in a position to protect his rate of pay by virtue of his skill. The fact that so many of the lower paid groups will be the chief beneficiaries of this bill makes it mandatory that the \$25 maximum be enacted into the law. This would not mean that each individual would receive the maximum amount, but it would mean that each of these workers would receive a proportionately higher amount than they would receive without the aid of this measure.

Unfortunately these individuals need the benefits the most and from a strictly humanitarian and economic point of view should receive a higher benefit than the provisions of this bill would permit. I make this statement because they have little or no reserves. Because of their low incomes they have to use their entire wages in order to live. These people make up the bulk of our Nation's buying power.

I realized liquid savings by individuals in form of cash, time and demand deposits have increased by more than \$65,000,000,000 during the last 3 years; however, the larger share of this total has been accumulated by the higher income groups. All of the available statistics indicate that the lower paid groups have saved very little. In most cases nothing. I believe that I am safe in stating that the savings of the group who would benefit mostly by this bill are so small that this group is entirely unprepared to tide themselves over the period of unemployment as the result of reconversion.

Senator MILLIKIN. I would like to ask you what are the qualifications for entrance into your union?

Mr. BROWN. Our organizations admit those whom the employer hires, with the exception of journeymen mechanics which require 4 years' experience in the trade.

Senator MILLIKIN. But you take them all?

Mr. BROWN. We take them all.

Senator MILLIKIN. Whether he has had that experience or not?

Mr. BROWN. Yes.

Senator TAFT. Whether he is white or black?

Mr. BROWN. Yes. Some of our local unions have admitted colored people. For many years the policy of our organization has been that when we establish contractual relations with the employer that the white and black men are treated the same. They receive the same wage.

Senator TAFT. Do any of the locals refuse to admit colored people?

Mr. BROWN. Some unions refuse to admit colored and white people.

This measure would help to bring about a sound, stable buying power which is essential if we are to avert a deflationary period during the next 6 to 9 months. I am quite sure, Mr. Chairman, that no one will dispute that a deflationary threat during the next 6 months would be disastrous to our national policy. If nothing is done to prevent this from occurring it might well wreck our entire postwar program.

If prices are forced down below the cost of production, thus causing deficits rather than profits, and the normal demand for consumer goods is restricted by reason of fear on the part of the consumers, many manufacturers will be forced to curtail their production, which would throw additional thousands of workers out of employment.

Such a condition would immediately cause a hoarding of savings by those still employed. Certainly we don't want this to happen during this critical period. There may be some who say this would not happen because consumers have been doing without so many essential items during the wartime. I believe that most workers have become used to getting along without items which were unavailable during the war, and that they will certainly be able to get by longer with what they have, at least long enough to see what is going to happen. The Nation just can't afford to take the chance of having this happen now. If there be no other reason, this bill should be enacted into law at once.

RELOCATING MIGRATORY WORKERS

With respect to the provisions of travel pay for relocating migrated war workers, I wish to emphasize my approval of this section. This is certainly a necessary part of the bill in order to shorten the reconversion period. Great blocks of our population have been moved from one section of our country to another in order to gear our economy to an all-out war effort.

A grave and serious problem exists in returning this population either to their former homes or to sections where they are most urgently needed during our peacetime economy.

While most economists who have studied the relocation problem agree that some form of Federal assistance is necessary to relocate those unemployed there has been very little attention directed to this fact. It has been estimated that at least 5,000,000 workers have moved around the country from one place to another either at the insistence of manufacturers or at the insistence of Federal agencies who were recruiting vitally needed war workers. Many of these workers have

moved great distances. Some as great as 2,000 miles and estimates are that between 10 and 20 percent of these migratory workers will want to return to their own communities or move or to other jobs in other locations providing, of course, that employment conditions are generally good in all locations.

In many communities it will be necessary that some of these workers return in order that the former ordinary peacetime production of the community may be resumed.

While I am unable at this time to make any estimates as to the actual amount of money that would be needed to provide for transfer allowances, I am quite sure that the total cost may be looked upon as an investment which will bring about a speedier return to normal. However, it is my opinion that provisions should be made in this bill for the worker to return to his home if he so desires and not as the bill provides that he could only be furnished transportation to a place picked out by the Employment Service. I believe the worker should have some choice in the matter.

Mr. Chairman, I am purposely refraining from commenting on that section of the bill which proposes increases in allowances to veterans. In the face of the sacrifices that the beneficiaries of this section of the bill have made, I feel confident that those who are opposed to this measure would not dare to attack this section. I wish to add, however, that the amendments have my heartiest approval as our organization has over 700,000 members who are serving in the armed forces.

Most of these will have no difficulty in finding work as their job rights are protected through agreements between their former employers and our organization. There will be some, however, who will have to look for work as the plants in which they were working at the time they entered the armed services are no longer in operation. We certainly do not want to repeat the treatment that this country gave the returned veterans of World War I. This amendment to the GI bill of rights will go a long way toward preventing a recurrence of that unfortunate blot on our history.

CONCLUSION

In conclusion, I wish to say that every fair-minded person who has given reconversion problems any thought whatsoever, recommends that this legislation is urgently necessary. In fact, it is long overdue and should have been enacted into law last year. These problems were called to the attention of the Nation by the Baruch-Hancock report and many others, but nothing has been done about it.

Congress has legislated for industry to tide it over the reconversion period. Legislation has been enacted to speed up termination of war contracts.

Senator McMAHON. Mr. Brown, you will agree that these things that were done to help in the reconversion period were also necessary?

Mr. BROWN. Certainly.

Senator BARKLEY. You are not complaining that those things were done?

Mr. BROWN. No. My only complaint is that the fellow who did the job on the home front has been neglected up to the present time.

Congress has passed legislation to take care of the veterans, but the war workers without whose help victory would have been impossible, have been neglected. Unless this bill becomes a law, I fear that the consequences will be the same as they were after the last war when large numbers of veterans were forced to sell apples. Congress by its failure to provide provisions for the war workers is virtually forcing the unemployed workers to sell apples after this war.

In the final analysis it makes very little difference who sells the apples. The problem before us today is to see that no citizen of our country will have to stand on the street corner selling apples. The passage of this bill will be one milestone on the road to prevent the Nation from repeating the mistakes made following the close of the last war.

Before closing, I want to point out that while the discrepancies outlined are very unfair and serious, the cost to the Government to correct them during the reconversion period would not be so great as it seems.

Several States have already made provisions which would amend the State laws if a bill similar to the pending measure is passed by Congress particularly with respect to the amendment pertaining to veterans. Furthermore, 78 percent of the Nation's workers are in States which already provide weekly maximums of \$20 or more and whose annual benefits average \$390—two-thirds of our Nation's workers are covered by States which have only one waiting period per benefit year and a large block of our Nation's workers are covered in States which cover employers of one or more employees, more than 80 percent of the Nation's workers are covered by States which provide benefits for 30 weeks or more; 21 States provide for 20 weeks of benefits and 12 States provide for more than 20 weeks.

In view of this trend, I cannot urge too strongly that this committee should urge the passage of this bill at the earliest possible time.

Finally, we believe that the cost of this measure to the Government is negligible when compared with the misery, fear, and want that would prevail throughout our land if Congress fails to provide for adequate unemployment compensation.

The passage of this measure would certainly boost the morale of the Nation's workers during a critical period when "isms" foreign to our way of life might well spring up throughout our land. Let us not forget the dark days of the early thirties when the country witnessed demonstration after demonstration of one cause or another. Fifteen million unemployed with hungry mouths to feed will not sit by idly to wait on local charity after this war. Congress should act favorably on this measure immediately.

I thank you for your kind attention.

The CHAIRMAN. Any questions?

Senator VANDENBERG. I just want to ask Mr. Brown one question.

Mr. Brown, on page 8, you say that you believe it is safe to say at least 10 million will be out of work for as much as 15 months. Well, 15 months is 60 weeks, and this bill covers only 26 weeks.

Mr. BROWN. That is true.

Senator VANDENBERG. Therefore, under your statement, at least 10,000,000 workers are going to still be out of work after this bill runs out.

Mr. BROWN. Yes.

Senator VANDENBERG. I want to say that I don't agree that it is going to be as bad as that, because I think by teamwork we can make it better, but I think you are quite right in putting a danger signal at the point of duration.

Now, this is what I want to ask:

Since that is true, is not the period of duration for the payment of compensation rates therefore more important than the actual rate itself, in view of your own statement that 78 percent of your workers are getting at least \$20 or more a week?

Mr. BROWN. No.

Senator VANDENBERG. Let's say we agree on the sum total that we are going to spend on this problem. Is there not greater advantage to the worker in emphasizing duration beyond 26 weeks than there is in emphasizing increased amount of compensation rate?

Mr. BROWN. No; because I believe if only for that period of 26 weeks, you put more money into the consumer's pocketbook to give him buying power to help take the stagnation out of the industry, it is going to give more momentum than if you have a lesser amount for a greater period.

Senator VANDENBERG. What is going to be in the pocketbook during the last 34 weeks of this period when you say 10,000,000 are still going to be out of work?

Mr. BROWN. In many cases there is going to be nothing in that pocketbook.

Senator VANDENBERG. That is the point in which I have become desperately interested, and I would think we would all be. I do not see how you can ignore the duration factor in this.

Mr. BROWN. Again I say that there is that possibility that if you give them greater buying power for that 26-week period, it is going to in many ways help to reduce to the lowest minimum that stagnation in business we are going to face.

Senator VANDENBERG. The difference between \$20 which 78 percent of the workers get under State laws, and \$25 which is \$5 a week, you can blow that up as you please, but I don't see that you can make a very serious factor out of that \$5. But I think you can make a terrible economic factor out of what happens when the 26 weeks is over and nobody is paid.

Senator McMAHON. May I suggest, in answer to the Senator, if at the end of 26 weeks we find the situation as you and Mr. Brown envisage—

Senator VANDENBERG. I don't envisage it that way. I am taking Mr. Brown's statement.

Senator McMAHON. All right. We are going to have to take some other approach to this problem other than unemployment compensation, whether we like it or not.

Whether we subscribe to the philosophy or not, we are going to have to have a program of public works.

Senator VANDENBERG. I don't think there is any doubt in the world about that. I am simply inquiring as to the two alternatives involved in unemployment compensation, remembering we confront difficulties and great obstacles in raising the actual rate of pay in the States. That is the only point that we run into our greatest resistance in passing legislation.

I am trying to think of this thing in a fashion entirely friendly to the objective of this bill.

I am perfectly sure—well, that is too strong. I think that if we were to put our emphasis on duration instead of rate, then about half of the opposition of this bill would disappear.

Now, I am very much afraid that the opposition in respect to rate itself may prove to be fatal to the entire legislation.

I am asking you whether in that situation we would not have made an even greater contribution to the over-all problem if we could succeed in substantially expanding the duration.

Mr. BROWN. I am afraid not, Senator. I am afraid you are going to lengthen that period of misery.

You make a statement to the effect that we might jeopardize the legislation. I can't imagine any Member of Congress would show reason why he would refuse to support this bill, if he will harken back to the early thirties.

Senator VANDENBERG. The Senate committee passed a pretty good bill last year, but we discovered we couldn't pass it through Congress, even though the Senate did agree that nobody else ought to disagree.

Senator BARKLEY. The suggestion has been made here that an increase of \$5 a week is insignificant, and you can blow it up as you please.

I would like to call attention to the fact that that represents simply an increase over what the average would be in the State of \$200,000,000 a month. That \$5 a week is \$20 a month, and that is \$200,000,000 a month that would be expended in the purchase of things that other people are making.

If we assumed that would run as much as 12 months, then it would be additional purchasing power of \$2,400,000,000 with which these people could purchase things being produced by others.

That is simply the increase.

Senator TAFT. I suggest that our best estimates here are that we might give this additional to about 5,000,000 unemployed.

As far as creating this additional purchasing power is concerned, I don't think it is a material factor. If we can get one or two more plants moving, it will be just as much as the whole suggestion.

Furthermore, our experience has been that the increase of consumption of foodstuffs is not very important as a factor in increasing employment. Those industries are geared up to run anyway, and they can without much increase in employment produce more of the basic foods that the people have to buy when they are on a subsistence level.

Mr. BROWN. Senator, during this war, necessity has enabled industry to learn that they can produce far more per worker per hour than they did before the war.

Senator TAFT. Some industries.

Mr. BROWN. Having in mind the degree to which industry could produce during the postwar period, there is going to be tremendous production, and if those industries are to be kept on moving, there must be adequate domestic markets to consume those goods. If there isn't, we are going to have them unemployed.

Senator TAFT. I admit the general proposition. I am going to say the amount involved in this bill in additional payments is not going to make the difference between full employment and less employment. I don't think it has very material bearing on that question.

Br. BROWN. Except when a man and his family are unemployed, this \$5 a week may mean a lot.

Senator VANDENBERG. And nothing after 26 weeks means more.

Mr. BROWN. If at the end of 26 weeks we have another problem, I think we should be big enough to meet the problem at that time. During that 26-week period, I think the amount specified is little enough.

The CHAIRMAN. This bill undoubtedly will give greater benefits to the worker in the higher wage brackets than it does to the worker in the lower wage bracket. Isn't that true, Mr. Brown?

Mr. BROWN. That is true when you base it on the saying, "He has the most will get more in return."

The CHAIRMAN. This bill gives greater advantages and greater benefits to those in the higher wage brackets than it does to the lower wage brackets, doesn't it?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Thank you, Mr. Brown, for your appearance.

Mr. BROWN. Thank you.

The CHAIRMAN: Let me ask what other witnesses are here before we take a recess. Can anyone say whether Mr. Keenan, representing the Chicago Federation of Labor, is here?

(No response.)

The CHAIRMAN. Is Dr. Harry Malisoff here?

Mr. MALISOFF. Yes, sir.

The CHAIRMAN. Is Mr. Riley here?

(No response.)

The CHAIRMAN. What is the pleasure of the committee?

Senator BARKLEY. You missed one.

The CHAIRMAN. Mr. Dushane is not here. I knew that.

Senator VANDENBERG. That leaves only one.

The CHAIRMAN. I think we might hear this one now, and take a half holiday. Is that agreeable to the committee?

Senator BARKLEY. Yes.

Senator VANDENBERG. Yes.

The CHAIRMAN. Dr. Harry Malisoff, will you come around?

Will you indicate about the length of your statement? We are asking now for our convenience.

Mr. MALISOFF. I think I should be through in something less than 15 minutes.

The CHAIRMAN. Thank you. We will be very glad to hear from you. Are you representing any particular organization or group?

Mr. MALISOFF. No. I am appearing as an independent economist, who has had occasion to write extensively on the subject of unemployment compensation and veterans' legislation.

Senator BARKLEY. Where is your home, Mr. Malisoff?

Mr. MALISOFF. Washington, D. C.

Senator BARKLEY. You are not in the Government service?

Mr. MALISOFF. Not at the present, sir.

Senator TAFT. What was your connection in the Government service?

Mr. MALISOFF. I was an employee of the Social Security Board for several years. I was in the National Resources Planning Board in connection with the report of the committee on long-range relief and works planning.

Senator TAFT. How long has it been since you have been with the Government?

Mr. MALISOFF. About a year.

STATEMENT OF HARRY MALISOFF, WASHINGTON, D. C.

Mr. MALISOFF. Mr. Chairman and members of the committee, I would like to make a statement concerning S. 1274, which may appear to be damning with faint praise, or praising with faint damns, but it is sincerely the opinion that I have worked out concerning the bill in the light of the knowledge that I have gained in the mode of development of unemployment legislation in this country.

I know that historical factors are not popular. I hope they will be, now that we have passed through a great historical epoch, now that we realize the need for constant review of the past in order to derive the full lessons inherent in our experience, so that the Nation may develop properly along a proper course, and I conceive that unemployment-compensation legislation requires the attention of that type, the attention that our sensible statesmen will be able to give it, so that it may not develop in so haphazard a course as has been the case up to now.

I said in 1940, in an article which I recklessly called *The Import of Theory in Unemployment Compensation*, that the legislation had "an inconsequential drift," and I concluded in that article with the hope that it would gain a philosophy in the near future.

This, it seems to me, is the time to add that philosophy, because our democratic philosophy has been vindicated beyond all previous measure in the recent victorious battle against undemocratic forces.

Now, to turn to S. 1274, according to the type of analysis I have just described, S. 1274 expresses a need for improved unemployment-compensation provisions, though in present form it falls short of meeting this need.

The bill has some excellent provisions. It would include various excluded groups. It would raise the average and the maximum of the weekly unemployment benefit amount as well as the total benefit amount payable under the State unemployment-compensation laws.

Its main weakness is that in effect it would introduce, under the deceptively mild term "supplementation," fundamental changes in the unemployment-compensation structure. The structure of the State systems would never recover from the impact of S. 1274 if enacted as amended, or as is.

Lest I give the wrong impression, let me say that it would be no tragedy whatsoever if the States' provisions were fundamentally altered. The State unemployment-compensation system has no especial form, no clear-cut objectives, no mode of development.

For this reason, S. 1274 shows what seems to me unnecessary solicitude for preserving State methodology of benefit payment. They don't call it methodology; they call it formula.

They have developed a very fine lingo concerning wage record cards and I. B. M. machinery and benefit years, and weekly benefit amounts based upon earnings in given benefit years. It also sounds very plausible. It seems to be a system of benefits in proportion to wages; but, as can be shown readily enough, mathematically it is so arbitrary

and exceptional in regard to the individual beneficiary, that the only conclusion can be that there is no methodology in particular.

Like Topsy, the State benefit provisions "just grewed."

It seems to me that S. 1274 must necessarily have sweeping repercussions on State unemployment compensation if passed. Why? Well, its provisions, in effect, do more than just supplement.

The provisions would, through simple unspecific clauses, introduce at least two new Federal unemployment-insurance systems just as definitely as would a full-fledged Federal statute like the Railroad Unemployment Insurance Act.

Consider the provision for affording unemployment benefits to Federal civilian or civil-service employees or maritime employees. This is a worthy move. One that is long overdue.

However, such important extensions of unemployment compensation should be set up through separate statutes, or at least separately evolved, fully implemented provisions, provisions that are carefully drafted in all necessary detail, so as to take full account of the peculiarities, the special conditions, that characterize the classes of employment in question.

I submit that maritime unemployment compensation has been provided in numerous legislative bills, upon which extensive hearings have been held right here in Washington, D. C.

The skeleton clause for maritime unemployment-benefit payments, found in S. 1274, is not, it seems to me, the logical next step in the movement for a Federal maritime unemployment-compensation system.

Of course, S. 1274 would afford benefits to Federal civil servants and maritime employees temporarily during the reconversion period.

I don't think, however, I need to qualify my preference for independent treatment. The permanent need for these benefits by these classes of employees is vivid. There can be no return of the Federal civil-service employees and maritime employees to the unprotected status on pretext of termination of reconversion period.

Much the same considerations apply to provisions for adjusting the weekly benefit amounts by raising the maximum benefit amount, as well as the total amount of benefits payable under the State unemployment-compensation laws.

In effect, these actions are a rather opportunistic method of securing an increased average of State benefit payments. Again, this reflects a worthy and laudable desire to improve the existing unemployment-compensation systems.

Yet, a catch-all measure, with general enabling provisions effective for a short period, is hardly the place for effecting or contributing to the much-needed reform in the State unemployment-benefit provisions.

It requires special legislative attention based upon comprehensive review of the 10 years of unemployment-compensation experience.

Provision for enhanced benefit adequacy should not be linked, as in S. 1274, to the extension of coverage to unprotected classes of employees.

Coverage extension of the civil-service and maritime employees is an emergency need, a conspicuous gap in the unemployment-compensation system.

Benefit adequacy is a long-run matter, a matter of greatest importance and likely to be a matter of considerable debate and contro-

versy. In place of temporary increment in benefit adequacy that would be the most gained under S. 1274, the bill, it seems to me, should give additional attention to the provisions for inclusion of the uncovered groups, expanding them into the requisite full-fledged legislative actions, as I have stated.

In the case of the provision for amendment of the unemployment-benefit provision of the Servicemen's Readjustment Act, S. 1274 also reflects the tendency to associate sound objectives with more or less ineffective type of legislative vehicle.

Indeed, to connect amendment of the GI law with miscellaneous unemployment-compensation measures is a peculiar point of departure from the traditions of veterans' legislation. Since the GI law was framed without regard to social-security, there is a real need for coordination of veterans' and social-security benefits. But it is unrealistic to suppose that the veterans' legislation can be linked to social-security provisions.

I note also that S. 1274 introduces with little or no fanfare the much-neglected classical social-insurance provision for dependent benefits or increments in weekly benefit amounts in respect of the dependents of the worker who qualifies for benefits.

Senator TAFT. Only as to servicemen.

Mr. MALISOFF. Yes.

Senator TAFT. That is already in the service bill.

Mr. MALISOFF. If you will let me develop this point, you will see how I link it with the earlier provisions of the bill, too.

It is a matter of principle and not of provision. The bill does so for the veteran in the proposed amendment to the GI bill of rights. It also does so in response to the Senator's question, in connection with unemployment benefits for civil-service and maritime employees by calling for benefit computation according to the District of Columbia provision, the only 1 of the 51 State and Territorial laws that includes increments for dependents in the calculation of the benefit weekly amount.

Senator VANDENBERG. That is not true. Michigan amended its law to provide \$2 a week each for dependents last spring.

Mr. MASLOFF. I stand corrected.

Are there any other laws which do that?

Senator VANDENBERG. I think there are three or four.

Mr. MALISOFF. I don't think that the presence of the provision in three or four States affects substantially the remarks that I am going to make about the importance of dependents' benefits. I reserve the right to disagree with myself at a future date.

Like benefit adequacy, dependents' benefits are of prime importance and the proper subject of legislative action following extensive discussion.

Even if we could get the dependents' benefits through by the enactment of S. 1274, it would be preferable through discussion to give widespread publicity to the social principle.

I have so far tried to bring out the tendencies of S. 1274 to incorporate perfectly sound laudable suggestions that are long overdue and

should have been recommended by the Committee on Economy Security in 1935 if it had had the time or the occasion to do so.

I am not blaming the committee. They did a very revolutionary job. They cannot be held responsible for not having completed the whole social security project.

But I think that the bill follows the mode of development typical of unemployment-compensation legislation in not being first made the subject of careful comprehensive review and discussion, and then enacted according to the sound public policy of today.

I don't want to be in the position of one who urges that we acquire a heavenly attitude to social legislation, but it does seem to me that after a number of years of highly effective cooperation by all sections in the community—I cannot see why this matter of social legislation like unemployment compensation, which is certainly relatively unimportant compared to an atomic bomb, or to many of the agreements and projects carried out in the course of the war just passed—I don't see why we couldn't get agreement as to the proper social policy to follow in that connection today.

It seems to me if we have a social issue like unemployment during a reconversion period, that we ought to be able to secure agreement after all opinions have emerged.

If unemployment compensation is not designed to meet the reconversion period, then I think it should be revamped to meet the need. I think that question should receive serious attention.

I don't think we should show solicitude today for preserving unemployment compensation in the accidental form that it happens to take as a result of the overnight adoption by special legislative sessions at some distant date in the past.

Yet S. 1274 does that very thing.

Senator VANDENBERG. If you had to vote "yes" or "no" on S. 1274, how would you vote?

Mr. MASLOFF. "Yes." It will do some good.

I think that about sums up what I had to say.

Of course. I realize that I haven't proved my statement that the development of legislation has been very haphazard and unphilosophical, but I have written a good deal in substantiation thereof, and I think that reference to the articles which I wrote for the *Political Science Quarterly* in 1939 and 1940 would show that I have at least a case for making the statement.

The CHAIRMAN. Thank you.

Mr. MALISOFF. Thank you.

The CHAIRMAN. Under the circumstances, we won't have an afternoon session of the committee.

The committee will meet tomorrow morning at 10 o'clock. We will conclude the hearing tomorrow.

There are a number of telegrams and statements submitted by various labor organizations and leaders in labor throughout the country.

I think it is appropriate to put them in the record at this time.

(The telegrams and statements referred to, are as follows:)

WASHINGTON, D. C., August 29, 1945.

Senator WALTER F. GEORGE,

Senate Office Building, Washington, D. C.:

Circumstances make it impossible for me to testify during the hearings of the Senate Finance Committee on unemployment compensation legislation scheduled to begin tomorrow but in response to your kind letter of invitation I am sending

you herewith my views for incorporation, if the committee sees fit, into the record of the hearing.

I personally favor and the organization of which I have the honor to be president, the National Farmers Union, favors the enactment of the Kilgore bill now before the committee. We endorse heartily the request of President Truman for immediate action to insure a uniform payment of \$25 weekly for a 26-week period through Federal assistance to those States unable to provide adequate compensation. But we also believe that the additional provisions of the Kilgore bill for assistance to war workers to move to new jobs is highly desirable.

Principal reasons for this position are as follows:

1. The country has asked and received the wholehearted effort of the mass of workers in winning the war. In that effort, they have worked long hours, lived under difficult conditions, and made possible the miracle of American war production that has amazed the world. The Nation owes them a debt of gratitude, and it should now give tangible expression to that gratitude.

2. We believe strongly in the enterprise and initiative of the average American, and that he much prefers a useful and remunerative job to any other source of income. Therefore, we reject as wholly inadmissible the lack of faith shown by some critics of unemployment compensation in the self-respect and honesty of the average American.

3. The Director of War Mobilization, Mr. Snyder, has estimated that at least 8,000,000 will be unemployed by next spring. Simply as a matter of enlightened self-interest, every group in our society and economy should insist that these unemployed are provided with the proposed compensation benefits embodied in the Kilgore bill. The consequences of such severe unemployment, with attendant decline in purchasing power and in confidence of producers and consumers alike, could be disastrous. The repercussions of such a condition, unless the cushion of job insurance is afforded, might well spread swiftly and tragically into a major depression. Neither we nor the rest of the world can afford to allow this to happen.

4. From the point of view of an organization of farmers, we believe that adequate unemployment compensation will offer a market stability for agricultural products that will be sorely needed within the next 6 to 12 months. If Mr. Snyder's predictions should be borne out by the facts, then there is no doubt that the market for numerous farm products will be gravely depressed. The withdrawal of the purchasing power represented by idleness of 8,000,000 persons is something that farmers contemplate with dread. Despite the present strong demand, both foreign and domestic, for these products, the picture might well change radically by spring. Such a decline in purchasing power would make it exceedingly difficult to carry out adequately the commitment of the Government under Steagall amendment to support farm prices at a substantial percentage of parity. Even from a purely accounting point of view, failure to provide the proposed compensation might well cost the Government, as well as farmers, more in the long run in the consequent necessity to support farm prices directly, in declining tax revenues, and in related ways.

I appreciate very much the opportunity to lay these views before the finance committee.

JAMES G. PATTON,
President, National Farmers Union.

TOLEDO, OHIO, August 25, 1945.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate Building, Washington, D. C.:

At a special called meeting of the Toledo, Ohio, Central Labor Union, A. F. of L., August 23 last, delegates representing 32,000 workers unanimously requested favorable consideration and recommends to the United States Senate for passage of Senate bill 1274. Please accept this as statement for record of our desire for passage of bill 1274. Reconstruction and reconversion will become more real by the recommendation of our President supplementing existing States unemployment compensation benefits.

Thanks.

OTTO W. BRACH,
Executive Secretary,
Toledo Central Labor Union.

SAN FRANCISCO, CALIF., August 24, 1945.

HON. WALTER F. GEORGE,
*United States Senator,
 Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D. C.:*

California State Federation of Labor, representing over a million members of organized labor in the State of California, urgently requests favorable recommendation on Senate bill 1274. It is of utmost importance that unemployment insurance provide sufficient purchasing power to enable workers to maintain themselves in a period of high prices and be of sufficient duration to carry workers over reconversion period and have coverage so complete that no large segment of the labor force is not covered. Situation is especially serious in California where number of employed workers increased about 40 percent due directly to war industries. Large part of increase resulted from migration into the State. Cut-backs have already started and California faces a minimum of 500,000 unemployed prior to the completion of reconversion program. Situation complicated by returning servicemen looking for work. Insufficient financial resources of unemployed will mean drastic curtailment of consumer purchasing power in California and will be a bar to successful reconversion and an invitation to a deep and chaotic economic depression. Detailed statement follows by air mail. Respectfully request that it be filed as part of record of this committee.

C. J. HAGGERTY,
Secretary, California State Federation of Labor.

CONNECTICUT FEDERATION OF LABOR

BRIDGEPORT 3, CONN.

For release Tuesday, September 4.

Announcement was made today by Harold V. Feinmark, secretary-treasurer of the Connecticut Federation of Labor, that the executive council had voted to hold a State convention as soon as suitable hotel facilities are found available by himself and President Timothy M. Collins in whose hands arrangements were left for the calling of the labor conclave.

Plans made for the holding of area conferences when the ODT previously had denied approval for the federation's convention this month were abandoned by the executive council.

Mr. Feinmark also made public a statement sent to the Senate Finance Committee in support of the Kilgore bill supplementing State jobless compensation benefits by the Federal Government to enable maximum payments to be increased to \$25 a week and to extend the duration to 26 weeks for the reconversion period.

The statement declared that labor "can look to remedial action only to Congress at present" since it pointed out Governor Baldwin had indicated he was opposed to calling a special session of the general assembly before Congress had acted.

The federation's statement was as follows:

STATEMENT PRESENTED BY THE CONNECTICUT FEDERATION OF LABOR ON 1274

The Connecticut Federation of Labor warmly endorses S. 1274 introduced by Senators Kilgore, Murray, Wagner, Guffey, Thomas, and Pepper, providing for supplementary unemployment compensation during the immediate postwar period, and hopes that your honorable committee will report this bill out favorably.

Widely known for its high quality products Connecticut industry was called upon by the procurement agencies of the Army and Navy to help in stocking the

arsenal of democracy. How well it responded may be gaged by the fact that at the end of 1944 this State led the Nation in per capita value of war production, with war contracts amounting to \$7,422,096,000. With the surrender of Japan and the cancellation of war contracts many thousands of war workers have been laid off. It is hoped that reconversion to peace time production will restore a good proportion to employment with the same or other firms, and that eventually all of them will find suitable employment.

Meanwhile, they must depend upon the inadequate benefits provided by the State unemployment compensation law with a maximum of \$22 a week and for not more than 18 weeks, although after January 1, 1946, the payment period, under the law, will be extended by two additional weeks.

As our Governor, the Honorable Raymond E. Baldwin, has indicated that he does not favor calling a special session of the State's General Assembly before Congress has acted on legislation to cope with reconversion and unemployment problems, we can look for remedial action only to Congress at present.

In view of present high prices this State's unemployment compensation benefits which range from \$6 to \$22 a week, based upon a percentage of past earnings of the workers covered, can by no means be called adequate. The adoption of S. 1274 which would make it possible for the benefits to be supplemented up to \$25 a week for jobless workers entitled to the maximum, and to continue payments for 26 weeks if they are still without employment, would be a step in the right direction. It would help to maintain purchasing power during the transition period and thus be a means of stabilizing business and preventing postwar deflation.

The introducers of the bill are to be commended for having included provisions (1) to increase unemployment compensation benefits to ex-servicemen from \$20 to \$25 a week and to add \$5 a week if a serviceman has any dependents, and (2) to allow transportation expenses to workers who are referred to jobs by the United States Employment Service, in different localities.

STATEMENT OF C. J. HAGGERTY, SECRETARY, CALIFORNIA STATE FEDERATION OF LABOR
BEFORE THE UNITED STATES SENATE FINANCE COMMITTEE ON SENATE BILL 1274

The California State Federation of Labor, representing over a million members of the American Federation of Labor in the State of California, requests this committee to report favorably on S. 1274.

We, in California, face an especially serious problem during the period of reconversion and we feel that the enactment of this bill will go a long way in alleviating the threats of a deep and disastrous economic depression.

The California economy was greatly disturbed by the impact of the war. It must be remembered that two of the most important war industries; namely, shipbuilding and aircraft, counted for a large part of California's contribution to the war effort and in order to supply the necessary labor forces for these industries and various subsidiary industries needed for their successful functioning, the number of people available for work had to be increased by tremendous amounts.

Between April 1940 and June 1943, the number of employed civilians in California increased from 2,482,000 to 3,464,000—an increase of approximately 40 percent. The national average increase was but 20 percent. This increase in the number employed was due primarily to the demands of the war industries. The story of the recruitment of labor for the war industries is still fresh in everyone's minds and there is little need to repeat the story at this point. But it must be remembered, however, that a large part of the increased labor force was the result of immigration to California from other parts of the country and that this immigration caused a special problem to California. It is generally expected that a vast number of the newer arrivals will remain here despite the various newspaper stories about people leaving the State. The press

has reported the exodus of a few people but it has failed to report about the great majority who expect to remain. Such people do nothing spectacular and do not make news.

An investigation of the continued critical housing situation in the large cities of California is ample proof of the failure of the new population to leave the State in significant numbers:

A word must be said about the economic resources of the war workers, both the recent arrivals and the prewar residents, and their ability to survive the incidence of unemployment. Much ballyhoo has been given to the supposedly high wages paid war workers. It is true that money wages have risen during the war period but not to the extent which it is popularly supposed. Real wages have risen far less than money wages and the surplus remaining with the worker is insignificant. This is accounted for by the high cost of living and incidentally, the cost of living in California is the highest in the country. The tremendous portion of the workers' wages which went into taxes also contributed to a decrease of the workers' real wages. The pay envelope did not permit the worker to accumulate any sizable surplus because of these factors. The worker is thus unprepared to meet the economic consequences of unemployment. It is true that many of them are covered by the present unemployment compensation provisions now in effect in this State but they may receive a maximum of \$20 per week, a sum total insufficient to finance a family during the uncertain period of reconversion.

It must also be understood that there are large numbers of unemployed workers in the State of California not covered by unemployment compensation of any kind. Perhaps the largest group is made up of the Government employees.

The California Department of Industrial Relations reports that in June 1945 there were 503,000 civilian Government employees in the State of California. This figure includes Federal, State, and local officials.

In April 1940 there were but 237,000 such Government employees in the State of California. There has thus been an increase of 112 percent in the number of Government employees in this State. This increase in its entirety is due to the war effort and the greater part of this growth will shortly be unemployed with no form of unemployment compensation due them. The unemployment problem will be a serious one in California, at least until civilian industries are back in full swing and new industries have begun operations.

The length of this period of reconversion which is now upon us is uncertain but that it will be of short duration is improbable. There have been many estimates in the number of unemployed in the State as a result of cut-backs. Estimates have ranged from 500,000 to over a million workers. We will not attempt to prophesy the exact number of unemployed but we believe the above estimates are conservative.

We desire to point out the size of some of the cut-backs as indicative of the unemployment problem California must face. Our two most outstanding war industries are shipbuilding and aircraft. The California Department of Industrial Relations reports that during the peak month of September 1943 the shipbuilding industry employed 282,500. By June 1945 employment had decreased to 247,000—a decrease of about 48 percent.

The California State Reconstruction and Reemployment Commission estimates that in the first postwar year no more than 20,000 to 30,000 will be employed in this (shipbuilding) industry—a further minimum decrease of about 80 percent.

In the aircraft industry the department of industrial relations reports that in April 1943, the month of peak employment, 244,700 were employed, and in June 1945, 123,000 were employed—a decrease of 48 percent.

The State reconstruction and reemployment commission estimates that not more than between 40,000 and 60,000 can be employed in this industry during the first postwar year—a further minimum decrease of about 50 percent.

During the first postwar year these two industries alone will decrease their employment by over 180,000. These figures are minimum figures and do not take

into account the many thousands of workers who were employed in industries servicing the shipyards and aircraft factories.

We urge this committee to understand that unemployment is contagious and that it can never be confined to one or two industries. Unemployment throws workers into the labor market. These workers must eat and will be forced to accept jobs paying wages considerably below what they have been accustomed to. This becomes an incentive to cut wages in other industries. Decreased wages means decreased purchasing power. Industries then find themselves unable to sell their products because of the decreased purchasing power and in order to increase sales, prices are cut. Wages are then cut still further in order to finance the price cuts. We are then on our way down the deflation spiral to the dark depths of industrial depression.

This bill will partially help workers to maintain subsistence standards of living. It will provide purchasing power to the worker so as to enable them to buy the products of industry. It will act as a bar to disastrous deflation and will help carry the country over the treacherous reconversion period. Thus we urge this committee to recommend favorable and speedy action on this bill and by so doing help this country to overcome the economic hurdles facing us today.

STATEMENT OF AFL CENTRAL TRADES AND LABOR UNION, OF ST. LOUIS, MO., COMPOSED OF 200 AFL LABOR UNIONS, REPRESENTING 125,000 MEMBERS, ON THE NEED OF ENACTMENT OF SENATE BILL NO. 1274 AND HOUSE RECORD NO. 3891 PRESENTED TO SENATE FINANCE COMMITTEE AND HOUSE WAYS AND MEANS COMMITTEE

GENTLEMEN: The enactment of legislation as contained in these two bills is of vital necessity to the St. Louis area during the conversion period. Local employee pay-roll income has hit the skids since August 15-16 cut-backs became effective.

Between 75,000 and 90,000 war workers have been severed from their employment; 31,400 have registered as unemployed with USES. This figure will increase nearer toward the total unemployed within the next 2 or 3 weeks, as the workers are taking advantage of the first opportunity for recreation in the past 4 years; 21,604 have applied for unemployment compensation. This figure will also increase nearer toward the total unemployed as time progresses.

These employees, under Missouri's unemployment compensation law, would be entitled to approximately \$18 per week for a period of 16 weeks. When compared with an approximately \$4,500,000 loss in weekly pay roll, it is plain that our economy during the conversion period is in jeopardy.

The supplement of Missouri's unemployment benefit program as contained in Senate bill No. 1274 and House Record No. 3891, will, of course, be insufficient to restore the difference between workers' income prior to August 15-16 and that which they would receive in unemployment benefits under Missouri's law. However, this supplementation will enable the worker in this area to pass into the conversion period with his purchasing power maintained at a level which will not completely destroy our economy, and place this area in a better position to proceed with its plans to absorb the worker in private commercial employment.

We urge the committees to make a favorable report on Senate bill No. 1274 and House Record No. 3891, and that same be enacted into law as expeditiously as possible.

Respectfully submitted.

CENTRAL TRADES AND LABOR UNION,
OF ST. LOUIS AND VICINITY,
JOHN I. ROLLINGS, *Executive secretary.*

OREGON STATE FEDERATION OF LABOR,
Portland 4, Oreg., August 29, 1945.

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: Supplementing our wire of August 24, we ask that you submit to your committee this statement relative to Senate bill No. 1274:

The general need for this bill in substantially its present form will be ably presented to your committee by personal appearance of representatives of labor. But we think a brief recital of conditions in Oregon, showing the application of this legislation to our situation, may be of interest and value to the committee.

Oregon, 6 years ago, was not industrially developed as were many other States. Owing to our geographical location and other natural advantages, a number of large industries located in the Portland area for production of war goods. Numerous existing industries turned to war production and expanded prodigiously. This brought to the area many thousands of workers from the interior of the State, from adjoining States, and from every State of the Union, thousands migrating from the Atlantic coast, from the Midwest, and from the South.

Cancellation of war contracts already has released thousands of these workers and most of those still remaining will be discharged in immediate weeks. Some of this large number will return to their former homes hopeful of employment but without assurance that they will obtain remunerative employment within coming months. A great many of the in-migrants have announced their intention of remaining here. Expansion of existing industries and establishment of new industries seems probable, and if there is such development Oregon can absorb a large new population. But considerable time must elapse before conversion, expansion, and new industries can use these thousands of workers. The State and subdivisions have planned and will put into execution projects which will provide a fairly large volume of employment but not nearly enough to afford jobs for all those who are eager and willing to work during the period of bringing private industry to a level that will care for the employment situation.

Oregon, like all other States, will have many men and women returning from military service. It is our desire to see these citizens given the opportunity to secure gainful employment. Add to the returning veterans the thousands separated from their wartime employment and we have a situation that will be extremely distressing unless the income of the unemployed is sustained in some measure. Adoption of the pending bill will not confine the benefits exclusively to those who receive them directly but will provide a prop for the State's whole economy, and by sustaining purchasing power will hasten reconversion and institution of new industries to enable the State to establish a sound and permanent economy.

Under our State unemployment-compensation fund a maximum of \$18 per week is paid for a maximum period of 20 weeks. An increase of \$7 per week and extension of the benefit period to 26 weeks, as provided in the pending measure, when multiplied by the number of persons who will be unemployed will add up to a considerable sum, sufficient to make the difference between an orderly transition and a distressing condition that might well extend its effects down through the years.

If private industry in the State moves faster than anticipated and our economy improves more rapidly than now seems probable, neither the State fund nor the Federal contribution, as proposed in Senate bill No. 1274, of course will be required to bear a heavy load. In Oregon we are hoping that this may prove true, but we look upon assurance of higher unemployment benefits for a longer period as insurance against a probable condition adversely affecting this State and the Nation.

It was through the urging of the Federal Government that the many thousands of workers came to Oregon and helped to make a record of war production that was not exceeded anywhere in the Nation. These workers responded to the national appeal and the national need. Here, perhaps in greater degree than in some other sections, the dislocation has been great, and is one that cannot be readjusted instantly. We feel that there is a direct responsibility of the Federal Government to assist the States in the readjustment, and that the aid proposed in this bill will contribute to reestablishing a desirable peacetime economy under which private enterprise can build a permanent prosperity.

Sincerely yours,

OREGON STATE FEDERATION OF LABOR,
J. T. MARR, *Executive Secretary.*

AMALGAMATED MEAT CUTTERS AND
BUTCHER WORKMEN OF NORTH AMERICA,
Chicago 1, Ill., August 31, 1945.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: We are presenting this statement to you on behalf of 130,000 loyal American workers who are employed in every type of meat packing, meat processing, and kindred food establishments in every State in the Union.

These men and women have a proud record. They have remained on their jobs throughout the entire war period and they delivered essential food products to our fighting men all over the world in spite of the fact they did not receive wage adjustments adequate enough to meet the increased cost of living. The Amalgamated Meat Cutters and Butcher Workmen of North America, A. F. of L., is justly proud of its record during the critical period now behind us. We want to maintain this record in the period ahead. The coming months of reconversion are going to be trying. We must face our problems realistically and plan to assure the men and women, who so conscientiously supported the country in time of need, a reasonable guarantee that they will be able to decently maintain themselves and their families during this period of transition to a peacetime economy.

Senate bill No. 1274, introduced by Senator Kilgore, should be approved by your committee and passed by the Congress of the United States. This bill, which follows the program of our distinguished President, fully recognizes the responsibility of the Government to the laboring men and women who are the bulwark of our American system of free enterprise. It is not sufficient that we sing praises of their accomplishments in eloquent oratory. It is, rather, important that we understand their problems and consciously and realistically plan our economic life in such a way that these men and women will never be deprived of necessities of life.

It is with wise judgment that this bill provides for the payment to the unemployed of \$25 per week for 26 weeks. If we look into the records of the men and women employed in this slaughtering and meat-packing industry, we find that the average straight-time hourly earnings as of December 1944 was about 83 cents. On the basis of a 40-hour workweek they earned an average of \$33.20 a week. Under present conditions, with deductions for taxes, and insurance this wage is not adequate to support a family on an American standard of living compatible with health and decency. But just let us see what would happen if any appreciable number of the men and women employed in this industry should find themselves suddenly unemployed.

It is not new to you, gentlemen, when we say that the working men and women spend more than 90 percent of their income for the simple necessities of maintenance. A payment of \$25 per week provided for in this bill will, at least, maintain the families on a subsistence level for a temporary period until they can again secure employment in the industry.

It is also important for you gentlemen to consider the fact that the loss of income to the working men and women by reason of unemployment materially affects our entire economy. Since the income of these men and women purchased consumers goods primarily, the demand for such goods will, of course, materially decrease if they are unemployed. Certainly an income of \$25 per week under the terms of the bill will nowhere near maintain the demand for consumers goods which would obtain if they were employed. It would, nevertheless, at least create a minimum demand for such goods and at least enable the manufacturers of these consumers goods to help their factories and plants operating and give employment to a large number of people. A decline in the demand for these goods and services will increase the unemployment problem and bring our entire country to the break of disaster. The unemployment benefits under this bill will stem the tide and help maintain our economic equilibrium.

This international union is on record to extend these unemployment benefits to our veterans who, through no fault of their own, are unable to secure employment when they are returned to civilian life. These men and women who were willing to give their lives that the free institutions of this country should live are entitled to the same protection and the same consideration as are the loyal workers who stayed on their jobs and saw to it that the goods and materials were delivered to our fighting forces. These service men and women, after their discharge, must be assured some income to maintain themselves and their families in an American standard of living. It is neither the veteran's nor the worker's fault that they cannot secure employment because industry and Government did not properly plan for an adequate reconversion program.

The present unemployment compensation benefits provided by the laws of a large number of States is wholly inadequate to care for our population in the readjustment period.

The members of our union live in every one of the 48 States. Many of these States pay unemployment benefits as low as \$15 per week for only a few weeks. Certainly the payment of \$15 per week is nowhere adequate to maintain a small family even on a subsistence level. It would mean that they would have to submit themselves to charity, and there is nothing more degrading to the American worker than to receive alms.

The war has dislocated hundreds of thousands of families and has resulted in the shifting of the working people. These men and women must be returned to their homes, and they must be assured employment in the occupations in which they are trained.

On behalf of the officers and members of the Amalgamated Meat Cutters and Butcher Workmen of North America, A. F. of L., we respectfully urge that the committee report favorably the Kilgore bill, S. 1274, and we urge Congress to enact it into law.

Respectfully submitted.

AMALGAMATED MEAT CUTTERS AND
BUTCHER WORKMEN OF NORTH AMERICA,
EARL W. JIMERSON, *President*.
PATRICK E. GORMAN, *Secretary-Treasurer*.

THE LIBERALIZATION OF THE UNEMPLOYMENT COMPENSATION SYSTEM

Statement in support of S. 1274 and H. R. 3891 on behalf of the Illinois State Federation of Labor (State branch of the A. F. of L.), Chicago, Ill., August 29, 1934

To the honorable the Members of Congress:

The Illinois State Federation of Labor (State branch of the American Federation of Labor) respectfully urges your favorable consideration of S. 1274 and

H. R. 3891, designed to broaden the scope and liberalize the terms of the State and Federal compensation systems.

In passing, permit us to say that the A. F. of L. movement in Illinois consists of more than 3,000 local unions within the borders of the State, all of which are interested in the passage of the bills referred to herein.

The primary purpose of unemployment compensation is to enable workers (constituting the greatest customer class in the Nation) to continue to purchase necessities in the open-business market during periods when they are unemployed. The system is intended for the protection of private business as well as for direct recipients.

As originally conceived, the system was not calculated to meet a reconversion problem from a period of unprecedented world war to a peacetime economy.

The emergency now is such as to require Federal aid and encouragement to the States in order to make the most effective use of the system for the national welfare.

The necessary liberalizing of unemployment compensation on a national scale is possible at the moment only through action by Congress. The following points, all covered in the pending bills, are particularly important:

(a) Increase of benefits.

(b) Extension of the duration of benefits.

(c) Expansion of coverage.

(d) Improvement of the Federal Servicemen's Readjustment Act.

(e) Traveling allowance to places of employment for unemployed workers willing to accept such assignments.

It should always be remembered that the unemployment-compensation system is based upon the requirement that recipients of benefits must be active workers who have previously earned wage credits in covered employment, who are willing to accept suitable employment, and are able to work.

It is inevitable that in the transition from war work to peacetime work many shops and factories and other places of employment will be obliged to close, in most cases temporarily, while awaiting materials not yet available for general use. In other cases the shut-downs will be permanent.

This lag of employment must be met by adequate unemployment compensation. Failure to do so may have very serious consequences.

In conclusion, we venture to remind you that during the war there was no cost-plus arrangement for the workers. They had no guaranteed savings or profits. In many cases their expenses exceeded their earnings. Nothing was allowed them for depreciation. For instance, they bore the load of illness, often through overwork, of themselves and families without aid from any source.

The workers' "plant," his home (certainly as essential to the national interest as any factory), has never been given the attention accorded to business plants and institutions in the matter of allowances for costs and expenses.

The choice may soon be between an adequate use of the unemployment-compensation system, on the one hand, and on the other a widespread expansion of the public-relief system.

Thoughtful citizens of all classes, when obliged to make such choice, will, we feel confident, unhesitatingly declare in favor of the sort of legislation proposed in the pending bills, S. 1274 and H. R. 3891, which we earnestly hope will be enacted into law with as little delay as possible.

Respectfully submitted.

Executive board:

Illinois State Federation of Labor: Reuben G. Soderstrom, president; William L. McFetridge; Fern R. Rauch; Charles H. Sand; Charles E. Driscoll; Robert G. Fitchie; John L. Kinsella; Mary McEnerney; M. J. Whalen; Victor A. Olander, secretary-treasurer.

STATEMENT BY BRIDGEPORT CENTRAL LABOR UNION, BRIDGEPORT, CONN.

In support of S. 1274, which provides for supplementation by the Federal Government of State unemployment compensation funds, the Bridgeport Central Labor Union wishes to point out that benefits under the laws of Connecticut are entirely inadequate. Weekly payments are as low as \$8, the maximum is only \$22 a week, an amount which will only cover the cost of food for the table, in view of present high prices.

Higher unemployed benefits could make more purchasing power available and thus prevent our going into economic tailspin, while Congress enacts other legislation to guarantee full employment.

We hope that S. 1274 will be approved by your honorable committee and that it will be passed by Congress.

The CHAIRMAN. There are also some telegrams and statements submitted by Governors who did not appear personally, from various States. I think it is appropriate to enter them in the record at this point.

(The telegrams and statements referred to are as follows:)

JACKSON, MISS., August 30, 1945.

RALPH FREDERICK,
*Secretary, Senate Finance Committee,
Senate Office Building, Washington, D. C.:*

Impossible to attend supplementation compensation hearing before committee. We do not expect mass lay-offs in our reconversion period. We are striving for rapid reconversion with a minimum of unemployment; we definitely approve unemployment compensation. However, we hope that such supplementary provision as is made will not tend toward unbalancing our reconversion efforts.

THOS. L. BAILEY, *Governor.*

EMPLOYMENT SECURITY COMMISSION OF WYOMING,
Casper, Wyo., August 21, 1945.

HON. WALTER F. GEORGE,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: Confirming our promise to supply the Senate Finance Committee with a statement from Wyoming regarding unemployment insurance as related in our letter of August 18, we wish to submit the following:

Wyoming's act provides for unemployment insurance to its workers who become unemployed through no fault of their own on every covered worker. In other words we have a coverage of one or more. We also subscribe to the plan of combining wages with other States to enable a worker who does not have sufficient wage credits in any one State to total his earnings and draw benefits.

Our law permits payments for a minimum of \$7 to \$20 maximum per week over a period of 20 weeks. To draw the maximum weekly benefit a worker must have earned \$400 in a 3-month period. The reserve fund for benefit payment purposes reached \$7,850,000 on August 1. In 1940 Wyoming paid out \$1,219,000 for 10,128 weeks of unemployment, which was the peak year for this agency.

The present number of employers, some 4,000, have been contributing about one and one-half million dollars to the fund annually. We have the employer experience rating system and the tax varies from 1 to 3.6 percent.

Some 30,000 persons from Wyoming entered the armed forces and an additional 7,000 workers left the State to enter war industry.

In view of the above facts, we, in this State, believe we are sufficiently sound financially to care for the needs of our citizens without additional aid from the Federal Government. Should the Congress desire to meet transportation costs of war workers back to their home States during the reconversion period, certainly there would be no objection on the part of Wyoming.

We also feel quite certain in the event President Truman returns the Employment Service to State control that the transition would not involve disruption or unnecessary delay in reorganization here.

Again permit me to express appreciation to you and the Senate Finance Committee for the consideration given us.

Respectfully yours,

ALVAN W. HARRIS, *Executive Director.*

STATE OF NORTH CAROLINA, GOVERNOR'S OFFICE,
Raleigh, N. C., August 24, 1945.

HON. WALTER F. GEORGE,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR GEORGE: On August 14 you were kind enough to wire me that hearings would begin August 27 on S. 1274 and inviting me to appear in person or by representative if interested. I am greatly interested, because I believe that the supplementation proposed in this bill might easily lead to the breaking down of State unemployment compensation systems and the complete federalization of unemployment compensation. It will not be possible for me to appear in person and I wired you that Col. A. L. Fletcher, chairman of the Unemployment Compensation Commission of North Carolina, would represent the State and would probably like to be heard.

It is my understanding that the National Council of Governors may be represented in this matter before your committee and that the Interstate Conference of Employment Security Agencies will be represented by its legislative committee. Colonel Fletcher is a member of this committee and will await the call of the chairman of the committee, Hon. Stanley W. Rector, of Wisconsin. He has been actively aiding Mr. Rector for several weeks in the preparation of the case for the States.

It is my belief that the position of the State agencies will be adequately presented but I would like to file with you, for the consideration of your committee, the attached statement, headed "Comment on S. 1274." I wish to do this because of the strong feeling I have (1) that our State unemployment trust funds are solvent and need no Federal supplementation; (2) that amount of benefits and duration of same are peculiarly State matters and should so remain, and (3) that the program proposed under S. 1274 would lead inevitably to the federalization of State unemployment compensation systems.

Thanking you for the opportunity of presenting my views on this important matter to your committee and with assurance of high esteem and respect, I am
Yours very truly,

R. GREGG CHERRY,
Governor of North Carolina.

COMMENT ON PROVISIONS OF S. 1274

It will be remembered that immediately following the Japanese attack on Pearl Harbor and our declaration of war, the problem of converting our industrial plants into war plants threatened wide spread unemployment and there was a frantic demand for Federal supplementation of State unemployment compensation funds to provide increase of weekly benefits and extension of duration of benefits.

At that time a bill similar to S. 1274 was presented to the Congress and a hot battle ensued. The Interstate Conference of Employment Security Agencies, backed by the National Council of Governors, appeared before various congressional committees, insisting that the State unemployment compensation systems could meet the emergency without Federal supplementation, and in the end the Congress agreed with them.

All of the world knows what happened. Smoothly and swiftly the Nation switched from production for civilian use to production for war. There was unemployment for a season but every State unemployment compensation system met the test triumphantly.

Now we are faced with the same problem and we are in better shape to deal with it today than we were in 1942. Unemployment trust funds in the Nation exceed \$6,000,000,000. In my own State, our unemployment trust fund has passed the \$105,000,000 mark. In January 1942 it stood at \$33,400,821.34. In addition the George bill, enacted in 1944 and accepted by the North Carolina General Assembly in 1945, further safeguards and guarantees the solvency of our State fund, and our State unemployment compensation commission is well-organized and efficient.

We face the future with confidence, firmly believing that reconversion from war to peace will be no more difficult in 1945 than was conversion from peace to war in 1942.

Permit me to comment briefly on specific sections of S. 1274, as follows:

Section 702 (b) (1)

Various States pay benefits for periods ranging from 16 weeks to 22 weeks; 32 States pay benefits for 20 weeks or more. At the 1945 session, our general assembly considered raising our duration from 16 to 20 weeks but decided against it, believing that 4 months is sufficient time for a man unemployed to find work, if he looks for it himself and makes use of the employment service. In this I fully agree. Any increase of duration of benefits would encourage idleness.

Section 702 (b) (2)

At the present time 27 States pay benefits up to a maximum of \$20 per week. North Carolina's General Assembly of 1945 raised our maximum from \$15 to \$20. In common with other States, our scale of benefits pays weekly amounts equal to approximately 50 percent of the worker's average weekly earnings. Our general assembly was firm in the opinion that any increase above 50 percent of the worker's average weekly earnings would serve to encourage and increase idleness, and in this I fully agree.

Section 702 (b) (3)

If Congress in its wisdom decides that Federal workers and maritime workers should be covered and if administrative difficulties can be overcome, North Carolina will be glad to cooperate in making such payments, but amounts and duration should be in accordance with the law of the State in which such employees performed their services.

Section 702 (b) (4)

This section offers no difficulty in North Carolina as we have held consistently that individuals who performed services in handling, processing, and packaging agricultural goods, away from the farm, are covered by our unemployment compensation law, and their employers have been paying contributions.

CONCLUSION

In conclusion I would like to say these things:

1. It is my information that the men who administer our various State unemployment-compensation laws, in 51 jurisdictions, are unanimously of the opinion that supplementation of State funds to increase duration of benefits is unnecessary. Our State fund and the funds of other States are adequate to carry the proposed load for the period fixed in the bill and longer. I believe they are right about this and that their judgment should be taken as to this point.

In 1942 they went to Washington to oppose a similar bill and they told congressional committees then that their trust funds were solvent, that they needed no Federal supplementation to meet unemployment due to conversion of industry from peace to war and that it would not require 6 months for American business to convert and get going again.

Those who claim now that it will take 6 months for business and industry to reconvert from war to peace are simply guessing and I submit that established successful State systems of unemployment compensation should not be disrupted on anybody's guess. Nor should millions of the taxpayers' money be spent for any such purpose.

2. The proposal to make maximum benefits \$25 per week in every State in the Union strikes me as particularly unwise. I do not doubt that benefits in some States should have a maximum of \$25, but it does not follow that every State should have that maximum. Conditions are not the same in North Carolina as in California, or New York, or Maine, or Mississippi.

This, I know, is primary, fundamental stuff, but sometimes it is well to return to fundamentals. I was a member of the North Carolina General Assembly that passed our State unemployment compensation law back in 1936. I reached the conviction then, and I still have it, that unemployment compensation is not supposed ever to take the place of the missing job. Its benefits and its duration of benefits must never be adequate for a worker's needs. Nothing must ever take away the job-seeking incentive, and to pay too much in benefits and to pay them for too long a time would have exactly this effect. Those who denounce our State systems as inadequate for satisfactory standards of living miss the point entirely.

3. I do not think it wise to entrust to the United States Employment Service the matter of moving workers around the country. For myself and for my

State, I would prefer that our citizens suffer the hardships of displacement and unemployment rather than have them shoved about the country where work is said to be available. North Carolina has a sizeable capital investment in its workers and does not want to lose any of them.

4. Our unemployment compensation commission has voluntarily assumed the burden of administering title V of the GI bill of rights and will be glad to continue to do so, paying for the Veterans' Administration whatever benefits Congress may provide.

Respectfully submitted.

R. GREGG CHERRY,
Governor of North Carolina.

RALEIGH, N. C., August 24, 1945.

NEW YORK, N. Y., August 30, 1945.

HON. WALTER F. GEORGE,
United States Senator,
Chairman, Senate Finance Committee,
Washington, D. C.

We believe the right to fix the amount of unemployment compensation and the duration is the State's, and Congress should leave that responsibility to the State. Florida is opposed to the proposed bill whereby the Federal Government supplements the State fund in increasing its benefits and duration to the level provided in the unemployment bill because of its unfairness to those States which have increased benefits and extended the duration to the level provided in the proposed bill. Florida is unalterably opposed to any bill or plan whereby Congress federalizes unemployment compensation. The proposed bill is grossly unfair to those States which have increased unemployment benefits and extended duration to approximate amounts provided in the proposed bill.

CARL B. SMITH,
Chairman, Florida Industrial Commission, State of Florida.

THE STATE OF COLORADO,
Denver, August 24, 1945.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR GEORGE: It is my understanding that hearings will begin in the Senate Finance Committee on August 29, 1945, concerning the provisions of Senate bill 1274, which has to do with unemployment compensation payments during the reconversion period. There are several provisions in that bill which are of a controversial nature, on which I would like to state the position of Colorado.

As I understand it, the bill provides for increasing the maximum weekly benefit amount as provided in State laws up to \$25. It seems to me that \$25 per week is too high a figure to use. It would be based entirely upon the high wages which have been paid to individuals during the war in defense industries. Many of these workers did not work a normal week of 40 hours, and in a great many instances worked from 48 hours a week up and drew time and a half for any hour in excess of 40. This naturally raised their take-home pay abnormally. As these workers try to find work in regular types of employment, the pay will be based on a normal workweek without overtime. Twenty-five dollars per week in unemployment benefits comes too close to what people could earn in peacetime employment and they would therefore be inclined to work as long as benefits were obtainable. Unemployment compensation is not intended to maintain an individual's standard of living, but is intended to provide only the necessities of life while he is trying to find another job.

The bill also provides for extending the duration of benefits to 26 weeks. It is questionable that this length of time will be necessary in the next few years. It will depend entirely upon the ability of business to reconvert and provide employment for the masses in a period less than 6 months. If business can do this, then the duration provided in State laws will be sufficient.

You will recall that in 1942 there was a movement on foot to supplement State benefits for workers who would be displaced while manufacturers were converting from peacetime to wartime activity. The State administrators opposed

that action at the time and development later proved them to be correct in the stand taken. State laws provided sufficient funds for all displaced workers, no State funds became insolvent, and at the present time they are in better shape than ever to withstand a period of unemployment.

The bill also provides for paying benefits to Federal workers in accordance with State laws or in accordance with the District of Columbia law. If this bill passes, this provision should unquestionably be to pay benefits in accordance with the State law in which the Federal worker has performed services for the Federal Government. There is no logical reason why a Federal worker should draw benefits on any other basis than his neighbor who worked in covered industry.

There are a number of provisions in the proposed law which could well be included in a long-range program of social security and not be hastily passed at the present time. Among these provisions are (1) paying benefits to workers in the handling, drying, packing, processing, etc., of any agricultural commodity; (2) amending section 1607 of the Internal Revenue Code to extend the employer definition to one or more at any time.

Colorado is in favor generally of covering all workers in industry. The matter of covering farm workers and domestic servants is one that should be studied very carefully before the legislation is passed.

I understand the bill also provides for paying transportation costs of civilian war workers and dependents from Federal funds from their place of employment in war work to places where the USES certifies that there are available job opportunities. This is a questionable use of public funds. In the main, war workers have had earnings beyond anything they have ever known before and the individual should pay his own traveling and personal expenses. There is a further difficulty in trying to determine who is a war worker and who is not.

I trust that your committee will not recommend the enactment of this bill.

Faithfully yours,

JOHN C. VIVIAN, *Governor.*

STATE OF IOWA,
OFFICE OF THE GOVERNOR,
Des Moines, August 29, 1945.

HON. WALTER GEORGE,
Washington, D. C.

DEAR HONORABLE GEORGE: I am enclosing herewith letter of Mr. Claude Stanley, of the Iowa Employment Security Commission, setting forth the views of the commission with reference to the employment situation here in Iowa and the sufficiency of the funds now on hand to meet the needs of this State during the reconversion period. It is my desire to have this letter filed with your committee as a part of the record of proceedings of the hearings of the committee on this matter if it is agreeable to do so.

I am sending this information through this letter in lieu of having Iowa represented in person at the hearings of the committee.

Thanking you for the opportunity of being heard before the committee and for the consideration of the committee, I remain

Very truly yours,

ROBERT D. BLUE, *Governor.*

STATE OF IOWA,
EMPLOYMENT SECURITY COMMISSION,
Des Moines, Iowa, August 28, 1945.

HON. ROBERT D. BLUE,
Governor of Iowa,
Des Moines, Iowa.

MY DEAR GOVERNOR: In compliance with your request I herewith give you my views as to the applicability of bills in the Congress of the United States relating to supplemental unemployment compensation. These bills are S. 1274 and H. R. 3736. They are companion bills and provide for funds provided by the United States to supplement the amount of unemployment compensation payable under the State law so that the weekly benefit amount of an individual will be increased to \$25 and the duration of payments will be increased to 26 times the adjusted weekly benefit amount.

The bills further provide that in determining the adjusted weekly benefit amount it shall be increased to equal two-thirds of the individual's weekly earnings. The bills provide that these payments shall be made by the State employment security agencies if an agreement can be made between the State and the Director of War Mobilization and Reconversion. That in the event that the State does not enter into an agreement with the Director the Federal Government through the Director will make the payments directly to the claimants.

The bills also provide that the United States Employment Service is authorized to provide transportation for war workers and their dependents and household effects to other jobs in the United States that may be found for them.

The bills also provide that benefits to veterans shall be increased to \$25 per week and in addition thereto \$5, if the claimant has one or more dependents.

The bills are proposed as necessary to provide an orderly transition from war to peacetime economy. It is a provision for additional unemployment compensation above that paid by the State.

Let us first consider whether or not the provisions of the Iowa Employment Security Act in the State of Iowa are sufficient to take care of the unemployed within the State in a reasonable manner. Table 10 of the Eighth Annual Report shows the number of workers reported by subject employers during each month in each year from 1940 up to the end of June 1944. This report shows the average number employed in 1940 was 236,076; in 1941, 263,870; in 1942, 282,048; in 1943, 299,922; and in 1944, based upon the first 6 months, an average of 291,471. These tables indicate that the increase in employment from 1940 to the highest year, which was 1943, was approximately 64,000 workers.

Table 11 shows the wages paid by calendar quarter for the years 1940 to 1944, inclusive. These figures indicate that the average wage in 1940 was \$1,173 and that it increased in 1944 to \$1,839.

Our records further indicate that up to the end of July 1945 we have collected more than \$76,000,000 in contributions, and that as of July 31, 1945, the balance in the unemployment compensation trust fund was \$59,140,969.75. That since that date there has been added to this trust fund approximately \$2,000,000 as contributions received for the calendar quarter ending June 30, 1945. The total benefits paid from this fund from July 1, 1938, to July 31, 1945, amount to \$17,369,500.10.

Year	Claims	Benefits	Year	Claims	Benefits
1938 ¹	82,489	\$2,585,609.33	1943	15,241	\$513,544.65
1939	95,585	5,227,573.17	1944	8,247	280,442.82
1940	102,145	3,991,353.44			
1941	75,646	2,550,992.45	Total	435,937	17,214,786.98
1942	56,584	2,065,271.12			

¹ Last 6 months.

From these figures it is apparent that there are ample funds in the Iowa employment security trust fund to take care of any unemployment that may be expected during the reconversion period.

The Fifty-first General Assembly amended the Iowa Employment Security Act to liberalize benefits both as to the weekly benefit amount and as to the duration. The maximum weekly benefit amount was raised from \$15 to \$18 per week. The duration was increased from 15 weeks to 18 weeks. The method of determining the claimant's weekly benefit amount was amended to provide that the weekly benefit amount would be one twenty-third of the wages of such individual in that calendar quarter in his base period in which his wages were the highest, in the place of one twenty-sixth of such wages. This increases the benefits approximately 13 percent. It also increases the weekly benefit amount to approximately 56½ percent of the average weekly wage.

Each State has determined for itself what it believes is an adequate weekly benefit amount. These range all the way from \$15 per week to \$28 per week. Each State has fixed its amount so that it will be equivalent to one-half of the average weekly wage of the individual. It is not the purpose of unemployment insurance to pay the unemployed individual a wage. The only purpose of this act is to provide a fund to sustain the worker until he can obtain a new job within a reasonable time.

It is my opinion that the provisions of the Iowa employment security law are in harmony with those of the other States in that they take into consideration the average weekly wage of the employee, and also the factor of cost of living.

In addition to the individuals who have been employed within the State during this war crisis there will be the returning veterans, some 25,000 or more of them. However, it is estimated that not more than 30 percent of these veterans are or would be eligible for unemployment benefits under the Iowa Employment Security Act. Whether or not they are entitled to benefits under the State act they are amply provided for by title V of the GI bill, and our experience to date is that very few of the returning veterans have elected to draw the State money to which they were entitled but have elected to draw from the Federal Government. These laws leave it to the option of the claimant as to which he will draw first by providing that he cannot draw from both State and National Government at the same time.

In the establishment of a weekly benefit amount consideration must be given that the amount shall not be so high as to induce unemployment. The provisions of the above-mentioned bills provide that the adjusted weekly benefit amount in the State shall be raised to two-thirds of the weekly earnings.

The State of Iowa does not need a subsidy from the Federal Government in order to be able to take care of its unemployed during the reconversion period and to provide for them on a substantial basis.

S. 1274 provides for a weekly benefit amount of \$25. It also provides for a duration of 26 weeks, or a maximum amount of benefits equal to the weekly benefit amount multiplied by 26. This bill is based upon the assumption that the period of reconversion will extend beyond 18 weeks, and also upon the assumption that a weekly benefit amount of \$25 is necessary to carry the unemployed through that period. As above stated, the average weekly wage of all employees in the State of Iowa covered by the Iowa Employment Security Act was less than \$24 a week. That the maximum was reached in the year 1944, when the average weekly wage was \$36.

One important factor is the speedy return to civilian production or a speedy reconversion from the war effort. It must be remembered that a great part of the 64,000 additional workers came from outside the larger cities in the State. That a normal wage in the small county seats and small towns in the counties is not more than \$25 a week. It is believed that providing this supplemental unemployment benefit at such a high figure in the State of Iowa would retard reconversion—that there would be many people who would be inclined to take the \$25 a week and do nothing rather than accept a job at an equal wage.

Reports received through the United States Employment Service indicate that in 1940 there were approximately 90,000 persons employed in the manufacturing industries. It is these industries that expanded very largely during the war, and during 1944 reached more than 150,000. Their reports further show from surveys taken that the manufacturing industries will absorb approximately 120,000 people when they are reconverted. This will show an increase of 30 percent.

The Iowa employment security program has sufficient funds to take care of the unemployed in this State. The passage of S. 1274 will retard rather than expedite reconversion in the State of Iowa. Iowa will have no critical problem with the unemployed. Based upon the average wage paid in Iowa and the cost of living the benefits provided under the State law are sufficient.

Yours very truly,

CLAUDE M. STANLEY,

Commissioner, Iowa Employment Security Commission.

The CHAIRMAN. I have also here a statement from one of the witnesses who was to appear. In lieu of appearing he has filed a brief statement. He represents The People's Lobby. That will go into the record at this point:

(The statement referred to is as follows:)

STATEMENT OF THE PEOPLE'S LOBBY, INC.

WHICH WAY WILL AMERICA CHOOSE?

This war has proved that the United States of America has sufficient farms, experienced farmers, factories, technicians, mechanics, and natural resources—such as coal, iron, and oil—to supply a good standard of living for all our people.

In spite of having 11,500,000 men and women in our armed forces, our production is such as to enable the majority of our people to enjoy the highest standard of living in the world—and still send goods to our allies, at a time when we are producing enormous quantities of guns, ships, airplanes, and munitions.

This is not the result of "private enterprise." Many of our big manufacturing plants wouldn't, or at any rate didn't convert from peace production to war production, until the Government guaranteed them prices to cover all costs, including a lot of wasteful advertising—costing the taxpayers billions of dollars.

Government-planned war production, which is much harder to plan than peace production, because submarines, shifts in the fighting, casualties, and the enormous distances goods must be carried, upset calculations.

Government takes all the risks in war.

After this war will we go back to "one-third of our people ill-fed, ill-clad, and ill-housed," as we did after World War I?

If we do—World War III becomes almost inevitable.

America is the one great nation where nobody needs to "go short"—if willing to work.

We could be the storehouse of democracy in peace, as we are the arsenal of democracy in war, if we do not return to the system under which we never produced and distributed enough to maintain peace.

From 1922 to 1936, when this war really started in Spain, our productive machine ran one-third short of maximum production, therefore our people ran short.

You can't eat your cake if you can't make it.

America has all the makings of all the cake Americans can eat, and enough to share some with the world.

Big corporations make more money out of scarcity, and the resulting high prices.

That is the reason American trusts, and international cartels were started.

When the owners talked about "the law of supply and demand" they meant that they wanted a law that would keep down supply and increase demand, that would increase profits.

About 20 years ago, big corporations got less than half of all profits, now they get about two-thirds and would be willing to have 99½ percent.

Can we block their game?

Yes—if enough Americans like you protest.

Early in the war, the Government spent about \$9,000,000,000 on plants to produce airplanes, machine tools, steel, aluminum, synthetic rubber, gasoline, magnesium, etc.

The Government now owns about half the machine-tool factory facilities.

The Government owns a tenth of steel productive capacity—and enough of many other plants to control much important production.

The big corporations want these plants.

Private ownership of factories, mines, and other things essential to production gives the owners the right not to produce the things the people need unless they get the profits they want.

This is a dangerous form of dictatorship.

It would be as bad policy to give up Government plants in peacetime as to give up our ships in war, if we want to insure full production.

There is only one way to raise the living standard of all Americans.

That is to have full production of everything Americans need, and pay producers enough to buy the products of industry and farm, out of current income—not by general installment buying.

To get this American standard for all, the People's Lobby is trying to get the Government to keep the factories and plants it has built for war production and convert all possible to peace production.

Most of them could be converted in from 1 to 6 weeks.

They would be operated through public corporations, by production engineers and technicians who have proved that they know their business, as American mechanics have, by their war-production records.

What will happen if we don't have all factories, plants, mines, and so on run to meet America's needs?

The United States Department of Commerce reports that in 1946: "Even with an average workweek 5 hours shorter than in 1940 there would be more unemployed than the 13,000,000 in 1932."

Aren't 13,000,000 unemployed 13,000,000 too many?

If you want to learn more of what to do to get, and keep, full employment, which America never has had in peace but always could have, in peace as in war—

Write People's Lobby, rooms 307-308, 1410 H Street NW., Washington 5, D. C.

The People's Lobby is trying to get the Government to adopt the principle of paying as large a part as practical of the costs of war by current taxation, based on ability to pay, exempting income essential to health and well-being, as determined by Government agencies.

It is also working for—

1. Government direction of farm production, and control of processing and distribution of farm products, during the war economy, with direct payments where needed to marginal farmers.

2. Effective Government control of prices and of quality of essential consumer goods.

3. The participation of the United States Government in international arrangements, such as the control of money, credit, trade, natural resources, and cartels.

INCOME ASSURANCE, NOT UNEMPLOYMENT INSURANCE, NEEDED

STATEMENT TO SENATE FINANCE COMMITTEE BY BENJAMIN C. MARSH, SECRETARY,
PEOPLE'S LOBBY

Income assurance is necessary in the postwar era we have entered to prevent civil commotion, if not bloodshed, for people will not accept a continually lowered standard of living.

A fair standard of living must be maintained continuously for all, middle-class people, many of them on small fixed—and therefore shrinking incomes—sharecroppers and tenants, and those who have not been employed, as well as those now entitled to unemployment compensation, or to be included.

The prospects are that there will be at least 8,000,000 people unemployed for from 6 weeks to a few years, about two-thirds of the peak of our armed forces.

Because of our failure to pay-as-we-go, through pay-as-we-can, and other policies, the postwar dollar will be worth only about two-thirds of the prewar dollar.

The Government is aping too many of the policies and techniques which Bismarck and Hitler practiced to condition Germany for her tries at world domination, and most of the United Nations as well as the remnants of the triple Axis, fear—for the same reason.

Because so many million people will have to be helped, Government must adopt three policies:

1. The Government must give funds to maintain decent living standards, which in many cases will be only supplementary allowances, only to those who need help.

This does not involve the "means test" but since the Federal Treasury is not the widow's cruse of oil, people, whether wage earners or not, who have saved \$5,000 to \$10,000, as at least a million families have, should not receive the same payments, as those who are penniless, or have only part of the requisite income, and payments should be based on the number in a family, not on wages previously received.

2. Government must promptly repeal taxes on consumption, and tax incomes above a minimum, more heavily—both personal and corporate—and land values; retain wartime controls and make at least processors and distributors of farm products, agencies of the Government.

3. Government must retain war plants and equipment it owns and direct all production, industrial as well as agricultural.

Even without the atomic bomb, this war has ended the middle way.

Prosperity through deficiteering has been proven a failure; good living standards can be achieved only by maximum production, with producers buying that product out of current income, not out of tribute levied on the next generation, through interest bearing bonds.

Senator TAFT. May I ask if, after you have concluded the hearing tomorrow, you expect to have executive session on Wednesday?

The CHAIRMAN. I doubt if we could have an executive session by Wednesday. We couldn't have it before Thursday. We would have to get the record in shape before we could have executive session.

The committee will recess until tomorrow at 10 o'clock, at which time we will close the public hearings on this bill.

(Whereupon, at 1 p. m., the hearing was adjourned, to reconvene at 10 a. m., on the next day, Tuesday, September 4, 1945.)

EMERGENCY UNEMPLOYMENT COMPENSATION

TUESDAY, SEPTEMBER 4, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.,

The committee met, pursuant to adjournment, at 10 a. m., in room 312. Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Barkley, Connally, Byrd, Guffey, Lucas, McMahon, Vandenberg, Taft, Millikin, and Brewster.

The CHAIRMAN. The committee will come to order.

Dr. Emerson P. Schmidt.

STATEMENT OF DR. EMERSON P. SCHMIDT, DIRECTOR, ECONOMIC RESEARCH DEPARTMENT OF THE CHAMBER OF COMMERCE, UNITED STATES OF AMERICA

The CHAIRMAN. You are representing the United States Chamber of Commerce?

Dr. SCHMIDT. That is right.

The CHAIRMAN. We will be very glad to have your views on this matter.

Dr. SCHMIDT. I am glad to have this opportunity to appear and present the chamber's position on this matter.

I have a brief manuscript, and after that I will be glad to answer any questions.

Other witnesses have already told you of the highly solvent status of the State unemployment compensation funds, the extension of coverage and the substantial improvements effected in the several State benefit formulas, and the conscientious devotion to duty of the State officers administering these programs. Therefore I will not repeat what has already been said, except to note one or two points.

Over \$7,000,000,000 dollars are available in the State reserve funds, sufficient to pay some 60 percent of all eligible workers for their maximum duration, should they be unemployed that long. A weekly maximum benefit of \$20 or more applies in 28 States and these include 77.5 percent of all covered workers. A maximum benefit duration of 20 or more weeks applies in 33 States, including 81 percent of all covered workers. The States with the more liberal benefit laws generally had the greatest concentration of war contracts and workers; therefore, the more liberal State provisions will apply to even a larger percentage of those workers who are laid off, than indicated by the above figures.

This bill would have our debt-ridden Federal Government assume a liability largely for the sake of adding a few weeks of benefit payments and \$1 to \$5 for the war workers already receiving, by previous standards, rather liberal allowances. I wonder if it is worth while to upset our present State system for this slight change.

The Chamber of Commerce of the United States of America, through democratic referendum, is on record in opposition to any further Federal governmental intervention in this program (Social Security in the United States, Chamber of Commerce of the United States of America, 1944).

But the chamber is on record in favor of social security in general and unemployment compensation in particular. In this referendum the chamber favored better State coverage; for example, maritime workers and employees of smaller establishments should be protected by State systems. The referendum favored gradually lengthening the duration of benefit payments. Of course, this is based on the assumption that the programs can and will be properly policed.

Since this referendum was adopted, by overwhelming majority vote, the States have responded wholeheartedly. In fact, in anticipation of the inevitable unemployment which we knew would accompany the transition to peace, we launched this referendum last year, so that instead of having to face up to a crisis and emergency, we would be prepared. Perhaps we may be pardoned for taking some of the credit for the improvements made in the State laws by the majority of the States in 1945, which improvements make the need for this bill very doubtful. The 45 State legislatures which met this year considered the adequacy of their unemployment-compensation programs. A few made no changes after concluding that what they had was adequate to meet the probable problems which would emerge. Should conditions develop which indicate that further improvements are required, we believe that the encouragement of the chamber and its 2,000 affiliated chambers of commerce and trade associations will lead to such improvement. We have carried on a continuous educational effort to this end through our contracts, and especially through American Economic Security, a periodical going regularly to our members. We intend to continue to carry on this effort as needed.

If the Federal Government now passes this bill providing supplementary benefits, the States which have greatly liberalized their laws will be penalized. The States which are most remote from the standards proposed in this bill will benefit proportionately more. It is obvious that this will destroy the incentives for the State legislatures to make any further improvements. Nothing in the present bill would prevent the States from trying to deliberalize their laws if their taxpayers are handicapped relative to taxpayers in other States. This is the type of unanticipated reaction which may flow from the bill. I do not believe that your committee would welcome such a reaction.

PREPARATION FOR RECONVERSION

American business and the United States Congress have been preparing for war's end for several years. After the last war we had no systems of unemployment compensation; today nearly all commercial and industrial workers have this protection. This is a great gain.

The Congress has made provision for the prompt reemployment of workers by providing for rapid settlement of canceled war contracts, for the orderly disposal of surplus property including war plants, aid to small business establishments, and many other provisions have been made—all with the purpose of encouraging the prompt reconversion to civilian employment. The best assurance that reconversion unemployment will be minimized is through the reestablishment of profit expectations. The human side of reconversion and business reconversion are inseparable.

American businessmen have established thousands of State and local committees, and all major industrial corporations have internal committees devoted to the problems of change-over employment. Through all of this effort, both governmental and private, we are better prepared to move into higher levels of productive employment than was generally assumed possible some months ago.

MAINTAINING PURCHASING POWER IN THE TRANSITION

Much has been made before your committee of the decline in purchasing power when the cut-backs occur and when Government ceases to be a heavy buyer. One labor organization predicted 30,000,000 unemployed at war's end. However, instead of a shortage of purchasing power during this transition, the behavior of the OPA indicates that in its judgment a surplus of purchasing power requires a continuation of quite rigid price control. Although most other wartime controls have been relaxed, price and rent control continue. This committee cannot ignore this phenomenon.

So much has been said of deferred consumer demand that nothing needs to be added at this time. Deferred demand becomes effective demand when backed by the means and the willingness to buy. Today we have an absolutely unprecedented stored-up purchasing power. In fact, people generally have not yet appraised adequately the true inwardness of this perfectly enormous liquidity position of the American people.

The American farmers have accumulated during the war liquid assets and savings in excess of their entire indebtedness. Last December American business and individuals owned liquid assets of \$194,000,000,000, as against only 66 billion in 1939. This increase of 128 billion consisted of \$17,100,000,000 dollars in pocket money, \$23,400,000,000 of demand deposits or checkbook money, \$12,600,000,000 in time deposits, \$64,600,000,000 in Government bonds. This is a total increase of nearly \$128,000,000,000 of money and near-money, greater than a year's wartime swollen budget for all purposes. Since our Federal Budget is far from balanced and since the Government must still resort to bank borrowing, this bill if enacted might increase by several billion dollars the increase in liquid savings and thereby postpone still longer the restoration of a normal economy free from inflation dangers and free from the onerous price regulations of the OPA.

The figures I have quoted do not include the private debt repayment during the war, which paves the way for more borrowing. Retail credit, for example, has declined from \$10,000,000,000 in 1941 to about 5.4 billion in 1945.

Farmers and others have repaid much of their debt. Nor do these figures include the asset improvement of individuals through the pur-

chase of life insurance, pension reserves, investments in savings and loan company shares, purchase of corporate securities, and the like.

Of the total increase in purely liquid assets of nearly \$128,000,000,000 in money and near-money, individuals accounted for \$81,200,000,000. Some 23,000,000 workers—27,000,000 if we include armed and Federal services—have been cooperating in pay-roll deduction plans, each purchasing an average of about \$20 monthly or \$240 yearly of E bonds. About 18 percent of these bonds have been redeemed. It is not very flattering to the patriotism of American workers to imply that they have not saved substantial sums for the reconversion period. The statistics demonstrate that the majority of them have cooperated. These few figures, all taken from Government sources, suggest that instead of fearing deflation and unemployment, we might be worrying about inflationary and feverish prosperity.

In the last decades there has been a fairly general long-run relationship between our level of economic activity and the amount of money and near-money in circulation. For example, for some 40 years, the general tendency has been for the national income to be about three times our currency and demand deposits. That is, we had about \$3 of national income for each dollar of currency and demand deposits.

Not only the amount of this money but its rate of use determines the level of economic activity. During the war, contrary to the general impression, the velocity of money turn-over, that is, the rate of use of money, has been unusually low. Should the predepression velocity of money be restored in a postwar boom, prices would probably go through the roof. That is, the high money velocity plus the enormous quantity of it in the hands of the public might readily push prices upward by 20, 50, or even more than 100 percent. This is the fear of the OPA. I am informed that some people in the Federal Reserve System, who formerly feared a collapse after the war orders disappeared, are now feverishly working on credit and other controls to prevent run-away prices in the months to come.

This committee, thoroughly versed in these matters, will naturally weigh carefully the implications of this bill before it passes it, for, if passed, it will further augment through deficit spending, this highly liquid, potentially inflationary situation.

At this point I should like to offer for the record a brochure entitled "Maintaining Purchasing Power in the Transition," an exhibit which brings together the statistics and evidence on the inflationary potential which we face, and discusses the economics of reconversion. Copies are on your desk, I believe.

The CHAIRMAN. They are available here. It may go into the record, however.

Dr. SCHMIDT. Incidentally, it does not indicate the need for this bill.

(The document referred to is as follows:)

MAINTAINING PURCHASING POWER IN THE TRANSITION

(By Emerson P. Schmidt, Director, Economic Research Department, Chamber of Commerce of the United States of America, Washington 6, D. C.—1945)

POSTWAR READJUSTMENTS, BULLETIN NO. 14

During reconversion and the postwar, we are told, we must maintain take-home pay; otherwise we will have the greatest collapse in history. Unemployment of

10, 20, and even 30 million persons is predicted. A vigorous drive is being made to raise basic wage rates so that the total wartime national wage bill will be maintained when cut-backs in war production occur. Then overtime wages will disappear, many workers must shift to lower-paid jobs, and some 5 million under age, over age, and women workers will leave employment. The gap must be closed, it is said. It would indeed be difficult to invent a better scheme than this to create either mass unemployment or a spiral of wage-price inflation. Either could occur. It has never been demonstrated that the mere marking up of wage rates can create purchasing power.

The lumber producers, for example, do not tell us that if we raised their prices more purchasing power would be created; the architects or school teachers do not tell us that at higher salaries more jobs would open up; they know that wages, salaries, and fees must be properly adjusted to the buying reactions or paying capacity of the persons or groups with whom they do business.¹

Why, suddenly in our history, do we need this special devotion to the creation of purchasing power? One explanation for this demand is that we have so many groups already interfering with the natural market forces governing supplies, demand, and prices that our free market forces have steadily been robbed of their equilibrating, allocating, and prosperity-making functions. So more interferences are proposed.

We are on hand an excellent case history to demonstrate the truth of this analysis. In the autumn of 1944, after the liberation of France, the authorities raised wages by an average of 40 percent, meantime holding prices to previous levels. Production and employment bogged down; we were called upon for billions of postwar lend-lease aid. In the spring of 1945 the error of this philosophy was recognized. Prices were allowed to rise to overcome the previous mistake, and production and employment soon were improved.² This meant inflation, but it did restore production incentives.

I. Wage-price adjustment

In the demand for higher hourly wage rates, much is made of the wartime rise in efficiency, which is alleged to make higher wages, without higher prices, possible. Several observations on this idea are pertinent.

1. Time required to translate efficiency gains of wartime production into peacetime production. Many companies will be able to benefit only after a considerable period of time by the new know-how and the new equipment (on which the rise in efficiency rests).

2. Many of the war industry improvements have very limited application to peacetime production. The enormous efficiency gains in shipbuilding, for example, may not be transferable to meat packing, artificial-ice making, or printing.

3. The necessary restoration of sales forces, shifts to competitive conditions, shifts to smaller quantities of output due to the varied tastes and demands of the consumers for variety and diversification in types of goods—all of these matters make it impossible fully to translate wartime gains in efficiency to post-war production.³

4. The rise in basic hourly wage rates during the war period probably has already more than absorbed whatever rise in efficiency has occurred during the war. A study of the following table shows that while retail prices have risen less than 30 percent since 1939, straight-time hourly earnings have risen nearly twice as much. After the war our economic structure may be expected to be restored to something like the prewar structure; in the face of this fact the last item (D) in the table is highly relevant.⁴ It will be noted from this that if we apply our wartime basic hourly wage pattern to the prewar industrial structure, even then the wage rates show a rise substantially greater than the rise in either retail or wholesale prices. In other words, if we now follow a policy of a general

¹ The question of the relations among wages, employment, and production was discussed in Bulls. 4 and 5, *Maladjustments in the Postwar*; and *Absorbing the Total Labor Supply*, respectively, Chamber of Commerce of the United States of America, Washington, D. C.

² This, of course, was only one among many factors accounting for the delay in production. See *Financial News*, London, May 9, 1945.

³ It is probable, however, that in the long run, perhaps after 5 or 10 years, the war experience will have accelerated efficiency.

⁴ This does not mean that the relationships of our prewar wage-price structure were correct; then we had several million workers unemployed and wages in some sectors of the economy were already too high relative to wages in other sectors. See Bulls. 4 and 5 in this series.

wage increase in order to maintain purchasing power, this must probably press very heavily against prices and will probably lead to further inflation.

*Wages and prices, 1939-45*¹

	1939	1945 ²	Percentage Increase 1945 over 1939
Cost of living:			
A. National Industrial Conference Board (1923=100).....	84.5	106	25
B. U. S. Department of Labor (1935-39=100).....	99.4	127	28
Wholesale prices U. S. Department of Labor (1926=100).....	77.1	106	38
Wages:			
A. Factory average weekly earnings:			
(i) National Industrial Conference Board.....	\$27.04	\$50.99	89
(ii) U. S. Department of Labor.....	23.14	47.51	102
B. Factory average hourly earnings:			
(i) National Industrial Conference Board.....	.72	1.10	53
(ii) U. S. Department of Labor.....	.63	1.05	67
C. Estimated straight time factory hourly earnings.....	.62	.97	56
D. Estimated straight time factory hourly earnings weighted by January 1939 employment.....	.62	.90	45

¹ All data from Department of Labor unless otherwise indicated.

² Most recent month for which data are available.

Needless to say, this analysis does not lead to any conclusion for general wage cuts, it does not argue that wages as a whole are too high; rather, the purpose is to demonstrate that wage-rate increases have already exceeded price increases by a substantial margin and that any artificial forces either through labor-union pressure or governmental fiat to lift wage rates still further must be translated chiefly into higher prices or into unemployment.

It should be said that this does not mean that wage rates may not require adjustment in the cases of individual workers and probably in the case of considerable groups. But such adjustments, including price adjustments, should be based upon specific supply-and-demand conditions, costs, consumer demand, and not upon some generalized theory of avoiding deflation.

Unquestionably, we will have some unemployment during reconversion and even during the replacement boom. But a rise in wages will not correct these spotty conditions.⁵

II. Inflation potential

The probability of a postwar boom is greatly reinforced by two outstanding facts: (1) the enormous deferred demand for consumer durable goods, including new housing; and (2) the highly liquid position of American business and individuals. During the war years individuals have "saved" nearly 25 percent of their income receipts. The total "savings" from 1940 to 1944 are indicated in the accompanying tabulation.

*Income and savings, 1940 to 1944*¹

[In billions]

	Income payments	Net savings of individuals
1940.....	\$76.2	\$7.3
1941.....	92.7	14.2
1942.....	117.3	28.8
1943.....	143.1	33.7
1944.....	156.8	39.9
Total.....	586.1	123.9

¹ National Industrial Conference Board.

⁵ For a careful appraisal of both deflationary and inflationary forces see: *Inflation and the Postwar*, Chamber of Commerce of the United States of America, 1944, and *A Formula for Avoiding a Tallspin*, by Sumner H. Slichter, *New York Times Magazine*, June 17, 1945.

It will be noted that the savings increased from over 7 billion dollars in 1940 to nearly 40 billion dollars in 1944. The total for the 5 years amounted to 123.9 billion dollars.

The word "savings" has been put in quotation marks because it does not mean what it seems to mean. Included in the figures are such things as debt repayment. Consumer credit, for example, has declined from 10 billion dollars in 1941 to 5.4 billion dollars in 1945; this may pave the way for the creation of new credit (inflationary pressures) to supplement money holdings and current income.⁶

Secretary Morgenthau has stated that 85,000,000 persons have purchased war bonds. The labor unions, as evidence of the patriotism of the American worker, have given much publicity to the pay-roll deduction plans for buying war bonds.⁷ They have participated in the several war bond drives. American people are better supplied with money and other highly liquid assets that at any time in our history. Yet deflation is predicted if something is not done by the Government, by the War Labor Board, and other agencies to create additional purchasing power.

These savings are in numerous forms, chiefly currency, bank deposits, and war bonds. What their owners may do with their war bonds in the postwar we do not know. But the very fact that such enormous quantities of savings are kept in the form of currency and demand deposits has suggested to some people that the funds are being kept in readiness for expenditures to be made as soon as the time is propitious.

The data in the above table is supplemented by additional figures on the estimated liquid asset holdings of business and individuals in the table below. Here it will be noted that the holdings of currency, bank deposits and Government securities have increased from 65.9 billion dollars in 1939 to nearly 200 billion dollars in 1944. The year 1945 may be expected to add another 35 billion dollars to this huge total. Furthermore, these figures in this table do not include debt repayment, building-up of insurance and pension reserves, investment in savings and loan shares, purchase of corporate securities, and the like.

*Estimated liquid asset holdings of business and individuals*¹

[In billions of dollars—year-end figures]

	1939	1940	1941	1942	1943	1944
Total.....	65.9	71.6	82.1	112.7	153.0	193.6
Currency.....	6.2	7.1	9.4	13.7	18.6	23.3
Demand deposits.....	21.3	25.1	28.3	37.2	48.3	54.7
Time deposits.....	26.3	26.9	26.9	27.7	32.0	38.9
U. S. Government securities.....	12.1	12.5	17.5	34.1	54.1	76.7
Business holdings (total).....	17.5	20.3	24.2	37.0	51.6	66.0
Corporations (total) ²	13.0	14.9	17.5	27.0	38.1	47.1
Financial corporations (total).....	1.7	1.9	2.2	2.6	3.0	3.5
Nonfinancial corporations (total).....	11.3	13.0	15.3	24.4	35.1	43.6
Unincorporated business (total) ³	4.5	5.4	6.7	10.0	13.5	18.9
Personal holdings (total).....	48.4	51.3	57.9	75.7	101.4	127.6
Currency.....	5.6	6.4	8.5	12.6	17.4	21.8
Demand deposits.....	8.5	9.3	11.0	14.9	19.8	23.2
Time deposits.....	25.4	26.0	26.0	26.8	31.1	38.0
U. S. Government securities.....	8.9	9.6	12.4	21.4	33.1	44.6

¹ Federal Reserve Bulletin, June 1945.

² Excludes nonprofit associations.

³ Currency, time deposit, and U. S. Government security holdings of unincorporated businesses include only those held for business purposes—that is, those included in the financial statements of these concerns. Other such holdings of the owners of incorporated business are included among personal holdings. In the reporting of demand deposits, "mixed" accounts from which both personal and business expenditures were made have been classified as business accounts.

⁶ Furthermore, most of the items in this table are mere claims on wealth and income, and not savings in real terms.

⁷ Some 23,000,000 workers (27,000,000, including armed and Federal services) are cooperating in pay-roll deduction plans, each purchasing an average of about \$20 of E bonds monthly. About 18 percent of these bonds have been redeemed.

More than \$90,000,000,000 have been added to our money supply since 1938.⁸ Currency in circulation outside of banks stood at \$8,000,000,000 in 1938 and the most recent figure is \$24,000,000,000. Demand deposits (the equivalent of money) including Government-owned deposits rose from \$27,000,000,000 at the end of 1938 to \$88,000,000,000 in 1944. This is an absolutely unprecedented increase in money. We do not yet know what its effect will be on our price level but that it suggests a period of deflation can scarcely be argued. If deflation comes, it will not be because of an over-all lack of means to make demands effective.

It is quite probable that the great increase in liquidity will reverse the "propensity to hoard" psychology of the 1930's which had such a baneful effect on economic activity. Many persons, having failed to overcome their psychology of depression, are projecting the depression conditions into the postwar, although the position of the capital goods and the consumer durable goods industries,⁹ and the liquidity position of individuals, differs so greatly now from the situation of the 1930's.

The Department of Commerce recently published the results of a comprehensive survey of planned capital outlays among manufacturers in the year following VE-day, stating this conclusion:

"Manufacturing firms are planning large outlays for plant, equipment, and alterations over the next 12 months. The total of approximately \$4,500,000,000 is nearly 3 times the 1937 to 1940 average and more than half again as large as in 1929."¹⁰

The public-utility industries have planned another billion dollars of immediate expenditures. Others might be mentioned.

A rising price level (inflation) may bring temporary prosperity. What the long-run relation between our price level and this enormous volume of liquid savings may be, we cannot determine. But there has existed a fairly definite long-run relationship in the past which is revealing. For some 40 years or more, our national income (in dollars) has tended to be about three times our combined currency in circulation and demand deposits. In the 1920's we had about \$3 of national income for each dollar of currency and demand deposits. In 1944, the figure was about \$1.50.

The velocity of money turn-over (rate of use of money) has been low during the war. Should the predepression velocity be restored, prices certainly could go through the roof. That is, the high money velocity plus the enormous quantity of it in the hands of people might readily push, through general price rises, our national income to \$200,000,000,000 or a figure substantially above that. This would, of course, mean substantial inflation, not prewar dollars or even wartime dollars. Again, the conclusion follows: The dangers we face in the near future are more likely to be of an inflationary nature rather than deflationary.

Years ago economists thought they detected a fairly close long-run relation between the amount of money in use and the general price level. This was given the name of the "quantity theory of money." Today we seem to be victims of a kind of "quantity theory in reverse." That is, in spite of this perfectly enormous expansion in money, we still hear dire voices of deflation. More purchasing power and still more purchasing power must be created.

III. Inflation policy?

In spite of this situation the War Labor Board has endorsed the idea of raising basic wage rates for the postwar. At the same time, other governmental bureaus in Washington have admitted that these wage increases will have to be followed by price increases, and many price increases have been allowed after wages were raised—coal, steel, etc. Obviously, wage increases offset by equal price increases cannot increase purchasing power.

On June 21, 1945, the OPA officially explained that price increases "may be necessary" to the extent that wage increases recently approved by the War Labor Board change industry's costs. Shifts in wages and prices are desirable to stimulate production and reallocate employment, but what we may be faced with is widespread general increases, and each such increase stimulates demands for increases elsewhere. Every rise in prices affects costs in nearly every other sector of the economy.

⁸ Data in this paragraph cover a somewhat broader base than the figures in the above table, which table deals with holdings of business and individuals.

⁹ This is, great shortages have accumulated.

¹⁰ Report by D. S. Wilson, Survey of Current Business, June 1945.

Thus it is accurate to state that our Federal Government is today following a policy, the consequence of which is to depreciate the dollar. There can be no other interpretation. The defense bonds bought in the early part of the war have already lost approximately one-quarter of their purchasing power. If the current drive for the higher wages and consequent higher prices continues, these bonds will shrink still further in buying power. Thus there is a process going on in Washington which must lead to a partial repudiation of the Federal debt, and this may explain in part the difficulties in attaining the series E and F quotas set for the several war-loan drives as well as the unduly high rate of bond redemptions.

Furthermore, wage increases granted by the War Labor Board must greatly intensify the price-holding problems of the OPA. Should the demand for 20 per cent increase in basic wage rates across the board (or even half that figure) be granted in the next months, as reconversion takes place, this would multiply by many hundred percent the requests (now 17,000 per month) for price increases and conceivably could break down completely the machinery of the OPA for handling such a volume of adjustments.

Delay in adjusting prices to cover rising costs may greatly thwart reconversion and slow down the highly important and prompt reemployment of released workers. Thus a mishandling of the wage and price problem during the transition may bring about a deflation and unemployment, although this is what all of us have tried to plan against.

IV. Needed: An adjusted economic structure

Prosperity and employment have always depended on the effective adjustments within the economy. Full employment of resources under competition effectively creates all the necessary purchasing power to buy back the product of the mine, the field, and the factory.

The following propositions, stated categorically for the sake of brevity, bring into focus these issues:

1. In a private business economy, purchasing power is the result of production to a far greater extent than it is the cause of production, in terms of the problem of incentives to maintain production and employment.

2. The primary problem is to adjust, through free market operations, the costs and prices so that profit expectations will be maintained. If so, these expectations will put men to work and, as a consequence, purchasing power will be created. Some prices and wages may be too low; others too high. But political readjustment may mean more maladjustment.

3. The three following propositions suggest that purchasing power plays quite a different role in the economy than is commonly supposed:

(a) A careful study of depressions shows that the decline in new investment¹¹ takes place while aggregate demand and purchasing power are still increasing.

(b) Depressions (this is what some fear in the transition) follow periods when purchasing power has been at its peak.

(c) Recovery (as in late 1921 or in 1933-35) takes place when purchasing power is at its minimum.

4. Points (a), (b), and (c) deserve the most careful analysis because they seem to demonstrate that a deficiency of consumer purchasing power is not the cause of unemployment and depression in any fundamental sense. (To be sure, once contraction takes place, incomes evaporate and the process becomes cumulative. But even then a rise in wage rates would not be helpful; effective application of fiscal policy might mitigate the contraction tendencies.)

5. Since productivity increases only about 2 percent per year, any more rapid increase in wages (costs) than this figure must either (1) raise prices (inflation), or (2) destroy jobs (unemployment), through the destruction of profit expectations.

6. Moreover, the income of every person is a cost to someone else. Therefore, every wage increase, even though it raises purchasing power for the immediate beneficiary, destroys purchasing power for someone else. Thus artificially raising prices or wages may merely constitute a transfer of purchasing power from A to B, without any net increase. Such shifts set in motion a spiral of inflationary demands by the various groups while the quantity of goods lags behind.

¹¹ Unemployment is heavily associated with and concentrated in the durable goods industries.

7. In the transition and at the war's end, we will have enormous readjustment problems—getting manpower out of specific industries, plants, and areas, and transferring it elsewhere. A flexible system of wages (and prices) is absolutely indispensable if we are to be able to provide the proper incentives to facilitate this transfer and readjustment. General wage increases would not help this problem.

8. As reconversion takes place, the tendency toward an aggregate decline in buying power will be offset in part by three factors: (1) Pay roll deductions for bond purchases will decline; (2) income-tax payments will decline proportionately more than income as incomes fall; (3) soldiers receiving only \$50 cash per month will have higher earnings when reemployed.

9. The factors mentioned in 8 above, plus the widely publicized deferred demand and the existence of billions of liquid "savings," are more likely to lead to excessive purchasing power, rather than to the reverse.

V. Conclusion

The transition, as the word itself implies, will be a period of change, readjustment and new alinement. A total war economy is poorly adapted to conditions of peace. It would be a fatal mistake to freeze wages, prices, or costs.

Such freezing would be the most certain way to thwart high levels of productive employment in the transition. On the other hand, artificial forces based on some generalized theory of inflation or deflation would be an equally unsatisfactory guide. The safest guide is the restoration of the incentives to produce, by reestablishing the expectation of profits.

Not high profits, or low profits, but the reestablishment of the expectation of profits, should be the great engine for restoring productive employment. Competition must be preserved to prevent needlessly high prices or profits. The problem in the transition, in any case, is much more likely to be excessive demand rather than a deficiency of demand.

A hesitant and indecisive reconversion policy, the wrong price and wage policies, and unsettled industrial relations during the transition could bring about serious deflation and unemployment. If we handle all of these problems with statesman-like skill, we should be headed for high levels of prosperity and employment for some years to come. Lack of the means to make consumer demands effective, it appears, will not be a stumbling block.

Dr. SCHMIDT. In spite of this picture, some reconversion unemployment is inevitable. However, the figures on lay-offs and unemployment will not mean quite what they seem to mean. Out of the estimated 7,000,000 workers drawn into the labor market through patriotism and high wages, an estimated 5,000,000 will leave the labor market—the overage, the underage and the women workers. Yet these will be reported as laid off and unemployed and will undoubtedly feel entitled, as a matter of right, to any unemployment benefits provided by law.

In spite of the cut-backs, labor shortages persist nearly everywhere. "Help wanted" signs still appear in the shop windows; "help wanted" columns in the newspapers are increasing in lineage now that we have a labor market free of restrictive Government controls. I have just returned from a brief vacation trip through parts of Maryland, Pennsylvania, New York, and Canada, and wherever I went I inquired as to the adequacy of the labor supply. Everywhere shortages of labor were reported. Women are still helping at filling stations and indeed running these stations. On farms, in fields, and in factories, women are still doing work for which their strength cannot be expected to endure much longer. We get comparable reports from Southern States.

Special bottlenecks to reconversion are serious obstacles. Fundamentally, shortages of goods are nearly always ultimately due to shortage of manpower. Some industries still cannot get the labor to produce parts which are essential for the reconversion of other industries.

On my trip I stopped in a small village of 1,200 people where less than one house on the average was built per year during the entire interwar period. Today one contractor alone has inquiries backed by substantial intent to build homes for 60 families including the immediate surrounding farm community. This is typical of what I found.

The Department of Commerce has reported on the basis of a careful survey that manufacturers are planning outlays during the next 12 months for plant, equipment, and alterations totaling approximately 4.5 billion dollars, or nearly three times the average annual figure for 1937 to 1940, and more than half again as large as in 1929. If to this we add public utilities, railroads, trade, service, and other sectors of the economy, the figures indicate boom conditions. These are plans; not commitments. Shortages of materials due to labor shortages may thwart many of these plans. A fear of labor shortages, or labor unrest, and excessive wage demands will impede these plans.

Thus, whether we look at the side of deferred consumers' demand or for producers' goods and equipment, or at the picture portrayed by the money liquidity position of American business and individuals, we cannot help but conclude that a great boom is pending. I am not predicting its indefinite continuation, although I think it may continue for several years. Unwise reconversion and labor policy could do much to retard reconversion at the very moment when it is the most important single thing in our economy.

How this bill could help to promote this prosperity and full employment is difficult to see. While we are all agreed that unemployment compensation should provide a basic layer of protection against job and income losses, it is possible to provide jobless pay to the point where the incentive to work and, therefore, the possibility of reconversion and the liquidation of bottlenecks are seriously impaired.

The committee has already been informed that the proposed \$25 maximum allowance, based on swollen wartime wages, would in many cases approach the take-home pay when working. This is one reason why the chamber believes so strongly in State unemployment compensation systems. The people close to the local labor markets are in a better position to adopt the precise formula which meets the local needs and yet does not impair the incentive to work. The 63 cents per hour, assuming a 40-hour week, which this bill provides in net tax-free take-home benefits during periods of unemployment, as a maximum, certainly would not encourage the return to work. Wages of 80 cents an hour or more would be necessary to make working worth while. American workers prefer work with good wages rather than a gift from the debt-ridden Federal Treasury for not working. But we are all human; if not working is made so attractive to us I dare say that most of us would not resist the temptation.

In other words, this bill, in my judgment, goes beyond the original conception of unemployment compensation. It provides more than the minimum layer of protection which even the Social Security Board has always insisted was the sole purpose of a social-security program.

Furthermore, by providing a flat duration of 26 weeks, the incentives to refuse work as "unsuitable" is augmented that much more.

Incidentally, as I shall indicate later, I wonder if it will turn out to be a gift so far as the State reserve funds are concerned. As drawn, the bill would provide benefits for 26 weeks for many millions of

workers who intend to be in the labor market only part of the year. We have some 10,000,000 workers who normally do not expect a full year's employment. This bill, by providing flat duration, would allow many workers to receive more in unemployment compensation than they earn in employment. Surely unemployment compensation was never intended to operate in this fashion.

During the war we relied on war manpower controls to get production. Now we are in a freer labor market. We must rely upon voluntary incentives to work. For this reason we must restore the traditional American system of price offers to induce work. Wages should be flexible and geared to productivity. By making unemployment too attractive, we reduce labor mobility, the willingness to search for work and to go where the job opportunities are. Out of the 45,000 veterans drawing readjustment allowances provided by Congress, some 4,000 or 5,000 are in Puerto Rico. The unemployment allowances are so far above the normal wage rate that it is virtually impossible to induce these men to take jobs, although it is probable that part of the unemployment is due to the scarcity of ships for exporting the country's products.

Senator McMAHON. Just a minute. Of course, you realize under this bill if a man does not take a job when it is offered to him he is cut off the rolls; don't you?

Dr. SCHMIDT. That is right, but that is a legal point. We all know that there are various ways of turning down a job as being unsuitable in terms of previous earnings, or in terms of location, or various other matters, but, in general, what you say is true.

Senator McMAHON. Do you think the State employment directors are running the system efficiently? We have had some high praise of it. Therefore, I assume the efficiency on their part would be reflected upon by your present statement.

Dr. SCHMIDT. The trouble, of course, is that the United States Employment Service is not in control of the State administrators. They have very little to do with the discovering of job opportunities or the referrals.

Senator BARKLEY. You say there are various ways by which men can refuse a job. There are various ways by which the State authority, or any other authority, can take them off the relief rolls.

Dr. SCHMIDT. There is one way they can do that.

Senator BARKLEY. What is that?

Dr. SCHMIDT. There is one way they can do that.

Senator BARKLEY. Yes.

Dr. SCHMIDT. Anyway, I have talked this over with the Veterans' Administration.

To continue my manuscript, the situation is such that the Veterans' Administration is seriously disturbed about it. What is said of Puerto Rico would apply under this bill to some parts of the United States. This is the difficulty of Federal legislation on these matters.

Students of unemployment compensation throughout the world have always agreed that these programs reduce labor mobility. The unemployed worker drawing compensation tends to wait in the vicinity of his last job. Yet, today we have a major problem of shifting surplus war labor out of the war-swollen centers out into the nearby counties and in some cases across State lines. A healthy economy will require that several million of these workers experience some shift.

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

The CHAIRMAN. Yes, Senator Millikin.

Senator MILLIKIN. Do you conceive there is a Federal obligation so far as the interstate transportation of labor is concerned?

Dr. SCHMIDT. I am not sure. I think probably the interstate movement has been somewhat exaggerated. The Department of Commerce made a study showing that 14 States, which accounted for 95 percent approximately of the entire net increase in nonagricultural employment from 1939 to 1944, accounted for only 1.3 million workers. In other words, the net increase in nonagricultural movement across State lines has been somewhat exaggerated, and therefore we think, although we are not too sure, that the remigration back home will not be nearly as great as has been anticipated.

That movement, this article of the Department of Commerce also pointed out, was in line with prewar movements. In other words, in certain parts of the South they were expanding, and in certain parts of the West they were expanding, so a lot of the people really want to stay on the west coast.

Now, as to whether the Federal Government has a responsibility in that regard, the chamber has no position on that. I certainly think in distress cases the chamber would not object, but you know we have 25,000,000 motorcars in this country, and most workers have access to their own cars, or friend's car. If you are thinking of traveling 500 or 1,000 miles, it would be very difficult to see how the Government could administer that kind of travel allowance. Would you put it on a needs basis? If so, you would have social workers investigating their liquid assets. You would also probably, if you were liberal in these allowances, encourage a tremendous movement which was partially associated with the idea of some vacations and partially associated with the idea of getting some jobs.

Senator TAFT. It seems to me it is a very valuable weapon, though, for the Federal Government to have. If we run into places where unemployment develops, it will be in the war production areas where people moved in, in excessive numbers more than in places where there is stabilized industry. If you leave them in the war production areas, there will be pressure put upon us to set up the whole business of dole for unemployment, WPA, public works, or something; whereas, if you have the right to take them back home and spread them where the work was and presumably will be, it seems to me that is a very effective weapon against a serious situation in particular areas.

Dr. SCHMIDT. Yes. Of course, you have a precedent for it. The Government really paid through war contracts for moving war workers throughout the war production areas and paid their travel allowances from various parts of the country.

Senator TAFT. As a proper safeguard it seems to me we ought to give the Government that power.

Senator MILLIKIN. It might be argued there has been a certain amount of solicitation by the Federal Government to get the workers into the States. By that token, if the thing develops we are talking about—it may develop, of course, but if it develops there might be a Federal obligation to take them out of there.

Dr. SCHMIDT. On a needs basis.

Senator MILLIKIN. I would not say on a needs basis.

Dr. SCHMIDT. That might mean setting up a system of social workers to investigate every case. That would be very slow. I am in sympathy with your general viewpoint. I do not believe the chamber, although it has no position on that, can object in any way, shape, or manner. We certainly agree that labor mobility is of the highest importance.

Senator BREWSTER. You have said that there were 1,300,000 that went across the State lines, have you not?

Dr. SCHMIDT. No, I gave you the net increase. For instance, 100,000 that went from Texas to California and 100,000 that went from California to Texas would not be included in my figure. The net increase of nonagricultural workers in 14 States, accounting for 92 percent of the workers, amounted to 1,300,000, in round numbers.

Senator BREWSTER. That would include all the cases where there was an industrial center near the State line?

Dr. SCHMIDT. That is right.

Senator BREWSTER. Do you have any figures that show where there was transportation over 100 miles?

Dr. SCHMIDT. No, but I believe the Department of Labor has made some studies. All I say is, probably we have overestimated the post-war migration of workers in going back to their old jobs or to new jobs.

Senator BREWSTER. That would include all that came from Kentucky to Cincinnati, for instance?

Dr. SCHMIDT. That is right.

Senator McMAHON. The War Department Director estimates 3,000,000, I believe, that moved interstate. That is the figure Mr. McNutt gave me.

Dr. SCHMIDT. The Department of Commerce study did comment on that and said for the most part the people, for example, that have moved to Detroit have come from Michigan, they have not come from distant points. The same is true of Portland, Oreg. People working in the Portland shipyards for the most part came from the State of Washington and Oregon. In other words, they haven't got a great cross-country migration ahead of them in order to get their old jobs back. That is the general picture.

Senator LUCAS. What do they base their conclusions on?

Dr. SCHMIDT. On an actual investigation through the Census Department, which is in the Department of Commerce.

Senator BREWSTER. Take Chicago, for example; they must get a great many from Indiana.

Dr. SCHMIDT. Yes.

Senator BREWSTER. Which is almost a suburban movement.

Dr. SCHMIDT. That is right.

Senator CONNALLY. Have not a great many people working in the plants already come back?

Dr. SCHMIDT. I suspect they have. As a matter of fact, they started coming back when the peace movement started.

Senator CONNALLY. When the war was over and the plants shut down I think a great many people working in the plants have already gone back.

Dr. SCHMIDT. Yes.

Senator MILLIKIN. The migration going from California, for example, where the workers have worked in those plants for years, they are going out with a lot of folding money, I think. Now, it may be that some of the people that were solicited to go to the industrial States might be delayed. I do not know how much of that there will be. It is conceivable there might be a lot of it. I was wondering whether the Federal Government may not have some responsibility, may not equip itself to deal with it when the time comes?

Dr. SCHMIDT. Yes.

Senator VANDENBERG. The information from Detroit seems to be that there are more coming in than are going out, drawn there by the prospect of early reconversion.

Senator CONNALLY. Into making automobiles?

Senator VANDENBERG. Yes.

Dr. SCHMIDT. The longer the duration of unemployment compensation and the higher the benefit rate, the slower will this shift be. Indeed, in my judgment, the passage of this bill, while paying a benefit to the workers, would actually slow down reconversion and postpone the inevitable adjustments which many workers must make. I know that this committee does not want to play a role in creating such an undesirable end.

FISCAL ASPECTS

Effort has been made by the States to gear tax collections to benefit formulas and estimates of unemployment. An insurance program requires that attention be paid to actuarial considerations, although admittedly unemployment compensation is a difficult field for the actuary. This bill, by covering millions of workers, for whom no contributions have been paid, would do what Great Britain did to her system after the last war. For a decade and a half the system was in a muddle, and not until the middle 1930's was the actuarial basis restored.

True, this bill is said to be temporary, but few people believe that once a Federal subsidy is advanced a return to the original plan will take place. The emergency will be said to continue. Indeed, in the light of all that has been said, it would appear that sponsors of this bill are intent on getting the Federal Government permanently into this program. In fact, several of those testifying before you have deliberately stated that they favor a single standardized system. Furthermore, high Government officials, including John Snyder, Director of War Mobilization and Reconversion, and Secretary of Labor Schwollenbach have testified that the funds paid under this bill by the Federal Treasury later might be collected back from the State funds. This surely puts a new light on this entire proceeding. First, we were told that this was an obligation of the Federal Government, growing out of the war. Now it appears that a movement is already on foot to re-collect the costs from the States. In other words, is this not merely a device to superimpose on the judgment of the local communities and State legislatures the ideas—I don't say ideals—of those few in Washington who believe their judgment of what is best for the country should become law of the land in village, town, and city from one end of the country to the other?

Senator LUCAS. Did you read Schwollenbach's statement?

Dr. SCHMIDT. I read the report in the paper.

Senator LUCAS. You did not read his statement?

Dr. SCHMIDT. No; but my assistant—

Senator LUCAS (interposing). I do not recall that he said that he attached State funds or took State funds. He said he thought that States ought to make some contribution toward this. He did not put the meaning on it that you are putting on it, that we should go into the State reserve funds.

Dr. SCHMIDT. My assistant is here, and he can tell you more about that than I can.

Senator LUCAS. You better read the statement he made before the committee rather than the newspapers.

Dr. SCHMIDT. My assistant read the statement, and this is the result of it. Director Snyder said exactly the same thing as I said.

Senator BARKLEY. He did not testify before this committee.

Dr. SCHMIDT. No; he testified before the House Ways and Means Committee.

Senator BARKLEY. May I ask to whom you are alluding, when you say the few in Washington think something is going to be done?

Dr. SCHMIDT. I suspect the Social Security Board before 1940 was highly sympathetic with the State-Federal system of unemployment compensation. I think it was in that year, about that time, that they divorced themselves from that viewpoint and have sent their employees up and down the country criticizing the States. Now, no doubt some of the States deserve some criticism.

Senator LUCAS. You mean they deliberately sent them out just for the purpose of criticizing, in order to get rid of the system?

Dr. SCHMIDT. Deliberately said what?

Senator LUCAS. Deliberately sent these men out to criticize them.

Dr. SCHMIDT. It was the party line, you might say, if I may use the vernacular.

Senator TAFT. Of course, the Social Security Board has recommended that this State system be abolished, that the State funds be absorbed in the Federal fund, and its recommendation is contained in the Murray-Dingell bill, which is before this committee at this time, which turns all of the State funds into the Federal fund. There isn't any question that that is the policy of the administration, so far as the Social Security Board end of it is concerned.

Senator BREWSTER. I have Mr. Schwellenbach's statement here, if I may read it. [Reading:]

I would suggest, however, that consideration be given to the development of a plan whereby at least a portion of the Federal moneys expended under this program be levied from State funds, especially where the tax levels of the particular State are not up to the national average.

That would seem to confirm your impression.

Dr. SCHMIDT. Thank you, Senator.

Senator LUCAS. I do not agree with the confirmation at all.

Senator BARKLEY. You do not contend, do you, that the Social Security Board, or its employees, are the only people in Washington or who come to Washington, who take the position that this is a Federal obligation and that there ought to be uniformity? I am not commenting on it one way or the other, but there are a great many people in this country who feel that way, and it is not limited to the Social Security Board.

Dr. SCHMIDT. It is not limited to those in Washington either.

Senator BARKLEY. Or the administration in Washington.

Dr. SCHMIDT. I dare say many Senators and Congressmen have leanings that way.

This committee faces other problems. The postwar Federal Budget is variously estimated at 20 to 30 billion dollars. Debt service, debt retirement, veterans' programs, agricultural subsidies, a large postwar defense establishment—all added to prewar outlays—will cause many long, long sessions for this committee. I do not know why any of you want to serve on it.

Furthermore, this committee will be responsible for our fiscal and monetary policy to a considerable degree.

The increasing difficulty in attaining the E bond quotas, in successive war bond drives, raises question as to how much more Government bonds the American people are prepared to hold. These bonds have been bouncing back to the Treasury at what some people regard as alarming rates, during a period when incomes were high and the opportunities for spending money were limited. If the debt-absorbing power and disposition of American individuals is definitely limited, as I believe it is, the Government bonds printed to raise the money for covering the deficit will have to be sold to banks and similar institutions. If sold to commercial banks, this creates new, previously non-existing purchasing power and thereby creates a further inflation potential. In short, the Government appears rapidly to be losing control of its own fiscal and monetary situation. The enormous volume of money and near-money in the hands of the public makes a Government fiscal program to control deflation and inflation much more difficult than ever before.

If this committee consents to this bill, and if the bill is enacted, this will simply create one more mortgage on the Federal Treasury. It means the assumption of a liability which will be hard to shed once it is assumed. In short, this bill must be considered in the face of all the other problems with which this committee must grapple.

A PROGRAM OF RECONVERSION

In conclusion, let me reiterate that the chamber of commerce is in favor of adequate systems of State unemployment compensation. It believes that, on the whole, we have an adequate program; the gaps may be pointed out but they are not substantial. We believe that the States have governors and legislators conscious of their obligations and responsibilities. If need arises we may expect further improvement.

Ultimately purchasing power consists of goods and services. Money is a mere medium of exchange. Paying more money to the unemployed will not provide any further stimulation to production at this time in any substantial degree. Indeed, because of the difficulties in recruiting adequate labor supplies, the payment of more liberal unemployment allowances may actually reduce the effective labor supply and through consequent bottlenecks create unemployment.

The best contribution which we can make to our most valued resources, namely, our human resources, is to give confidence to busi-

ness, assurance of political and constitutional stability, adequate profit expectations commensurate with the risks involved to launch large-scale civilian employment and production. Profit expectations are the great American engine for attaining results. There is no difference between the profit motive and the wage motive. Wages and profits both are incentives. Not high profits or low profits, but the maintenance of the expectation of profits is what puts men to productive work.

If unemployment threatens let us adopt policies which will provide more people with the incentive to become employers. If we will all try to get on someone else's pay roll and too few of us have the courage and incentive to create pay rolls, of course we will have unemployment. The Government can make its greatest contribution to employment and to safe debt management and fiscal policy by doing those things which will induce more people to become job creators rather than job seekers.

Thank you.

The CHAIRMAN. Are there any questions?

Senator LUCAS. Let me ask you a question. We all hope we get reconversion in a hurry and get everybody back to work as fast as we possibly can. Supposing the duration of unemployment, however, is longer than we expect, longer than these States provide for, what is your suggestion we should do then?

Dr. SCHMIDT. Well, I would think that the States that had not lengthened the duration of benefit payments, if they have the funds they certainly ought to reconsider their position. Unemployment compensation was never intended, either in England or here, for major depressions. Whether I would recommend that the unemployment system be revised to do that, to cover unemployment-compensation payments for 30 weeks, let us say, or 40, I am not sure. My own personal sympathies are in favor of gradually lengthening the duration of benefit payments.

Senator LUCAS. Would you recommend that the Federal Government step in at that time if that should occur?

Dr. SCHMIDT. And do what? Set up a system of public works?

Senator LUCAS. Aid the unemployed of the country.

Dr. SCHMIDT. Well, if the situation becomes critical, of course, in a country as rich as ours no one should be allowed to suffer or starve.

Senator LUCAS. You do not want anybody to go back on the WPA again; do you?

Dr. SCHMIDT. No; I do not. I am skeptical of it. I think certainly we ought to hoard our public works during the next periods of prosperity and try to release those public works during periods of depression.

Senator BARKLEY. Do you think it is a part of wisdom for Congress to wait until the situation becomes critical before it does anything?

Dr. SCHMIDT. No; most of us do not plan our personal lives that way either. You are right.

Senator VANDENBERG. In connection with your quotation of Senator Schwollenbach and Administrator Snyder with respect to the partial use of State reserves in meeting this major emergency, I want to observe that Mr. Thomas made the statement, speaking for the CIO, to which little attention was paid because it came at the termination

of his statement when we were crowding to adjournment, that this bill should be amended to provide for at least a partial use of existing State funds to meet the present situation instead of putting the entire burden on the Federal Government. I think it is rather interesting to find that suggestion coming from both sides of this equation.

Senator CONNALLY. Dr. Schmidt, let me ask you a question. I have not been here during the hearings, and you will pardon the rather personal question. You are now, as I understand it, secretary general of the chamber of commerce?

Dr. SCHMIDT. No, no; don't flatter me. I am merely director of the economic research department.

Senator CONNALLY. That is bigger job than Secretary, so you promoted yourself. What were you before you went with the chamber of commerce?

Dr. SCHMIDT. I am still on leave of absence from the University of Minnesota, where I was teaching economics since 1930, with several leaves of absence, doing work for certain agencies in Canada as well as here.

Senator CONNALLY. You are an economist by profession?

Dr. SCHMIDT. That is what I hold myself out as.

Senator CONNALLY. All right.

The CHAIRMAN. Thank you very much, Doctor, for your statement.

Dr. SCHMIDT. Thank you.

The CHAIRMAN. Mr. E. F. Connelly.

STATEMENT OF E. F. CONNELLY, CROMPTON & KNOWLES LOOM WORKS, WORCESTER, MASS.

Mr. CONNELLY. My name is Edward F. Connelly. I am assistant to the president in charge of industrial relations of Crompton & Knowles Loom Works, Worcester, Mass.

Senator CONNALLY. What do you do there?

Mr. CONNELLY. Assistant to the president in charge of industrial relations.

Senator CONNALLY. What do they do?

Mr. CONNELLY. They manufacture textile machinery.

I am going to confine my remarks to the matter of supplementation of the State benefits through a Federal grant.

Senator LUCAS. Mr. Chairman, before this witness testifies, may I ask the previous witness just one question? It may be he answered it before I came in. He is still here, isn't he?

The CHAIRMAN. Is Dr. Schmidt in the room?

Dr. SCHMIDT. Yes.

Senator LUCAS. Dr. Schmidt, may I ask you one question? Do I understand you are against this bill in toto?

Dr. SCHMIDT. Yes; in principle the chamber believes that these programs ought to be State programs.

Senator LUCAS. I am talking now primarily of Federal employees and marine workers.

Dr. SCHMIDT. We are for that.

Senator LUCAS. I see. I did not know whether your statement covered that.

Dr. SCHMIDT. We are for the inclusion of Federal employees and marine workers. We think the Lynch bill pending in the House is a proper one. It would simply cover them under State systems through the Federal act.

Senator LUCAS. You are for the maritime coverage?

Dr. SCHMIDT. We are for the maritime coverage and as far as the Federal Government employees are concerned we have no position, but we certainly could not be very reasonable in opposing the coverage of arsenal workers, shipyard workers employed by the United States Government.

Senator LUCAS. Insofar as those two phases of the bill are concerned, you do not oppose it?

Dr. SCHMIDT. That is right. I should think those should be handled in a separate bill. However, I do not know your procedure.

Senator LUCAS. That is all. Thank you.

The CHAIRMAN. All right, Mr. Connelly.

Mr. CONNELLY. My remarks will be, as I said, confined to the supplementation phase of the bill presently before the committee. I want to say in Massachusetts we have an unemployment-compensation system where the maximum benefits paid are \$21 per week. I want to say, too, that in Massachusetts the duration of benefits amounts to 23 weeks.

I think that needs further clarification. It is quite possible for a worker now becoming unemployed under the Massachusetts law to receive benefits for a duration longer than 23 weeks without any employment coming in. You see, we are on a benefit year. That means that workers in Massachusetts now becoming unemployed are entitled to use their credit which they built up in the year 1944, their wage credits, and to receive upward of 23 weeks of benefits on that basis. From April 1, 1946, that individual, even though he has not had any employment since today, will be eligible to have his benefits recomputed and they will pick up his earnings during the year 1945, and it is possible for many individuals in Massachusetts today becoming unemployed and never becoming employed again to receive upward of \$21 a week for 46 weeks. That is the Massachusetts law today, and I believe that it is similar to the law of many other States.

Thus, I want to make this point that the duration of benefits in Massachusetts and other States is not during this reconversion period we are speaking of limited to 20 weeks or 23 weeks or 26 weeks; it is possible in Massachusetts for a worker to get upward of 46 weeks of benefits.

Senator VANDENBERG. You say it is possible. Is that an average prospective or is that just a unique freak situation?

Mr. CONNELLY. No; it is not a freak situation. We must realize, of course, that the unemployment that is occurring today in the main is the unemployment that results from the elimination of war contracts. I think we may all take judicial notice of the fact that the workers who have been employed in the war industries have been receiving the top wages as compared with the wages paid in the Nation. Now, I should say that 75 percent of the workers in Massachusetts who would be unemployed today and who never received another job, 75 percent of them at least, would be entitled to the maximum benefits of \$21 per week, because all they would have to earn would be approximately \$33 a week in the high quarter of their earnings.

Senator CONNALLY. Let me ask you a question. That refers to all of those that go in the high-wage brackets?

Mr. CONNELLY. That is right.

Senator CONNALLY. They would get the 46 weeks that you are talking about. In other words, they built up their credits in the high wage earning period. How about your own plant? What percentage of your workers would be able to get 46 weeks?

Mr. CONNELLY. At least 75 percent of those who might be unemployed in our plant, and even closer than that, 80 to 90 percent, would be entitled to the maximum benefit under the unemployment-compensation law, namely, \$21 per week.

Senator LUCAS. For how long?

Mr. CONNELLY. They would receive it now, on the basis of their earnings in 1944, for 23 weeks, because the duration of benefits in Massachusetts is equal to 23 times their weekly benefit rate or 30 percent of their earnings, whichever is the lesser, during the base period. Therefore, an individual who was earning \$1,500—and I am placing that as a high figure—\$1,500 during 1944, such an individual would be entitled to the maximum weekly benefit and maximum duration of benefits.

The average weekly earnings, I think we can take a judicial notice of that, too. You take your Industrial Conference Board report and you will find your average weekly earnings in your industrial activities, in your heavy goods industries, in your foundries, your machine shops, have been approximately \$55 per week.

Senator LUCAS. Where does that second 23 weeks come in?

Mr. CONNELLY. Let us say all of these people who are unemployed now, who feel the impact of the elimination of war contracts, let us assume they never get another job—first of all, let us recognize who these employees are. They are the employees connected with the war industries, employees who are receiving the very highest wage.

Senator LUCAS. I know that.

Mr. CONNELLY. If they are unemployed now, they go to the unemployment compensation division. Their present weekly benefits and duration of benefits are based upon the high quarter earnings in 1944, and then their total earnings during the year. They will get a benefit computation now on that basis. After April 1 of next year, even though they have not become reemployed in any respect, the unemployment compensation division will take their 1945 earnings—you see for this period they took the 1944 earnings—after April 1 of next year they will take their 1945 earnings.

Senator TAFT. The highest quarter?

Mr. CONNELLY. They will first take the high quarter to determine what is the weekly benefit, and then they will take 23 times that weekly benefit, or 30 percent of the amount they earned in 1945 to determine the duration of their benefits. So if a worker last year, in 1944, earned \$1,500 he would be entitled now to \$21 a week for 23 weeks, and if in the first two quarters, or the first 8 months of this year he also earned \$1,500, which would not be unlikely, then he would be entitled next year to \$21 a week for 23 weeks.

Senator MILLIKIN. Is that by construction or by express language of your statute?

Mr. CONNELLY. That is by the express language of our statute.

Senator MILLIKIN. You said a number of States have the same provision. Can you give the States?

Mr. CONNELLY. That I cannot be certain of. I am informed that about 15 States have similar provisions in their laws.

Senator MILLIKIN. I suggest our technician give us a list of such States.

Mr. JACOBSTEIN. I shall be very glad to do that. There is something in the record, Senator, to that effect, but I will make it more complete for the record.

The CHAIRMAN. Please complete it.

Senator BARKLEY. Is not the way that works about as follows: These employment laws are supposed to be permanent. Everybody who works and everybody who employs workers contribute to that fund. It is perpetual. That was not created with particular reference to reconversion or to the end of the war. It is a permanent system presumably that has been set up. Now, if a man is out work in Massachusetts or any of the States to which you refer and he gets \$21 for 20 weeks, we will say, that is something he has earned by reason of his contract with the State. He has paid in while he was employed, we will say, 3 percent to the fund, the employers paid in 3 percent, and he is unemployed for 20 weeks, or 23 weeks in your State. Then he gets a job. After he gets that job he still continues to contribute to that fund, and the employer contributes to it.

If he works a year or a year and a half, and then gets out of work again, he has in the meantime earned some more unemployment compensation. It has no relation, however, to the reconversion period. That is permanent. Is not that about the way it works?

Mr. CONNELLY. Senator, first of all I did not want to interrupt you, but the employees of the Nation do not pay, do not make any contribution to the unemployment compensation fund.

Senator BARKLEY. You mean in the State?

Mr. CONNELLY. That is right. The full amount to support the unemployment-compensation benefit is paid by the employers.

Senator BARKLEY. I thought there some States in which the employee-employer contribution system prevailed.

Mr. JACOBSTEIN. Very few States. New Jersey is one of the States.

Mr. CONNELLY. Secondly, Senator, you are correct, in the over-all, in your analysis of the situation, but the fact of the matter is although the laws were not written, and the Massachusetts law was not written with reference to this reconversion situation which is now taking the attention of the committee, nevertheless the very nature of the laws that are written provide for a more extensive coverage to protect workers than is assumed in most instances, and if it is believed here by the committee that 26 weeks duration of benefits is necessary during this period, then I am merely pointing out that with reference to the Massachusetts law as it stands today, there exists the likely possibility that our duration of benefits is in excess of that.

Senator BARKLEY. That might be, but it would not be all at one time. If he exhausted the number of weeks to which he was entitled in one spell of unemployment, it would not be automatically extended. He would have to get a job and work some more, and get out of a job again, wouldn't he?

Mr. CONNELLY. That is not true, Senator.

Senator CONNALLY. That is only for 2 years. It could happen this year and next year, that is all.

Senator LUCAS. Does he have to remain unemployed from now on in order to get the compensation the second time?

Mr. CONNELLY. As I said, if he were unemployed today and he never received another job for the next year, he could have a recomputation on the basis of his 1945 earnings.

Senator LUCAS. It would have to go to April 1 next year?

Mr. CONNELLY. He would first get 23 weeks before April 1 next year, if his wage credits permitted—and, as I said, in the case of these people it would. Beginning April 1 next year without any job intervening he could have a recomputation on the basis of his 1945 earnings, and get additional benefits on that basis.

Senator LUCAS. Suppose in the meantime he got a job for a month?

Mr. CONNELLY. If he got a job in the meantime it would not change the picture at all.

Senator LUCAS. He could still go in the following April and get additional payments?

Mr. CONNELLY. If he got a job for a month and then was laid off, then next April he could go in and his benefits would be computed on the basis of 1945 earnings. For instance if he got a job in January 1946 and he worked for 2 months and then he became unemployed he would be entitled, April 1, 1946, to a computation of his benefit rights on the basis of his earnings in 1945.

Senator LUCAS. How long would he have to work and how long would he have to be out of work before he would be denied?

The CHAIRMAN. He would never be denied, would he? He would accumulate more credit.

Mr. CONNELLY. This is the way in which the benefit would be cut down:

If our impact of unemployment takes place in, let us say, February of next year, I mean the war was over then, and the impact took place in February of next year, and the worker applies for unemployment compensation benefits, then the amount and duration of benefits would be figured on the basis of his 1944 earnings.

Senator LUCAS. Yes.

Mr. CONNELLY. Now, let us say 15 of those 23 weeks to which he would be entitled would take place after April 1 of next year, then when he applied for recomputation on the basis of 1945 earnings, then those 15 weeks that he was paid on the basis of computation for 1944 would be deducted from whatever was due to him under the 1945 computation.

Senator BREWSTER. That would mean that the war could not have ended at a more fortunate time, as far as the administration of this particular law is concerned, from the standpoint of the worker.

Mr. CONNELLY. As far as the workers are concerned in the State of Massachusetts, the war, as you say, could not have ended at a more fortunate time, because for those who had steady work during 1944 and for those who worked steadily during the first 8 months of 1945, the credits were established permitting benefits up to 46 weeks within the next year.

Senator BREWSTER. Is not that a rather general pattern?

Mr. CONNELLY. I could not say whether it was a general pattern.

Senator CONNALLY. You mean in fact but not in law?

Senator BREWSTER. I mean, as a matter of employment, everybody was working at top speed for the last 8 months.

Senator CONNALLY. You said a while ago this system did not have in mind reconversion in the war situation. Well, did not it have in mind the condition at the time from any cause whereby unemployment occurred?

Mr. CONNELLY. The very nature of the entire system was to provide for the unemployment that results from the normal employment.

Senator CONNALLY. Anything normal or abnormal?

Mr. CONNELLY. Abnormal also.

Senator CONNALLY. Of course, it meant for anything, and the worse it was the more is meant for it.

Senator BARKLEY. None of these laws ever contemplated that a man would be entitled to benefit for only one period. He might be employed the first of January; he might exhaust his period under your law, or any of the laws, and go to work again and work for a year or 5 years, and if he was unemployed again he would be entitled, under the law, to compensation for that second or even third period. That might run over a period of years, might it not?

Mr. CONNELLY. That is true. I think the unemployment compensation systems were not devised in order to give the individual just one sock at the benefits.

Senator BARKLEY. It is a long-term proposition, to cushion unemployment whenever it takes place.

Mr. CONNELLY. In that respect, Senator, I should like to say all of your States have been for many years experimenting with unemployment compensation, and the States, the legislatures of the States, have given a great deal of thought to it, related purely to their local conditions. Many things have eventuated. In my experience with the Massachusetts Legislature and the unemployment compensation system there has been, year by year, a continual reexamination of the State unemployment compensation system with reference to the local conditions that exist in the State.

Senator LUCAS. Did your legislature make any change this last session?

Mr. CONNELLY. In our State?

Senator LUCAS. Yes.

Mr. CONNELLY. Yes; we increased our top from \$18 to \$21, and we increased the duration of benefits from 20 to 23 weeks.

Senator BREWSTER. You have a reserve fund of \$215,000,000 in Massachusetts, is that right?

Mr. CONNELLY. That is right.

Senator BREWSTER. I find from the State government's report that that would be sufficient to more than cover 45 percent of your 1,400,000 workers for the maximum duration.

Mr. CONNELLY. That is right, Senator. Even with an impact of \$90,000,000 a year, we could sustain that impact. It would be an unusual one. The highest benefits we ever paid out in the past was \$31,000,000.

Senator BREWSTER. So you are in a comfortable financial position.

Mr. CONNELLY. From the solvency point of view there is nothing to fear.

Senator BARKLEY. Your position does not accord with that of the Governor of your State.

Mr. CONNELLY. I understand that that is true.

Senator BARKLEY. One or the other must be wrong.

Senator CONNALLY. When will you reach the bill? We cannot very well legislate for Massachusetts.

Mr. CONNELLY. I was going to get to that Senator, and I think now I am around to it.

Senator CONNALLY. Thank you very much.

Mr. CONNELLY. Of course, there are two important matters in my own mind concerning this bill, in the supplementation features. One is the effect of the passage of such a bill on the eventual federalization of the State unemployment compensation systems. I do not intend to dwell on that topic, whether it is a good or bad thing, from the general point of view of the relationship between the State and Federal governments and general idea of trying to have a dispersal of powers. What I am concerned with is whether or not this \$25 a week for 26 weeks will serve the purpose for which it has been introduced here. It is a reconversion measure. It is related to the whole transition of our economy.

Now, it is my feeling that the passage of this bill, in the supplementation features, would go a long way toward hindering reconversion and would contribute to inflationary forces. I want to read a passage from an article which appeared in the Boston Herald of Monday, yesterday, and it has reference to the State of Maine. This article was written by Fred Rae, and it quotes F. M. Coughlin, manager of the USES in Biddeford, and it says:

However, at the United States Employment Service at Biddeford it was a different story and it told of reluctance of war workers to go back to lower peacetime wages. F. M. Coughlin, manager of USES, said he had jobs for 2,800 workers but was having an exceedingly tough time getting them.

Coughlin said he wanted textile workers for the Pepperell and York Manufacturing Cos., and foundry workers and machine shop workers for the Saco-Lowell shops. "The Pepperell Co.," he said "was trying to maintain a 50-hour week work schedule and the York Co. a 48-hour week."

"The wages are fair," said Coughlin, "but not shipyard wages. I find most workers still think they can get the \$70 and \$80 a week that they obtained at the shipyards."

He reported that laid-off shipyard workers are lining up in front of the bank to cash in war bonds. "They won't go to work at lower wages until they have spent all of their wartime wages," he said. To add to his difficulties, Coughlin revealed that three shoe shops in the vicinity will soon be needing more than 400 workers.

I want to say, also, in the city of Worcester, I checked with the USES and I found that there were approximately 1,800 individuals who had applied for unemployment-compensation benefits. I found from the USES also that there were at least 1,800 jobs in the city of Worcester.

Senator LUCAS. Mr. Chairman, let me interject with a query, if I may. Do we propose to have any of these fellows in the unemployment service testify? Are any of them scheduled to testify?

The CHAIRMAN. It has not been the habit of this committee to invite people to testify, certainly not to give invitations. It has been the habit of this committee to hear witnesses where they wished to appear. But in this case I called the Social Security Board and

asked them to come here before this committee, and they did come represented by Dr. Altmeyer. If there is anyone you might suggest, of course, we will be glad to get them here.

Senator BREWSTER. This would be the War Manpower that had the employment services.

The CHAIRMAN. I haven't invited them, no, not as chairman of the committee, because it has never been the practice of the committee to select witnesses.

Senator LUCAS. I see. I did not know what the practice was, Mr. Chairman. I merely raised the question in view of the statement made by the witness. Certainly, someone in the departments here ought to have the facts throughout the country.

Senator BREWSTER. The significant thing is that this area about which he gives his testimony is reported by the Employment Service as a distress area where there is great unemployment, and yet, if the quotation is correct, the representative of the Employment Service in the same area there is reporting that he cannot get anybody to work. It is a very unusual situation.

Senator TAFT. Did I understand you to say there were more than 2,800 requests for workers?

Mr. CONNELLY. In the Biddeford area, as stated by Mr. Coughlin, from this news report of the Boston Herald of yesterday.

Senator TAFT. You were talking about Worcester.

Mr. CONNELLY. In Worcester the United States Employment Service informed me that there are more jobs available than there are applicants for unemployment compensation.

Senator TAFT. I suppose they are lower wages, or something.

Mr. CONNELLY. That is true. I mean the wages for these jobs that are now available are not equal to the wages which the individuals received in the past; that is absolutely true.

Senator TAFT. You think they are lower wage rates as well as lower take-home pay?

Mr. CONNELLY. Lower wage rates and also lower take-home pay, Senator.

Senator LUCAS. Their hours of employment have been lowered also.

Mr. CONNELLY. That is true.

Senator BREWSTER. That would be true, as he pointed out, in the textile industry and the shoe factories. Many of these people came from that employment to this higher pay in the shipyards.

Mr. CONNELLY. That is right.

Senator BREWSTER. Now, it is a question of their resuming their old jobs.

Mr. CONNELLY. That is right. You know, we are engaged in a reconversion period. We know an awful lot depends on how quickly we can start up and expand our civilian industry. We know that affects many policies here in our governmental structure, and we all recognize that by far the greatest contribution that can be made to the strength of this Nation and to the strength of its political institutions is to quickly turn over into peacetime activity, expanding, to grant to all people an opportunity to work.

Now, in all industrial operations, in all business operations, they are not, in any sense, all high-paid jobs. I would like to give an illustration.

Senator CONNALLY. How many employees have you?

Mr. CONNELLY. We have 1,700 employees, and we hope, as soon as it is possible for us to do so, to expand upward to 2,000, 2,300, 2,500, and up to 2,800 employees.

Senator LUCAS. Have you lost any employees?

Mr. CONNELLY. We have taken on additional employees since the war has been over.

Senator LUCAS. Have you had trouble getting them?

Mr. CONNELLY. Up to the present time we have not had much trouble getting them.

Senator BREWSTER. You have postwar orders that will carry you through?

Mr. CONNELLY. That is right.

Senator BREWSTER. Without any problem of reconversion?

Mr. CONNELLY. That is right.

Senator CONNALLY. Have you reduced your wages?

Mr. CONNELLY. No; we have not reduced our wages.

Senator CONNALLY. You said they would not take these other jobs because of lower wages. But you have not reduced yours; is that right?

Mr. CONNELLY. Our wages have not been reduced.

Senator BARKLEY. What is a man to do, who has been making a certain scale of wages, who is not now employed, and who is offered a job at considerably reduced wages? He must decide whether he will take that and possibly be frozen into it, or forgotten with respect to any future jobs. What is he to do when he has to decide whether to take that job paying less than he has been in the habit of making, or take a chance of waiting until the reconversion has gone sufficiently far to enable him to get a better position, more in keeping with his past wages and past scale? What sort of decision is a man to make when he is confronted with those alternatives?

I wonder how many of these 1,800 that you speak of have thought that over. I can very well understand if a man takes a job he is earmarked, he is put on the shelf, he is no longer unemployed. He may be completely overlooked when a better job comes along, which he might have gotten if he waited a month or 2 months. How is a man going to solve that problem so as to do justice to himself and his family?

Mr. CONNELLY. That is a rather difficult problem that you pose, Senator. It is difficult when you look at it solely from the point of view of the individual involved. Naturally, as a human being he has that internal problem. We are confronted here with the good of the people generally throughout the Nation.

Senator BARKLEY. Well, the good of the people generally throughout the Nation is made up of the good of individuals who form the community.

Mr. CONNELLY. This point I want to make clear to you, Senator. Suppose that we have all of these workers, these 1,800 in Worcester, the 2,800 or more around the Biddeford area, suppose they all reach that self-same conclusion that if the unemployment compensation benefits or other resources are adequate enough they will not take a job until they can sit back and survey the condition that exists—

Senator LUCAS (interposing). Let me interject. Will those 1,800 draw that compensation if there are other jobs for them?

Mr. CONNELLY. Well, I do not want to interfere with the train of thought I am trying to indicate here, Senator. I will speak of that in just a moment.

If one of these people who are eligible for unemployment-compensation benefits has that feeling in mind of which you speak, and if all the people reach the conclusion that they will sit back and await the opening up of opportunities for better-paying jobs, then I can tell you this, Senator, that the opening up of those opportunities will be a long time coming.

Now, you take a manufacturing operation. Let us assume we have a company that has a foundry and machine shop. First of all, that company cannot open up opportunities for employment in the machine shop until it gets iron.

Senator MILLIKIN. Until it gets what?

Mr. CONNELLY. Iron. That means that it must be able to obtain the molders to make the iron. If they cannot get the molders, the iron is not available, and the opportunities for employment in the machine shop do not open up. Not alone does it depend upon getting the molders, it also depends upon getting the shake-out men, the buggy carriers, and so forth. They can have all the molders in the world, but if they cannot get somebody to draw the iron from the cupola and pour it in the mold, they might as well not get the molders. If they do not get the shake-out men, they might as well not have any molders.

Senator BARKLEY. Would not there be available a supply of shake-out men, men who had been shaken out? Everybody would not expect top jobs in that particular plant. Is the molder's job a skilled job?

Mr. CONNELLY. That is a skilled job; yes.

Senator BARKLEY. The point is you would not expect a man who had been drawing the pay of a molder to be compelled to take a job as a shake-out man if that job paid considerably less.

Senator TAFT. I want to suggest I have three sons in the Army—I was just talking to one last night—who are going to have to take jobs in civilian life at about half of what they are drawing in Army pay, apart from war workers' pay.

The CHAIRMAN. Let the witness finish his statement. I think he will answer most of the questions if we will listen.

Mr. CONNELLY. In every industrial operation there is a wage structure which starts from 50, 60, 65, 75, 80, and up to \$1.50 and more, but you need the people to perform the operations that pay 65, 70, 75, and 80 cents an hour. If you cannot get them, then it freezes the expansion of the plant. As I said, if the shake-out men or the buggy carriers or the heavy common labor in the foundry or inside transportation men of a factory are not available, then you cannot expand your employment opportunities. Here those individuals normally work at the lower wage structure in the industry. They are not skilled employees and they will be receiving from 70 to 90 cents an hour.

Now, as you said, Senator, there would be a natural inclination on the part of people who have been connected with the war industry, a natural inclination not to accept jobs that do not pay wages somewhat comparable to those which they received in the past. If you have \$25 a week unemployment compensation top, what does that mean in any business operation? If the employee received \$32 a week he made 80 cents an hour for 40 hours, and he looks at that as compared with

\$25 a week, and he understands that, first, out of that \$32 a week comes his tax; second, there comes the old-age benefit tax and other normal deductions to bring it down between \$27 and \$29 a week, and as against that he sees \$25 a week.

Now, I am not saying we should force people into employment. All I am saying is this, that we have the possibility of expanding our economy and that expansion may be very, very seriously interfered with by actions that are taken with reference to the unemployment compensation laws.

Now, for instance, your unemployment compensation benefits in any number of States stop at something like \$15 to \$18 per week. Those benefit structures were related to local conditions that exist in the South, let us assume. Then let us assume you supplement that up to \$25 a week. Your southern industry competes with the rest of the Nation. They have their wage structures there that may be different from the wage structures in the North and West. You may find that in the States that have the lowest maximum unemployment compensation benefits there will be the biggest difficulty in securing the workers to create expansion of employment if benefits are supplemented up to \$25 per week.

My thinking on the entire matter is related to this, that I doubt very seriously whether the supplementation as indicated in this bill will do anything to serve the natural elasticity of business to go ahead, and, if anything, although it will give to some people a benefit, for the large majority of people it may very likely withhold the opening up of employment opportunities, withhold them for some months to come, at a time when it is most important that these opportunities open up very, very quickly.

Now, American industry, when it converted from peace to war, I think we all agree it did a remarkable job. We all recognize and look back to the time when there was a \$300,000 supplementation bill here to take care of the unemployment situation that would occur throughout the country when American industry went from peace to war, and I think the events that followed those hearings and the action of the Congress demonstrated that the evil that came was not as great as that which was originally predicted.

Now, you are talking about a conversion into something that business knows all about. Business knows about the product it is going to manufacture. When there was the conversion from peace to war it was going into new products, and now we are turning back into the activities that we know something about, and, therefore, given the proper atmosphere, I am certain that business will quickly provide and open up the opportunities for employment that will be needed for the people of this Nation.

Senator BARKLEY. Mr. Chairman, following my interrogatory awhile ago about the State, in which the employees are required to make a contribution, I am informed there are only four States that provide for that, and they are Alabama, California, New Jersey, and Rhode Island. There were eight, but four of them repealed the law and amended it so as to relieve the employees of the obligation to make contribution.

Mr. CONNELLY. Rhode Island can be taken out of there, too, Senator, because the contribution by employees in Rhode Island relates

to sickness benefits and has nothing to do with unemployment compensation.

The CHAIRMAN. In most of those States the tax imposed on the worker has generally been for additional benefits, such as sick benefits.

Mr. CONNELLY. That is right.

Senator McMAHON. Mr. Chairman, may I ask him a question?

The CHAIRMAN. Yes, Senator.

Senator McMAHON. Mr. Connelly, don't you agree that the impression is almost universal in this country as regards this bill, that the \$25 a week is going to be paid to all unemployed? That has been my experience in talking with my friends about it.

Mr. CONNELLY. That is true.

Senator McMAHON. In fact, I talked to a Senator yesterday who has not seen the bill, and he was definitely of the opinion that \$25 was to be paid to all unemployed.

Mr. CONNELLY. To everybody.

Senator LUCAS. I don't know whether I talked to the same Senator or not this morning, but the Senator I talked to had the same view.

Senator CONNALLY. I am sitting here between them, and it was not I.

Mr. CONNELLY. In my State of Massachusetts, Senator, the average weekly earnings of an individual would have to be \$37.50 in the high quarter in order to entitle him to \$25 per week.

Senator McMAHON. I recognize that, but I also recognize the fact that there has been apparently some kind of studied effort made, at least it looks as though there had been some kind of studied effort made to prove that this bill provides \$25 for everybody, regardless of what they were making or where they will be. That is not so. I think it is important to emphasize that fact.

Mr. CONNELLY. Senator, you are absolutely right. It does not provide \$25 a week for everybody, but I daresay that the nature of the credits that have been built up by those who would be entitled to unemployment compensation during this period would mean that practically 75 percent of those applying for unemployment compensation benefits would receive, by virtue of what they built up, the \$25 maximum.

Senator McMAHON. I do not think it runs anywhere near that high. Today, we have 27,000 on the unemployment compensation rolls in Connecticut. We are the second highest average-wage State in the country; namely, \$50 a week, according to this table here, and they are now being paid \$19 a week for the 27,000. If that is so in Connecticut, on the basis of the 27,000 we have got on the rolls there, I think when you get down in some Southern States like Mississippi and Arkansas, you will find it is a lot less than \$19 a week. Your statement is not borne out, because you in Massachusetts haven't got as high an average wage as we had in Connecticut.

Mr. CONNELLY. We have 66 $\frac{2}{3}$ percent as the benefit on the average weekly wage in the high quarter. Of course, that makes a tremendous difference, whether you have 50 percent or 66 $\frac{2}{3}$ percent.

Senator McMAHON. That makes a lot of difference.

Mr. CONNELLY. Yes.

Senator LUCAS. This bill will not affect your company will it?

Mr. CONNELLY. That is right. First of all, it will affect, generally, our company. I do not want to leave any impression that no individuals have not been displaced in our company because our war activity has been discontinued. We cannot find employment for some of those who have been in war work because they haven't the skill or ability in our normal activity. I should like to say, of that 1,800 people presently applying for unemployment compensation in Worcester, it is estimated 65 percent of them are women.

Senator CONNALLY. In discontinuing employees, the less efficient, of course, as a rule, are the ones who go first; are they not?

Mr. CONNELLY. That is true.

Senator CONNALLY. That is true in your company and it is true of other companies, isn't it?

Mr. CONNELLY. Yes.

Senator CONNALLY. If you have a dozen men and you only need six, you throw out the six that are less efficient.

Mr. CONNELLY. That is the attempt made by all companies, to displace those who are the less efficient.

Senator CONNALLY. In all these companies you have a great many skilled men that you had for years, and they will go right on, even though you may have to reduce the salary a little?

Mr. CONNELLY. There will be no reduction of salary.

Senator CONNALLY. You said a while ago there were reductions, that one reason they did not take the jobs was that they had to take jobs at lesser rates than they had been drawing theretofore.

Mr. CONNELLY. That comes about—

Senator CONNALLY. I don't care how it comes about. You said one reason they did not take the jobs was that they had to take jobs at lesser rates than they had been drawing theretofore. That is all I want.

Mr. CONNELLY. I merely want to clarify my statement to you, Senator. There were no reduction of rate ranges. That does not mean that an individual who has been in a semiskilled occupation or a skilled occupation may not find that he has to take common labor or a semiskilled job, which has a lower rate range.

Senator TAFT. Isn't it likely when you decrease the hours you decrease the take-home pay of your employees?

Mr. CONNELLY. There is no question about it. Eventually, the hours will have to be reduced to 40 hours a week, for two reasons: (1) Because the premium that has to be paid for overtime hours is heavy and (2) because of the very nature of the wage and hour law, which provides penalties on employers working more than 40 hours, in order to spread employment.

Senator TAFT. That will be true throughout the country generally, where people work 48 hours and they are reduced to 40 hours there will be reduction in take-home pay.

Mr. CONNELLY. That is right. I think it can be said generally in industry that they will reduce to 40 hours a week.

The CHAIRMAN. Very well, Mr. Connelly. If there are no further questions, thank you, sir, for your appearance.

Mr. CONNELLY. Thank you, Senator.

The CHAIRMAN. Mr. Chesnut, secretary of labor, State of Pennsylvania.

STATEMENT OF WILLIAM H. CHESNUT, SECRETARY OF DEPARTMENT OF LABOR, COMMONWEALTH OF PENNSYLVANIA

The CHAIRMAN. You have a prepared statement that you wish to present first before you are interrupted? Do you mind interruptions?

Mr. CHESNUT. No; I do not mind.

The CHAIRMAN. Very well, you may proceed. We will be glad to hear you.

Mr. CHESNUT. Mr. Chairman, my name is William H. Chesnut. I am secretary of the Department of Labor and Industry of the Commonwealth of Pennsylvania. I am testifying here as a representative of Gov. Edward Martin.

Pennsylvania objects to the Federal Government entering the field of unemployment compensation—except insofar as veterans and Federal workers are concerned—because, by so doing, the Government takes upon itself a new prerogative which, due to the economic variable of wage rates and regional living costs, it is not constituted to assume. This action, on the part of the Government, would dislocate standards based upon generations of experience and disturb an established balance to the extent that the ultimate outcome might be more disastrous than the condition which it desires to influence.

The Government indicated conclusively its acceptance of this wage rate and regional living cost factor when it approved the laws adopted by the State agencies in the early days of unemployment compensation.

Of course, Pennsylvania will cooperate to the fullest in the extension of unemployment benefits to veterans to whatever degree Congress may desire. Whatever the Federal Government does to benefit veterans Pennsylvania heartily approves and will, itself, continue to assist these veterans in every way within its power. The Commonwealth publicly recognizes the debt owed to our veterans.

Regarding the coverage of Federal workers, Pennsylvania will cooperate with the Government should it see fit to include these workers under unemployment compensation.

In considering maritime workers it is to be noted that they are already covered by Pennsylvania and by most other States where there are employees in the maritime service.

In reference to other groups not now included under unemployment compensation, Pennsylvania opposes their being placed under Federal coverage. Congress did not cover them initially. They could be covered, if desired, by including them under the internal-revenue tax on employers of eight or more, as established by current practice. The situation is the same today as it was when Congress first excluded them. Their coverage should be left to the States to decide.

The CHAIRMAN. In speaking of the maritime workers, you do not cover workers on the high seas, do you?

Mr. CHESNUT. All maritime workers in Pennsylvania, but not foreign corporations.

The CHAIRMAN. Not foreign corporations?

Mr. CHESNUT. No.

Senator VANDENBERG. Can you tell me whether the Pennsylvania law would prohibit the acceptance of this supplementary Federal pay without deduction from the Pennsylvania payments?

Mr. CHESNUT. Senator Vandenberg, that is presently before our attorney general for interpretation of the law. Personally, I think it

can be interpreted either way. But how he will interpret it I am not prepared to say.

Senator LUCAS. You think the compensation under the laws of Pennsylvania at the present time is sufficient to take care of the unemployed during this period of reconversion?

Mr. CHESNUT. Senator, I have got to go along with the Legislature of Pennsylvania, who approved unanimously a few months ago \$20 a week for 20 weeks.

Senator BARKLEY. Going along with the legislature and deciding for yourself whether it is enough are two different things. Which is it?

Mr. CHESNUT. I must bow to their collective wisdom rather than to my own individual wisdom.

Senator MILLIKIN. Mr. Chesnut, may I ask what the extent of your unemployment reserve?

Mr. CHESNUT. Over \$600,000,000.

Senator MILLIKIN. What is the extent of your State surplus, general State surplus? My figures indicate it is about \$96,000,000.

Mr. CHESNUT. Around \$100,000,000.

The CHAIRMAN. Thank you very much.

Senator LUCAS. Mr. Chairman, before the next witness is called, my attention has been called to a tabulation of provisions for State unemployment compensation laws. The preceding witness discussed rather elaborately the system under which payments were made in Massachusetts. For the record, I want to state that Arkansas, Colorado, Connecticut, Maine, Maryland, Massachusetts, New Hampshire, New York, North Carolina, Rhode Island, Utah, Vermont, Virginia, and Washington have similar provisions with respect to double pay, and that Illinois had that provision up until January of this year, when they repealed that provision and it is now included in that group of States.

Senator VANDENBERG. Does that mean that in the other States the situation to which the witness referred would not occur?

Senator LUCAS. That is right.

Mr. JACOBSTEIN. That is not true in toto, Senator Vandenberg. In the other 35 States there is a variation. These 13 States are on all fours with the Massachusetts system whereby a man could draw over the whole period.

The CHAIRMAN. Do you have any tabulation that you wish to put in the record, Senator?

Senator LUCAS. That is all I have.

Senator BREWSTER. What is the citation on that, Mr. Jacobstein?

Mr. JACOBSTEIN. This is the report prepared by the Special Committee of the Ways and Means Committee of the House, that has just been released.

The CHAIRMAN. With reference to an issue that arose here yesterday, I believe it was, the Federal Security Agency, through its Director, has furnished the committee this letter, which has a bearing upon the estimated cost of this bill, and also upon an issue which was left in doubt.

The letter is as follows:

This is in reply to Mr. Jacobstein's request for an explanation of section 702 (c) (1), which would provide for the payment of weekly benefits in amounts up to two-thirds of previous weekly wages. I understand that the discussion of this section at your committee's hearings this morning concerned whether

the States or the Federal Government would bear the cost, whether this section would require action by State legislatures, and whether the cost of such benefits had been included in the cost estimates presented in Mr. Altmeyer's testimony.

As I read the bill, it would provide that the additional costs of benefits under section 702 (c) (1) would be paid by the Federal Government. Section 706 (a) provides that each State entering into an agreement shall be entitled to be paid by the Federal Government an amount equal to the total of "all supplementary payments made in accordance with such agreement." If by agreement a State raised its benefit amount from 50 percent to 66 $\frac{2}{3}$ percent of wages, the additional money would be a supplementary payment under the agreement and thus reimbursable. Otherwise the State legislatures would have to meet to take advantage of this provision and nothing would be gained by its inclusion in the bill, since State legislatures are free at any time to provide for payment from their own funds of weekly benefits equal to two-thirds of weekly wages.

The cost estimates submitted by Mr. Altmeyer did not include an allowance for this provision because it is impossible to determine in advance how the individual State unemployment compensation agencies might interpret it in relation to their laws. Many State laws now relate benefits to a fraction—one-twentieth, one twenty-third, one twenty-sixth—of wages earned in the quarter of the base period in which such wages were highest. Other States relate weekly benefits to annual earnings. Each State would have to determine what, if any, change would be needed. Some State agencies might agree to make supplementary weekly payments which would not be sufficient to bring the weekly benefit up to two-thirds of weekly earnings.

SENATOR VANDENBERG. Mr. Chairman, were we not to have a report this morning also from the Social Security Board on this fundamental legal question?

THE CHAIRMAN. We have asked for it, Senator. It has not been furnished yet. I will hand it to the committee as soon as we receive it.

SENATOR LUCAS. Mr. Chairman, do I understand that that letter more or less challenges the statement made by Senator Kilgore the other day with reference to the payment of supplementary funds?

THE CHAIRMAN. It is to the effect that a supplementary payment up to two-thirds of the weekly wage will have to be paid by the Federal Government and nothing from the State.

The Honorable Wilbert Snow.

STATEMENT OF HON. WILBERT SNOW, LIEUTENANT GOVERNOR OF THE STATE OF CONNECTICUT

THE CHAIRMAN. We will be very glad to hear from you.

Governor SNOW. Senator George, and gentlemen of the committee, we have a national rather than a State question, to decide upon. Some States, like my own, Connecticut, are generous in matters of unemployment compensation, allowing a maximum payment of \$22 a week to all who earned \$44 and over per week. To this \$22 we add \$2 extra for each dependent up to three dependents. This means, of course, \$28 a week. Other States allow a maximum of \$16 a week for 16 weeks and at least one allows only \$15 a week for 14 weeks. A war worker who went into one of these lower-bracket States to work in a war industry, deserves as much reward during this period of confusion and readjustment as does the man who was working in one of the States most favorably inclined toward unemployment compensation benefits.

It is true that within the past year many States have increased the rate of payment and the number of weeks in which an unemployed man is eligible. This is commendable. But a war worker in a

State that did nothing to improve its unemployment compensation should not be penalized or discriminated against. Geographical accident should not be the determining factor as to our treatment of the unemployed in this transitional period. We ought to keep in mind, too, that most of these States will not have another meeting of their legislatures until 1947—and then this emergency will be over. Here, to my way of thinking, is the soundness of President Truman's recommendation to the Congress. Congress, which alone has the responsibility for declaring war, should feel some responsibility, in my opinion, for the conditions of the transition from war to peace. There are two disturbing elements in this situation: (1) The fear that a high rate of unemployment compensation would turn a Nation of war workers into a Nation of loafers and malingerers. I notice that the people who stress this fear most emphatically are the very people who say we are in for a great era of industrial prosperity. If we are in for a great era of industrial prosperity we may be sure that men will not hang around the grocery store or the drug store on a mere \$20 to \$25 a week. The small group who would hang on for 26 weeks rather than go to work are like poor relations—always with us. They are either physically or mentally ill or else just naturally lazy. Their care for 26 weeks is a burden we must assume as a part of the price we shall have to pay for the tapering off of our demobilization program. Let us treat all our war workers with fairness and generosity for a few weeks even though certain economically minded States may feel we are too lavish toward these men.

The other disturbing element arises from the fact that the various State governments are rich and the Federal Government is heavily in debt. Each State could take care of all the unemployment benefits required within its own borders. This is manifestly unfair, first, because some States were more heavily crowded with war-material factories than others, and, secondly, because in some States the items manufactured required a specialized retooling that cannot be utilized in making peacetime products. In those factories the reconversion process will be slow. In other instances there can be no reconversion at all. A letter in the New York Times Sunday written by Richard A. Lester, of Durham, N. C., discussing this problem, says:

The only sensible Federal measure, in the face of such facts * * * is to require that the State remit from its unemployment-compensation fund to the United States Treasury all sums paid as supplementary benefits to those qualifying for benefits under the State law. To insure such remittances from the States it could be provided that the Federal Government might withdraw the Federal tax credit for contributions to State unemployment-compensation funds, or for State reductions in unemployment-compensation taxes under the Federal act in the event that a State failed to appropriate from its unemployment fund for the supplemental benefits paid through the State administration to beneficiaries qualified under that State's law.

This suggestion is much harsher than anything in your bill. In fact, one paragraph in the bill forgives the States for all their shortcomings. But this suggestion might be considered by members of your committee who think the bill as it now stands is altogether too lenient.

In other words, the dismantling of the war machine as truly as the building of a war machine is a matter for the Nation as a whole. The Congress should see to it that every unemployed war worker gets as

fair and equitable a treatment during this brief march through the wilderness as any other.

The fact that this bill contemplates a larger coverage that is usually the case in social-security legislation is another point in its favor. Your bill contemplates taking in Federal employees, members of the merchant marine, and agricultural processors. Our exclusions originally were arbitrary and many people were left out of the measure because we feared the actuarial difficulties involved. We were beginning a new type of legislation. Perhaps it is well that we began cautiously. But now that the principle of unemployment insurance is accepted by nearly everyone, we ought to enlarge our base and include those hitherto left out. In this, as in the original legislation, the States will be included to wait on the initiative of the Federal Government.

In conclusion may I suggest that the cushioning of industry has been made a Federal concern and by the same token the cushioning of war workers should be a Federal concern during the interim period. The veterans have been liberally provided for. And now the men and women who furnished the veterans their war material ought to be decently provided for. The discrepancies in unemployment compensation among the various States cannot be straightened out by the States unless we have many special sessions—something that is most unlikely at this late hour. The Kilgore bill is, in my opinion, well fitted to provide at this time for the increasing army of the unemployed. I, therefore, urge upon your committee a careful consideration of its adoption.

The CHAIRMAN. Are there any questions?

If not, we thank you, Governor, for your appearance and for your statement.

Mr. Alvin A. Burger, New Jersey State Chamber of Commerce.

STATEMENT OF ALVIN A. BURGER, DIRECTOR OF RESEARCH, NEW JERSEY STATE CHAMBER OF COMMERCE

Mr. BURGER. My name is Alvin A. Burger. I appear in behalf of the New Jersey State Chamber of Commerce, of which I am the director of research.

The New Jersey State Chamber of Commerce is a voluntary commercial organization, supported by more than 3,000 business and professional men and farmers of New Jersey, and devoted to the economic, civic, and social well-being of our State. One of the chamber's most active committees is its social-security committee, composed of 20 businessmen who possess an intimate knowledge of social-security problems and legislation. The statement which I present to you was drafted with their guidance, and has their endorsement.

Senator CONNALLY. How many businessmen is it composed of?

Mr. BURGER. Our chamber?

Senator CONNALLY. That committee there.

Mr. BURGER. Twenty.

Senator CONNALLY. What is a businessman? Does he have to have a factory, a store, or bank to be a businessman, or can anybody be a businessman?

Are not we all businessmen?

Mr. BURGER. I think that is pretty close to the truth; yes, sir.

Senator CONNALLY. What did you mean when you said "20 businessmen"? Did you mean bankers, merchants, manufacturers?

Mr. BURGER. No bankers, but manufacturers, economists, and particularly on this committee a number of men whose work is in that field.

Senator CONNALLY. Isn't anybody who works, who makes a living just as much a businessman as these big shots? I am getting fed up by people saying they represent businessmen. Are not we all businessmen, trying to do something—trying to work and make a living?

Mr. BURGER. Yes; and our State chamber of commerce has a membership which represents a very fair cross-section of just the type of business that you define.

Senator CONNALLY. That is fine. I am glad to hear it.

Mr. BURGER. Many of the 20 businessmen on this committee are the kind of men that you define.

Senator CONNALLY. Any labor leaders on that committee?

Mr. BURGER. Labor leaders?

Senator CONNALLY. Yes.

Mr. BURGER. No, sir.

Senator GUFFEY. From what part of the State?

Mr. BURGER. All parts of the State.

Senator GUFFEY. Any from Jersey City?

Mr. BURGER. Oh, yes.

Senator CONNALLY. Hague is represented?

Mr. BURGER. Mayor Hague is not on the committee and he is not represented.

Senator VANDENBERG. He is a businessman.

Mr. BURGER. He gives Jersey City the business.

Senator CONNALLY. He runs the biggest business in Jersey City, doesn't he?

Mr. BURGER. We have heard rumors to that effect.

Senator CONNALLY. You ought to know about it. You are a citizen up there. Go ahead, I will not bother you any more.

Mr. BURGER. I propose simply to lay before you a few facts and observations intended to show how the provisions of Senate bill No. 1274, if enacted into law, may be expected to affect one of the important industrial States of the Union. In point of size New Jersey is one of the smallest of States, but in industrial production it ranks sixth highest in the Nation. Insofar as the postwar employment picture is concerned, New Jersey's situation is in many respects typical of the industrial States; yet in other respects there are differences, and these differences emphasize, we think, the soundness of the present system of entrusting the supervision and control of unemployment compensation to the States, where the needs of the people and the problem of meeting those needs are best understood.

We do not like Senate bill No. 1274. We do not like it because it would superimpose upon New Jersey's carefully worked out system of unemployment benefits a series of federally financed supplementary benefit payments which would destroy the equitableness and distort the adequacy of the State's program.

We do not like it because it seems more likely to encourage unemployment in New Jersey than to promote the desirable objectives of full employment.

We do not like it because it seems to offer a formidable new threat of federalization of our State unemployment-compensation system. We are against federalization of unemployment compensation, because we are convinced that this service would be performed less efficiently under Federal management, and with infinitely less regard for individual rights as well as individual needs.

Finally, we do not like it because it calls for a new Federal expenditure of doubtful necessity, to be contracted at a time when the burden of Federal taxation and debt presents a national problem of the first magnitude. The American people today are demanding that Federal taxes and debts be reduced—not increased.

Now, let me take up these four objections, one at a time.

New Jersey's unemployment-compensation law has undergone a series of liberalizing changes since its enactment in 1936. The most substantial of these upward revisions became effective just 2 months ago. Our law now covers all employers of four or more, and provides a \$22 maximum and \$9 minimum weekly benefit payment, with 26 weeks as the maximum and 10 weeks as the minimum duration period. Technical provisions of the law have been considerably amended to effect a smooth-running, efficient, adequate administrative organization.

Liberalization of our New Jersey law did not "just happen," Topsy-like. Each revision was the result of much careful study by legislative or other study committees. This was especially true of the most recent revision, which was entrusted to a permanent 12-member committee known as the New Jersey Commission on Postwar Economic Welfare. The Commission's chairman is an eminent jurist of our State, and its membership includes representatives of organized labor and of industry, and several State officials who have first-hand knowledge of New Jersey's economic and public-welfare problems. Implemented with competent technical aid furnished by Princeton University and with practical guidance from the State agency's administrators, the Commission spent almost a full year preparing its liberalization program. In the course of its work the Commission sought and received detailed suggestions from the State's four most interested private organizations—the State federation of labor, the CIO, the Manufacturers' Association, and the New Jersey State Chamber of Commerce.

When the legislation was completed, it won much public support, including the support of the State federation of labor. The CIO would have liked to see the maximum benefits made a little larger, the Manufacturers' Association thought they were a bit too large, and the State chamber felt that changes should have been made to give all employees with steady employment records, such as the white-collar workers, a better break. But the revision as a whole was considered sound. The new benefit provisions had been painstakingly geared to meet the reconversion situation which Jersey faces today. The amended law was deemed fair, and equitable, and adequate, and sound.

Senator LUCAS. How much do you pay under the New Jersey law?

The CHAIRMAN. He gave it, Senator. \$22.

Mr. BURGER. \$22 maximum for 26 weeks.

Senator LUCAS. Thank you, sir.

Senator BYRD. The workmen in New Jersey would benefit perhaps \$3 a week only.

Mr. BURGER. Yes, sir.

Senator BYRD. All of them probably would not be laid off. What percentage of the salary payments do you pay in benefits?

Mr. BURGER. What percentage of the salaries?

Senator BYRD. What percentage of their salaries are they getting? What percentage do you pay them for unemployment benefits?

Mr. BURGER. Probably about 40 percent on the average. It can be up as high as 60 percent, but with a \$22 ceiling.

Senator McMAHON. How many have you got on the rolls now?

Mr. BURGER. I do not know the total number on the rolls at the present time.

Senator McMAHON. Do you know the average amount they are drawing?

Mr. BURGER. Approximately \$18.50.

Senator McMAHON. \$18.50?

Mr. BURGER. Yes, sir.

Senator BYRD. That is above the average of a great many States?

Mr. BURGER. Yes, sir.

Senator LUCAS. If you paid an additional \$5 a week on the average, would you create loafers?

Mr. BURGER. I am coming to that, sir, presently.

Senator LUCAS. All right.

Mr. BURGER. Now, Senate bill No. 1274 comes along, proposing to sweep aside New Jersey's carefully formulated benefit schedules, and substituting in their place a set of benefit provisions to be applied willy-nilly to industrial New Jersey and agricultural South Dakota alike, in absolute disregard of differences in employment conditions, rates of pay, and other factors which tend to make one State's picture different from that of another.

Senate 1274 would add \$3 of Federal funds to each \$22 of maximum benefits paid to an unemployed worker by the New Jersey unemployment compensation fund. We wonder by what reasoning the bill's sponsors have determined that our New Jersey workers—whose weekly wages were 15 percent higher than the country's war period average, and whose record of savings and war bond purchases equals that of the workers of any other State—stand in need of this extra \$3 weekly for unemployment aid.

Senator BREWSTER. Do you predicate that on the theory that they will get that \$3 if the law is passed?

Mr. BURGER. A great many will get that \$3.

Senator BREWSTER. The reason I ask that is because in the Council of State Governments report I find this language:

In addition, a claim may be disqualified wholly or in part because of similar payments under any act of Congress, or benefits under an unemployment compensation system of any other State of the United States.

Mr. BURGER. Yes, sir.

Senator BREWSTER. In other words, that seems to be the same provision that we had discussed earlier, that if there was a Federal payment it would be deducted rather than added. Have you an opinion on that?

Mr. BURGER. We have not, sir; but we understand that an opinion is being sought up there, as well as by your committee.

Senate 1274 would extend the duration of benefits to a maximum of 26 weeks of all unemployed workers who qualify for benefits—casual workers as well as those regularly attached to the labor market. This provision would vitiate the minimum benefit provisions of our New Jersey law and set aside the sound reasoning of our State legislators in establishing such minimums.

The bill before you would extend coverage to maritime workers. These workers are covered by amendments made to our New Jersey law, this year, at the suggestion of our chamber. S. 1274 would also cover Federal civilian employees of New Jersey, but would, as we read the bill, make the benefit schedules of the District of Columbia applicable to these workers, which makes for added confusion. Coverage is also extended to workers handling, processing, storing, or delivering farm products. We see no necessity for this insofar as New Jersey is concerned, because they are presently covered unless the bill's vague language is intended to cover all farm workers also.

Finally, a so-called optional provision in S. 1274 would extend coverage to all now excluded under our New Jersey law, such as domestics, and those who work for employers of less than four persons. We are convinced that if all-out coverage were suddenly imposed in New Jersey at this time, it would result in great confusion, and administration would be made most difficult. Until recently New Jersey's coverage applied to employers of eight or more and all agreed that it should be extended ultimately to all employers of one or more. But a careful survey of the New Jersey situation, particularly as it concerned small business and farm and domestic help, supported the wisdom of increasing the coverage a step at a time. It was generally agreed that the minimum should be reduced to include employers of four or more. It would be unwise to remove all limitations yet a while in New Jersey.

The point we would like to make is this: It may take a little longer to achieve progress by individual State action, but the progress thus made will in the end be sounder, and the ultimate accomplishments will be fully as satisfactory as any which might be realized by Federal jet propulsion.

Our second criticism of S. 1274 rests on our belief that the measure, if enacted, will do more to obstruct than to clear the road to full peacetime employment in New Jersey. It may, in fact, encourage unemployment despite a State-wide demand for workers to fill jobs in reconverted industries and in enterprises of wide variety.

As of July 1 there were about 1,750,000 persons gainfully employed in the State of New Jersey. Of these, over 800,000 were engaged in war industries or activities directly related thereto. Careful surveys by official and private agencies in the State disclose that, although as many as 400,000 war workers, all told, may be laid off as a result of the war's sudden end, the reconversion process will be swift in our manufacturing industries, and many if not most of these displaced workers can be quickly reemployed.

SENATOR MILLIKIN. Mr. Chairman, may I ask the witness a question?

THE CHAIRMAN. Senator Millikin.

SENATOR MILLIKIN. Mr. Burger, how many of the 400,000 would be women?

MR. BURGER. We believe something over half.

Also, many new plants are expected to be established in New Jersey over the next few years. Furthermore, the resumption of thousands of retail and service enterprises, and the opening of additional thousands of new ones, will provide enough job opportunities to absorb at least 100,000 additional workers within a comparatively short time. Finally—

Senator LUCAS. Is that 100,000 additional to the 800,000?

Mr. BURGER. Yes, sir. Finally, the construction industry faces the prospect of a long-range boom in New Jersey.

Senate 1274 obviously contemplates a 2-year period of unsteady employment conditions, since its provisions are to stay in effect until June 30, 1947. But so far as New Jersey is concerned, such conditions are not expected to endure for more than a year at the very outside, and unemployment is not expected at any time to reach any serious proportions. It is very likely, in fact, that New Jersey's unemployment crisis will have ended before Senate 1274, if passed, could become operative.

By August 26, 74,000 displaced workers had filed claims for unemployment benefits in New Jersey. However, at about the same time, according to estimates reported by the War Manpower Commission for New Jersey, about 65,000 job opportunities were available to these unemployed. Efforts to place all unemployed war workers into peacetime jobs apparently will take some time to consummate, due largely to the size of the task and the suddenness with which it descended upon the employment services. One well-known textile plant in Passaic needed 500 workers immediately, but it was able to secure only 16 in the first 2 days.

Senator LUCAS. What was the reason?

Mr. BURGER. The reasons were not given me. This plant sent its employment personnel into the USES office to interview men and women as they entered the office to apply for new jobs, and there is where they got most of the 16 workers.

Senator VANDENBERG. Was there a great differential in the wages involved?

Mr. BURGER. There may have been with respect to certain of those who were severed from their jobs, semiskilled jobs or skilled jobs, that were working for good wages in the Wright Airplane plant. But this particular textile plant pays top wages in the industry—good wages.

Senator MILLIKIN. What are those, if I may ask? What are top wages in the textile industry?

Mr. BURGER. I am not qualified to answer that, sir. I only know that this concern has a very fine reputation in that field.

Senator BREWSTER. The average is about 27 or 28, so if it was higher it would be something above that, I presume.

Mr. BURGER. Yes.

Senator LUCAS. They do not get any unemployment benefits if they refuse a job after they are offered a job, as far as unemployment compensation is concerned?

Mr. BURGER. Well, it is a little early to tell just what will happen. The truth is at the time they were coming into the employment office these workers did not appear to be interested in the jobs offered, by this manufacturer at least.

Senator LUCAS. Well, they are offered a job and they do not accept the job, as I understand it, in most States they do not get any unemployment compensation.

Senator TAFT. A suitable job.

Senator LUCAS. Well, a suitable job is determined by the authorities in their own State.

Mr. BURGER. That is what the law says.

Senator LUCAS. Not what the individual that applies for the job should determine the word "suitable" means.

We hear in this testimony constantly about so many employers asking people to go to work, and here you give us an example where they need 500, they go down to the employment service office and they can only get 16. I am wondering what happens to the 484 other jobs down there, as far as the employment compensation is concerned. That seems to me to be important.

Mr. BURGER. Yes; that is an important question, but at the moment I am unable to answer it, because, frankly, I did not ask. I just know of the situation.

Senator LUCAS. Can you conceive of those people not taking jobs if their unemployment compensation is cut off?

Mr. BURGER. No; but I think many of those people are people who will not reenter the labor market.

Senator LUCAS. You mean they will just quit entirely?

Mr. BURGER. Yes.

Senator LUCAS. That may be true, of course.

Mr. BURGER. Yes, sir. We believe there are quite a few scores of thousands in New Jersey in that category.

Senator BREWSTER. Don't you think there is also a feeling by these war workers who have been working long hours that they are entitled to a vacation, and they are deliberately taking vacations and not seeking a job now even though they might not get compensation?

Mr. BURGER. Yes; that is often expressed by a great many of them.

Senator TAFT. They can go to the seashore for 2 weeks and get compensation for that period after they come back.

Mr. BURGER. Yes, sir; that is true.

Senator LUCAS. You cannot blame them for taking a little vacation.

Senator TAFT. No.

Senator LUCAS. Congress took a vacation not long ago.

Senator BREWSTER. A vacation, so-called.

Senator TAFT. They did not sacrifice anything by taking a vacation except the unemployment compensation during the particular weeks that they were on vacation.

Mr. BURGER. That is true, although, to my personal knowledge, there are some who intend, if they can, to take their vacation and help finance it by the \$20 or \$22 a week.

Senator TAFT. That is human nature.

Mr. BURGER. Yes; that is human nature.

Senator McMAHON. You say plenty of these people are leaving the labor market. If they leave the labor market, they do not hold themselves out to take employment and they go off the rolls.

Mr. BURGER. That is true, although, I think, as a precautionary measure, a large majority of them are applying for benefits and then are going to the USES office to qualify in case they do see fit to draw benefits.

Senator McMAHON. Yes, but then it is the duty of somebody in your State system to say to this man, "Having been offered a job and having refused it you are off of the benefits; you are out."

Mr. BURGER. That is the duty of the USES. We were told that the officials of that agency in New Jersey intend to do all they can to enforce that provision. We suspect that there may be a tendency towards liberalization there, until we get the USES office back into our State government.

Senator LUCAS. Of course it would not be any liberalization in the State. They would run it perfectly if they had it themselves, is that your theory?

Mr. BURGER. No; that is not my theory.

Senator LUCAS. You fellows come with the same kind of testimony, that the Federal Government can do that is perfectly right, but as soon as you get it back to the State the State runs it just the way it should be run. That is your position now.

Mr. BURGER. I would not say that categorically, but I say with respect to this particular service, the State is equipped to do a good conscientious job, because our people there know the State situation.

Senator LUCAS. I understand all that perfectly well.

Senator BYRD. In other words, Mr. Burger, you think the States will run it as the people in the States will want it run?

Mr. BURGER. Yes.

Senator BYRD. Because it is done through the general assembly which is elected by the people.

Mr. BURGER. Yes.

Senator BYRD. You are more apt to get a system that is acceptable to the people of the State by having it run by the State than if you have it run by the Federal Government?

Mr. BURGER. Yes.

Senator LUCAS. When the witness says the Federal employees would discriminate toward liberality and the State fellows will run it just perfectly, there would not be any discrimination there for political reasons or otherwise, the witness may be a great economist but he hasn't shown much knowledge about political matters.

Senator BYRD. You haven't had anything perfect yet in any government, either State, local, or national?

Mr. BURGER. No, but we are hoping someday to see something perfect.

Senator LUCAS. The only thing I said was the witness said the Federal Government would discriminate toward liberality, and if they had it in the State everything would be all right. That is what he said.

Mr. BURGER. I based it on the experience we have already had with the USES since it has been under Federal domination.

Senator BREWSTER. Isn't it true that the Federal Employment Service is not giving away its own money; it is giving away the money which is in the State fund? So you do have a joint responsibility with the administration.

Senator LUCAS. The State hasn't any money involved in it at all; it is a Federal proposition. The States never contributed anything toward the fund that they are spending.

Senator BYRD. The citizens of the States did.

Senator **BREWSTER**. I thought the principle was well established that this is a Federal administration of unemployment under State standards. Certainly, there isn't any argument on that score.

Senator **LUCAS**. Not a bit.

Senator **BREWSTER**. We speak of these State reserve funds as State funds having been derived from the industries of those States.

The **CHAIRMAN**. All right, Mr. Burger, you may proceed.

Mr. **BURGER**. Another plant advertised for 1,000 additional workers, but it reports that these jobs are being filled very slowly. The number of columns of want ads appearing in the Newark Evening News has actually increased since Japan's surrender. Jobs as domestics paying excellent wages have gone begging.

It is obvious that many of the unemployed war workers do not intend to return to jobs of any kind. Married women are returning to housekeeping, older people will retire once more, and the public-school systems of the State are asking employers to cooperate with them in an effort to induce all young people who interrupted their education to take war jobs to return to school.

Nevertheless, withdrawals from New Jersey's \$443,000,000 unemployment compensation fund may be substantial during the next few months, and a large portion of these payments may go to persons who find their \$22 weekly benefit checks a sufficient inducement to steer clear of jobs for as long as possible, in favor of a vacation from their wartime labors. Most of these would not be bona fide workers regularly attached to the labor market, but rather casual workers and exclusive wartime employees who now seek to separate themselves from employment altogether. We hope such practices will be reduced after the USES and the State unemployment compensation agency recover from the sudden onrush which has overwhelmed their offices in these first weeks after the war's end.

It is evident to us that weekly benefit payments of as much as \$25, covering a possible 26-week period for all unemployed, as provided in S. 1274 would constitute too much of a temptation to unemployed workers to relax in their efforts to find new jobs. A New Jersey worker who has earned \$40.65 or higher for a 48-hour work-week would qualify for the proposed maximum benefit of \$25 weekly under our unemployment-compensation law. A peacetime job which would pay him the same wage rate he had previously received, but with the working hours reduced to 40 per week, would yield him a gross weekly wage of about \$31.25. Deductions for taxes, social security, union dues, lunches, and carfare would probably reduce this wage to \$25 or less of actual take-home pay. If \$22 weekly would tempt an unemployed worker to take his time looking for a new job, will not a \$25 benefit payment offer an even greater temptation? And have we not cause to believe that the Federal agency, in its anxiety to impress the workers of every State with its ambitious beneficence, will exercise the utmost liberality in dealing with claimants, in order to make an impressive record with which to coax larger subsequent appropriations from Congress?

Senator **MCMAHON**. I think you said your average payments today were \$18.50.

Mr. **BURGER**. Yes.

Senator **MCMAHON**. Don't build up your case on the proposition of the highest wage. Take what you are actually paying in New Jersey today, which is \$18.50 and not \$22.

Mr. BURGER. Let me say, sir, the average of \$18.50 was as of July 1. The average today would be higher because of the severance from war industries of these high-paid employees. By far the most of these employees recently displaced will qualify for the \$22 weekly rate.

Senator McMAHON. Right now it is \$19 in Connecticut, and our rate of pay is exactly what yours is in New Jersey. For a \$50 a week average, we are paying \$19, so it would not go up very much from \$18.50.

Mr. BURGER. That may be.

Senator LUCAS. Do I gather from your statement you think \$22 is too much?

Mr. BURGER. No, sir. Our organization was one of those which agreed to the \$22 ceiling.

Senator BREWSTER. The temptation would be increased if they increased from \$18 to \$25, rather than from \$22 to \$25?

Mr. BURGER. That is our belief.

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness what percentage of his covered employees would get \$25 under this bill.

Mr. BURGER. We have 1,300,000 covered employees in New Jersey, 800,000 war workers, all of whom are covered. Perhaps at least two-thirds would qualify if they were unemployed. I think that is conservative.

Senator BREWSTER. You have a fund of some \$450,000,000—reserve fund?

Mr. BURGER. Yes, sir.

Senator BREWSTER. Under the report, under your former law—I think it was somewhat changed—that was sufficient, the Council of State Governments reported, to cover the maximum duration, the average amount for 93 percent of your 1,300,000 workers.

Mr. BURGER. Yes, sir.

Senator BREWSTER. That fund was adequate.

Mr. BURGER. Yes, sir. Have we not cause to believe that the Federal agency, in its anxiety to impress the workers of every State with its ambitious beneficence, will exercise the utmost liberality in dealing with claimants, in order to make an impressive record with which to coax larger subsequent appropriations from Congress?

I am afraid, sir, we are a bit on the suspicious side.

Senator LUCAS. I think you have always been. You are not announcing any new doctrine, as far as that is concerned.

Mr. BURGER. The effects of such bounty may prove a real obstacle to setting in full motion the peacetime economic machinery of our State, and therefore we believe this legislation may do more harm than good to the workers as well as to the taxpayers and businesses of New Jersey.

In passing, we have this one comment to make with regard to the proposed amendment in Senate 1274 to the GI bill of rights, to liberalize benefits for unemployed war veterans. We wonder whether this amendment belongs in this particular bill. We doubt whether this is the kind of amendment which responsible war veterans' organizations are seeking. It has seemed to us that our whole Nation stands committed to giving our servicemen jobs when they return to civilian

status—not “bigger and better” unemployment. The businessmen of New Jersey are determined that our 500,000 New Jersey war veterans shall be given first priority on job opportunities. There may be a few obstacles set up in the way, as was indicated in a press report of a recent statement made by a New Jersey labor leader, who said:

The average war veteran has a peculiar idea that we who stayed at home just sat back and raked in the high wages. They consider that they are entitled to their old jobs. I don't know who gave them that idea.

It is our belief that neither the war veterans, the general public, nor the responsible labor leaders of our State, will allow any obstacles to stand in the way of immediate full employment for the boys who did the fighting for us.

We also object to S. 1274 because of its threat of Federal interference with, and possible ultimate federalization of, our State unemployment compensation systems. This threat pervades almost every section of the bill. The proposal in section 702 (a) that State participation in this Federal supplementary aid program be effected by agreement between the State and the Federal Government hardly allows the State to act as a free agent in the matter, for the very next section provides that if a State fails to enter into such agreement, the Federal Government will come into the State anyway and make its supplemental payments direct to the workers. Presumably the Federal agency would do this either by preempting the machinery of the State agency by some Executive order, or by setting up an independent establishment of its own to compete with the State agency. What would develop from such a situation is a matter for sober speculation.

New Jersey has witnessed repeated instances, in recent years, of Federal interference with State and local prerogatives in the administration of federally aided services. In the latter days of the NYA, when that agency invaded the war-industry-training field, we not only found the New Jersey NYA unit to be incredibly mismanaged, but that its officials were making repeated attempts to interfere in roughshod fashion with the operations of our vocational and public-school systems, and the New Jersey State Chamber of Commerce joined in asking Congress to rid us of it, which you did. We had another taste of Federal interference recently when an open scandal broke in the management of New Jersey's rehabilitation service, as a result of which a conscientious assistant director resigned in protest against the arbitrary Federal dictation which prevailed in that State agency. Also, with the start of the new Federal highway subsidy program, we have been aware of oblique pressure brought on our State government to revise certain of its fundamental financial policies of proven soundness.

Senator LUCAS. Why do you fellows take all this money from the Federal Government if you complain so much about interference?

Mr. BURGER. We, in New Jersey, very much prefer to finance our own services, without this kind of aid from the Federal Government, as our New Jersey delegation in Congress has held all along and has adopted that principle in spirit.

Senator LUCAS. I am not talking about this particular thing, but you know and I know that the States take millions and millions from the Federal Government. Every State comes down here with its little satchel and takes money from the Federal Treasury to help the State, and yet you are constantly criticizing the Federal Government for aiding the State.

Senator VANDENBERG. I do not blame them for taking it if they can get it.

Senator LUCAS. They do not have to take it in the State of New Jersey if they do not want it. It is almost too perfect. You say you are ready to go, you are going to employ practically thousands and thousands more than had ever been employed before, but you want to be left alone. You say you do not want any interference here, I do not understand how they can constantly take the money back with them for all purposes and then continue to criticize the Federal Government.

Senator TAFT. Perhaps if you gave them a corresponding credit for not paying the tax, they would not take the money.

Mr. BURGER. The taxpayers of New Jersey would much rather see the services that are federally aided in New Jersey, for the most part, financed exclusively by New Jersey funds, because they pay from \$2 to \$3 in Federal tax for every dollar they get back.

Senator BREWSTER. So it costs you about \$3 for every dollar you get back?

Mr. BURGER. Yes.

Senator BREWSTER. You do think that is a good trade?

Mr. BURGER. We would rather finance our highway system by ourselves, without any highway aid.

Senator LUCAS. You ought to do it then.

Mr. BURGER. We may.

Senator LUCAS. I hope you do. That would be a great start. Talking about States' rights, that would be a great start back to States' rights, when the State goes home and admits it is wrong to ask for this political pat that they are constantly getting from the Federal Government.

Mr. BURGER. I think the States, as you suggest, are very largely to blame for the condition that prevails, because of the many efforts they have made, through their Governors and other public officials, to secure Federal aid for this and that.

Senator LUCAS. The State of Illinois last year had \$100,000,000 in its treasury as surplus, and all over the State they were constantly telling the people about the savings that they made, so forth and so on, and yet they had collected during the time that they spoke of \$100,000,000 close to \$180,000,000 from the Treasury of the United States.

Mr. BURGER. Yes. I am very nearly finished.

Our most recent brush with Federal bureaucratic officiousness came only a month or so ago, when the Federal Works Agency withdrew its aid from the public recreation project of the city of Newark for the sole reason that Newark's property tax rate this year was not high enough. Newark's 1945 tax rate, by the way, is \$51.60 per \$1,000.

If the authors of this legislation have as their chief purpose the federalization of unemployment-compensation systems, we would suggest that they write a new bill which would seek, in a forthright manner, to accomplish the change they desire, so that the proposal to federalize may be debated wholly on its own merits by Congress and the American people.

Our final objection to Senate 1274 involves the question of expense. We do not know how many million dollars you plan to appropriate

out of general funds for this new enterprise. If Congress expects to reduce taxes, and at the same time return to the balanced budget, it is obvious that Federal expenditures must undergo drastic reduction. It would seem futile for Congress to effect the sound economies recommended from time to time by Senator Byrd's joint economy committee while, at the very same time, it embarks on new spending programs of doubtful worth.

The average layman cannot help but feel that if our Federal Government continues much longer its practice of deficit financing, inevitable inflation awaits us somewhere along the road. To appropriate from the Federal Treasury large funds which must be borrowed in order to give supplemental unemployment aid to the States whose unemployment compensation funds, without exception, contain abundant balances, seems to us to be the height of folly.

So, in conclusion, let me summarize:

New Jersey, in common with many other States, after making the most careful study of local conditions and local needs, has written into her unemployment compensation law a schedule of benefits and extension of coverage designed to meet the reconversion situation in our State adequately and equitably. New Jersey does not want her carefully devised program upset by a superimposed Federal supplemental program which, in the end, will do much more harm than good.

Furthermore, New Jersey has an unemployment compensation agency which is manned and organized to perform with a high degree of efficiency during these crucial months. We do not want this efficient service wrecked by the intrusion, however well intentioned, of Washington bureaucrats who lack essential knowledge of New Jersey conditions and problems.

Therefore, gentlemen, we respectfully request that you do not let this bill pass.

Senator LUCAS. Have you got any bureaucrats in New Jersey?

Mr. BURGER. I am afraid, sir, that there are occasionally some.

Senator LUCAS. There were before the present administration went in, at least.

Mr. BURGER. There have been, and I would say there still are. I can assure you that we, in New Jersey, criticize the bureaucrats there just as hard as we criticize any bureaucrat in the Federal Government.

Senator BREWSTER. You sent some to jail up there, didn't you?

Mr. BURGER. We did, and there are some others that ought to be in jail.

Senator LUCAS. Of course, they do not belong to the chamber of commerce.

Mr. BURGER. We do not make a habit of inviting bureaucrats into our membership. We have some politicians. Senator Hawkes is a member.

Senator LUCAS. You always have to come to politicians to get the relief you are looking for.

Mr. BURGER. We are not criticizing politicians. Politics is a very necessary function of our society.

The CHAIRMAN. I think we better recess until 2 o'clock.

(Whereupon, at 12:35 p. m. a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m.)

The CHAIRMAN. The committee will come to order.

The first witness on our list is Mr. James W. Haley. Is Mr. Haley present?

(No response.)

The CHAIRMAN. Mr. Haley was put down in the place of Mr. J. D. Battle.

Mr. Battle isn't present.

Mr. Johnson, Mr. George H. Johnson.

Mr. Johnson, you have been substituted, I believe, for Mr. Jones.

Mr. JOHNSON. That is right.

The CHAIRMAN. You represent the American Institute of Laundering.

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. You may proceed.

**STATEMENT OF GEORGE H. JOHNSON, EXECUTIVE VICE PRESIDENT,
AMERICAN INSTITUTE OF LAUNDERING**

Mr. JOHNSON. My name is George H. Johnson. I am executive vice president of the American Institute of Laundering, the national trade association of the commercial power laundry industry. There are approximately 6,000 such laundries in the country and of this number about 4,000 are members of the association. From the frequent contacts we have with out membership, I therefore believe that my remarks, in connection with this bill, will be representative of the feeling existing in the laundry industry.

The Federal Government has indicated a great deal of interest in establishing and maintaining full employment. There have been reams—literally reams of paper from the Office of War Information and the various Government agencies indicating that the Federal Government is interested in small business. While the individual laundry may be regarded as small business, the laundry industry itself must be regarded as large business collectively. Our industry employs approximately 300,000 employees, 75 percent of whom are women, and in peacetime it ranks eighth in total number of workers throughout the Nation. The 1944 sales volume in the laundry industry is conservatively estimated at \$606,000,000, of which 60 percent, or \$362,000,000, was distributed as wages and salaries. Eighty-two percent of this sales volume is handled by members of the American Institute of Laundering. The average laundry owner has an estimated capital of approximately \$80,000, with annual sales of from \$100,000 to \$105,000, and employs about 50 to 60 people.

Perhaps statistics of this type are not the most important phase of the laundry business today. At this time you gentlemen of Congress know what kind of laundry service you and the other citizens of the country are receiving. The reason is obvious. Our greatest difficulty during the war has been man and woman power. The laundry service rendered today reflects the type of employees that we are able to secure and have been able to secure.

With the outbreak of the war, the War Manpower Commission issued a brochure suggesting to other industries that if they wanted workers

used to production incentives, to heat, to standing on their feet, they could get them from the laundries. The result was the laundries were continuously raided of their better employees.

As the war progressed and production demands increased, employees of laundries were urged by the War Manpower Commission to leave their jobs and go into war production. To this we had no objections since the winning of the war was then the most important objective. Today the winning of the peace and reconversion to normal businesslike methods become the most important objectives.

If there was laundry machinery of the type that you could put a shirt in one end and take it out of the other as a finished product, then the difficulties of our industry would be minor. However, every shirt and every piece of clothing and every textile that is laundered must be handled by hand.

From these remarks I do not wish you to gain the impression that either I or those in the industry which I represent are against unemployment compensation. We are wholly in accord with the objectives of the unemployment compensation, and we believe that these objectives can be best attained and administered under State systems.

Our industry has one objective—one real reconversion problem, and that is to restore to the public the type of good laundry service to which they are rightfully entitled, and which under wartime circumstances we have been unable to deliver. To achieve this reconversion in our industry it will be necessary not only to increase the numerical employment in many instances, but also to return, if possible, to our employment those experienced and efficient persons previously employed by us, who departed to work in war production.

Under the provisions of this bill, the former laundry worker who possesses the ability to turn out a good job in a laundry is the higher type of worker who went into the war industry and could ill afford to accept employment if they could draw a weekly benefit check from the Government for \$25.

Let us take the specific case of Mary Smith, a single woman, living and working in Joliet, Ill. For 4 years Mary Smith worked for the A. B. C. Laundry in Joliet. In June 1942 she quit the laundry and went to work in a war plant where she was able to earn an average of \$45 a week. She remained on this war job until August 15, 1945, when she was laid off, due to termination of a war contract.

She went to the local employment office and registered for work. On the basis of her previous work history, she was referred to an opening at the A. B. C. Laundry as a shirt operator paying 68 cents an hour for 40 hours a week, a gross wage of \$27.20 per week.

Mary had sufficient earnings under the Illinois State law to entitle her to a \$20 weekly benefit. And if this bill is enacted, her prior earnings would entitle her to a \$25 weekly benefit.

Since she is a single woman, the laundry must withhold \$3.50 in taxes and 27 cents social security from each weekly check, leaving her a net take-home pay—not considering transportation or lunch money—of \$23.43 per week.

Can you not see, gentlemen, that if this bill is enacted, Mary Smith not only has no financial incentive to return to work, but contrawise, has actual financial incentive to absent herself and refuse employment. She will attempt to do this on the grounds that the job offered in the laundry will not engage her at her highest skill, whereas the fact

remains, gentlemen, that Mary Smith is no more of a skilled laundry worker today after 3 years in a war plant working on a production line, than she was when she left the same laundry in 1942.

True, her recent earnings in the war production plant, which was a noncompetitive field, where wage costs were relatively unimportant, have been higher because nothing was spared to produce the weapons of war. But this does not change the fact that Mary is still not a skilled artisan or craftsman. She is a qualified laundry worker and the A. B. C. Laundry wants and needs her and can offer her 40 hours of work for 52 weeks of every year.

We in the laundry industry are just as interested as every other group in the United States in seeing that there is full employment for anyone who wishes to do an honest day's work. It appears to us, however, that enactment of this bill, by furnishing incentive of idleness, would encourage unemployment to an extent that will create the actual unemployment conditions that some, in fact many, fear.

As I stated before, we have no quarrel with the theory of unemployment benefits, but I can conceive that this bill may be somewhat in conflict with the proposed full-employment bill, S. 380, now before the Senate. The full-employment bill, as we understand it, and without passing judgment upon it, is designed to provide Federal employment for all who cannot secure jobs in private industry. It occurs to me that those in power in our Government should definitely make up their minds whether they are in sympathy with the proposal that everybody should work or whether they should expand unemployment compensation to the point where idleness will have a premium placed upon it.

For my industry, I deeply appreciate this opportunity to express our views in connection with this bill. In conclusion, I gravely question the advisability, the need, or the desirability of the Federal Government subsidizing State unemployment programs to the extent that unemployment benefits will encourage idleness. We are unalterably opposed to just giving money away.

We have two great hopes. They are first, an early return to individual initiative and private enterprise under the good old American system, and secondly, the opportunity to render the type of good laundry service to Mr. and Mrs. America to which they are entitled.

Senator VANDENBERG. Well, without quarreling with your thesis, let's take a look at Mary for a minute out in Peoria.

She can't draw that unemployment compensation, can she, if she declines to accept this laundry job, provided the unemployment compensation commission certifies that as a suitable job for her?

Mr. JOHNSON. That is right, but she has the possibility of contending, I think, Senator, with the local office that her highest skill is that of a machinist, and there may not be a vacancy in that line.

Senator VANDENBERG. So the argument really rotates around the interpretation of this word "suitable," isn't that right?

Mr. JOHNSON. That is right.

Senator VANDENBERG. That argument has been going on ever since we have had unemployment compensation.

The CHAIRMAN. She would actually have a greater take-home pay under a \$25 unemployment weekly payment than she would at a regular wage of \$28?

Mr. JOHNSON. That is correct, under these conditions as described.

Senator VANDENBERG. In your experience, you haven't had much since August, but do you think your unemployment authorities would certify that laundry job as suitable?

Mr. JOHNSON. It is too early to say, Senator. I will say that we have had more applicants for jobs in the laundry than we have had for a period of 3 years, which would indicate an easing up of the labor market in our particular locality.

The CHAIRMAN. Are there any other questions? If not, thank you, sir. Thank you for your appearance.

Has Mr. James Haley come in?

(No response.)

The CHAIRMAN. Mr. Walter L. Seelbach.

Come around, Mr. Seelbach, please, sir.

STATEMENT OF WALTER L. SEELBACH, PRESIDENT, GRAY IRON FOUNDERS' SOCIETY, INC., CLEVELAND AND WASHINGTON

Mr. SEELBACH. Mr. Chairman and gentlemen, my name is Walter L. Seelbach. I am president and a director of the Gray Iron Founders' Society, Inc., the national trade association of the gray-iron foundry industry, with headquarters in Cleveland, Ohio. I am also secretary-treasurer of the Forest City Foundries Co., of that city, one of the two-thousand-four-hundred-odd companies scattered from coast to coast which comprise the gray iron castings industry.

The Gray Iron Founders' Society, you will wish to know, has a membership of 650 foundries; it is representative of the industry in 43 States and the Territory of Hawaii, and concerns itself primarily with the common problem of gray-iron foundry industry management.

Among the erstwhile war industries in the field of manufacturing which have been or will be represented at this hearing on Senate bill 1274, the gray-iron foundry industry is probably unique in this respect—it has immediate job openings for tens of thousands of workers, for tens of thousands of workers with or without foundry skills. The gray-iron foundry industry reconverted overnight, without lay-offs of consequence and without interruption. As its war job orders were wiped from its order boards, it moved into a heavy backlog of peacetime demands. Its problem is the heart of the reconversion and post-reconversion problem: Quick, full production. Its major concerns are the recruitment of additional workers, the full staffing of its thousands of plants, and the speediest possible achievement of the record high level of gray-iron castings output immediately needed to start production lines moving in other industries.

The gray-iron foundry industry, seeking workers, is not of the opinion that the bill under discussion reaches to the heart of the Nation's problem of "an orderly transition from a war- to a peace-time economy."

It is fearful, rather, that passage of this bill may serve to intensify, rather than alleviate, the manpower problem of the gray-iron foundries and other labor-starved enterprises. The gray-iron foundry industry is of the opinion that enacting of this bill will retard, rather than promote, quick reconversion and full employment.

The gray-iron foundry industry, as you are aware, Mr. Chairman, is one of the most basic of industries. In peacetime, as in wartime,

gray-iron castings are to be found wherever there are the tools and equipment of business and industry and the products of industry. You will find it difficult indeed to name a product or services made possible without original or prior production of gray-iron castings. The cars we drive, and hope to drive, are, in part, gray-iron castings. The machinery which plants and harvests our crops, processes and refrigerates our food, the trucks and trains which distribute it, require gray-iron castings in the making. Kitchen ranges, heating plants, industrial and domestic sewing machines, gas and gasoline engines, fractional horsepower motors, pumps, printing presses, rolling mills, griddle irons, and thousands of other assemblies use gray iron. The 10,000-pound 22-foot long crankshafts found in 1,250-horsepower Diesels are gray-iron castings, as are the common radiators and cooking utensils.

As the war ended, gray-iron castings were prime bottlenecks in the production of textile, leather, farm, food-processing, coal-mining, oil-field, construction, and many other types of machinery and equipment. The Automotive Division of WPB in a very recent progress report states that gray-iron and malleable castings are the worst headaches in parts, truck, and motorcar production. The manufacturers making these products are very much worried about securing a sufficient quantity of castings. The problem in output of sewing machines, lawn mowers, vacuum cleaners, builders' hardware, refrigerators, freight cars and other railroad equipment, farm pumping equipment, motors—in fact, the problem involved in the production of most products that must be furnished to the consuming channels quickly is at the foundry-level output; and at the foundry-level output manpower is critically short.

It is a conservative estimate that the gray-iron foundry industry requires at least 45,000 additional workers. In a manpower survey of the industry made as other industries were passing out pink slips, 514 gray-iron foundries scattered throughout the country indicated an immediate need of 17,078 additional workers, including 6,358 skilled in foundry techniques and 6,563 unskilled. Of the 2,410 active gray-iron foundries in the Nation there are probably less than 50 fully staffed and operating at plant capacity.

Senator MILLIKIN. Mr. Chairman—

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Is that about the usual proportion of the skilled and unskilled; about 50-50?

Mr. SEELBACH. Yes; that is about the usual percentage.

With jobs looking for takers, with demands upon it at the frenzy stage, with the industry actually frantic in its search for workers in the realization that until the foundries are operating at their peak reconversion will be snarled and full employment delayed, it is obviously difficult for the industry to appreciate that by subsidizing unemployment we can quickly realize full employment.

The gray-iron castings industry, despite its desperate need of tens of thousands of additional workers, is not opposed to unemployment insurance in principle. It is fearful, however, that the schedule of benefits proposed in Senate bill 1274 will appreciably lessen incentives to productive employment.

Senator MILLIKIN. May I ask: What is your scale of wages for molders and skilled men?

Mr. SEELBACH. Well, it depends, of course, upon the district in which you are talking about.

Senator MILLIKIN. Give me some general idea?

Mr. SEELBACH. I would say today the average is \$1.37½ cents base rate for skilled men.

Senator MILLIKIN. What does the unskilled worker get?

Mr. SEELBACH. The recent survey showed the unskilled rate was an average of 84 cents. That is per hour, not including overtime. That is the base rate.

I might say at this point that from a survey, by the department, of May 1945, iron and steel and their products showed an average hourly earning, an over-all earning, of \$1.11¼₁₀ cents; and gray-iron and semisteel casings, \$1.10%₁₀. [Reading:]

Senator MILLIKIN. What were the prewar rates?

Mr. SEELBACH. They don't show here.

Senator MILLIKIN. Can you give me a rough idea?

Mr. SEELBACH. It would be pretty hard to tell, unless you went back to, maybe, 1939 or 1940.

Senator MILLIKIN. Are you still on your wartime schedules?

Mr. SEELBACH. Yes; most all foundries are working a 48 or more hour week, paying overtime for the 8 hours.

Senator MILLIKIN. Is it reasonably to be anticipated that you will drop your wages in the foundries?

Mr. SEELBACH. Definitely not.

Senator BREWSTER. You will go back to 40 hours, possibly sometime, will you?

Mr. SEELBACH. Possibly sometime, but that seems a long time away, considering our backlog.

Senator BREWSTER. The backlog?

Mr. SEELBACH. Yes.

The CHAIRMAN. And what is the unemployment in the industry?

Mr. SEELBACH. At the present time we figure around 45,000 people.

The CHAIRMAN. Forty-five thousand could be employed?

Mr. SEELBACH. Yes, sir.

The CHAIRMAN. Any other questions?

Mr. SEELBACH. May I proceed then?

The CHAIRMAN. Yes; you may proceed.

Mr. SEELBACH. The proposed bill would extend unemployment benefits to a maximum weekly benefit of \$25. In May of this year average weekly earnings in all manufacturing were \$46.03, which would entitle the average worker to the maximum benefit of \$25 for 26 weeks. This amount of \$16.03, adjusted for overtime compensation, establishes for the average worker an hourly straight-time rate of 97.7 cents. This, applied to a 40-hour week, provides this worker with weekly gross earnings of \$39.08. Reducing this figure by the amount of \$6 withholding tax figuring on one exemption, 39 cents for social security, and \$1.25 for transportation, nets the average worker \$31.44. The incentive to work in this instance amounts to less than \$6.50.

In ordinary foundry operations there are many servicemen necessary to supplement and finish the work of the skilled worker. The national average of straight-time earnings of these foundry servicemen are about 84 cents per hour. This rate, applied on a 40-hour-week basis, and after adjusting for withholding tax, social security, and

transportation, would net the average service worker \$27.31, or \$2.31 above the maximum benefit. The potential danger to reconversion and full employment is obvious. Why work?

We would emphasize that the demand for consumers' and producers' goods of every description is tremendous and that, unless reconversion is retarded, the present increase in unemployment is only temporary. Industry Nation-wide is anxious and hurrying to get back into full peacetime production; that is attested by the increasing congestion of gray-iron foundry order boards; but if the incentive to work is to be destroyed, if the employment problems of the foundries is intensified by lessening the incentive to seek gainful, peacetime employment, then reconversion will be long of accomplishment and unemployment nationally will be anything but temporary, for foundries will remain short of workers, particularly in the semiskilled classifications.

Unemployment insurance, we understand, was designed to compensate workers desirous of work but unable to find it within a reasonable period. It was not designed, we are certain, to encourage idleness when work is available—and work is immediately available in gray-iron foundries.

There are other considerations. The Iron Age, a magazine widely circulated in the iron and steel industries, sums them up this way, and I quote:

During the past war emergency there were workers in war plants that had never before been profitably employed; older workers were employed that should have been retired (and some actually were); and many younger people quit school to take advantage of high wages.

From all indications, the full employment measures * * * take all of these into consideration. * * * As soon as these workers find themselves without jobs, application can be made for unemployment compensation, and it will probably be paid. Obvious is the fact that many of these border-line employees will never again be gainfully employed. However, because they were employed during the war, they are entitled to unemployment compensation * * *. With this fact in mind, unemployment is encouraged by making idleness profitable. Normally, there are only one or two actual breadwinners in a family. However, father, son, mother, and daughter have worked in war plants. If father gets a full-time postwar job, mother, daughter, and the son can nicely supplement that family income by about \$15 a week, without moving out of the house.

It has been the conclusion of this Government that America's job is to—

reconvert and expand civilian production as fast as possible, both to increase the supply of goods and provide jobs for those who have been released from the armed forces and from war work.

It is not the opinion of the gray-iron foundry industry that that job can be done by destroying the work incentive and encouraging idleness.

The gray-iron industry is old enough and basic enough to appreciate that while its plants are operating far below capacity, as they are today, America cannot "reconvert and expand civilian production as fast as possible." And it is deeply convinced that passage of this bill will serve to tighten rather than loosen gray-iron foundry labor markets and the labor markets of all other industries needing workers.

We in the gray-iron industry are aware, too, that domestic appliances, automobiles, homes, plants, machinery, office and service equipment, will not be produced in volume until the gray-iron foundry industry, now producing at the rate of about 10,000,000 tons of finished

castings a year, can staff for a capacity production of around 19,000,000 tons a year.

To get America all-out for full peacetime production and full employment, your desire and ours, America's gray-iron foundries must achieve full production immediately. They fear no deflationary spirals, no protracted unemployment, no postwar depressions, no dissipation of our tremendous backlog of savings in long, mass idleness, unless America is to breed idleness by enactment of this bill.

The CHAIRMAN. Any questions?

Senator GUFFEY. Mr. Seelbach, you have implied that the Kilgore bill would not go to the root of the trouble and help the situation. You have evidently given this subject some thought. Have you anything to recommend?

Mr. SEELBACH. We think that the States as they have their unemployment today—is quite satisfactory in each individual territory that the States cover. We don't think there should be a national bill providing for \$25 a week.

Senator GUFFEY. Do you think there should be any additional compensation for members of the family, or do you think there should just be the straight weekly payment?

Mr. SEELBACH. Well, if you open up that subject, I would say this: Should the man who has been working for \$1.50 an hour get the same rate as the man who was earning 70 cents an hour—

Senator GUFFEY. I am talking about his dependents.

Mr. SEELBACH. I think a man with dependents is entitled to more compensation than a man without dependents, if none of those dependents are entitled to compensation.

Senator GUFFEY. Have you had full employment in the foundry trades?

Mr. SEELBACH. Yes; we had full employment.

Senator MILLIKIN. I am wondering if the working conditions in the foundry has anything to do with the reluctance of the unemployed to go to work in them. As I recall, the foundries used to be smoky places, a lot of fumes around; it was a place for a mighty husky man; the average fellow couldn't take the gaff. Is it still that way?

Mr. SEELBACH. I think not. The foundries have been mechanized. Most of the foundries have air control. Not air conditioning but air control, where there is plenty of fresh air.

Senator MILLIKIN. And do fellows go around with ladles of hot metal?

Mr. SEELBACH. No; it is all on conveyor systems.

Senator MILLIKIN. I know when we were kids and were picking our vacation jobs, we stayed away from the foundries, because they were not the easiest place in the world to work.

Mr. SEELBACH. We have conditions of heat, we have conditions of dirt, we have conditions of dust, but we have also the problem of making castings for all these various industries.

Senator MILLIKIN. I realize that; but where you have a choice of where you want to work, maybe that might have something to do with it.

Mr. SEELBACH. We still find that our wages, the wages we are paying—here is the latest report. We show 97.5 as the average wage rate; and in all manufacturing industries, 94.6. We are above the

average in wage rates. Wage rates are generally paid on the basis of skill required and the type of work to be done.

Senator TAFT. Weren't you rather subnormal before the war, and didn't you have a struggle with the War Labor Board to get your rates up where you could get men?

Mr. SEELBACH. That is right. All foundries had that struggle. We had to struggle with the War Labor Board to get our rates up, but we had a worse struggle with the War Production Board.

Senator LUCAS. You won't have any trouble with the War Labor Board now in putting your rates up, will you?

Mr. SEELBACH. Not as long as we don't apply for OPA relief.

Senator LUCAS. I don't know what you mean by that.

Senator TAFT. Absorbing its increase in cost.

Senator LUCAS. I know, but according to Senator Taft's question, you are complaining because you couldn't pay these boys higher wages. I merely mentioned that now you won't be prevented from paying those high wages.

Mr. SEELBACH. But we can't pay without getting the money from the customer.

Senator LUCAS. I understand that.

Let me ask you about the foundry worker. Is he one of the high-paid men in industry?

Mr. SEELBACH. Yes.

Senator LUCAS. That is what I thought.

Mr. SEELBACH. Yes.

Senator LUCAS. At least it was rumored during the war that they were the most difficult men to find because of the type of work and I presume they were highly paid.

Mr. SEELBACH. Well, it is not easy to break in a foundry worker. It takes a number of years to break him in.

The CHAIRMAN. If there are no further questions, thank you for your appearance.

Mr. SEELBACH. Thank you.

The CHAIRMAN. Mr. Sperry. Mr. T. C. Sperry.

(No response.)

The CHAIRMAN. Mr. Hunt.

(No response.)

The CHAIRMAN. Mr. Wolf.

(No response.)

The CHAIRMAN. Mr. Haley. Has Mr. Haley come into the room?

(No response.)

The CHAIRMAN. Mr. Haley doesn't answer.

Mr. Joseph D. Keenan. Mr. Keenan is going to submit a statement.

Senator GUFFEY. Has Mr. Battle appeared yet?

The CHAIRMAN. Mr. Battle didn't appear, but Mr. Haley was to appear for him, and Mr. Haley hasn't come in.

Are there any other witnesses in the room that were scheduled to appear today?

Come around if you were scheduled to appear, or if you wish to appear.

STATEMENT OF JOSEPH C. BOSS

Mr. Boss. Mr. Chairman, ladies and gentlemen, I appear as an individual. I am not representing anyone. My name is Joseph C. Boss, of Arlington. I addressed a letter to the committee, not because I have any individual ax to grind, but just because I want to speak to you for a few minutes. And I want to say that I didn't come here as a "flash in the pan."

I have come here to see if I could just show my side of this, because of my experience.

I would like to read these two things that I have written.

I will say that inasmuch as we have just gone through the excitement of the atomic bomb, that I don't believe that this will be any more exciting [reading]:

GENTLEMEN: Why not hear the other side? Why not hear men who have had experience employing union men and will give you the full benefit of our experience. Men who have suffered strikes and who have been picketed and boycotted. The opinions of men like Murray and Green and John Lewis should be greatly discounted. They have an ax to grind and speak with a one-sided view.

There is no place in a democracy for compulsory collective bargaining, or United States Government sponsored aid for organized labor. It is an abomination and entirely unfair to four-fifths of the laboring people unorganized.

Senator BREWSTER. Are you addressing yourself to this bill which, so far as I know, doesn't make any such discrimination as you suggest as to organized and unorganized provisions?

Mr. Boss. It is more of a general letter.

Senator BREWSTER. I think the chairman yesterday sought to confine the testimony, as well as he could, to the bill before the committee.

The CHAIRMAN. We would like to have you say what you wish to about this unemployment compensation matter and the bill to supplement unemployment compensation. If what you have bears upon that, why, go ahead.

Mr. Boss. Well, it does absolutely apply to it, and at the same time I think that it is very worthy of at least listening to. I quote some wages in here that I have been paying myself, and I show you in here that by paying these high wages that it will be impossible to build low-cost houses.

Senator BREWSTER. I think that is very pertinent.

Senator LUCAS. What is your business, Mr. Boss?

Mr. Boss. Well, I have about four or five things, but right now it is real estate. Every time that the OPA shut down on something I had to go into something else. I have gone into several, but I have managed to sort of crawl through.

Senator LUCAS. The war sort of bankrupted you?

Mr. Boss. Not exactly, but it did make me alert to look for something else.

The CHAIRMAN. You may proceed.

Mr. Boss (reading):

In my opinion it will cause great trouble in our country when our servicemen return, and rightly so. These nearly 15,000,000 men and women have been working for wages of \$11.54 a week, while the very lowest union wage paid per day is higher than that.

I recently paid a bricklayer \$1.90 an hour, and a colored laborer asked \$1.50 per hour to be his helper. How can builders construct low-cost houses after paying such high wages.

The very existence of these powerful unions does and will continue to corrupt politics in county, city, State, and National Governments. They state that they have a basic wage but if you travel about from town to town and ask the wages of union carpenters you will find it varies from city to city.

If one trade pays \$12.40 a day, another \$13.40, still another \$16.40, and another \$18, another \$24, which is the basic wage?

If one carpenter can only lay a square of flooring a day he gets his full day's pay, but if others can lay two or three, do they do it?

Is it, I ask you, fair to the builder, or the man who can lay two or three squares, and yet must either be held back or the man who does twice to three times the work and cannot get his rightful wages?

Should our Government favor in jobs or wages one organized group over another? They do not favor unorganized groups because these groups do not use their united vote in politics.

The workers who should be favored, if any, are the service men and women, the white-collared men whose wages were frozen, the colored men, unorganized, and last but not least the small businessman.

According to the newspapers, there will be a great world meeting of all large country organized labor groups. I warn you now is the time to clip their wings. They will be a greater menace than the three great enemies we have just licked.

Now, I will offer a remedy if you will call on me. This is what I wrote in answer [reading]:

GENTLEMEN: You have called for my remedy and here it is.

The United States Government favoring and recognition of organized labor and compulsory bargaining is un-American and is against unorganized workers—

Senator BREWSTER. I think you should address yourself to the bill here. It has nothing to do with organized labor as far as I know. There isn't a line in it about organized labor.

Mr. BOSS. I was going to ask that question myself.

Senator BREWSTER. I assure you that that is so.

Mr. BOSS. Well, I have just a very little. I believe it relates to the bill. Of course, I am only too pleased to stop if you want me to.

The CHAIRMAN. Go ahead.

Senator LUCAS. I think you ought to give us the remedy.

Senator BREWSTER. The chairman rules you should proceed.

Mr. BOSS. Thank you, sir. I am a little hard of hearing. When you get up to 70, you don't hear so well.

Senator BREWSTER. I think they feel you are helping the bill. Proceed.

Mr. BOSS. I may have something to say on the end that will help it also [reading]:

A closed shop against any American citizen, on a Government job, because he has failed to pay tribute to privileged groups, is not only unlawful but a great menace to the united freedom for which we have fought, bled, and died.

Are we to be denied that earned freedom?

Let us not put a stumbling block in the way of our brother, says Romans 14: 13.

Every vestige of these favoring laws must be removed from our statute books. The miners have shown you what they can do. They stopped work and defied even our own President of the United States and did not start again until they were paid extra millions of dollars a week, all of which is still coming out of the pockets of our taxpayers. And all the other union groups showed their teeth in their regular turn in wartimes when their services were needed most. They are still asking for more and will continue. The sky is the limit.

A union forever, but let it be the Nation's union. Once is enough.

I have sworn upon the altar of God hostility against every form of tyranny over man.

Every particle of good contained in the rules and regulations of organized labor should be taken care of by State and National Governments.

If you will take the daily wages of four union trades, \$14, \$16, \$18, and \$24, add them up to \$72, then reduce these wages to a good normal wage, \$8 per day,

status—not “bigger and better” unemployment. The businessmen of New Jersey are determined that our 500,000 New Jersey war veterans shall be given first priority on job opportunities. There may be a few obstacles set up in the way, as was indicated in a press report of a recent statement made by a New Jersey labor leader, who said:

The average war veteran has a peculiar idea that we who stayed at home just sat back and raked in the high wages. They consider that they are entitled to their old jobs. I don't know who gave them that idea.

It is our belief that neither the war veterans, the general public, nor the responsible labor leaders of our State, will allow any obstacles to stand in the way of immediate full employment for the boys who did the fighting for us.

We also object to S. 1274 because of its threat of Federal interference with, and possible ultimate federalization of, our State unemployment compensation systems. This threat pervades almost every section of the bill. The proposal in section 702 (a) that State participation in this Federal supplementary aid program be effected by agreement between the State and the Federal Government hardly allows the State to act as a free agent in the matter, for the very next section provides that if a State fails to enter into such agreement, the Federal Government will come into the State anyway and make its supplemental payments direct to the workers. Presumably the Federal agency would do this either by preempting the machinery of the State agency by some Executive order, or by setting up an independent establishment of its own to compete with the State agency. What would develop from such a situation is a matter for sober speculation.

New Jersey has witnessed repeated instances, in recent years, of Federal interference with State and local prerogatives in the administration of federally aided services. In the latter days of the NYA, when that agency invaded the war-industry-training field, we not only found the New Jersey NYA unit to be incredibly mismanaged, but that its officials were making repeated attempts to interfere in roughshod fashion with the operations of our vocational and public-school systems, and the New Jersey State Chamber of Commerce joined in asking Congress to rid us of it, which you did. We had another taste of Federal interference recently when an open scandal broke in the management of New Jersey's rehabilitation service, as a result of which a conscientious assistant director resigned in protest against the arbitrary Federal dictation which prevailed in that State agency. Also, with the start of the new Federal highway subsidy program, we have been aware of oblique pressure brought on our State government to revise certain of its fundamental financial policies of proven soundness.

Senator LUCAS. Why do you fellows take all this money from the Federal Government if you complain so much about interference?

Mr. BURGER. We, in New Jersey, very much prefer to finance our own services, without this kind of aid from the Federal Government, as our New Jersey delegation in Congress has held all along and has adopted that principle in spirit.

Senator LUCAS. I am not talking about this particular thing, but you know and I know that the States take millions and millions from the Federal Government. Every State comes down here with its little satchel and takes money from the Federal Treasury to help the State, and yet you are constantly criticizing the Federal Government for aiding the State.

Senator VANDENBERG. I do not blame them for taking it if they can get it.

Senator LUCAS. They do not have to take it in the State of New Jersey if they do not want it. It is almost too perfect. You say you are ready to go, you are going to employ practically thousands and thousands more than had ever been employed before, but you want to be left alone. You say you do not want any interference here, I do not understand how they can constantly take the money back with them for all purposes and then continue to criticize the Federal Government.

Senator TAFT. Perhaps if you gave them a corresponding credit for not paying the tax, they would not take the money.

Mr. BURGER. The taxpayers of New Jersey would much rather see the services that are federally aided in New Jersey, for the most part, financed exclusively by New Jersey funds, because they pay from \$2 to \$3 in Federal tax for every dollar they get back.

Senator BREWSTER. So it costs you about \$3 for every dollar you get back?

Mr. BURGER. Yes.

Senator BREWSTER. You do think that is a good trade?

Mr. BURGER. We would rather finance our highway system by ourselves, without any highway aid.

Senator LUCAS. You ought to do it then.

Mr. BURGER. We may.

Senator LUCAS. I hope you do. That would be a great start. Talking about States' rights, that would be a great start back to States' rights, when the State goes home and admits it is wrong to ask for this political pat that they are constantly getting from the Federal Government.

Mr. BURGER. I think the States, as you suggest, are very largely to blame for the condition that prevails, because of the many efforts they have made, through their Governors and other public officials, to secure Federal aid for this and that.

Senator LUCAS. The State of Illinois last year had \$100,000,000 in its treasury as surplus, and all over the State they were constantly telling the people about the savings that they made, so forth and so on, and yet they had collected during the time that they spoke of \$100,000,000 close to \$180,000,000 from the Treasury of the United States.

Mr. BURGER. Yes. I am very nearly finished.

Our most recent brush with Federal bureaucratic officiousness came only a month or so ago, when the Federal Works Agency withdrew its aid from the public recreation project of the city of Newark for the sole reason that Newark's property tax rate this year was not high enough. Newark's 1945 tax rate, by the way, is \$51.60 per \$1,000.

If the authors of this legislation have as their chief purpose the federalization of unemployment-compensation systems, we would suggest that they write a new bill which would seek, in a forthright manner, to accomplish the change they desire, so that the proposal to federalize may be debated wholly on its own merits by Congress and the American people.

Our final objection to Senate 1274 involves the question of expense. We do not know how many million dollars you plan to appropriate

out of general funds for this new enterprise. If Congress expects to reduce taxes, and at the same time return to the balanced budget, it is obvious that Federal expenditures must undergo drastic reduction. It would seem futile for Congress to effect the sound economies recommended from time to time by Senator Byrd's joint economy committee while, at the very same time, it embarks on new spending programs of doubtful worth.

The average layman cannot help but feel that if our Federal Government continues much longer its practice of deficit financing, inevitable inflation awaits us somewhere along the road. To appropriate from the Federal Treasury large funds which must be borrowed in order to give supplemental unemployment aid to the States whose unemployment compensation funds, without exception, contain abundant balances, seems to us to be the height of folly.

So, in conclusion, let me summarize:

New Jersey, in common with many other States, after making the most careful study of local conditions and local needs, has written into her unemployment compensation law a schedule of benefits and extension of coverage designed to meet the reconversion situation in our State adequately and equitably. New Jersey does not want her carefully devised program upset by a superimposed Federal supplemental program which, in the end, will do much more harm than good.

Furthermore, New Jersey has an unemployment compensation agency which is manned and organized to perform with a high degree of efficiency during these crucial months. We do not want this efficient service wrecked by the intrusion, however well intentioned, of Washington bureaucrats who lack essential knowledge of New Jersey conditions and problems.

Therefore, gentlemen, we respectfully request that you do not let this bill pass.

Senator LUCAS. Have you got any bureaucrats in New Jersey?

Mr. BURGER. I am afraid, sir, that there are occasionally some.

Senator LUCAS. There were before the present administration went in, at least.

Mr. BURGER. There have been, and I would say there still are. I can assure you that we, in New Jersey, criticize the bureaucrats there just as hard as we criticize any bureaucrat in the Federal Government.

Senator BREWSTER. You sent some to jail up there, didn't you?

Mr. BURGER. We did, and there are some others that ought to be in jail.

Senator LUCAS. Of course, they do not belong to the chamber of commerce.

Mr. BURGER. We do not make a habit of inviting bureaucrats into our membership. We have some politicians. Senator Hawkes is a member.

Senator LUCAS. You always have to come to politicians to get the relief you are looking for.

Mr. BURGER. We are not criticizing politicians. Politics is a very necessary function of our society.

The CHAIRMAN. I think we better recess until 2 o'clock.

(Whereupon, at 12:35 p. m. a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m.)

The CHAIRMAN. The committee will come to order.

The first witness on our list is Mr. James W. Haley. Is Mr. Haley present?

(No response.)

The CHAIRMAN. Mr. Haley was put down in the place of Mr. J. D. Battle.

Mr. Battle isn't present.

Mr. Johnson, Mr. George H. Johnson.

Mr. Johnson, you have been substituted, I believe, for Mr. Jones.

Mr. JOHNSON. That is right.

The CHAIRMAN. You represent the American Institute of Laundering.

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. You may proceed.

**STATEMENT OF GEORGE H. JOHNSON, EXECUTIVE VICE PRESIDENT,
AMERICAN INSTITUTE OF LAUNDERING**

Mr. JOHNSON. My name is George H. Johnson. I am executive vice president of the American Institute of Laundering, the national trade association of the commercial power laundry industry. There are approximately 6,000 such laundries in the country and of this number about 4,000 are members of the association. From the frequent contacts we have with out membership, I therefore believe that my remarks, in connection with this bill, will be representative of the feeling existing in the laundry industry.

The Federal Government has indicated a great deal of interest in establishing and maintaining full employment. There have been reams—literally reams of paper from the Office of War Information and the various Government agencies indicating that the Federal Government is interested in small business. While the individual laundry may be regarded as small business, the laundry industry itself must be regarded as large business collectively. Our industry employs approximately 300,000 employees, 75 percent of whom are women, and in peacetime it ranks eighth in total number of workers throughout the Nation. The 1944 sales volume in the laundry industry is conservatively estimated at \$606,000,000, of which 60 percent, or \$362,000,000, was distributed as wages and salaries. Eighty-two percent of this sales volume is handled by members of the American Institute of Laundering. The average laundry owner has an estimated capital of approximately \$80,000, with annual sales of from \$100,000 to \$105,000, and employs about 50 to 60 people.

Perhaps statistics of this type are not the most important phase of the laundry business today. At this time you gentlemen of Congress know what kind of laundry service you and the other citizens of the country are receiving. The reason is obvious. Our greatest difficulty during the war has been man and woman power. The laundry service rendered today reflects the type of employees that we are able to secure and have been able to secure.

With the outbreak of the war, the War Manpower Commission issued a brochure suggesting to other industries that if they wanted workers

used to production incentives, to heat, to standing on their feet, they could get them from the laundries. The result was the laundries were continuously raided of their better employees.

As the war progressed and production demands increased, employees of laundries were urged by the War Manpower Commission to leave their jobs and go into war production. To this we had no objections since the winning of the war was then the most important objective. Today the winning of the peace and reconversion to normal businesslike methods become the most important objectives.

If there was laundry machinery of the type that you could put a shirt in one end and take it out of the other as a finished product, then the difficulties of our industry would be minor. However, every shirt and every piece of clothing and every textile that is laundered must be handled by hand.

From these remarks I do not wish you to gain the impression that either I or those in the industry which I represent are against unemployment compensation. We are wholly in accord with the objectives of the unemployment compensation, and we believe that these objectives can be best attained and administered under State systems.

Our industry has one objective—one real reconversion problem, and that is to restore to the public the type of good laundry service to which they are rightfully entitled, and which under wartime circumstances we have been unable to deliver. To achieve this reconversion in our industry it will be necessary not only to increase the numerical employment in many instances, but also to return, if possible, to our employment those experienced and efficient persons previously employed by us, who departed to work in war production.

Under the provisions of this bill, the former laundry worker who possesses the ability to turn out a good job in a laundry is the higher type of worker who went into the war industry and could ill afford to accept employment if they could draw a weekly benefit check from the Government for \$25.

Let us take the specific case of Mary Smith, a single woman, living and working in Joliet, Ill. For 4 years Mary Smith worked for the A. B. C. Laundry in Joliet. In June 1942 she quit the laundry and went to work in a war plant where she was able to earn an average of \$45 a week. She remained on this war job until August 15, 1945, when she was laid off, due to termination of a war contract.

She went to the local employment office and registered for work. On the basis of her previous work history, she was referred to an opening at the A. B. C. Laundry as a shirt operator paying 68 cents an hour for 40 hours a week, a gross wage of \$27.20 per week.

Mary had sufficient earnings under the Illinois State law to entitle her to a \$20 weekly benefit. And if this bill is enacted, her prior earnings would entitle her to a \$25 weekly benefit.

Since she is a single woman, the laundry must withhold \$3.50 in taxes and 27 cents social security from each weekly check, leaving her a net take-home pay—not considering transportation or lunch money—of \$23.43 per week.

Can you not see, gentlemen, that if this bill is enacted, Mary Smith not only has no financial incentive to return to work, but contrawise, has actual financial incentive to absent herself and refuse employment. She will attempt to do this on the grounds that the job offered in the laundry will not engage her at her highest skill, whereas the fact

remains, gentlemen, that Mary Smith is no more of a skilled laundry worker today after 3 years in a war plant working on a production line, than she was when she left the same laundry in 1942.

True, her recent earnings in the war production plant, which was a noncompetitive field, where wage costs were relatively unimportant, have been higher because nothing was spared to produce the weapons of war. But this does not change the fact that Mary is still not a skilled artisan or craftsman. She is a qualified laundry worker and the A. B. C. Laundry wants and needs her and can offer her 40 hours of work for 52 weeks of every year.

We in the laundry industry are just as interested as every other group in the United States in seeing that there is full employment for anyone who wishes to do an honest day's work. It appears to us, however, that enactment of this bill, by furnishing incentive of idleness, would encourage unemployment to an extent that will create the actual unemployment conditions that some, in fact many, fear.

As I stated before, we have no quarrel with the theory of unemployment benefits, but I can conceive that this bill may be somewhat in conflict with the proposed full-employment bill, S. 380, now before the Senate. The full-employment bill, as we understand it, and without passing judgment upon it, is designed to provide Federal employment for all who cannot secure jobs in private industry. It occurs to me that those in power in our Government should definitely make up their minds whether they are in sympathy with the proposal that everybody should work or whether they should expand unemployment compensation to the point where idleness will have a premium placed upon it.

For my industry, I deeply appreciate this opportunity to express our views in connection with this bill. In conclusion, I gravely question the advisability, the need, or the desirability of the Federal Government subsidizing State unemployment programs to the extent that unemployment benefits will encourage idleness. We are unalterably opposed to just giving money away.

We have two great hopes. They are first, an early return to individual initiative and private enterprise under the good old American system, and secondly, the opportunity to render the type of good laundry service to Mr. and Mrs. America to which they are entitled.

Senator VANDENBERG. Well, without quarreling with your thesis, let's take a look at Mary for a minute out in Peoria.

She can't draw that unemployment compensation, can she, if she declines to accept this laundry job, provided the unemployment compensation commission certifies that as a suitable job for her?

Mr. JOHNSON. That is right, but she has the possibility of contending, I think, Senator, with the local office that her highest skill is that of a machinist, and there may not be a vacancy in that line.

Senator VANDENBERG. So the argument really rotates around the interpretation of this word "suitable," isn't that right?

Mr. JOHNSON. That is right.

Senator VANDENBERG. That argument has been going on ever since we have had unemployment compensation.

The CHAIRMAN. She would actually have a greater take-home pay under a \$25 unemployment weekly payment than she would at a regular wage of \$28?

Mr. JOHNSON. That is correct, under these conditions as described.

Senator VANDENBERG. In your experience, you haven't had much since August, but do you think your unemployment authorities would certify that laundry job as suitable?

Mr. JOHNSON. It is too early to say, Senator. I will say that we have had more applicants for jobs in the laundry than we have had for a period of 3 years, which would indicate an easing up of the labor market in our particular locality.

The CHAIRMAN. Are there any other questions? If not, thank you, sir. Thank you for your appearance.

Has Mr. James Haley come in?

(No response.)

The CHAIRMAN. Mr. Walter L. Seelbach.

Come around, Mr. Seelbach, please, sir.

STATEMENT OF WALTER L. SEELBACH, PRESIDENT, GRAY IRON FOUNDERS' SOCIETY, INC., CLEVELAND AND WASHINGTON

Mr. SEELBACH. Mr. Chairman and gentlemen, my name is Walter L. Seelbach. I am president and a director of the Gray Iron Founders' Society, Inc., the national trade association of the gray-iron foundry industry, with headquarters in Cleveland, Ohio. I am also secretary-treasurer of the Forest City Foundries Co., of that city, one of the two-thousand-four-hundred-odd companies scattered from coast to coast which comprise the gray iron castings industry.

The Gray Iron Founders' Society, you will wish to know, has a membership of 650 foundries; it is representative of the industry in 43 States and the Territory of Hawaii, and concerns itself primarily with the common problem of gray-iron foundry industry management.

Among the erstwhile war industries in the field of manufacturing which have been or will be represented at this hearing on Senate bill 1274, the gray-iron foundry industry is probably unique in this respect—it has immediate job openings for tens of thousands of workers, for tens of thousands of workers with or without foundry skills. The gray-iron foundry industry reconverted overnight, without lay-offs of consequence and without interruption. As its war job orders were wiped from its order boards, it moved into a heavy backlog of peacetime demands. Its problem is the heart of the reconversion and post-reconversion problem: Quick, full production. Its major concerns are the recruitment of additional workers, the full staffing of its thousands of plants, and the speediest possible achievement of the record high level of gray-iron castings output immediately needed to start production lines moving in other industries.

The gray-iron foundry industry, seeking workers, is not of the opinion that the bill under discussion reaches to the heart of the Nation's problem of "an orderly transition from a war- to a peace-time economy."

It is fearful, rather, that passage of this bill may serve to intensify, rather than alleviate, the manpower problem of the gray-iron foundries and other labor-starved enterprises. The gray-iron foundry industry is of the opinion that enacting of this bill will retard, rather than promote, quick reconversion and full employment.

The gray-iron foundry industry, as you are aware, Mr. Chairman, is one of the most basic of industries. In peacetime, as in wartime,

gray-iron castings are to be found wherever there are the tools and equipment of business and industry and the products of industry. You will find it difficult indeed to name a product or services made possible without original or prior production of gray-iron castings. The cars we drive, and hope to drive, are, in part, gray-iron castings. The machinery which plants and harvests our crops, processes and refrigerates our food, the trucks and trains which distribute it, require gray-iron castings in the making. Kitchen ranges, heating plants, industrial and domestic sewing machines, gas and gasoline engines, fractional horsepower motors, pumps, printing presses, rolling mills, griddle irons, and thousands of other assemblies use gray iron. The 10,000-pound 22-foot long crankshafts found in 1,250-horsepower Diesels are gray-iron castings, as are the common radiators and cooking utensils.

As the war ended, gray-iron castings were prime bottlenecks in the production of textile, leather, farm, food-processing, coal-mining, oil-field, construction, and many other types of machinery and equipment. The Automotive Division of WPR in a very recent progress report states that gray-iron and malleable castings are the worst headaches in parts, truck, and motorcar production. The manufacturers making these products are very much worried about securing a sufficient quantity of castings. The problem in output of sewing machines, lawn mowers, vacuum cleaners, builders' hardware, refrigerators, freight cars and other railroad equipment, farm pumping equipment, motors—in fact, the problem involved in the production of most products that must be furnished to the consuming channels quickly is at the foundry-level output; and at the foundry-level output manpower is critically short.

It is a conservative estimate that the gray-iron foundry industry requires at least 45,000 additional workers. In a manpower survey of the industry made as other industries were passing out pink slips, 514 gray-iron foundries scattered throughout the country indicated an immediate need of 17,078 additional workers, including 6,358 skilled in foundry techniques and 6,563 unskilled. Of the 2,410 active gray-iron foundries in the Nation there are probably less than 50 fully staffed and operating at plant capacity.

Senator MILLIKIN. Mr. Chairman—

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Is that about the usual proportion of the skilled and unskilled; about 50-50?

Mr. SEELBACH. Yes; that is about the usual percentage.

With jobs looking for takers, with demands upon it at the frenzy stage, with the industry actually frantic in its search for workers in the realization that until the foundries are operating at their peak reconversion will be snarled and full employment delayed, it is obviously difficult for the industry to appreciate that by subsidizing unemployment we can quickly realize full employment.

The gray-iron castings industry, despite its desperate need of tens of thousands of additional workers, is not opposed to unemployment insurance in principle. It is fearful, however, that the schedule of benefits proposed in Senate bill 1274 will appreciably lessen incentives to productive employment.

Senator MILLIKIN. May I ask: What is your scale of wages for molders and skilled men?

Mr. SEELBACH. Well, it depends, of course, upon the district in which you are talking about.

Senator MILLIKIN. Give me some general idea?

Mr. SEELBACH. I would say today the average is \$1.37½ cents base rate for skilled men.

Senator MILLIKIN. What does the unskilled worker get?

Mr. SEELBACH. The recent survey showed the unskilled rate was an average of 84 cents. That is per hour, not including overtime. That is the base rate.

I might say at this point that from a survey, by the department, of May 1945, iron and steel and their products showed an average hourly earning, an over-all earning, of \$1.11¼₁₀ cents; and gray-iron and semisteel casings, \$1.10₁₀. [Reading:]

Senator MILLIKIN. What were the prewar rates?

Mr. SEELBACH. They don't show here.

Senator MILLIKIN. Can you give me a rough idea?

Mr. SEELBACH. It would be pretty hard to tell, unless you went back to, maybe, 1939 or 1940.

Senator MILLIKIN. Are you still on your wartime schedules?

Mr. SEELBACH. Yes; most all foundries are working a 48 or more hour week, paying overtime for the 8 hours.

Senator MILLIKIN. Is it reasonably to be anticipated that you will drop your wages in the foundries?

Mr. SEELBACH. Definitely not.

Senator BREWSTER. You will go back to 40 hours, possibly sometime, will you?

Mr. SEELBACH. Possibly sometime, but that seems a long time away, considering our backlog.

Senator BREWSTER. The backlog?

Mr. SEELBACH. Yes.

The CHAIRMAN. And what is the unemployment in the industry?

Mr. SEELBACH. At the present time we figure around 45,000 people.

The CHAIRMAN. Forty-five thousand could be employed?

Mr. SEELBACH. Yes, sir.

The CHAIRMAN. Any other questions?

Mr. SEELBACH. May I proceed then?

The CHAIRMAN. Yes; you may proceed.

Mr. SEELBACH. The proposed bill would extend unemployment benefits to a maximum weekly benefit of \$25. In May of this year average weekly earnings in all manufacturing were \$46.03, which would entitle the average worker to the maximum benefit of \$25 for 26 weeks. This amount of \$46.03, adjusted for overtime compensation, establishes for the average worker an hourly straight-time rate of 97.7 cents. This, applied to a 40-hour week, provides this worker with weekly gross earnings of \$39.08. Reducing this figure by the amount of \$6 withholding tax figuring on one exemption, 39 cents for social security, and \$1.25 for transportation, nets the average worker \$31.44. The incentive to work in this instance amounts to less than \$6.50.

In ordinary foundry operations there are many servicemen necessary to supplement and finish the work of the skilled worker. The national average of straight-time earnings of these foundry servicemen are about 84 cents per hour. This rate, applied on a 40-hour-week basis, and after adjusting for withholding tax, social security, and

transportation, would net the average service worker \$27.31, or \$2.31 above the maximum benefit. The potential danger to reconversion and full employment is obvious. Why work?

We would emphasize that the demand for consumers' and producers' goods of every description is tremendous and that, unless reconversion is retarded, the present increase in unemployment is only temporary. Industry Nation-wide is anxious and hurrying to get back into full peacetime production; that is attested by the increasing congestion of gray-iron foundry order boards; but if the incentive to work is to be destroyed, if the employment problems of the foundries is intensified by lessening the incentive to seek gainful, peacetime employment, then reconversion will be long of accomplishment and unemployment nationally will be anything but temporary, for foundries will remain short of workers, particularly in the semiskilled classifications.

Unemployment insurance, we understand, was designed to compensate workers desirous of work but unable to find it within a reasonable period. It was not designed, we are certain, to encourage idleness when work is available—and work is immediately available in gray-iron foundries.

There are other considerations. The Iron Age, a magazine widely circulated in the iron and steel industries, sums them up this way, and I quote:

During the past war emergency there were workers in war plants that had never before been profitably employed; older workers were employed that should have been retired (and some actually were); and many younger people quit school to take advantage of high wages.

From all indications, the full employment measures * * * take all of these into consideration. * * * As soon as these workers find themselves without jobs, application can be made for unemployment compensation, and it will probably be paid. Obvious is the fact that many of these border-line employees will never again be gainfully employed. However, because they were employed during the war, they are entitled to unemployment compensation * * *. With this fact in mind, unemployment is encouraged by making idleness profitable. Normally, there are only one or two actual breadwinners in a family. However, father, son, mother, and daughter have worked in war plants. If father gets a full-time postwar job, mother, daughter, and the son can nicely supplement that family income by about \$15 a week, without moving out of the house.

It has been the conclusion of this Government that America's job is to—

reconvert and expand civilian production as fast as possible, both to increase the supply of goods and provide jobs for those who have been released from the armed forces and from war work.

It is not the opinion of the gray-iron foundry industry that that job can be done by destroying the work incentive and encouraging idleness.

The gray-iron industry is old enough and basic enough to appreciate that while its plants are operating far below capacity, as they are today, America cannot "reconvert and expand civilian production as fast as possible." And it is deeply convinced that passage of this bill will serve to tighten rather than loosen gray-iron foundry labor markets and the labor markets of all other industries needing workers.

We in the gray-iron industry are aware, too, that domestic appliances, automobiles, homes, plants, machinery, office and service equipment, will not be produced in volume until the gray-iron foundry industry, now producing at the rate of about 10,000,000 tons of finished

castings a year, can staff for a capacity production of around 19,000,000 tons a year.

To get America all-out for full peacetime production and full employment, your desire and ours, America's gray-iron foundries must achieve full production immediately. They fear no deflationary spirals, no protracted unemployment, no postwar depressions, no dissipation of our tremendous backlog of savings in long, mass idleness, unless America is to breed idleness by enactment of this bill.

The CHAIRMAN. Any questions?

Senator GUFFEY. Mr. Seelbach, you have implied that the Kilgore bill would not go to the root of the trouble and help the situation. You have evidently given this subject some thought. Have you anything to recommend?

Mr. SEELBACH. We think that the States as they have their unemployment today—is quite satisfactory in each individual territory that the States cover. We don't think there should be a national bill providing for \$25 a week.

Senator GUFFEY. Do you think there should be any additional compensation for members of the family, or do you think there should just be the straight weekly payment?

Mr. SEELBACH. Well, if you open up that subject, I would say this: Should the man who has been working for \$1.50 an hour get the same rate as the man who was earning 70 cents an hour—

Senator GUFFEY. I am talking about his dependents.

Mr. SEELBACH. I think a man with dependents is entitled to more compensation than a man without dependents, if none of those dependents are entitled to compensation.

Senator GUFFEY. Have you had full employment in the foundry trades?

Mr. SEELBACH. Yes; we had full employment.

Senator MILLIKIN. I am wondering if the working conditions in the foundry has anything to do with the reluctance of the unemployed to go to work in them. As I recall, the foundries used to be smoky places, a lot of fumes around; it was a place for a mighty husky man: the average fellow couldn't take the gaff. Is it still that way?

Mr. SEELBACH. I think not. The foundries have been mechanized. Most of the foundries have air control. Not air conditioning but air control, where there is plenty of fresh air.

Senator MILLIKIN. And do fellows go around with ladles of hot metal?

Mr. SEELBACH. No; it is all on conveyor systems.

Senator MILLIKIN. I know when we were kids and were picking our vacation jobs, we stayed away from the foundries, because they were not the easiest place in the world to work.

Mr. SEELBACH. We have conditions of heat, we have conditions of dirt, we have conditions of dust, but we have also the problem of making castings for all these various industries.

Senator MILLIKIN. I realize that; but where you have a choice of where you want to work, maybe that might have something to do with it.

Mr. SEELBACH. We still find that our wages, the wages we are paying—here is the latest report. We show 97.5 as the average wage rate; and in all manufacturing industries, 94.6. We are above the

average in wage rates. Wage rates are generally paid on the basis of skill required and the type of work to be done.

Senator TAFT. Weren't you rather subnormal before the war, and didn't you have a struggle with the War Labor Board to get your rates up where you could get men?

Mr. SEELBACH. That is right. All foundries had that struggle. We had to struggle with the War Labor Board to get our rates up, but we had a worse struggle with the War Production Board.

Senator LUCAS. You won't have any trouble with the War Labor Board now in putting your rates up, will you?

Mr. SEELBACH. Not as long as we don't apply for OPA relief.

Senator LUCAS. I don't know what you mean by that.

Senator TAFT. Absorbing its increase in cost.

Senator LUCAS. I know, but according to Senator Taft's question, you are complaining because you couldn't pay these boys higher wages. I merely mentioned that now you won't be prevented from paying those high wages.

Mr. SEELBACH. But we can't pay without getting the money from the customer.

Senator LUCAS. I understand that.

Let me ask you about the foundry worker. Is he one of the high-paid men in industry?

Mr. SEELBACH. Yes.

Senator LUCAS. That is what I thought.

Mr. SEELBACH. Yes.

Senator LUCAS. At least it was rumored during the war that they were the most difficult men to find because of the type of work and I presume they were highly paid.

Mr. SEELBACH. Well, it is not easy to break in a foundry worker. It takes a number of years to break him in.

The CHAIRMAN. If there are no further questions, thank you for your appearance.

Mr. SEELBACH. Thank you.

The CHAIRMAN. Mr. Sperry. Mr. T. C. Sperry.

(No response.)

The CHAIRMAN. Mr. Hunt.

(No response.)

The CHAIRMAN. Mr. Wolf.

(No response.)

The CHAIRMAN. Mr. Haley. Has Mr. Haley come into the room?

(No response.)

The CHAIRMAN. Mr. Haley doesn't answer.

Mr. Joseph D. Keenan. Mr. Keenan is going to submit a statement.

Senator GUFFEY. Has Mr. Battle appeared yet?

The CHAIRMAN. Mr. Battle didn't appear, but Mr. Haley was to appear for him, and Mr. Haley hasn't come in.

Are there any other witnesses in the room that were scheduled to appear today?

Come around if you were scheduled to appear, or if you wish to appear.

STATEMENT OF JOSEPH C. BOSS

Mr. Boss. Mr. Chairman, ladies and gentlemen, I appear as an individual. I am not representing anyone. My name is Joseph C. Boss, of Arlington. I addressed a letter to the committee, not because I have any individual ax to grind, but just because I want to speak to you for a few minutes. And I want to say that I didn't come here as a "flash in the pan."

I have come here to see if I could just show my side of this, because of my experience.

I would like to read these two things that I have written.

I will say that inasmuch as we have just gone through the excitement of the atomic bomb, that I don't believe that this will be any more exciting [reading]:

GENTLEMEN: Why not hear the other side? Why not hear men who have had experience employing union men and will give you the full benefit of our experience. Men who have suffered strikes and who have been picketed and boycotted. The opinions of men like Murray and Green and John Lewis should be greatly discounted. They have an ax to grind and speak with a one-sided view.

There is no place in a democracy for compulsory collective bargaining, or United States Government sponsored aid for organized labor. It is an abomination and entirely unfair to four-fifths of the laboring people unorganized.

Senator BREWSTER. Are you addressing yourself to this bill which, so far as I know, doesn't make any such discrimination as you suggest as to organized and unorganized provisions?

Mr. Boss. It is more of a general letter.

Senator BREWSTER. I think the chairman yesterday sought to confine the testimony, as well as he could, to the bill before the committee.

The CHAIRMAN. We would like to have you say what you wish to about this unemployment compensation matter and the bill to supplement unemployment compensation. If what you have bears upon that, why, go ahead.

Mr. Boss. Well, it does absolutely apply to it, and at the same time I think that it is very worthy of at least listening to. I quote some wages in here that I have been paying myself, and I show you in here that by paying these high wages that it will be impossible to build low-cost houses.

Senator BREWSTER. I think that is very pertinent.

Senator LUCAS. What is your business, Mr. Boss?

Mr. Boss. Well, I have about four or five things, but right now it is real estate. Every time that the OPA shut down on something I had to go into something else. I have gone into several, but I have managed to sort of crawl through.

Senator LUCAS. The war sort of bankrupted you?

Mr. Boss. Not exactly, but it did make me alert to look for something else.

The CHAIRMAN. You may proceed.

Mr. Boss (reading):

In my opinion it will cause great trouble in our country when our servicemen return, and rightly so. These nearly 15,000,000 men and women have been working for wages of \$11.54 a week, while the very lowest union wage paid per day is higher than that.

I recently paid a bricklayer \$1.90 an hour, and a colored laborer asked \$1.50 per hour to be his helper. How can builders construct low-cost houses after paying such high wages.

The very existence of these powerful unions does and will continue to corrupt politics in county, city, State, and National Governments. They state that they have a basic wage but if you travel about from town to town and ask the wages of union carpenters you will find it varies from city to city.

If one trade pays \$12.40 a day, another \$13.40, still another \$16.40, and another \$18, another \$24, which is the basic wage?

If one carpenter can only lay a square of flooring a day he gets his full day's pay, but if others can lay two or three, do they do it?

Is it, I ask you, fair to the builder, or the man who can lay two or three squares, and yet must either be held back or the man who does twice to three times the work and cannot get his rightful wages?

Should our Government favor in jobs or wages one organized group over another? They do not favor unorganized groups because these groups do not use their united vote in politics.

The workers who should be favored, if any, are the service men and women, the white-collared men whose wages were frozen, the colored men, unorganized, and last but not least the small businessman.

According to the newspapers, there will be a great world meeting of all large country organized labor groups. I warn you now is the time to clip their wings. They will be a greater menace than the three great enemies we have just licked.

Now, I will offer a remedy if you will call on me. This is what I wrote in answer [reading]:

GENTLEMEN: You have called for my remedy and here it is.

The United States Government favoring and recognition of organized labor and compulsory bargaining is un-American and is against unorganized workers—

Senator BREWSTER. I think you should address yourself to the bill here. It has nothing to do with organized labor as far as I know. There isn't a line in it about organized labor.

Mr. Boss. I was going to ask that question myself.

Senator BREWSTER. I assure you that that is so.

Mr. Boss. Well, I have just a very little. I believe it relates to the bill. Of course, I am only too pleased to stop if you want me to.

The CHAIRMAN. Go ahead.

Senator LUCAS. I think you ought to give us the remedy.

Senator BREWSTER. The chairman rules you should proceed.

Mr. Boss. Thank you, sir. I am a little hard of hearing. When you get up to 70, you don't hear so well.

Senator BREWSTER. I think they feel you are helping the bill. Proceed.

Mr. Boss. I may have something to say on the end that will help it also [reading]:

A closed shop against any American citizen, on a Government job, because he has failed to pay tribute to privileged groups, is not only unlawful but a great menace to the united freedom for which we have fought, bled, and died.

Are we to be denied that earned freedom?

Let us not put a stumbling block in the way of our brother, says Romans 14:13.

Every vestige of these favoring laws must be removed from our statute books. The miners have shown you what they can do. They stopped work and defied even our own President of the United States and did not start again until they were paid extra millions of dollars a week, all of which is still coming out of the pockets of our taxpayers. And all the other union groups showed their teeth in their regular turn in wartimes when their services were needed most. They are still asking for more and will continue. The sky is the limit.

A union forever, but let it be the Nation's union. Once is enough.

I have sworn upon the altar of God hostility against every form of tyranny over man.

Every particle of good contained in the rules and regulations of organized labor should be taken care of by State and National Governments.

If you will take the daily wages of four union trades, \$14, \$16, \$18, and \$24, add them up to \$72, then reduce these wages to a good normal wage, \$8 per day,

and then divide that into 72, you will make room for five GI jobs at the same wage, \$8, and then they will all be paid well.

The Scripture says, Luke 3: 14, "Be content with your wages," and the service men and women were and are content with the weekly wage of \$11.54.

Paying these wages, \$8 a day, builders can and will construct low-cost houses. Labor is growing big and strong, too big and strong, and we must clip their wings before they reorganize our Government as they did in England. We can do this by confining all their activities within the lines of the States they live and work in. Those who live there and work there can be controlled by the State within which they live.

If we do not do this how can we compete with world markets, paying the very highest of wages?

To do this, we must change to the 5-cent wheat loaf and the 6-cent rye loaf, the 15-cent shave and 35-cent haircut, \$15 to \$25 suits of clothes, and so forth.

Our Government has a hold of organized labor like holding a hot iron. They know they should let go, but they do not know how. Organized labor has a strangle-hold on our Government and has them worried. We must sever this group. The iron gets hotter every election and more corrupt.

If you will do this "must" you will not have to create jobs for men but try to find men for these millions of jobs.

Thank you, indeed.

I would like to say this, that yesterday, I think it was Senator Vandenberg, but it may have been someone else, someone suggested that we should be reimbursed. For instance, if they are paying \$15 and we pay \$10 to make \$25, that we should ask them later on, the States, to pay that back to the Government.

I say that if you are going to give these men relief, we ought not to give them money. I don't believe it is a good idea. It makes loafers of them.

I believe that if we are going to give this money to them that we should give it in the form of a loan and that when they have their jobs, at the end of 3 weeks, or 5 weeks, or 6 or 10 weeks, that they should reimburse the Government at the rate of something like \$5 a week, without interest, so that the Government doesn't become a Santa Claus to them, nor does the State.

Senator LUCAS. Do you believe in unemployment compensation of any kind?

Mr. BOSS. No, sir; I do not.

The CHAIRMAN. We thank you, sir.

Mr. BOSS. Thank you, indeed.

The CHAIRMAN. Mr. Hunt.

STATEMENT OF JARVIS HUNT, LEGISLATIVE COUNSEL, ASSOCIATED INDUSTRIES OF MASSACHUSETTS

The CHAIRMAN. Mr. Hunt, you are with the Associated Industries of Massachusetts?

Mr. HUNT. That is right, Mr. Chairman.

The CHAIRMAN. And you appeared today before the Ways and Means Committee on this matter?

Mr. HUNT. I did.

The CHAIRMAN. Very well. We will be glad to hear you.

Mr. HUNT. Mr. Chairman and members of the committee, my name is Jarvis. My home is North Attleboro, Mass. I am the legislative counsel for the Associated Industries of Massachusetts on whose behalf I am appearing. The Associated Industries of Massachusetts is an organization of over 1,500 industrial concerns comprising 92 percent of the industrial pay roll of Massachusetts.

I am also authorized to appear on behalf of the following State industrial associations: New York, New Jersey, Virginia, Wisconsin, New Hampshire, Indiana, Vermont, Colorado, California, Iowa, Nebraska, Ohio, Kansas, West Virginia, Louisiana, Georgia, Missouri, Minnesota, Tennessee, Oklahoma, Connecticut, Alabama, Montana, and Kentucky.

The people I represent, Mr. Chairman, are those who, to a large extent, pay the bills insofar as unemployment compensation is concerned, for in very few States do the employees contribute toward paying the cost of unemployment compensation. Industry believes in unemployment compensation and is vitally interested in maintaining a sound unemployment compensation system. It is interested in maintaining in each State an adequate unemployment compensation fund to meet depressions and emergencies. It is interested in stabilizing employment and in getting the unemployed worker back to being an employed producer as soon as possible.

All these things are vital to industry not only in order to keep as favorable a rate of contribution as possible under the unemployment compensation system, but to preserve the American system of free enterprise, to keep industry going on a steady keel and to maintain a high level of production and an increasing standard of living for our people.

Industry believes that unemployment compensation can best be handled by States. The State legislatures are on the scene. They are susceptible to changes in conditions and demands. They, better than Congress, can legislate for the needs of the workers of each particular State.

In Massachusetts at the beginning of the year, the maximum amount paid in unemployment compensation was \$18 for 20 weeks.

During the 1945 session of the legislature, this was increased to \$21 for 23 weeks.

At the present time, the fund has been built up to nearly \$214,000,000 as of August 1, 1945. This is because even with a favorable merit-rating system, by which the average contribution from industry is slightly less than 1 percent, at the present time, we have been taking more money into the fund than has been paid out. If we assume conditions prevailing in the year 1940 to be normal conditions, we would, however, even with a 2.7 rate of contribution throughout the State, pay out approximately \$12,000,000 more than we took in.

Senator TAFT. At the new rates?

Mr. HUNT. That is without the merit-rating system, and 2.7.

We believe our fund can stand this as long as we do not have a protracted depression. If, however, the payments were increased to \$25 for 26 weeks, as this bill proposes, under the Massachusetts law which has an alternative maximum of 30 percent of the worker's wage in the base period, we would be paying out around twenty-two and a half million dollars more than we took in. Without doubt, this would seriously menace industry's position.

Senator TAFT. Does that come down, to summarize that in another way, is it fair to say that if we are going to pay generally through the country \$25 for 26 weeks, we would have to raise the unemployment compensation tax from 3 to 4 percent, say?

Mr. HUNT. No, no: I am not saying that, Senator, but I am saying that insofar as the Massachusetts fund is concerned, if we paid \$25 for 26 weeks, we would lose our favorable merit-rating system.

These industries which have been paying the 2.7, which is the top amount paid by industry, would lose the benefit of it. Everyone would have to pay 2.7 percent and even with those payments under the 1940 conditions, we would pay out about 22½ million more than we took in, assuming the depression lasted a year.

Senator LUCAS. How much do you have in your reserve fund?

Mr. HUNT. We have \$114,000,000 in the reserve.

Senator LUCAS. Do you think you have a sufficient fund for that purpose?

Mr. HUNT. As I said, we feel we have a sufficient sum unless there is a protracted emergency, unless the depression lasts longer than a year or so.

Senator BREWSTER. Which wouldn't mean you had enough to last 10 years.

Mr. HUNT. It probably would mean that we could go on for 10 years, but the thing snowballs so that it would be hard to estimate that.

Senator TAFT. I don't quite understand the effect of a prolonged depression. Don't you pay and quit? I mean after 26 weeks?

Mr. HUNT. After 26 weeks we would quit, but there would be more and more employees coming under the fund.

Senator TAFT. New ones taking their places?

Mr. HUNT. New ones taking the place of the old ones on the unemployment compensation.

Senator LUCAS. Would you advocate a special session of your legislature to amend the law so that the reserve fund can be tapped?

Mr. HUNT. We wouldn't have to have a special session, because the reserve fund would be tapped, and as the reserve fund fell, the rate would automatically go up. That is in our law at the present time.

Senator LUCAS. Then you can continue to pay without any special session?

Mr. HUNT. We could.

Senator LUCAS. Irrespective of the length of the depression?

Mr. HUNT. As long as we had any money in the reserve fund, we could continue to pay it out; that is right.

Many industries have informed me that their profits have just about equaled what they saved under the merit-rating system. Loss of the merit-rating system, which would be inevitable under such an increase, would drive many small businesses out of existence. The small business is the one which has the most stable employment and benefits most by a merit-rating system.

I realize that some of these arguments do not apply to the present bill because it provides that the difference between the amount paid under the State law and the \$25 paid under the proposed law should be borne by the Federal Government. Industry has several objections to this plan. In the first place, it works an injustice between the States. The States which, like Massachusetts, have been fairly generous in their unemployment compensation payments, will lose as compared to States which have a low rate of maximum benefits. In the second place, we fear that Federal subsidy of these funds is only an entering wedge to Federal control and, as I have previously stated,

we feel that unemployment compensation may best be handled by the States themselves.

In this regard, there is, of course, the question of States' rights which many of us feel have been greatly violated, perhaps by necessity, during the war emergency. With the emergency over, however, we feel that every possible power should be returned to the States and that the reconversion emergency is not sufficient to warrant federalization of the unemployment compensation system.

Another argument and one which I know has been used before this committee already is that the higher unemployment compensation benefits are raised, the more incentive we are giving a man to refrain from working. Every time an increase is given, it induces more and more people to refrain from wholeheartedly attempting to seek employment, since they may be receiving very nearly as much as they would make if they were working. I understand that this bill would do away with many of the disqualifications imposed by the States such as the percentage maximum used as an alternative in Massachusetts.

Thus the marginal worker, the one who has worked part time during the period of full employment, would find that he was able to receive the same, or perhaps more, than he made while working during his unemployment for the full 26 weeks. When the first workers were laid off due to cancellation of war contracts, the Boston Herald-Traveler made a survey of the employment offices and some of their comments. I think, are highly illustrative of what would be greatly increased by a raise in benefits.

I should like to read from the Boston Traveler of Monday, August 20. The Traveler says:

Meanwhile, long lines of people seeking unemployment insurance formed at USES offices in Boston, Cambridge, Watertown, and Waltham. Not many sought the 7,400 jobs known to be available in the Boston office, including Brookline, or the 1,000 jobs open in Cambridge. Most were concerned with unemployment payments.

Senator LUCAS. Did they get unemployment compensation?

Mr. HUNT. They were applying for it. This was the day they applied. It doesn't say whether they received it or not. In some cases probably they did, and some, if the USES office believed there was a suitable job, they did not. But the Traveler's reporter found that most of them were more concerned with getting their benefits than with obtaining jobs.

Senator LUCAS. They can't get benefits if there is a job.

Mr. HUNT. If the job is suitable.

Senator LUCAS. Suitable to whom?

Mr. HUNT. Suitable to the applicant.

Senator BARKLEY. It is not quite that simple.

Mr. HUNT. No; it is not quite that simple.

Senator BARKLEY. The Board decides something about whether it is suitable. He can't decide himself whether it is suitable.

Mr. HUNT. That is right. And that, of course, is one reason why we feel the same board that pays the money should be the board that decides whether the job is suitable or not.

There were two instances I would like to quote to you.

A 31-year-old father of two children, who quit his bartending job 2 years ago when he was told to get into essential work or be drafted, said he wasn't

too anxious to get a new job right away. He had rather collect unemployment compensation.

This is another instance:

Another father, aged 35, who was fired Saturday from an electrical manufacturing concern where he earned \$100 weekly for the past 2 years, wants to collect insurance until he can find a job similar to his war work, both in compensation and interest. He doesn't want to go back to being a stocktaker for a shoe concern.

Senator LUCAS. Isn't that a natural desire?

Mr. HUNT. I think it is.

Senator LUCAS. That is what you would do, isn't it?

Mr. HUNT. I think that is what any of us would do.

Senator LUCAS. If that man is offered what the board thinks is suitable employment, and refuses, then he goes off the unemployment compensation roll.

Mr. HUNT. That is correct; he does.

Senator LUCAS. It is not something he can arbitrarily decide himself.

Mr. HUNT. That is true. The point I am making is this, that in such a case, instead of doing as perhaps you and I would do, running around and trying to find a job, he is content to sit back and get his compensation benefits until perhaps they run out or perhaps he does find a job that actually does appeal to him.

I think we are taking away the incentive for an unemployed man to find employment.

Senator LUCAS. There shouldn't be any unemployment compensation under those circumstances.

Mr. HUNT. No; I wouldn't say that. As I understand it, the unemployment compensation act is designed to protect a man who is unemployed through no fault of his own, and I believe that is correct. That is the way the act should be.

The trouble is, of course, that you are bound to have people, human nature being what it is, who will, if they can get almost as much money without working as they would if they were working, let up on their activity to find a new job.

Senator TAFT. The whole thing is a question of degree. I mean your point is that you should pay them, but you should not make the payments so attractive as to bring about more harm than good; isn't that right?

Mr. HUNT. That is it.

My point is that we approach a time when it is more attractive to loaf than it is to work, and I think we should be careful that we don't actually attain that end.

Senator TAFT. Isn't it a very difficult job in every case for this board to decide whether the job offered is suitable or is not suitable?

Mr. HUNT. I think it is.

Senator TAFT. I think there must be many cases where they are not suitable. You wouldn't want to take a man that is an expert accountant and make him sweep the streets, I would assume.

Mr. HUNT. I think that is true.

Senator TAFT. That wouldn't be a very reasonable proposal.

Mr. HUNT. That is right.

The CHAIRMAN. All right. Proceed.

Mr. HUNT. Industry has already found in Massachusetts that it is very hard to secure workers when there are thousands on the unem-

ployment compensation list. To get the maximum benefit from the employment service offices we feel they should be maintained by the same agency that collects the money and pays the benefits—the State. For that reason we are heartily in favor of Senator Saltonstall's amendment to H. R. 3199, which returns these offices to the States. I hope nothing will occur to prevent this being put into effect as speedily as possible.

The chief proposal in this bill, S. 1274 and H. R. 3736, is the increase of maximum weekly benefits to \$25 and the increase of duration to 26 weeks. The argument in favor of this proposal is that it will maintain the purchasing power of the people, especially the war workers who have lost their jobs, and so aid in reconversion. Since the greatest and most practical source of employment is industry, and since the major job of reconverting must be done by industry, it is very important to see how this proposal will affect industry. I cannot see how the effects will be anything but harmful to industry.

As I have said, industry realizes the benefits of the unemployment-compensation system and is willing to pay its share, which is practically 100 percent, as long as it has confidence in the administration of the system. The merit-rating system, now in effect in nearly every State, has been a great incentive to industry to keep its employment as stable as possible. In Massachusetts industry saved around \$45,000,000 last year through merit rating. Any change in our system which will lose this saving for industry will be strenuously opposed, and the passage of any measure which caused this would necessarily have a very bad effect upon reconversion.

Another argument in favor of this plan is that it is a temporary measure to end, I believe, in June 1947. It has been my experience, as I know it has been yours, that temporary increases in benefits tend to become permanent and at such time as the Federal subsidy is withdrawn, the State legislatures will be under great pressure to maintain the high level of benefits. If this is done and there is even normal unemployment, our funds will melt away like snow, and eventually we may be faced with the federalization of the system, since the Federal Government seems to be the only agency that can finance through deficits.

Senator McMAHON. Just a minute. Your State director of unemployment compensation passes the final judgment on whether that fellow should be paid unemployment compensation or not.

Mr. HUNT. No; he doesn't.

Senator McMAHON. I think he does.

Mr. HUNT. No. The USES office does that.

Senator McMAHON. I think you are in error. The USES may furnish a man with a certificate that he has had no suitable job offered to him, but the director of unemployment compensation is not bound by that certificate at all.

Mr. HUNT. I think that is probably correct.

Senator McMAHON. I know it is correct.

Mr. HUNT. I will bow to your superior knowledge of it.

As a practical matter, however, the State director can't go into every single case and ascertain whether the USES office has been correct in awarding him the certificate or not.

Senator McMAHON. He would have to go into every single case, if he had the USES or what corresponded to it.

Mr. HUNT. One of his agents would.

Senator TAFT. Didn't the USES take over the employees who formerly reported to the State director and made this certificate to determine whether it was a suitable job offer to him or not?

Mr. HUNT. That is correct.

Senator TAFT. That was done at the beginning of the war?

Mr. HUNT. That is correct.

Senator TAFT. And it has never been reversed?

Mr. HUNT. That is right.

Senator TAFT. You think by returning that man to the State pay roll he would certify differently to the State unemployment director than he would do now because he was working with the Federal Government? Is that your position?

Mr. HUNT. Not necessarily.

Senator McMAHON. I might say that there has been no concrete evidence of any divergence in the interpretation of suitability.

The CHAIRMAN. All right. Proceed.

Mr. HUNT. The next question is whether such a plan is necessary in order to maintain purchasing power throughout the reconversion period. In 1940 the average weekly wage was \$20. During war production it rose to \$50 in the early part of 1945. The highest paid workers, the war workers, will be the first unemployed. Many of them have saved part of their salaries. We know that most of them have purchased war bonds to provide for just such a time as this. In the last session of their State legislatures, most of our States raised their unemployment compensation benefits. Thirty-two States now have a duration of 20 or more weeks. Twenty-seven States now have a maximum benefit of \$20 or more. The result is that approximately four-fifths of all covered workers will be getting \$20 for 20 weeks or more. This takes in nearly all the war workers. Surely there doesn't seem to be a great lack of purchasing power.

To sum up industry's objections to the main provisions of this bill: Industry fears an increase of its burden, whether through loss of merit rating or in taxes to pay a Federal subsidy.

Industry fears a weakening of the unemployment-compensation system and its eventual federalization, which can only result in more restrictions on industry and in greater costs to industry.

Industry fears an approach to the point where loafing will be more attractive and in some cases more profitable than working.

I think we will all admit that industry and, of course, labor too, has done a splendid job in war production. Industry can and will do an equally good job in reconverting to a new record peacetime production. It looks to Government for encouragement, however. Passage of this bill will serve only to discourage it.

Senator LUCAS. Do you have any statistics that would show what percentage of the people you would classify as loafers who would take advantage of a situation of this kind?

Mr. HUNT. It is hard to tell.

Senator LUCAS. I know. Witnesses keep talking about the loafers, and those who don't want to work who will take advantage of this unemployment compensation. I know there are certain groups who

will do that. I know people in my own city that went to work because they were prodded by their neighbors in this war effort. They didn't want to work. When this is over, they will go back to loafing again. I don't think it is hardly fair to throw out any implication that nobody wants to work. It is pretty difficult for me to believe that a man with three or four youngsters who had a pretty good job before the war and held a good job during the war, that he doesn't want security as soon as he can get it. I just don't believe that he is going to take advantage of the unemployment compensation.

Mr. HUNT. I didn't intend, Senator, to throw out the implication that there were a great many loafers. What I did want to bring home is that we are encouraging that.

Senator LUCAS. You can; all unemployment compensation encourages that.

Mr. HUNT. I suppose it does. I suppose that any aid would encourage people not to work.

Senator LUCAS. You give a maximum of \$22 a week in Massachusetts, don't you?

Mr. HUNT. \$21 a week.

Senator LUCAS. You can say that encourages it, and yet you are for the system. You add \$3 or \$4 and you say that would encourage it a little more. I doubt if it would make loafers and bums out of a lot of people I know, who are just as good citizens and Americans from the standpoint of patriotism and integrity and honor as the fellow who belongs to the Association of Manufacturers or the chamber of commerce.

Mr. HUNT. I think that is true, but I do make the point that we are encouraging this. Of course, the higher our rates go, the more encouragement we are giving them. It is a fine thing if we can do it without injuring industry, if we can do it without injuring our labor market. I don't think we can. I think we are rapidly reaching the top bracket beyond which we can't go.

Senator McMAHON. What is the average in Massachusetts today of those who are on unemployment compensation?

Mr. HUNT. Those today on unemployment compensation?

Senator McMAHON. Yes.

Mr. HUNT. I think I have the figures here. From VJ-day to the close of business on Monday, August 20, 13,142 people filed claims. The highest class of continued claims—we have both the initial claims that come in on that month, and continued claims that go from month to month. In July of 1945 there were 34,150 continued claims, and then up to August 20 there were 13,000 more that came in.

Senator McMAHON. What was the average weekly unemployment compensation benefit?

Senator BREWSTER. Before their increase, it shows in the State report that it was \$15.20. That was before the increase in their maximum. I don't know how much difference that made.

Mr. HUNT. I haven't that here.

Senator TAFT. I thought the other Massachusetts witness testified \$18.50.

Senator McMAHON. I think that was New Jersey. I know it is \$19 in Connecticut.

Mr. HUNT. That is the average payment. I thought you meant the average number of persons.

The CHAIRMAN. Have you got the average payment? That is what Senator McMahon was asking about.

Senator McMAHON. If you haven't got it, you can supply it for the record.

Mr. HUNT. I haven't it here. At least, I haven't it under my hand. It is here somewhere.

I should like to say a brief word on other points brought up by this bill. There is the question of paying unemployment benefits to Federal workers. If this is done I think the benefits should be paid in accordance with the laws of the worker's home State, and the State reimbursed by the Federal Government. Federal workers should be on the same basis as other workers in the community.

Another question is whether we should pay benefits to unemployed maritime workers in accordance with State laws. The problem here is that the agency paying the maritime worker and making the contribution to the unemployment compensation fund based on pay roll, may not be under the jurisdiction of the State making the benefit payments. Clearly this problem is one which requires some study. As yet there have been few cases of maritime unemployment and with the need for bringing back our men in the armed forces and for the transportation of machinery, materials, and foodstuffs to the stricken countries, it does not seem that this is necessarily an emergency problem.

Nor does it seem likely that there will be a serious unemployment problem in regard to agricultural workers. In Massachusetts such workers are covered unless actually engaged in farming and I believe the same is true in many States. No emergency exists here, because many farm workers left their agricultural pursuits for the higher wages paid by war work, and farmers are still short-handed and will be hiring for some time to come, at least we have found this to be the case in Massachusetts. I believe no emergency exists here, and that this problem should be left to the States to solve themselves. (The covering of agricultural workers engaged in processing is in the Senate bill, but not in the House bill.)

The bill provides for certain optional provisions which may be included in the State's agreements. The liberalization of the benefit formula to include a maximum alternative of two-thirds weekly wages—or \$25—would not greatly affect Massachusetts since our average payment under our formula is about that—67 percent—we feel that this is a matter which the States should take care of themselves.

The paying of benefits to persons now not covered by State law because of size of firm limitations, would not concern Massachusetts, because all employers of one or more are covered by our law, and we have up to the present time decided against making our farmers and housewives file returns and pay contributions. Whether a State should extend its law thus far is purely a matter of policy, and there is surely no emergency in such categories. While these items are labeled "optional" it is certain that if several States adopt them, there will be pressure upon the others to do likewise, and these provisions will become compulsory.

In conclusion I wish to emphasize the fact that this is stated to be an emergency measure, to meet widespread unemployment during reconversion. I do not believe that such an emergency exists, nor

that we will have sufficient unemployment to create an emergency. We will, of course, have some unemployment due to the cancellation of war contracts and the reconversion period. Our investigations in Massachusetts, however, lead us to believe that this period will not be long.

In Massachusetts at the time of Japan's surrender we had 1,300,000 men and women gainfully employed. During the first 10 days of peace, only 100,000 were thrown out of work due to war contract cancellations. The industries which let these people go plan to hire back nearly all of them when their reconversion plans have been completed.

Senator LUCAS. Only 100,000?

Mr. HUNT. Only 100,000 in the first 10 days were let go.

Senator LUCAS. What is it from that time on?

Mr. HUNT. I haven't it since August 20.

Senator LUCAS. What do they contemplate in the way of unemployed?

Mr. HUNT. We feel that 100,000 for a short period is the peak.

I can cite two or three cases that were mentioned in the Boston Traveler.

Senator TAFT. You say they expect to hire them back after reconversion. Have you any estimate of the time that these firms expect to take for reconversion?

Mr. HUNT. I have that, and I shall give it to you in just a minute.

This is from the article I quoted previously:

Rumors that 8,000 workers had been laid off at the General Electric Co. were denied today by the general manager of the Lynn River works and the super-charger plant. He reported that less than 1,000 have been dismissed, and that many of them will be reemployed within the next few days, when departments can be shifted to civilian production.

Lawrence K. Marshall, president of the Raytheon Manufacturing Corp., announced that part of his force of between 12,000 and 13,000 workers have been shifted to civilian production of radio tubes. He said that the way it looks now, most of these workers will be retained. A lay-off of 1,500 took place last week when night shifts were abandoned.

The Bethlehem Quincy shipyard reported 20,000 people at work today on Navy contracts, with no immediate prospects of cancellations seen.

At the Hood Rubber Co. in Watertown, less than 500 of the total personnel of about 5,500 were working on war production today. Since the Japanese surrender, between 2,000 and 2,500 have been shifted from military footwear to civilian work. A very small number of workers was expected to be laid off temporarily during reconversion procedure, to be rehired within 2 or 3 weeks.

The CHAIRMAN. Can you conceive of a reason why they lay off the workers temporarily and take them back shortly?

Mr. HUNT. Merely to change their machines over to peacetime production.

The CHAIRMAN. That is not the primary reason, I submit. One of the primary reasons is the Renegotiation Act. It would break many industries who had been engaged in war work in 1943, 1944, and 1945, to retain a large number of workers in idleness for even a brief period.

Mr. HUNT. I think that is true.

Senator BARKLEY. Unless they were engaged in full settlement of war contracts—

The CHAIRMAN. They are renegotiating the 1943 contracts now. The renegotiators will not allow a single deduction for a displaced

war worker who may be kept there in idleness in order that he may be reemployed.

Senator TAFT. Won't allow dismissal pay?

The CHAIRMAN. No dismissal pay.

Senator BARKLEY. Of course that is a matter of tax law.

The CHAIRMAN. But they are renegotiating the war contracts.

Senator BARKLEY. They are renegotiating the contracts under which they made the war goods.

The CHAIRMAN. That is part of the war cost, the reconversion, just as plain as any other, and against taxes, they could deduct it, but against renegotiation it makes no impression on our friends over in the departments. That is where you could remedy a lot of these temporary lay-offs.

Mr. HUNT. I think that is so.

The CHAIRMAN. It won't get anywhere because that is too simple.

Mr. HUNT. In February of this year the National Association of Manufacturers published the results of a survey in regard to employment after reconversion, and some of their results I should like to read to the committee:

There were approximately 10.6 millions working in manufacturing in 1939.

They estimate there should be a gain of between 3.4 and 4.4 millions in manufacturing employment by the time transition to peacetime production has run its course.

The survey revealed that 79 percent of manufacturing concerns will employ more people after the war than they did before the war.

Senator BARKLEY. What about the comparison of after the war with during the war?

Mr. HUNT. I assume that it is axiomatic that they will not employ as many after the war as during the war.

Senator BARKLEY. Would that statement be true as to all of them?

Mr. HUNT. I think some concerns will that didn't have war contracts and were hampered by priorities.

Senator MILLIKIN. Is it backlog that accounts for the increase over 1939?

Mr. HUNT. Backlog would have a great deal to do with it. I presume in some cases, it would be new developments, new inventions, and new fields.

Senator MILLIKIN. I am wondering if you have any statistics on how long you expect that to last. In other words, you figure we would be able to expand our economy normally in the way it would offset the loss of employment due to obsolescence?

Mr. HUNT. There will be a period, of course, when the saturation point is reached, and they will slump off to a normal replacement.

Senator MILLIKIN. Unless we find some method of generally increasing the magnitude of our business.

Mr. HUNT. That is true.

This survey indicated that 61 percent of manufacturing concerns have no serious reconversion problem, and could get the production of peacetime goods started without any delay.

Senator LUCAS. What is the total number of men that that 61 percent represents?

Mr. HUNT. I think I have that over here. I think I should come to that in a second, Senator, if you will let me go on with this.

Twenty-eight percent of all manufacturing concerns will need only 1 day to 4 weeks for reconversion; 11 percent of all manufacturing concerns will need more than 4 weeks.

Senator TAFT. Is this the whole country?

Mr. HUNT. The whole country.

After 8 weeks, about 95 percent of all manufacturing companies should be under way on peacetime production.

Senator MILLIKIN. Do you have that in terms of manpower? I think just a number of manufacturers is insignificant.

Mr. HUNT. I think you are right, and I am trying to find it. I believe I have the manpower here.

The survey shows the largest amount of unemployment of a serious nature, that is extending beyond 30 days, is likely to be found in the automobile, aircraft, and parts groups. Here the unemployment may amount to 436,000 people out of work for something over 30 days.

In the machinery field, 326,000 workers may be off the job for at least 4 weeks.

Although the figures add up to 1,416,000 workers unemployed over 30 days in manufacturing industries, it is a question whether it is fair to combine these figures, because reconversion may occur at different times in the different industries indicated on the chart.

However, the total of 1½ million is not as serious an unemployment factor as the public has been led to expect. That is, the survey shows that about 1½ million will remain unemployed for more than 30 days. That is in terms of workers.

Senator MILLIKIN. Are you going to take industry by industry and give us an estimate of how long it will take them to convert?

Mr. HUNT. I haven't that. I have only the high spots, the aircraft, automobile, and machinery field.

Senator MILLIKIN. Can you take your own State of Massachusetts and give us three or four leading employers of labor and just give us your own judgment on how long it will take?

Mr. HUNT. As I have said, the General Electric said that they would lay off 1,000 workers to be reemployed within a few days. That is in the electrical appliances.

Senator MILLIKIN. Is that one of your big businesses?

Mr. HUNT. That is one of the big concerns.

Senator MILLIKIN. What is the business in Massachusetts that employs most labor?

Mr. HUNT. I suppose it is the textile industry.

Senator MILLIKIN. What was your estimate on that?

Mr. HUNT. The textile industry, I believe, I have in another item here.

The New Bedford Cotton Manufacturers Association said there would be no unemployment as a result of reconversion and cut-backs and that they could use 1,000 more textile workers right now. They think there will be no reconversion problem whatever.

Senator LUCAS. These figures you are supplying only apply to Massachusetts?

Mr. HUNT. No; these figures I have just been giving you cover the Nation.

Senator LUCAS. That is what I thought. Is that what your one million and one-half is based upon?

Mr. HUNT. That is right, in manufacturing.

Senator LUCAS. One million and one-half unemployed in manufacturing?

Mr. HUNT. That is right.

Senator LUCAS. Would you say that period will not last over 6 to 8 weeks?

Mr. HUNT. Thirty days.

Senator LUCAS. Thirty days after the war was over?

Mr. HUNT. Yes; after contracts were canceled, the period of re-conversion.

Senator LUCAS. And by the first of October this year, everything ought to be all right then?

Mr. HUNT. That is right.

Senator TAFT. The million and one-half will extend beyond that, won't it?

Mr. HUNT. I have some figures on that that I want to give you.

The million and a half will still be unemployed at the end of 30 days. Of course, after 30 days that field begins to be absorbed and the figure at the end of 12 weeks will be down to 58,000.

Senator LUCAS. What is the total number of workers throughout the Nation in manufacturing?

Mr. HUNT. The total number, 10.6.

Senator TAFT. I thought that was the figure before the war.

Mr. HUNT. Yes, I think that was before the war.

Senator TAFT. It is about 14,000,000 now.

Mr. HUNT. That was in 1939.

Senator TAFT. You think within 6 months after the 30-day period that there will only be between three and four hundred thousand unemployed out of a total of 15,000,000?

Mr. HUNT. I think there will be less than that. At the end of 6 weeks they estimate, that there will only be 58,000 unemployed.

Senator TAFT. Are you speaking of the whole country?

Mr. HUNT. The whole country.

Senator TAFT. Fifteen million employed in the manufacturing industry at the present time?

Mr. HUNT. That is right.

Senator TAFT. You only had 10.6 before the war?

Mr. HUNT. Yes; and we assume 3.4 to 4.4 more after the war. So that would bring it up close to your 15,000,000.

Senator BYRD. When will you do it?

Mr. HUNT. That is from 30 days on.

Senator BYRD. How far on?

Mr. HUNT. At the end of 16 weeks there will only be about 58,000 unemployed.

Senator BYRD. Fifty-eight thousand unemployed out of fifteen million?

Mr. HUNT. That is right.

Senator BYRD. What do you base that upon?

Mr. HUNT. These are based upon questionnaires sent out in February.

I think that the situation is even better than these estimates would lead us to believe.

I have some figures that were released on Sunday, September 2, from the National Industrial Council.

Senator BYRD. Does that include the automobile industry?

Mr. HUNT. Yes, that includes the automobile industry.

Senator BYRD. Includes everybody in the manufacturing industry?

Mr. HUNT. Yes.

Senator BYRD. It doesn't include the farmers?

Mr. HUNT. No; it doesn't include the farmers or service people.

Senator LUCAS. I have been an optimist on reconversion, but your figures are much more optimistic than I have thought about.

Mr. HUNT. They do seem very optimistic.

This release of Sunday, September 2, is even more so.

Senator LUCAS. Was this questionnaire sent to every industry in the country?

Mr. HUNT. I presume it was sent to practically every manufacturing concern in the country that they had any record of, yes. There may be some small ones that were overlooked somewhere because they didn't have them listed.

The CHAIRMAN. All right; proceed.

Senator LUCAS. We have no problem at all if you are right. Everything is going to be rosy.

Mr. HUNT. I don't think it is a very great problem.

Senator VANDENBERG. All we have got to do is keep these hearings going for a couple of weeks.

The CHAIRMAN. Anything further?

Mr. HUNT. Yes.

Reporting from New York, Thomas M. Brennan, executive director of the council which represents more than 300 local, State, and trade manufacturer associations, said that initial reports "reflected the confidence of industry in its ability to reconvert promptly with a minimum of job dislocation."

"It is not necessary to embroider these reports, they speak for themselves," Mr. Brennan said. "Replies received to this NIC questionnaire are reassuring and offer added confirmation to the survey by the National Association of Manufacturers which indicates postwar manufacturing employment will be up more than 30 percent over 1939, and that only a comparative few of the Nation's workers need be out of employment more than 30 days, if Government restrictions and red tape are removed promptly."

First industry-wide reports received were from the National Lumber Manufacturers Association, which predicted no loss of employment due to reconversion or cut-backs, and a 50-percent increase in postwar employment; and the Narrow Fabrics Institute, Inc., which forecast only a "few days" unemployment for any workers, and a 26.8 percent jump in postwar employment.

The Lumber Association expected postwar employment to hit 600,000 as compared to 400,000 in 1939, and the Narrow Fabrics figures showed a need for 9,000 workers within 3 months, as compared to 7,100 in 1939.

From the New Bedford Cotton Manufacturers Association came word that there would be no unemployment as a result of reconversion and cut-backs, and that "we can use 1,000 more textile workers right now."

First complete State report came from the Associated Industries of Vermont, which based estimates on figures received from the unemployment compensation commission and the United States Employment Service.

According to AIV estimates, manufacturing industry will set the pace in increased postwar employment in Vermont where 33,000 jobs are planned compared to 27,000 in 1939. Over-all postwar jobs in the State are estimated at 133,500, an increase of 9,500 over 1939. Also, it was indicated that the 3,000 workers involved in the first wave of cut-backs will be entirely accounted for in the number of persons retiring from industry. These retirements include 2,000 women, 500 older workers, 200 under-age workers, and 300 students returning to school.

The Meriden, Conn., Manufacturers Association reported that a survey of 57 companies in Meriden and Wallingford, which employed 17,050 workers July 1, 1945, showed they planned to boost this to 17,800 by January 1, 1946. This will

represent an increase of more than 5,000 workers more than the same 57 companies employed in 1939.

From the Peoria, Ill., Manufacturers Association came words more eloquent than figures, viz, "No lay-offs—we need more men."

An increase of 6,000 jobs in manufacturing industry will help boost total postwar employment in Muskegon, Mich., to 43,800 as compared to 31,838 in 1939, according to Muskegon Employers Association.

From the Manufacturers Association of Erie, Pa., came estimates that manufacturing industry alone would provide 3,000 more jobs than it did in 1939. Great unemployment in Erie due to cut-backs and reconversion, is not expected to be over 6,000, and of these it is estimated that 4,600 workers—1,000 men and 3,600 women—will retire from the labor market.

Holland, Mich., a town of less than 15,000, expects postwar employment to be up slightly over 1939, the chamber of commerce estimating 5,500 postwar jobs compared to 5,350 employed in 1939.

Senator TAFT. Are these figures collected independently of the Committee on Economic Development?

Mr. HUNT. That is right.

Senator MILLIKIN. I would certainly draw over-all conclusions from those scattered reports with considerable reserve.

The CHAIRMAN. All right; proceed.

Mr. HUNT. In addition, we will have many voluntary withdrawals from the labor market. Our plants made a very great effort to attract for war work younger men and women who will now return to school, housewives who will return to their homes, and older men and women who will retire from work entirely. Other workers came from farms, service agencies, domestic service, and their own small businesses. A great many of these people will go back to their prewar pursuits. New construction and repairs, both public and private, will absorb many workers. Our State has plans for airports, highways, bridges, seaports, State institutions, and many other projects which we have neglected during the war emergency. Other States have similar plans. It is evident to everyone that the consumer goods which have worn out during the war must be replaced and will give work to millions for some years to come. Because of the foresight of both industry and government, and because of the cooperation between industry and labor, reconversion plans are proceeding faster than we had hoped. Any reconversion emergency is being met, and I believe the States themselves are competent to handle the unemployment problem without the need of Federal interference or aid. In May 1944 the executive committee of the Governors' Conference unanimously adopted a resolution stating this position. I trust your committee will follow this policy and allow the States to handle their own unemployment problems.

Senator BYRD. Do your estimates make any allowance for the ones coming back from the armed forces?

Mr. HUNT. We do not. The 1939 figures, of course, took in everybody, and there was no Army or Navy at that time to bother us.

Senator LUCAS. With respect to the 15,000,000 that we have been discussing throughout the industry, what percentage do you estimate will return to normal life without looking for jobs?

Mr. HUNT. That is hard to estimate. I should assume that probably pretty near the entire increase over 1939 would withdraw to their own businesses.

Senator LUCAS. Four million?

Mr. HUNT. I should think pretty near 4,000,000.

Senator LUCAS. If you take 4,000,000 out, you have created a labor market for practically 9,000,000 men over 1939.

Mr. HUNT. I don't see the 9,000,000.

Senator LUCAS. You said it would increase from 10,000,000 to 15,000,000. That is your figure.

Mr. HUNT. About fourteen and one-half.

Senator LUCAS. All right; fourteen and one-half. So if you withdraw 4½ million people, old people and children who ought to be in school and what not, who have been in this war effort, you take them out, then you have really got a market for 9,000,000 men.

Mr. HUNT. I see what you mean. The figures would seem to indicate that.

Senator LUCAS. We have got no problem at all if your figures are correct. We just as well go back home.

The CHAIRMAN. All right; proceed.

Senator LUCAS. I hope you are correct.

Mr. HUNT. I hope I am, too.

The CHAIRMAN. Is there anything further?

Mr. HUNT. No, sir.

The CHAIRMAN. Thank you very much.

Our next witness is Mr. J. D. Battle, National Coal Association.

Senator LUCAS. Mr. Chairman, before this witness testifies, I would like to make this statement. There have been several witnesses who have given to us average estimates of wages paid in respective States for unemployment compensation. It occurred to me it might be of some value to us if we could not only have the average payment under the Unemployment Compensation Act in each State but also the average wage during 1944, because Secretary Schwollenbach testified the other day that he considered that 50 percent of the wage would be fair unemployment compensation.

The CHAIRMAN. We have put in the record already average wages in all the States.

Senator LUCAS. All right.

Now, if we had the average unemployment compensation.

Senator BREWSTER. We don't have that.

Senator LUCAS. There have been some witnesses that testified that New Jersey had \$18.50, and the previous witness testified that Massachusetts had \$15.20.

I think it is rather interesting to compare the wage with the unemployment compensation.

The CHAIRMAN. All right, Mr. Battle.

Mr. HALEY. My name is James W. Haley. I appear in the place of Mr. J. D. Battle, whose name appears on your calendar, and I apologize for not being here when I was originally called. It happened that I was at that time before the Ways and Means Committee.

I am the regular attorney of the National Coal Association.

The CHAIRMAN. All right, proceed.

STATEMENT OF JAMES W. HALEY, ATTORNEY FOR THE NATIONAL COAL ASSOCIATION

Mr. HALEY. The National Coal Association is the trade association of bituminous-coal operators of the United States, with membership

comprising about four-fifths of the commercial producers of bituminous coal in the Nation and with members in each of the coal-producing States.

The bituminous-coal-mining industry is opposed to the proposal contained in S. 1274.

The bituminous-coal-mining industry is opposed to the bill because we are of the opinion that the estimates of unemployment are unrealistic, and for the additional reason that the present State systems are adequate to take care of the situation.

On the basis of information available to us and our own knowledge of the facts, we have a very definite conviction that the estimates of unemployment that may be expected between now and the end of June 1947 are much too high.

Hon. Arthur J. Altmeyer, Chairman of the Social Security Board, appearing in support of the Doughton bill before the House Ways and Means Committee on August 30, gave three estimates of unemployment for 1946. His low estimate placed unemployment at about the 1941 level; his intermediate estimate placed unemployment at about the 1940 level; and his high estimate placed unemployment at about the 1939 level.

Production of bituminous coal bears a direct relationship to general industrial activity. By the same token, it will be observed that unemployment runs in inverse ratio to coal production. These relationships result from the fact that coal is basic in our industrial structure; and coal is produced as it is currently required for consumption—long-range storing or stockpiling of bituminous coal is relatively insignificant due to compelling physical conditions.

Your attention is directed to the chart which we have prepared, depicting the relationship of unemployment, industrial production, and bituminous coal production.

The chart to which I have referred appears as the last page of the statement.

You will note that historically there has been a direct relationship between bituminous-coal production, general industrial production and unemployment. As coal production goes up, unemployment comes down.

There is little doubt that demand for bituminous coal will continue at a high level for some time to come. Demand for bituminous coal in the near future is a subject which has had careful and thorough consideration by Government and industry experts in a position to know the true prospects. There is a special organization set up for the purpose of estimating coal needs. That organization, known as the Solid Fuels Requirements Committee, less than 2 weeks ago estimated that coal requirements for the year ending March 31, 1946, will run between 570,000,000 and 585,000,000 tons, which means that for the rest of the 12-month period ending next March coal production will have to be continued at present high levels. Nor is there any indication to the effect that coal requirements will fall appreciably after next March.

The CHAIRMAN. Does the foreign situation have anything to do with that?

Mr. HALEY. The foreign situation may have something to do with that. However, regardless of the foreign requirements, or regardless

of what may be shipped to foreign countries, the amount would be a relatively unimportant part, expressed percentagewise.

Senator LUCAS. How does that compare with 1939?

Mr. HALEY. Well, in 1939 there was some foreign business.

Senator LUCAS. I am not talking about the foreign business, I am talking about your total picture of what you project it to be.

Mr. HALEY. It would be very much higher.

The CHAIRMAN. Than your 1939 production?

Mr. HALEY. Yes, sir. Very much higher.

I can't tell you exactly. The production for 1939 was 395,000,000, and the Solid Fuels Requirements Committee estimates for the coal year ending next March 31, it will be somewhere between 570,000,000 and 585,000,000. Of course, part of that coal year, you must realize, is already gone. But in order to meet that requirement production, it will have to be maintained at the present level or at the levels which have been maintained since last April.

Senator TAFT. What is the situation as to coal miners on hours?

Mr. HALEY. The coal-mining industry is now on a 54-hour week.

Senator TAFT. What is the normal?

Mr. HALEY. Back in 1939 we were on the 35-hour week at the face. That was 35 hours exclusive of so-called underground travel time.

Senator TAFT. What is the difference?

Mr. HALEY. It would be about 6 hours' difference.

Of course, there is no prospect of going on the shortened workweek with the manpower squeeze what it is in the industry today.

Senator TAFT. Supposing that these 30,000 or 50,000 miners are released from the Army forces. That would relieve that, wouldn't it?

Mr. HALEY. That would help.

Senator TAFT. So far as the coal industry is concerned, there is no question of unemployment in the next 12 months?

Mr. HALEY. Not at all.

Senator LUCAS. At the same hours per week?

Mr. HALEY. I am not so sure it would be at the same hours per week. Of course there is much feeling that the hours should be reduced. After all, it is probably the highest regular workweek in any industry.

Senator LUCAS. Do you think, if it is reduced, it will go to 40 hours?

Mr. HALEY. I don't know what it will go to. The union's position has much to do with that.

Senator LUCAS. What is their position?

Mr. HALEY. The union has tried to preserve the concept of the 7-hour day at the face throughout the war, and will immediately return to that probably when the demand for coal warrants a reduction. It will be 7 hours at the face, or about 8 hours portal to portal.

Senator TAFT. Five-day week?

Mr. HALEY. Five-day week.

The CHAIRMAN. Proceed with your statement.

The coal industry itself is one of the biggest employers of labor. And there is certainly no unemployment in the industry now. As a matter of fact, there is a serious manpower shortage. The real problem is to get the men to produce the coal sorely needed. You no doubt know that the Government has not yet seen fit to remove the

restriction on domestic consumers of coal, whereby they are limited this year to 80 percent of last year's deliveries.

If there is wholesale unemployment now, or even early next year—the time at which the peak unemployment will be reached, according to Messrs. Snyder and Altmeyer—I am sure the coal industry will be not only willing but happy to use some additional employees. My own feeling is that many other businesses are also experiencing manpower difficulties.

Senator MILLIKIN. How many coal miners are there in the armed forces?

Mr. HALEY. Somewhere between 50,000 and 100,000. I believe the best reliable estimate is about 70,000 to 72,000.

Senator MILLIKIN. What is your total labor force?

Mr. HALEY. The total labor force, productive employees, at the present time, around 350,000.

Inviting your attention now again to the chart, you will notice that we have projected the unemployment estimates of Chairman Altmeyer—high, medium, and low—into next year; and we have also projected our own unemployment point, based on what we believe to be very reliable estimates of coal production. Mr. Altmeyer's estimates were far from convincing. Our own estimate is based on something concrete, and is supported by the record of many years' experience.

The CHAIRMAN. Mr. Altmeyer's report considered more than the coal industry. He looked at the whole picture, did he not?

Mr. HALEY. Yes; he did. I realized that in the preparation of this chart. I was attempting to show the relationship of coal production to unemployment generally.

The CHAIRMAN. I see.

Mr. HALEY. The Government's estimates several years ago of unemployment that would result from conversion to the war effort proved to be entirely wrong. We think we have given the committee reason to feel, as we do, that the present unemployment fears of the Government have even less foundation than did the earlier ones.

Our own study, as the chart indicates, does show that there will be some unemployment. This is only natural. There are certain to be temporary periods of idleness while plants and workers are readjusting themselves to the normal peacetime economy.

But for such unemployment as we shall have, the State unemployment systems are more than adequate. The States met their obligations with ease in 1940 and 1941, and we are confident unemployment is not going to be so great in the foreseeable future as it was even in 1941.

Senator LUCAS. If the chart you have used to project employment is correct, I take it, within 15 to 18 months we ought to have almost full employment in this country?

Mr. HALEY. That is correct; and that has been the experience in the past.

Whenever coal production has gone as high as is anticipated for the year ending March 31, there has been just about full employment.

With greatly enlarged funds, the States are in good position to meet the challenge. Moreover, we must not lose sight of the fact that, unlike any other time in all our history, liquid assets in the

hands of individuals reach an imposing, if not a staggering, total. This wholesome situation is also going to contribute to cushioning the shift from war to peace work.

If it is felt that Congress should take action to see that industrial Federal workers should be brought into the unemployment compensation system, we submit that the proper way to do it is merely to underwrite cost of the payments to prescribed workers, letting such unemployed workers take their place with other unemployed workers of the State as to amount of benefits, duration of benefits, disqualifications, and all other matters. In other words, let the Federal Government say to the State: We have been an employer in your State, but we neglected to contribute to your fund on a current basis, so here is our contribution now, which you are to put in your fund and treat our ex-employees just like you treat the ex-employees of all other employers in your State.

In any event, any proposal along the radical lines of S. 1274 should be rejected by the Congress.

The CHAIRMAN. Any questions?

Senator LUCAS. Does your association favor the unemployment compensation for Federal workers and maritime employees?

Mr. HALEY. We favor the unemployment compensation on a temporary basis for what we describe as industrial Federal workers. It doesn't seem to me that amendment to the reconversion bill should be the vehicle for bringing Federal workers under the unemployment compensation provisions.

Senator LUCAS. Don't you believe they are entitled to unemployment compensation the same as the miners in your State?

Mr. HALEY. I hadn't given that any particular thought. I didn't think it was before the committee.

We do say that the committee may well consider bringing under the temporary provisions of this bill the arsenal workers, the shipyard workers, and maritime workers.

Mr. LUCAS. You wouldn't make it permanent?

Mr. HALEY. That is right.

Senator LUCAS. You have got permanent unemployment compensation for all other classes in your State practically, but you wouldn't give that to the arsenal workers in your State?

Mr. HALEY. I am saying we have no position on that as yet.

Senator LUCAS. I thought you said you would give them temporary relief and after that was over that would be the end of his unemployment compensation, so far as the future was concerned.

Mr. HALEY. All I am referring to is the position on the proposals before the committee.

I do not understand this is the forum—

Senator TAFT (interposing). I agree unemployment compensation for Federal workers is a rather complicated problem which ought to be worked out in connection with sickness benefit, accumulation of vacation, and so forth, which was brought up in the House conference last year.

I think you are right, we ought to deal with it here as an emergency matter.

Mr. HALEY. I would make a distinction between a worker who, we will say, is in the State Department, who has been there 20 years, and

one who entered the service as an employee in an arsenal just several years ago. One is a career worker and the other is not.

I think the problem to which Senator Taft just referred is one that will require much consideration and will come up probably when there is a proposal to amend the social-security law to bring those employees under.

The CHAIRMAN. Thank you very much.

Is Mr. Sperry in the room?

Mr. SPERRY. Yes, sir.

The CHAIRMAN. All right; you may proceed with your discussion.

STATEMENT OF T. C. SPERRY, SOCIAL SECURITY COMMITTEE OF THE NATIONAL RETAIL DRY GOODS ASSOCIATION

Mr. SPERRY. My name is T. C. Sperry, secretary-treasurer of the Lamson Bros. Co., Toledo, Ohio, and I am appearing here today as chairman of the Social Security Committee of the National Retail Dry Goods Association, which is composed of more than 7,000 department and specialty read-to-wear stores, large and small, located in every State of the Union.

Our organization has had an active committee on social security since the early part of 1935, which, as you know, antedates the passage of the Social Security Act. Our committee has continuously endeavored to study the entire subject of social security from the broad view of the general welfare of all the people. It is because of this deep interest by retailers in social security that I am appearing today.

It is my understanding that the purpose of the proposed legislation is to provide an orderly transition from war to peace by providing that the Federal Government shall make supplemental and additional unemployment compensation payments to those now provided for under our State laws. I would like to point out how this proposed bill would affect our craft—retailing.

Our industry has no reconversion problem as the term is generally used. We have no machinery to move out of our plants so that new equipment can be installed. We are not short of raw material. Rather, we are short of the finished product which the consumer is clamoring to buy, and also we are very short of manpower.

Briefly, our industry's reconversion problem falls into three categories. First, we are badly in need of merchandise to stock our shelves; second, we need the removal of governmental restrictions; and third, we need additional manpower so that we can receive, mark, and sell our merchandise.

We are concerned about supplying the needs of our customers. Supplies of wanted merchandise have long been scarce on our shelves and now that materials are being released by the war agencies, it is our earnest desire that nothing be placed in the way of immediate reconversion of labor, as well as facilities, to a civilian economy. There are many reports of war workers now refusing jobs at less than war factory wages. The proposed legislation will greatly aggravate this situation and can only delay a conversion to civilian production. It is un-American and places a premium on idleness.

It is in reference to the third problem, the need of manpower and how the proposed legislation would affect retailing, that I would like

to particularly direct my discussion. Our industry was not classified as an essential during the war period. Consequently, the United States employment offices did not accept our job requests or refer applicants to us. Our wage scales were frozen and we were unable to compete in the labor market with the war industries. As a result, our ranks were depleted because we lost thousands of employees to industry with its high wage scales, and in addition we had thousands who enlisted and who were drafted into the armed forces. We operated from day to day with oldsters who had retired from the labor market, teen-aged youngsters, and married women, many of whom did not and do not now want permanent employment.

Retailing is now confronted with a dual problem—one, filling jobs which were unfilled during this entire war period, and two, filling jobs of those workers who are now retiring from active work. How does bill S. 1274 affect our problem? Let me give you a typical example. In our store, we had many employees who left us for war industries where their pay averaged \$30, \$40, \$50, and more per week. Take Mary Smith, for example, who had been earning \$22 a week as a salesperson in our store and left us for war work where she averaged \$30 a week, which is a very conservative figure. Under our Ohio law, her benefit rate would be \$16, which she would receive for 22 weeks. Under the proposed legislation this weekly benefit amount could be increased to \$20 per week. We could again offer her employment at \$22 per week. Her take-home pay from us, after deducting her withholding tax and social-security tax, would be \$19.38, and after paying her transportation expenses and lunch money, which would run at least another \$2.50 per week, she would have a net of \$16.88. Mary Smith is going to weigh her net return of \$16.88 against her benefit amount of \$20 and find that she would get \$3.12 more for loafing than for working. Even if we could raise her rate to \$25 per week, her net return after taxes and incidental expenses would be \$19.15 per week, an amount still less than her weekly benefit allowance of \$20 per week. The incentive to accept suitable work at a wage which we can pay has absolutely been removed. This person can refuse work and take a vacation for 6 months and our merchandise can remain unpacked, remain unmarked, and remain unsold because the unemployment benefits are so large that it is profitable for an individual to loaf.

Senator LUCAS. How can she do that under the Ohio law if she is offered this job? How can she get compensation if she is offered a job?

Mr. SPERRY. Well, she could claim that it was not suitable.

Senator LUCAS. It is not what she claims. Doesn't the Board make that decision?

Mr. SPERRY. I am afraid she would get the benefits, sir.

Senator MILLIKIN. Have we any experience on it?

Mr. SPERRY. Yes. You can go back through the records and find where that is the case.

Senator MILLIKIN. Have you any experience on that specific case, of a lady who had been working in a war plant earning \$30 to \$50 a week who has lost her job as a result of the end of the war and who has been offered a position in a store like your own, who has declined to take the position, who has been supported in her declination by the State board?

Mr. SPERRY. I could supply them. I haven't that information here.

Senator MILLIKIN. You feel there are such cases?

Mr. SPERRY. Yes.

Senator MILLIKIN. That is the practice under the Ohio law?

Mr. SPERRY. Not only under the Ohio law but under all of them.

Senator VANDENBERG. Do you expect to go back to your prewar wage scale in your store?

Mr. SPERRY. Oh, no.

Senator VANDENBERG. How much higher will it be than prewar, speaking generally?

Mr. SPERRY. I would say it would be 25 to 30 percent higher.

Senator BREWSTER. How do you expect to absorb the increased manufacturing cost, as well?

Mr. SPERRY. You mean the OPA?

The CHAIRMAN. You have got to get rid of OPA.

Mr. SPERRY. That is one point I am going to touch on a little later on.

Senator VANDENBERG. You would like to put OPA on unemployment compensation, wouldn't you?

[Laughter.]

Mr. SPERRY. I would like to have that answer. If you gentlemen will give me that answer, I will go away very happy.

Senator LUCAS. I want to make this observation with respect to the statement you made and which has been made by witnesses before, about the people who can loaf and not go on a job. So far nobody has furnished any concrete examples of where that has happened. They have talked about it. I have always understood this unemployment compensation was for those who could not get a job, and that the suitability was determined by the State authorities. If that is the case and nobody has to work, if that is a suitable job for them and they just wink their eye at that, it would be interesting to know.

Mr. SPERRY. I wish I had known that that was the information you wanted. I certainly could have brought down cases.

Senator BREWSTER. I think it would be very well worth while if you furnish the committee with a list.

Senator LUCAS. Somebody ought to furnish it. Everybody keeps testifying about all these people that are going to loaf rather than work. I have always understood if there was a job around there that was suitable——

Mr. SPERRY. It all hinges on that word "suitable."

Senator LUCAS. And your people out in Ohio make that determination of what is suitable; the individual does not make it.

Mr. SPERRY. If they don't get as much money as they made in a war factory, then it is not suitable.

Senator LUCAS. No; I don't agree with you. If that is the ruling, then, nobody is going to work.

Mr. SPERRY. That is the point.

The CHAIRMAN. All right. Proceed.

Senator MILLIKIN. Mr. Chairman, I think Senator Lucas has a very valid point, and I, too, would like to have some of these witnesses give us some case histories one way or the other. I think it is a very important point.

Senator LUCAS. They give you generalities and conclusions without any facts.

The CHAIRMAN. If the witness can supply any specific cases, we will be glad to have him send them down to us.

Mr. SPERRY. It will have to be submitted separately.

The CHAIRMAN. All right.

Mr. SPERRY. You may properly raise the question as to why we cannot pay our former salesperson \$30 per week—the same wage as she earned in her war job. The answer to this question is that WPB has announced that salaries or wages can be increased, providing the selling price to the consumer is not increased. We are unable to pay the additional \$8 per week, or an increase of 36 percent, and maintain our present selling prices. OPA tells us that we must maintain these prices even though it is their intention to raise prices at the manufacturing level. They tell us this increase must be absorbed by the retailer. Now, after all, gentlemen, it just doesn't seem fair that our gross margin should be reduced by a Government directive and at the same time be forced into higher operating costs by congressional action. We just can't make this sort of a squeeze.

Senator LUCAS. You are indicting the whole system.

Mr. SPERRY. I am not indicting anyone.

Senator LUCAS. You are indicting the whole system, the way it is being operated now. Upon that, you are basing all these statements and conclusions without any facts at all.

Mr. SPERRY. I am sure it will not be difficult to back that up.

The CHAIRMAN. All right. Go ahead.

Mr. SPERRY. In the foregoing example I have endeavored to demonstrate a problem now confronting our industry, even though no additional changes in the Ohio law are forced upon us by the passage of S. 1274. I have shown how that problem will be increased and aggravated by the proposal in S. 1274 that the Federal Government will subsidize increases in all weekly benefit amounts up to two-thirds of previous weekly earnings and a maximum of \$25.

You will note from the figures given that the increases proposed in S. 1274 in maximum weekly benefit amounts do not affect our major problem. Our Ohio Legislature did that when it recently increased the maximum benefit amount from \$16 to \$21 in the State of Ohio. However, as maximum weekly benefit amounts are made higher, an ever-increasing number of workers will be faced with the temptation to draw their benefits before taking the only kind of jobs they have any real hope of being able to get in the immediate postwar period.

Senator LUCAS. That \$21 in Ohio would take care of the saleslady you gave as an example. In other words, she would get as much or more by loafing, as you say, even under the Ohio laws.

Mr. SPERRY. I think that is true.

Senator TAFT. Not if she was only drawing \$30 before.

Mr. SPERRY. I am talking about the \$22-week girl. No; \$21 would not cover it.

So much for the effect of S. 1274 upon one of our major reconversion problems.

It is reported by the newspapers that some members of this committee are beginning to think that it is neither necessary nor wise for the Federal Government to subsidize or require the increase in maximum weekly benefit amounts provided for in section 702 (b) (2) or section 702 (c) (1) of S. 1274. It is also reported that some members

of the committee still feel that subsidizing and increasing maximum duration of benefits in all States to 26 weeks has some merit. I hope to demonstrate that the effect of this provision warrants exceptionally careful study.

Others who have testified may have touched upon the fact that increased duration of benefits to a flat 26 weeks, as presently provided for in both S. 1274 and the companion House bill, H. R. 3736, would make many individuals entitled, each year, to more in unemployment benefits than they normally earn in wages during a year.

In nearly all State laws this is avoided by special provisions. We do not believe that such provisions are either unfair, illiberal, or economically unsound. However, enactment of S. 1274 and application of its "must" and "may" sections would destroy these safeguards set up by the States.

Since the retailing industry employs great numbers of temporary employees, who would be affected by this proposed change, I want to give a simple illustration which will clearly set forth what is involved in the change.

I have already used Ohio, which happens to be my home State, in one illustration. In the following one I am going to select one of our neighboring States, and I freely admit my choice is not entirely accidental.

I want to talk about Mrs. Dorothy Jones, who lives in Michigan and works in a department store there. She is one of those "extras," of which there are approximately 2,000,000 employed by retailers each year during the Easter and Christmas sales peaks. At these periods, as you all know, we are compelled to supplement our regular force with additional employees.

In many instances, Dorothy is an old, experienced, full-time sales person, who quit her full-time job when she got married. She does not want steady, full-time employment, but does like the extra pocket money that she can pick up during the holidays or to buy a new Easter dress. She does not seriously object to the employee discount which helps out on her Christmas shopping list.

Mrs. Dorothy Jones puts in about 12 weeks of full-time work each year. Of these we will assume that 8 are in the Christmas season and 4 in the spring—her wages being \$22 per week. She is "eligible" for benefits under the Michigan law, because she has earned more than \$250 and had wages in two calendar quarters in the qualifying (base) period. Also, she has met Michigan's special requirement of working more than 2 days in each of 10 weeks.

Her primary weekly benefit will be \$10, the minimum rate in Michigan, and she will be entitled to 12 weeks of benefits, a total of \$120. Since she has earned \$264 in wages, her benefits rights amount to 45 percent of her annual earnings. Gentlemen, I have deliberately left out of this illustration the fact that Mrs. Jones has three children, and so, under the Michigan law, would be entitled to extra benefits for them. It would only complicate the figures, since provision for dependents are found in the laws of only four other States.

Mr. Jones is not a crook or a chiseler—for years she has been told that unemployment benefits are paid as a matter of right. If she is willing to stand on her feet and work for \$22 per week, why wouldn't she feel entitled and try to collect all the benefits provided, by law, as

a matter of right? I believe that every Mrs. Jones will feel that she is entitled to these benefits even though she does not want full-time employment.

What would happen if S. 1274 is enacted, and the Michigan commission took advantage of its permissive and complied with its mandatory provisions?

The first move would be to increase Mrs. Jones' weekly benefit amount to two-thirds of \$22. This is \$14.67, but, since the Michigan law provides that these amounts are to be "computed to the next highest multiple of 50 cents" her rate would undoubtedly be set at \$15. Compare this with the \$10 to which she is normally entitled.

Next, the number of weeks for which she could draw benefits would be increased from 12 to 26.

Mrs. Jones would be entitled to \$15 for 26 weeks, a total of \$390, or \$126 more than she had earned in wages. This makes her benefits 147½ percent of her wages. I ask you, does this appear to be sound social or economic policy?

Senator MILLIKIN. Do you employ your holiday force for as long as 10 weeks as a routine matter?

Mr. SPERRY. You start about the 1st of November; yes, sir.

Senator MILLIKIN. Do you gradually come to the peak of your holiday employees, or do you take them all on at the beginning?

Mr. SPERRY. No; you don't take them all on at the beginning.

Senator MILLIKIN. Is this an isolated case?

Mr. SPERRY. No. You don't take them all on at the beginning, but you take a large group.

Senator MILLIKIN. Is it novel to employ your extra holiday workers 8 weeks?

Mr. SPERRY. It is normal to hire a large percentage of them for that period, through November and December.

Senator TAFT. Now, of course, she would register for employment but your assumption that these 2,000,000 employees are only needed in the holiday period there would be no jobs in the retail industry for her; is that it, if she registers?

Mr. SPERRY. That is correct.

Senator VANDENBERG. Why doesn't she do that under the State law now?

Mr. SPERRY. She does.

Senator VANDENBERG. This happens all the while, doesn't it?

Mr. SPERRY. Yes, sir.

Senator LUCAS. Then, we are not changing the system.

Mr. SPERRY. Only you are increasing the amount she is going to get.

Senator VANDENBERG. You mean to say that is a general practice of the temporary workers?

Mr. SPERRY. Yes.

Senator VANDENBERG. So there are 1,000,000 unemployment compensation claims every year out of 2,000,000 of these workers?

Senator TAFT. You have chosen Michigan. That isn't true of all laws, is it?

Mr. SPERRY. I think it is true of most of them, Mr. Taft.

Senator MILLIKIN. I venture just a rough guess, without pretending to know much about it, that they fall down because they can't make the 8 weeks for the Christmas holiday season.

Mr. SPERRY. Because they can't make the 8 weeks?

Senator MILLIKIN. You won't hire them for 8 weeks. You may hire a few for 8 weeks.

Mr. SPERRY. The biggest percentage will be 8 weeks. Your Christmas business starts early in November and goes right through.

Senator MILLIKIN. I understand that. I have worked in stores, and I don't remember starting as early as the 1st of November.

Senator VANDENBERG. Could you beat that game by only hiring for 7 weeks?

Mr. SPERRY. No.

Senator MILLIKIN. Why not?

Mr. SPERRY. We are not trying to—

Senator TAFT. Have you any incentive to beat it?

Mr. SPERRY. No. We are not trying to beat the game. If they are entitled to it, we want them to have it.

Senator MILLIKIN. I think that is another one of those cases where if you give us some supporting data it might be very helpful.

Mr. SPERRY. I am sure we can do that.

Senator LUCAS. It is a good argument for federalizing the whole program.

Senator TAFT. I wonder if you count these 2,000,000 people who only work for 12 weeks a year in your unemployed?

Mr. SPERRY. They should not be counted, but I am afraid they are counted.

Senator TAFT. I have never understood who is included and who isn't. There are many women who are only employed 4 or 5 hours a day, say, in a restaurant that only serves lunch. I am just wondering how accurate these figures on unemployment are.

Mr. SPERRY. After all, I am just a ribbon clerk. I am not an economist, but I have heard a lot of classy figures, and I believe that a lot of those figures include a large segment of people who are in war plants today who before the war were not on the labor market and perfectly willing to return to their position and status they were in before the war.

Senator TAFT. That is admitted and taken into account in all calculations, but this business of temporary employees, I don't think is adequate.

Mr. SPERRY. A lot of the people we have now working in our stores, we have to beg them in a lot of cases to come down.

The CHAIRMAN. My understanding is that all part-time workers and seasonal workers are taken into consideration in ascertaining the total labor force. How accurate the figures are, of course, I don't know. Obviously, it is a pretty difficult thing.

Mr. SPERRY. It is way over my head.

The CHAIRMAN. Go ahead.

Mr. SPERRY. The additional benefits to Mrs. Jones, the difference between \$390 and \$120, or \$270, is to be assumed by the beneficent and affluent Federal Government.

You may feel that Mrs. Jones would not be able to collect her full benefits because of the requirement that she must apply for, and must not refuse, any suitable job to which she is referred by the employment office. Let's be realistic. About all Mrs. Jones needs to do, when she applies for that job to which she has been referred, is to put on some crude costume jewelry, a little too much rouge, and start chewing

gum—no employer would hire her where meeting the public was involved. She would not be required to make a single misstatement.

Senator McMAHON. That would be so regardless of whether we passed this bill or not.

Mr. SPERRY. That is true.

Senator LUCAS. Do you know of any case where that has been done?

Mr. SPERRY. I will have to collect my statistics. I haven't got them with me. I am sure they can be collected.

Senator LUCAS. I thought you had an actual case. I was just looking for one fact from you.

Mr. SPERRY. I know of one case, out our own organization, where the particular party went to Florida and had a lovely vacation.

Senator LUCAS. Out of how many thousands?

Mr. SPERRY. I mean that is only one. You asked me for a case.

Senator McMAHON. What State do you come from?

Mr. SPERRY. Ohio.

Senator McMAHON. Have you ever appeared before the State Legislature of Ohio on the subject of unemployment compensation?

Mr. SPERRY. Yes, sir.

Senator McMAHON. Did you appear in opposition to the State bill?

Mr. SPERRY. No, sir.

Senator McMAHON. Did you appear in favor of it?

Mr. SPERRY. Going back to the inception of unemployment compensation, I was on one of the first employers' committees that helped write the Ohio bill. Then, of course, there were a lot of compromises that entered into it. When they got to compromises they got complicated.

Senator LUCAS. You are making a great argument of paying this part-time worker so much money and yet the Ohio law permits that very thing, and you are satisfied with that?

Mr. SPERRY. I won't say I am satisfied with it.

Senator LUCAS. You never made any demonstration, according to your answer to Senator McMahan, before that Ohio committee that you are making here?

Mr. SPERRY. I don't think that is true.

Senator LUCAS. Did you?

Mr. SPERRY. I mean our association has. I mean we have tried to prevent these things. After all, you just do not get everything you ask for.

Senator LUCAS. I know that.

Mr. SPERRY. The association has opposed some of these features.

Senator McMAHON. Did you expose the same danger to the Ohio legislative committee that you are exposing to this committee about this woman with the costume jewelry?

Mr. SPERRY. I can't remember that that particular case was brought up, sir.

Senator McMAHON. You took the same line of argument, didn't you?

Mr. SPERRY. We brought out the case about the lady that went to Florida. I remember that distinctly, because I was the one that presented the argument.

Senator TAFT. This other one was a Michigan case.

Mr. SPERRY. It would apply to Ohio, too.

Senator TAFT. What is the minimum time in Ohio?

Mr. SPERRY. I don't remember exactly.

Senator McMAHON. So it is fair to assume you have appeared generally whenever this subject was up in State legislatures to restrict the State of Ohio on benefits under the law?

Mr. SPERRY. I have appeared whenever they asked me, whenever the association has asked me.

Senator McMAHON. That is the position you took, one of restriction and not one of enlargement?

Mr. SPERRY. No. I would say we have taken the position of attempting to keep the chiselers from getting more than they are entitled to.

I think if you will go back to the record you will find where the Ohio State Council joined other employers in support of increased benefits. That was the last legislature. I didn't appear at that time, however.

Senator McMAHON. You didn't appear for that?

Mr. SPERRY. I didn't appear for that. However, I was in agreement on it.

Senator TAFT. Your Ohio State Council favored the \$21?

Mr. SPERRY. That is right.

The CHAIRMAN. All right, Mr. Sperry.

Mr. SPERRY. Let's assume, however, that a job offered does catch up with her—Mrs. Jones—and she turns it down. Under the present Michigan law she would be disqualified for benefits for the next 3 to 5 weeks. Such a suspension would not be changed if S. 1274 were enacted. But, under the Michigan law her total benefit rights would also be reduced from 3 to 5 weeks. This type of disqualification is one of those which are labeled "frightful," "hideous," "unjust," and "dreadful" by the proponents of S. 1274. It is natural then, that enacting S. 1274 would destroy that phase of Michigan's disqualification for refusing to accept a suitable job.

Mrs. Jones would still be able to get the 26 weeks of benefits provided for under S. 1274.

When you consider the thousands of retail merchants, including those employing only one or two people, who are annually compelled to take on additional workers for the Christmas season, you can visualize the magnitude of the benefit payments which would be involved. I do not know just how many extra workers are employed in retailing at Christmas, but let us assume 2,000,000, which, with an average benefit payment of \$300 per person, would total \$600,000,000 in benefits. This would be an annual recurring payment, because Christmas comes every year and if such benefits were once paid to so many people the pressure to continue them would be irresistible.

The argument has been advanced that this bill would maintain purchasing power by providing larger unemployment benefits. If there is any one industry in this country which is really interested in maintaining purchasing power it is retailing. However, if \$25 per week will maintain some purchasing power why not do a real job with \$50 or \$100 per week for unemployment benefits? In my opinion and that of the association which I represent, this proposed legislation is predicated on a false premise when it tries to legislate purchasing power by a gift or a dole. Real purchasing power is built on work and production and not idleness.

Gentlemen, it is my understanding that this bill treats with a temporary emergency of conversion from war to peace. Insofar as retailing is concerned, we have no conversion problem. This bill would not assist retailing in any way and it is my opinion that it would materially hinder reconversion. We need manpower now; we need assistance in obtaining additional employees. Our association is opposed to this bill and we would request that this committee defeat S. 1274.

The CHAIRMAN. Thank you very much.

Is Mr. Wolf present?

(No response.)

The CHAIRMAN. Is there any other witness present whose name has not been called?

(No response.)

The CHAIRMAN. This will end the public hearings on this bill and the clerk will notify all members of the committee as soon as we are ready to go into executive session.

At this point I would like to insert in the record a letter from the Wisconsin State Federation of Labor, and also a statement by Mr. Reid Robinson, president of the International Union of Mine, Mill, and Smelter Workers, which is in the nature of a brief.

(The letter and statement referred to are as follows:)

STATEMENT OF REID ROBINSON, PRESIDENT, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS, ON S. 1274, BEFORE THE SENATE FINANCE COMMITTEE

The Mine, Mill, and Smelter Workers Union, representing 150,000 workers engaged in the mining, smelting, refining, brass fabrication, and die-casting segments of the metals producing industry, wholeheartedly endorses S. 1274 and urges its immediate adoption. This bill, in our opinion, represents one of the few realistic attempts now being made to deal with the human aspects of reconversion. Had it been passed when first introduced over a year ago much of the chaos and human suffering that is now upon us might have been averted. Congress has established, and the American people have accepted, our system of unemployment compensation; we are sure that the people will further support such adjustments as have been made necessary by conditions brought about by our wartime economy.

The experience of our own membership amply demonstrates the need for legislation such as this. During the past few weeks some 10,000 members of our organization, principally those engaged in the rolling and fabrication of brass for munitions, have been suddenly and unceremoniously deprived of their means of livelihood. These workers come mainly from the brass-strip mills and fabricating plants in Bridgeport, Conn.; Cleveland, Ohio; and Indianapolis, Ind. Their wartime production, particularly in brass-strip mills, set an all-time record for that vitally needed munitions material. Most of them are located in what are now labor-surplus areas, in which thousands of other workers, facing a similar plight, are competing with them for such peacetime jobs as may be made available. Their main, and in many cases sole, source of income for the next few months is what they may be entitled to under the unemployment compensation laws of the various States. These benefits in no case exceed \$22 a week and for the most part are below that figure. The periods for which they are entitled to such benefits vary from 18 weeks, in Connecticut, to a maximum of 22 weeks in Ohio. These sums are obviously inadequate to provide anything approaching a minimum standard of living in those areas. In Cleveland and Indianapolis, for example, the cost of living, according to the Bureau of Labor Statistics' own figures, has gone up over 32 percent since the beginning of the war. Food costs in Cleveland, as of June 1945, have risen more than 46 percent over the average cost for the period 1935-39; clothing has gone up over 45 percent. The Indianapolis figures for these same items are 37.4 percent and 37.4 percent, respectively.

Nor can we rely upon the highly exaggerated estimates of workers' savings as a cushion to ease the transition of these workers from unemployment to civilian employment. Unquestionably there have been tremendous savings during this war; but, also unquestionably, most of that savings is not now in the hands of the workers. According to estimates made by R. E. Lester, economist for the Committee for Economic Development, savings among all persons earning less than \$10,000 a year average roughly \$750 per family. However, since most of these savings are bunched in the relatively higher income brackets, this figure cannot be taken as representative of what the average workers earned. Lester, in the same study, concludes that probably a third of wage earners families in this country had, by 1944, accumulated little, if any, savings in spendable form. A study made by the research department of the United Steelworkers of America shows that among the relatively high-paid industrial workers in steel whose average earnings in January 1945, were \$50.55 per week, a figure undoubtedly higher than that for most industrial workers, net savings for that group averaged \$736.21. However, 73 percent of the group had savings below the average figure and about 50 percent of the group had savings below the average figure and about 50 percent had savings under \$400. These figures are merely indicative of what we already know. Family heads earning under \$2,500 a year during wartime have very little, if any, savings. Further, much of this accumulated reserve in many cases has been depleted through the operation of such deflationary forces as have already been at work in our economy. The reduction of hours in many of our plants and the down-grading of workers that has also taken place has compelled many of these workers to draw upon their reserves merely to maintain their regular standard of living during these past few months.

Labor, in seeking passage of this bill is asking but a modest portion of what this Congress has so generously bestowed on industry. Industry faces the future with greatly enhanced security as a result of this war. They now have at their disposal over \$45,000,000,000 in available capital. Further, corporations are guaranteed profits on accumulated inventory and unfinished goods. Under the carry-back and carry-over provisions of the Revenue Act of 1942, they are virtually guaranteed their prewar earnings for a 2-year period after the war. Under this same act they are to receive a 10-percent refund on all postwar excess-profits taxes. More recently, just before Congress adjourned, this act was further amended so as to allow corporations to draw in advance on their tax refunds, a measure which the Wall Street Journal candidly describes as providing a "big cash windfall."

Workers in our union who are now walking the streets seeking employment cannot help but compare their position with that of the companies for which they worked during this war period. Profits of nonferrous industries, according to OPA, in the first half of 1944 exceeded by over 200 percent, profits earned in 1939. Chase Brass Co., a subsidiary of the Kennecott Corp., for example, recently released about 1,600 employees in its shut-down in Cleveland and a like amount at its plant in Connecticut. Kennecott, since 1939, has increased its earned surplus by over 58.5 million dollars. Its profits, after taxes, in 1944 were roughly 38.8 million dollars. In 1945 these profits totaled 45 million dollars and in 1942, 48.8 million dollars. As a result of congressional concern for the cash position of our large corporations, Kennecott on January 1 next year will receive a cash refund from the United States Government of approximately 7.1 million dollars. Similarly, Bridgeport Brass, whose plant shut-down in Indianapolis caused the lay-off of about 1,000 workers, earned truly fabulous profits during the war period. Its 1943 profit return, after taxes, was over 400 percent of that of 1939; its 1944 rate was only slightly less than this. Its surplus account since 1939 has more than tripled.

In addition, many of these companies have, in the computation of their income taxes, made special allowances for abnormal depreciation of their facilities arising from overtime and multiple-shift operations. We suggest that Congress display the same consideration for human resources that has been extended to corporations in the use of their industrial resources. Surely there has been more than normal depreciation and depletion of workers' strength and health exacted as a result of the intensive pace and long hours that they operated during the war. The passage of this bill will compensate, in some slight measure, for what our workers have contributed to the war effort.

WISCONSIN STATE FEDERATION OF LABOR,
Milwaukee 3, Wis., August 30, 1945.

SENATE FINANCE COMMITTEE,

Washington, D. C.

(Attention of Senator Walter F. George.)

GENTLEMEN: We have been instructed by the executive board of the Wisconsin State Federation of Labor to file, on behalf of the Wisconsin State Federation of Labor, this statement in support of the Kilgore unemployment-compensation bill (Senate bill 1274), which has been introduced in Congress by Senators Kilgore, Murray, Wagner, Guffey, Thomas, and Pepper.

The workers in the State of Wisconsin have performed a truly remarkable job in getting out production so sorely needed for the successful prosecution of the wars in Europe and the South Pacific. With the successful conclusion of these two wars there has been a tremendous cut-back in employment in the State of Wisconsin. The Allis-Chalmers Co., which at the height of its production employed 20,000 workers, now employs approximately 7,000. The Signal Battery Co., which was set up merely for the duration of the war, on VJ-day laid off 3,300 employees. This company will not resume production. The A. O. Smith Corp., when it reopens, we are advised, will employ 8,000 less workers than it did while it was engaged in war production. These examples are typical of hundreds of establishments in this State who employed hundreds of thousands of workers in war production.

The first week after VJ-day 17,000 workers registered with the unemployment-compensation department. Additional thousands are registering daily. Unquestionably the number of unemployed in this State will reach a staggering figure. How long it will take to reconvert from war to civilian production is a matter of conjecture. The best-informed persons anticipate that unemployment will be at its height at some time within the next 12 months and that we will have unemployment in large numbers for at least the next 2 years.

Workers in great numbers in the State of Wisconsin have purchased homes in recent years at inflated prices in desperation when threatened with eviction from the homes which they were residing in due to the purchase of their home by other workers confronted with the same predicament. These workers have invested their entire savings and have large mortgages, upon which they will be unable to make payments unless they have jobs or means with which to tide them over the reconversion period. These workers stand to lose their homes unless they are able to scratch together their future payments on their mortgages.

The Wisconsin State Federation of Labor has constantly maintained that, although the State of Wisconsin has been a leader among the States in the Union in the enactment of legislation providing for unemployment compensation for workers, the provisions of our State law, fixing a maximum rate of \$20 per week and in limiting the number of weeks to 20 weeks in a benefit year, are inadequate. A worker with dependents cannot begin to buy the bare necessities for his family with such sum.

We cannot look to the State of Wisconsin for a change in the unemployment compensation law in time to meet the present emergency.

We believe the Kilgore bill does not go nearly far enough in providing the workers with benefits to tide them over the period of reconversion from war to peace. We believe that the enactment of the Kilgore bill is the very least that Congress could and should do in providing means for the worker to carry him over the emergency period immediately confronting this Nation.

We urge the passage of bill 1274.

Respectfully yours,

WISCONSIN STATE FEDERATION OF LABOR,
By GEORGE A. HABERMAN, *President*.
By WM. NAGORSNE, *Secretary-Treasurer*.

STATEMENT OF HARVEY A. BABB, EXECUTIVE DIRECTOR AND CHAIRMAN, UNEMPLOYMENT COMPENSATION COMMISSION, DEPARTMENT OF INDUSTRIAL RELATIONS, FRANKFORT, KY.

Mr. Chairman, as executive director and chairman of the Kentucky Unemployment Compensation Commission, I am therefore speaking for that commission.

The Kentucky unemployment situation at present is well in hand. Although the claims of unemployed workers have increased greatly during the past 4 weeks, we have taken these claims promptly and we have paid weekly cash benefits promptly. We are in position to continue promptly the cash payment of weekly benefits to unemployed workers. We now have a balance of over \$83,000,000 in our unemployment insurance fund. There are in Kentucky approximately 9,200 subject employers, and 315,000 employees who work under conditions defined as covered employment. If every employee in the State, covered by the provisions of the law, were to become unemployed of this date, the Kentucky commission, based on past experience of weekly benefit payments, could pay every worker for the maximum period of unemployment as provided by law, which period is 20 weeks, and have a reserve balance of approximately \$20,000,000 in the unemployment insurance fund.

Since VJ-day more claims are being taken than at any time since 1939. Many plants geared to war production are being shut down, but many others will recon-vert to the manufacture of peacetime goods of which there is a Nation-wide shortage. Reconversion is well along in a great many Kentucky industries, and it appears that this period will be much shorter than previously thought.

A recent survey by the Commission of all subject Kentucky employers indicates a postwar employment expectancy greater than any time during the war period. The survey further shows that some 11,000 female workers are expected to retire voluntarily from the labor market, besides many thousands of marginal male workers. This will provide jobs for many thousands of veterans and with the employment expectancy we should be able to find jobs for all who want to work, after a brief period of readjustment.

If an emergency arises and if the unemployment situation becomes acute, Kentucky is ready to meet and solve such a situation. The General Assembly of Kentucky meets in regular session in January 1946. The members of the Kentucky General Assembly, I am sure, will not stand idly by and see our citizens suffer in want for the necessities of life. The Kentucky unemployment insurance law will be amended to meet any emergency that may arise. We will use our surplus millions to meet such an emergency.

Under the provisions of the Kentucky unemployment insurance law, as originally enacted, one of the chief functions of the agency was to aid unemployed workers to secure suitable employment. In 1941, as a war emergency measure, this service was loaned to the Federal Government. The war is now over, and we urgently request the return of the employment service to the Kentucky Unemployment Compensation Commission. Federal control of the employment service, as it is now administered, simply serves to gum up the legal machinery of our commission insofar as the payment of weekly cash benefits to unemployed workers is concerned. The employment service should be returned now in order that returning employment service personnel may be properly trained before the peak of unemployment is reached. The return of the employment service now would serve as a helpful preparation in solving any unemployment crisis that may later arise.

For these reasons and to expedite reconversion, we urgently request the immediate return of the employment service to the State unemployment compensation agencies.

Senator McMAHON. Don't you think it would be a good thing if we had in the record the average amount that is being paid in each State today?

The CHAIRMAN. We have tried to get that. Senator Lucas brought that up, and I will ask Dr. Jacobstein to see if he can possibly get that. I think he can get that from the Social Security people.

We have also sent out telegrams to all the States, and they will go into the record as soon as they are received.

The hearings are closed.

(Whereupon, at 4:45 p. m., the committee adjourned.)

(The following papers were later received for inclusion in the record:)

STATEMENT BY MILLARD W. RICE, NATIONAL SERVICE DIRECTOR, DISABLED AMERICAN VETERANS, TO THE SENATE COMMITTEE ON FINANCE, RELATIVE TO S. 1274, SEPTEMBER 5, 1945

Section 2 of S. 1274, a bill "to amend the War Mobilization and Reconversion Act of 1944, to provide for an orderly transition from a war to a peace time economy, through supplementation of unemployment compensation, payable under State laws, and for other purposes," which would provide for amendments to the Servicemen's Readjustment Act of 1944, Public Law 346, Seventy-eighth Congress, to provide for liberalized amounts of unemployment compensation for unemployed veterans of World War II, should, in my opinion, be deleted from the bill.

Amendments to the Servicemen's Readjustment Act of 1944, Public Law 346, Seventy-eighth Congress, should not be contained in any bill primarily designed to amend the War Mobilization and Reconversion Act of 1944. Amendments to these two entirely different acts should be provided for in two separate bills.

Amendments to existing legislation, affecting veterans, as veterans, should be considered by congressional committees, separate and apart from other legislative bills, or from parts of other legislative bills, which do not deal primarily with veterans, as veterans.

The Disabled American Veterans—formed in 1920, congressionally chartered, and dedicated to the cause of rendering service to, for, and by America's disabled defenders—was very critical of the advisability of providing readjustment allowances for veterans during periods of unemployment, as outlined in the so-called GI bill of rights, which was finally enacted into law as the Servicemen's Readjustment Act of 1944, Public Law 346, Seventy-eighth Congress. The Veterans' Administration thereby became overloaded by being imposed with the necessity of administering many new types of benefits, primarily for able-bodied veterans, as to which it had not had any background of experience, which naturally interfered with its ability to continue to render adequate service to an increasing number of war disabled veterans and the dependents of our war dead. The Veterans' Administration is still overloaded with these responsibilities imposed upon it by Congress, in an effort to solve the economic maladjustments of able-bodied veterans, by benefits based upon the "needs" of the veterans, rather than based upon their respective "merits" by what they have earned on the basis of their active service in the armed forces of the United States during time of war.

The DAV believes that the least bureaucratic, the most equitable and justifiable and the most desirable method of providing for the economic maladjustments of veterans of World War II generally, should have been, and should still be, on an "earned merits" basis, rather than on a "needs" basis as provided for in the Servicemen's Readjustment Act of 1944.

Trying to solve the economic maladjustments of able-bodied veterans, on a "needs" basis, can never prove successful, and will invite and necessitate, if pursued in, more and more liberalizations as to the amounts provided for and as to the periods of eligibility for the various types of benefits provided for therein, without, in the final analysis, solving such economic maladjustments for veterans in general.

The much better method, would have been, and would still be, to provide a readjustment insurance policy for every discharged veteran of World War II, the amount of which should be computed at the rate of \$3 per day, of service in this country, and \$4 per day of service overseas, with a limitation of \$4,500, plus \$500 more for those who were wounded, the amount of which could be redeemed in limited monthly amounts, while going to school, or while unemployed, and which would be redeemable in larger amounts, or as to the entire amount, for the purpose of buying or building or improving a farm, a home, or a business, provided that any unpaid balance should draw interest at the rate of 3 percent per annum, compounded, until paid to the policyholder, or, in the event of his death, to his estate or beneficiary.

Although the original cost of such readjustment insurance policy for all veterans of World War II, based upon an "earned merits" basis, would be considerably greater than the present estimated cost of the Servicemen's Readjustment Act, all veterans would know that once such readjustment insurance policies had been provided for, no additional adjusted compensation would thereafter be extended, whereas the present "needs" method, provided for in the so-called GI bill of rights, invites further liberalizations and extensions as additional needs

arise, until the accumulated cost will eventually much exceed the cost of an honest "earned merits" readjustment insurance policy method.

Unfortunately, our Nation has always, after each war, been too niggardly to its veterans, so that subsequently it has had to provide much more costly benefits, in order to make up for its original deficiencies and inadequacies as to its discharged war veterans. Continuation of the methods provided for in the so-called Servicemen's Readjustment Act of 1944 is, unfortunately, an indication of the same principle of "too little at the right time."

If World War II veterans were granted readjustment insurance policies, such as above recommended, on an earned-merits basis, then they would know that they would have to conserve such policies as long as they could and to use them for the best possible purposes, whereas, in order to obtain benefits under the so-called GI bill of rights, they must make application therefor, and must establish their entitlement thereto, by "being in need thereof." Such a method invites "chiseling" and unnecessary unemployment and idleness and produces practically nothing of value to the individual veteran concerned.

Moreover, under the Servicemen's Readjustment Act of 1944, benefits accorded to the veteran are not at all in accordance with the sacrifice of time and opportunities by reason of their periods of active service in the armed forces of the United States which they could otherwise have utilized as a civilian. They deserve adequate compensation for such sacrifice of time and of opportunities by their inability to carry on in civilian living while serving actively in the United States armed forces. The readjustment-insurance-policy method is the only real equitable method by which to so compensate them. It is no adequate compensation to provide such a veteran with so-called readjustment allowances during periods of unemployment, which are inadequate in amounts to provide him with a decent standard of American living, for himself and his dependents, and which tends to demoralize him because he can only establish his entitlement thereto by doing nothing, rather than doing something of value to himself, to his community, and to his country.

Most veterans who have fought to preserve the American way of living feel that they have the right to have the opportunity for useful, continuous, gainful, and suitable employment, to be self-sustaining, to be enabled to maintain a decent standard of American living for themselves and their families. Suitable, gainful, useful employment for our returning veterans of World War II would be much preferred by them, and their dependents, and would certainly be much preferable for American taxpayers. Readjustment allowances—a fancy name for unemployment compensation—do not provide any opportunities for employment, but are actually doles in lieu of useful employment, an admission on the part of the Nation that it cannot provide to the veteran, who fought to preserve the American way of living, the opportunity to live according to the American way of living.

Granting a readjustment insurance policy to every discharged veteran of World War II, on an earned-merits basis, as heretofore suggested, would give every veteran of World War II a sense of independence, of having earned what he has been granted by his Government, out of its gratitude for his sacrifice of time and civilian opportunity. I am confident that most of the recipients of such readjustment insurance policies would, for the most part, wisely conserve and use the proceeds obtainable therefrom to create opportunities for decent employment for themselves and others without the degrading process of receiving so-called readjustment allowances which do not actually readjust and which do not allow sufficient to permit them to live according to the American way of living, for which they sacrificed their youth, and so much of their time and civilian opportunities, which they might otherwise have had.

It is true that section 2 of S. 1274 proposes to increase the amount of readjustment allowances to unemployed veterans of World War II from \$20 to \$25 per week, plus \$5 additional per week if a veteran has one or more dependents, and if he has had 3 months or more of active service in the armed forces during World War II, or was discharged with less than 90 days of service by reason of an injury or disability incurred in service in line of duty, he would be made eligible for 52 weeks of such unemployment compensation benefits, or in an amount equivalent thereto, where entitled to only partial benefits during any of the weeks by reason of partial employment income. Under the present law, veterans of World War II, during periods of unemployment, are entitled to such unemployment compensation benefits in the sum of \$20 per week for a period of from 24 weeks to 52 weeks, depending upon the length of their service, at the rate of 8 weeks for each month during the first 3 months, plus four additional weeks for each additional calendar month of active service.

This means that the World War II veteran who has served for only 90 days, after the enactment of this provision, would be entitled to just as much readjustment allowances as the veteran who had served for a period of 900 days, or more—obviously an inequitable arrangement, not at all related to any earned-merits basis, and not at all related to the length and places of his military service. The 90-day World War II veteran, or a veteran who had served less than 90 days who had been discharged "by reason of an injury or disability incurred in service in line of duty," would be entitled to just as much "readjustment allowances" as would be the case of a veteran who had served 3 or 4 years overseas. Certainly, later on, the longer-term servicemen, and the overseas veterans of World War II, would feel that such an arrangement was very inequitable as to them, and would certainly then feel justified in demanding further liberalizing amendments to the Servicemen's Readjustment Act of 1944, so as to extend benefits to them proportionate to the length and place of their military service. Why not be just and fair and equitable in the first instance?

Although Federal unemployment compensation benefits to unemployed veterans of World War II, in amounts greater than payable by most States, during period of unemployment, to their unemployed employables, would appear to be a generous gesture in favor of discharged unemployed veterans of World War II, nevertheless, unfortunately, such an arrangement would very probably, in many instances, encourage employers to refrain from employing veterans, who would otherwise be eligible to receive "readjustment allowances" out of Federal moneys, thus bringing new Federal money into the community, whereas, if a civilian were discharged to make way for the employment of a veteran, the civilian would be entitled to a lesser amount of unemployment compensation, which would automatically increase the State unemployment compensation taxes for the employer. Employers, under such circumstances, would have very logical reasons, supported by the interests of their respective States and communities, to refrain from employing a veteran while he was entitled to receive greater amounts of Federal unemployment compensation benefits than would be payable to other civilian employees in the event that they became unemployed.

I cannot believe that veterans would prefer to have liberalized "doles"—erroneously dignified by the title of "readjustment allowances"—than to have the opportunity for suitable, useful, gainful, continuous employment.

Let us not encourage the employer to refrain from employing our returning veterans of World War II, who, most of all, desire to become American citizens and civilians, self-respecting, self-reliant, self-sustaining. Let us not encourage our veterans to become "chiselers" in order to become entitled to governmental benefits handed out to them on the basis of "needs." Let us compensate them honestly and fairly and generously for their loss of time and opportunities from civilian living while serving actively in the armed forces, on a earned-merits basis, by giving consideration to the length and places of their military service in computing the amount to be paid to them through readjustment insurance policies.

UNITED SHOE WORKERS OF AMERICA OF THE CIO,
Washington 5, D. C., August 31, 1945-

STATEMENT OF FRANK R. McGRATH, PRESIDENT, UNITED SHOE WORKERS OF AMERICA, CIO, ON UNEMPLOYMENT COMPENSATION, S. 1274; SENATE FINANCE COMMITTEE, AUGUST 31, 1945

On behalf of the United Shoe Workers of America, CIO, an organization representing over 100,000 workers engaged in the manufacture of shoes and component parts, in 23 States of the United States, I completely support the statements made before your committee on August 30 by R. J. Thomas, vice president of the national CIO, in support of S. 1274, on unemployment compensation.

While the immediate effect of the reconversion period with its present unemployment of 3,500,000, which the War Manpower Commission says "may rise to more than 5,000,000 in 3 months and may reach 6,200,000 by the end of the year" on the shoe industry is negligible, it is our belief that the many millions of jobless will in a short period of time affect our industry and force shoe workers to become part of an army of unemployed.

Although the full solution of the problem lies not in unemployment compensation but in jobs for all, nevertheless, the passage of S. 1274 appears a necessity to meet this emergency and to maintain the purchasing power of the people.

This can only be done by supplementing the inadequate unemployment compensation of most States as proposed in S. 1274.

It is unfortunate that our legislators did not heed the call of President Truman, who in his special message to the Congress on May 28 asked "adequate benefits for workers temporarily unemployed during the transition period from war to peace." We believe President Truman correctly described this need as "a major gap in our reconversion program" and he rightly urged Congress to "close this gap."

After careful reading of this bill, introduced by the Honorable Senators Kilgore, Murray, Wagner, Guffey, Thomas, and Pepper, we believe it sets out to accomplish the following:

- (a) Supplement the present State unemployment compensation benefits up to a \$25 a week maximum for a period of 26 weeks.
- (b) Extend coverage to many workers who have hitherto been unjustly and inexcusably excluded from receiving unemployment compensation.
- (c) Provide payment for the transportation of the unemployed to such areas where workers may be needed.
- (d) Increase the veterans' unemployment benefits under the GI bill of rights to a \$25 a week maximum, and in the case of dependents to a \$30 a week maximum.

We particularly want to point out the importance of the provision which calls for transportation pay to unemployed workers to new jobs. Shoe workers who during our national emergency were employed in war industry, by the passage of this measure, would have the opportunity to return to gainful employment in the shoe factories facilitated.

We also wish to point out that we especially welcome the extension of coverage to about 4,000,000 workers, including Federal employees, maritime workers, and agricultural processing workers, who represent a sizeable portion of the consumer market, and all of whom represent purchasers of shoes.

In addition we support the fact that this bill permits the States, by voluntary action, to obtain reimbursement from Federal funds for benefits paid to other groups now excluded, such as employees of State and local governments, farm workers, employees of nonprofit institutions, domestics, etc.

Since we are immediately faced with the problem of unemployment caused by war-contract terminations, we heartily support the statement of CIO Vice President R. J. Thomas, calling for a change in the bill that would permit the payment of compensation retroactive to August 15, 1945, rather than as now provided to become effective 5 weeks after its enactment.

The emergency need for this legislation leaves no room for petty partisan strife nor for the old worn-out cry of interfering with State rights.

As Hon. Maurice J. Tobin, Governor of the State of Massachusetts, so ably expressed it in his statement to your committee in support of S. 1274, "No amount of contention and argument about State rights can erase the incontrovertible fact that the transition period is an integral part of the war emergency, and it is therefore the continuing responsibility of the Congress to utilize the resources of the Nation to provide for the worker just as the Congress has provided remedial measures to assist business during the reconversion period."

Governor Tobin, as head of one of our most important industrial States, and one, incidentally, which contains tens of thousands of shoe workers, also stated, "I am concerned not only with the welfare of Massachusetts workers, but I am also vitally interested to see that there is provided an adequate purchasing power to the workers in every section of the United States * * * *I favor this bill because it is of vital interest to the people of Massachusetts that the workers in every section of the United States be in a position to purchase the goods which we in Massachusetts will produce.*" [Italics our own.]

We believe, with the Governor, that purchasing power of the Nation must be maintained or else we will be in for a continued depression, more serious and devastating than the black years of the early thirties.

Passage of S. 1274 will, in our opinion, remove in part at least, the fear which attends unemployment, a fear which halts buying, freezes purchasing power, and throws more and more Americans out of work.

Passage of this legislation will give the American workers a sense of security while reconversion is taking place and will give them confidence to go forward in their normal pursuits to purchase goods and services which they may require. It will help to stabilize our entire economy during this most trying period.

As stated above, this measure in itself is not a solution for a prosperous post-war economy. To us this is but one point in the CIO reconversion program, which, by the way, has also received the full endorsement of our international union.

This program seeks a higher basic wage and a higher minimum of 65 to 75 cents an hour (amendment to the Fair Labor Standards Act) in order to provide a decent standard of living and to supply the purchasing power necessary to buy back the products of industry.

The CIO program also includes full support for the Murray-Patman full-employment bill. It calls for the development by the Federal Government of large public works, housing and conservation programs. Progressive tax legislation, a permanent Fair Employment Practices Committee and more adequate benefits for the returning veterans are some of the other features of the CIO program.

It is for these reasons that we respectfully submit this statement and urge that it receive your favorable support.

STATEMENT OF GEORGE D. RILEY, REPRESENTING THE GOVERNMENT EMPLOYEES COUNCIL OF THE AMERICAN FEDERATION OF LABOR

The Government Employees Council of the American Federation of Labor which I have the honor to represent was established this year to coordinate the planning of all nationals and internationals with memberships in the Federal civilian service.

This council now numbers 20 such unions with a total membership of more than 2,000,000, or more than one-fourth of the entire strength of the American Federation of Labor. Of these 2,000,000, there are 300,000 in the Government civilian service, in unions in which, I am sure you place complete confidence when they deal with you.

This council is organized to help effect the purposes of better government. By instruction from the Government Employees Council of the American Federation of Labor, unanimously ordered, I am appearing here to present its wishes. Doubtless some of these unions I have mentioned will speak their own piece to pin point their immediate needs as they see them for their own jurisdictions.

It is the sense of the council's action and expression just a few days ago that when this committee considers the proposal of granting unemployment compensation payments to those displaced from Government jobs that the way is entirely clear to avoid a repetition of rocking-chair dole and WPA leaf-raking expeditions with which we became so familiar in the early, middle, and even late 1930's.

The Government Employees Council of the American Federation of Labor proposes that in lieu of unemployment compensation that this committee make provision for separation or severance wages, payable at the time of physical separation from the job and in a lump sum. The reasoning behind this suggestion is entirely understandable, because while this committee is studying unemployment potentials another Senate committee is studying full-employment legislation.

It is rather generally understood that so long as a man is on unemployment compensation that he is ineligible for gainful employment. The Government Employees Council of the American Federation of Labor wants all who are separated from the Federal service to be immediately available, or available as soon after separation as possible, to be eligible to reenter the labor force, which he cannot do if you say he must accept unemployment compensation.

The council is of the opinion that the Congress will not want to place any premium on idleness. Therefore, it believes that if severance wages of \$25 for each 60 days of employment or major fraction of 60 days is authorized that this committee will have provided the incentive to provide jobs for all which the Senate Committee on Banking and Currency is studying.

You will find that should a man or woman who has held a job, say, 2 years in the Federal civilian service, be separated that under this bill he or she can receive as much as \$650 for remaining unemployed as long as 25 weeks, provided he or she can qualify for the maximum of \$25, something which I doubt many can do. So, if we assume that the average compensation for idleness covers a year's Government service and is also an average of \$12.50 a week, the total you will be paying will be \$325, or \$25 more than what the council asks be paid in severance wage, instead of the premium this section of S. 1274 is placing on not working.

But if the purpose is, as it appears to be, to get men away from unemployment and back into the channels of gainful production, then I say pay them in a lump sum, do not tie their hands, and speed them on to the next job as rapidly as they can find it. The Government Employees Council of the American Federation of Labor is all out for jobs for everybody, so much so that it plans to

propose to the Committee on Banking and Currency that the basic workweek be shortened, not only in government but in industry, to 30 hours without decrease in compensation. That is just how keenly the council feels the need for making jobs fully available to all.

The Government Employees Council of the American Federation of Labor further is concerned over the provisions in this bill which appear to permit the beginning of a merger of the civil-service retirement system and the Social Security Board. Some may maintain there is no provision for the Social Security Board to get its hands on the operation of this unemployment compensation provision. I need only direct your attention to the section which says that if the States are unwilling or unable to dig into their own treasuries to meet the expense you provide for in this measure, then the Federal Government shall take on the task. The bill continuously makes reference to the "Director." I think we must agree that the "Director" mentioned without reference to the Social Security Act, must be supposed to be the Director of Public Assistance or some other director whom the Social Security Board will designate. That would place Federal employees leaving the service under the Social Security Board. Later another device can be found to put all incoming personnel under the act and the entire coupling process between the two systems will have been effected.

Whatever the true purpose of the section providing payment for travel expense to regions where there are jobs, the same purpose can be effected by folding that expense into the lump sum separation compensation, so far as Federal personnel are concerned. I believe that most Federal employees would far more welcome transportation to their homes instead. Then they can decide where they want to go from there.

Mainly, the Government Employees Council of the American Federation of Labor is more immediately concerned with the language this committee will use in providing separation benefits to Federal personnel. We merely ask that there be included, for Federal personnel, a separation wage provision as a substitution for the unemployment-compensation feature.

I ask that there be included in the record the list of unions having representatives in the Government Employees Council of the American Federation of Labor. The list follows:

Building Service Employees International Union.
 International Brotherhood of Bookbinders.
 International Association of Bridge, Structural and Ornamental Iron Workers.
 International Brotherhood of Electrical Workers.
 International Association of Fire Fighters.
 American Federation of Government Employees.
 National Association of Letter Carriers.
 Office Employees International Union.
 International Union of Operating Engineers.
 International Photo Engravers Union of North America.
 International Plate Printers, Die Stampers and Engravers' Union of North America.
 United Association of Journeymen Plumbers and Steam Fitters of the United States and Canada.
 National Federation of Post Office Clerks.
 National Association of Post Office and Railway Mail Service Mail Handlers.
 International Printing Pressmen's and Assistants' Union of North America.
 National Federation of Rural Letter Carriers.
 Railway Mail Association.
 The National Association of Special Delivery Messengers.
 International Federation of Technical Engineers, Architects and Draftsmen's Unions.
 International Typographical Union.

OFFICE EMPLOYEES INTERNATIONAL UNION,
 AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR,
 Washington 5, D. C.

STATEMENT IN SUPPORT OF SENATE BILL 1274 BEFORE THE SENATE FINANCE
 COMMITTEE

On behalf of the entire membership of the Office Employees International Union of the American Federation of Labor, and on behalf of millions of addi-

tional yet unorganized office and clerical workers, we desire to go on record as vigorously favoring the immediate enactment of Senate bill 1274 providing for reconversion unemployment benefits.

It is imperative that a bill of this type be enacted at once in order to cushion somewhat against the effects of widespread employment drops and so as to allow war workers, veterans, and their families to exist during the reconversion period which we are entering.

May we point out that many thousands of the members of our organization who have been manning the vast office and clerical operations of the various plants, shipyards, and industries engaged in direct war production and in subsidiary essential wartime production endeavors already have been laid off or terminated. Many more will follow.

It is a matter of official record that the workers of our trade have borne a disproportionately heavy share of civilian wartime burdens, and we, therefore, will not fill your record with recitations of substantiating facts in this connection. Let it suffice to say that during the period of wage stabilization as administered by the National War Labor Board and its branches and divisions, the office and clerical worker has been penalized because of the inadequately low wage and salary levels prevailing in our trade prior to the war. The War Labor Board's bracket formula and its establishment of so-called sound and tested going rates have in practically every instance held office and clerical workers' earnings to such a point as to not allow them to meet wartime living costs and at the same time to set aside any substantial individual reserves to draw on during a period of postwar reconversion and job hunting. These members of our trade today find themselves with very small cash reserves and must turn to unemployment benefits to meet their day to day necessary living expenses while searching for employment and readjusting themselves to changes in their living and employment conditions.

Many thousands of office and clerical workers have during the past 4 years responded to the urgent pleas of both the Government and of individual war plants and have journeyed many miles to help man the vital office departments found in each wartime establishment, and without which it could not function. Thousands of these workers are now faced with the alternative of remaining in the war-production centers and bidding against each other for available office and clerical jobs, or with using up their small savings in traveling in search of employment in other communities.

The Kilgore bill will lighten the load to be borne during the months immediately ahead. It does not alter the principles of our present unemployment compensation system but instead it merely, on an emergency basis, expands the present system so that it may more adequately serve to meet our present reconversion unemployment problems and to help maintain purchasing power during this transition period.

The inadequacy of existing State unemployment insurance programs to meet the needs of the present situation is evidenced by the data already before this committee dealing with the average weekly benefit payments made in the various States. Even in prewar times such unemployment compensation benefits could in no way be construed as encouraging the development of a "loafing class." The supplementary adjustments provided for in S. 1274 will allow for an upward adjustment of such benefits to offset to a measure today's higher living costs. The bill's provisions for transporting war workers to available jobs will probably more than pay for itself by thus reducing the number of prolonged benefit payments in areas of heavy conversion unemployment.

We, therefore, urge the committee to give favorable consideration to this bill and that it report favorably on the same at the earliest possible date.

Respectfully submitted.

PAUL R. HUTCHINGS, *President.*

J. HOWARD HICKS, *Secretary-Treasurer.*

PROVIDENCE, R. I.

STATEMENT BY ARTHUR P. PATT, VICE PRESIDENT OF THE RHODE ISLAND STATE
BRANCH OF THE AMERICAN FEDERATION OF LABOR

The Rhode Island State Branch of the American Federation of Labor is keenly interested in this proposed bill, because more than 20,000 Rhode Island

workers who have been employed in Government establishments will not be protected by the State's unemployment compensation law during the reconversion period.

The reduction in operations in the Newport Torpedo Station will affect some 12,000 persons. Many of the workers are already out of employment and thousands of others will be displaced in the immediate future. Among the other Government establishments in the Rhode Island area, which will reduce their personnel during coming months, are Quonset Point Naval Air Station, the supply depot at Davisville, and the base at Fields Point.

We feel that these workers, who contributed fully as much to the war effort as the workers who made munitions, should have some degree of protection during the reconversion period. We support this bill because it will give a high degree of protection to the more than 20,000 workers employed by the Government-operated units.

During the reconversion period we believe that the maximum rate of \$18 which is paid to unemployed workers in Rhode Island, is totally inadequate because of the marked increase in the cost of living which has taken place during recent years. An effort was made in the session of the Rhode Island Legislature to increase all benefit rates paid in the unemployment compensation program by at least 20 percent. We were unsuccessful in our efforts.

In view of the fact that the cost of living is high, special action is necessary during the present emergency to increase unemployment compensation benefits, so that the American standard of living may be maintained at a decent level. This is our second reason for supporting the proposed bill.

Furthermore, we are highly in favor of that section of the bill which would increase the benefits paid to returning veterans of World War II. The rates which would be paid under the proposed bill provide the veterans who have families with higher benefits than will be paid to civilians. We believe this is eminently fair in view of the services they have given to our country. Another feature of the bill which merits favorable consideration is that a certain amount of elasticity is provided, so that the various States may establish programs which will meet the needs of their respective areas.

The Rhode Island State Branch of the American Federation of Labor, therefore, heartily endorses the principles which are outlined in this bill to meet the problems created by the current emergency.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., September 5, 1945.

HON. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR CHAIRMAN GEORGE: The board of directors of the American Farm Bureau Federation, at its recent meeting in Chicago, gave careful consideration to S. 1274 and H. R. 3736, which would provide a temporary Federal supplement to State unemployment compensation payments, and adopted several specific recommendations which are embodied in the attached resolution.

It is not necessary to elaborate on the statement itself, except as to one or two points. First, our directors are of the opinion that a \$25 weekly maximum, applied on a Nation-wide basis, is unfair for the reason that the cost of living varies so widely as between regions. We believe that the basic formulas provided by the States themselves do now reflect these variations in the cost of living, and that therefore a 50-percent supplement to present State payments seems to provide a better basis for dealing with the problem. Second, farm workers are very urgently needed in many areas, and therefore it is imperative that we have careful and prudent administration, so as to prevent encouragement of idleness through payment of unemployment compensation benefits.

The statement represents the official position of the American Farm Bureau Federation on this issue. I wish to respectfully request that this statement be included in the hearings on S. 1274.

With warm personal regards, I am
Sincerely yours,

EDW. A. O'NEAL, *President.*

RESOLUTION CONCERNING UNEMPLOYMENT COMPENSATION ADOPTED BY BOARD OF DIRECTORS OF THE AMERICAN FARM BUREAU FEDERATION AT ITS MEETING, CHICAGO, ILL., AUGUST 29, 1945

We will support for the reconversion period a Federal supplement to the State unemployment compensation payments, such as is provided by the Doughton bill, H. R. 3736, with the understanding, however, that it be amended to provide that—

(1) Adjusted weekly benefit amounts "shall not exceed 50 percent of the weekly benefit amount now payable under respective State laws, or \$25, whichever is less." In other words, that the adjusted weekly benefit amount, which includes the supplementary payment provided for by this bill, will not be more than 150 percent of weekly benefit amounts now provided under the various State laws.

(2) There be a review of each case by the State unemployment compensation commission after 13 weeks, and that the benefits be extended to 26 weeks only if such review shows that no reasonable employment is available to the recipient.

(3) No person be entitled to Federal supplementary benefits if he refuses to accept employment of a permanent nature, provided the salary is at least two-thirds of the salary earned in the employment engaged in immediately previous to application for unemployment compensation.

We believe that—

No benefits should be paid to Federal workers under this plan, because such benefits, if desirable, should be provided by separate legislation.

No benefits should be paid to maritime workers, because this is not primarily a State unemployment-compensation problem and may be a proper subject for Federal legislation.

With respect to benefits to workers engaged in the handling, drying, and processing of any agricultural commodity, that such persons be included or excluded in agreement with the State, under the general provision which permits the State to pay compensation in accordance with subsection (2) "to any class or classes of individuals who would be entitled to compensation under the State unemployment compensation law, except for existing or prior exclusions from the definition of 'employment' in such law."

There be no amendment of section 1607 of the Internal Revenue Code to extend the employer definition to "one or more at any time." Such amendment would tend to impose an additional burden on small business during the reconversion period, and would present tremendous problems of administration.

If transportation costs are to be provided for the relocation of war workers, it should be provided that all Federal supplementary payments be immediately discontinued should such beneficiaries refuse the work provided at the point of relocation. No provision should be made to cover cost of transporting household goods of such relocated workers.

SENATE FINANCE COMMITTEE,

Senate Office Building, Washington, D. C.

GENTLEMEN: The following statement is made by R. W. McKee, secretary-treasurer of Maywood Glass Co., division of Anchor Hocking Glass Corp., on behalf of that company and of Merchant & Manufacturers Association, Los Angeles, Calif., of which he is a director.

Merchants & Manufacturers Association has a membership of 1,500 industrial firms in the Los Angeles area, who employ about 750,000 people.

We respectfully request that the statement be incorporated with material submitted at public hearings on S. 1274, Mr. McKee having arrived in Washington too late to be heard by personal appearance before your honorable committee.

The 51 States and Territories have saved up a balance of \$7,300,000,000 as an insurance reserve against unemployment. It took them 9½ years to do this. In round figures it represents the difference between \$9,706,000,000 collected and \$2,391,000,000 paid in benefits.

Seven billion dollars to us in the West seems a substantial sum of money. We looked it up and found that it is more money than our Federal Government spent for its entire operation in any year after 1919, until 1935 when we went to 9 million over that watermark. It closely approaches the assessed valuation of all property in California, \$8,267,000,000. For these reasons we look upon \$7,000,000,000 with considerable respect.

This is even more true when we realize that the fund has already been spent by the Government for other lawful purposes, and that the taxpayers will be obliged to bear the burden of additional tax to redeem the \$7,000,000,000 of Government I O U's that now repose in the fund instead of cash.

We do not necessarily oppose blanketing in under unemployment insurance all workers formerly omitted, because a worker's tax status should not bar him from unemployment benefits if he needs them and no work is available for him. However, the tax should be extended to cover this segment of our population, as they have neither paid, nor had paid in their behalf, any premiums into the fund. Otherwise this becomes unemployment relief.

We do not believe 26 weeks is too long a period to pay benefits to an unemployed worker, if no work can be found for him.

However, we are convinced that unemployment insurance should be left in the hands of the States and the employment offices returned to them. We are fearful that S. 1274, or a counterpart, is but the first step toward federalization of the entire program. We are opposed to federalizing unemployment insurance. We have several sound reasons for this, but the chief one is that local problems are better solved locally.

In California the workers are taxed 1 percent of their pay and have already paid in \$277,000,000 of the total \$923,000,000 collected. This is 30 percent of the total sum. It is, therefore, evident that they have a substantial stake in the California fund balance of \$726,000,000. It should not be tossed into one big pot with the funds from other States who have never taxed their workers.

Our principal opposition to the particular provisions of this bill is two-fold:

(1) We believe \$25 per week is too high.

(2) We are convinced that the bill, or any bill of its character, should provide that a claimant must accept work in preference to benefits. We recommend the following amendment:

"It is the intent of this Act, and State acts shall conform thereto, that an applicant for benefits hereunder must accept suitable employment. Any employment shall be deemed suitable employment if it be not more than one hour's traveling time from the residence of the prospective employee and is not ignominious, menial, or dangerous when compared with the most menial or dangerous work performed for a substantial time by the prospective employee in the last 36 months preceding the date of his application for benefits, and which will yield a net take-home wage after involuntary deductions equal to the amount of the weekly benefit he would receive if qualified under this Act."

In California we at present have nearly 80,000 unemployed, while USES reports it has 50,000 job openings, with few takers. We grant that jobs don't always fit the individual, but this situation seems a little anomalous, although not new. In May, of 67,040 benefits' applicants referred to jobs, 31,545 refused to take them, even though USES deemed them suitable work for the individual applicants.

The reason is simple. The California claims examiners have explicit instructions to do two things: (1) Protect former earning levels and (2) project skilled classifications. We are prepared to prove both of these charges, because we realize that they are serious.

Before offering evidence to prove these matters, we should like to state that we are convinced there is considerable confusion in the minds of the California administrative officers concerning what constitutes "suitable employment." This is borne out by a statement made on September 1 to the California press by the chairman of the appeals board, who said:

"I don't think we'll find too many chislers among the 32,000 (he refers to 32,000 applicants for benefits), but the big majority of them will be entitled to payments under the Unemployment Insurance Act the way we construe it."

Inferentially, at least, there is not a clear understanding of the act.

The following letter clearly sets forth a policy of protecting skilled classifications:

(Porter E. Magruder letter, October 6, 1944, California Department of Employment, attached but not printed.)

Complete documentation will be supplied of the following cases, should your honorable committee require it. In each instance an applicant for benefits refused a reasonable wage to wait for some higher-paying job to turn up and was sustained by the California Department of Employment which ruled that they should each receive unemployment benefits until a job at a higher rate materialized:

Clarice Haywood, refused 77½ cents per hour, and was sustained.

Kathryn Rice, refused 67½ cents per hour, and was sustained.

Perry W. Sarten, refused 87½ cents per hour, and was sustained.

Ernest L. Buck, refused \$325 per month, and was sustained.

Grace J. Weinrich, refused 67½ cents per hour, and was sustained.

On later offer disqualified, but we must repeat offer each week for 1 year, as refusal of suitable employment disqualifies an applicant for only 1 week.

The first four of these are clear-cut cases where the individual is to receive benefits while he or she waits for a better job offer. Please remember that no more than a year or so back each of these claimants was working for the wage we offered. Four of the five went into a war plant for a higher wage, were later laid off, then refused to accept their former wage level. The State has certified them eligible for benefits. The fifth one was finally disqualified, but we must repeat our job offer 50 times to keep her disqualified.

These are random cases in a small plant. Thousands are occurring daily, according to the information that reaches us. Nor are they confined to California, we surmise.

In the last week in June, the three States of Michigan, New York, and California paid 53 percent of the claims paid by the entire Nation:

Michigan-----	37, 940
New York-----	27, 719
California-----	24, 251
Nation-----	168, 996

We believe that an individual has both the right and the obligation to work for his livelihood, if reasonable work is available. The amendment we recommend would give him the right and at the same time impose the obligation in a reasonable manner.

Twenty-five dollars per week, in our opinion, is too high. With 10,000,000 unemployed this would cost the Nation \$6½ billion every 6 months. There is only \$7,000,000,000 in the fund, and it took 9½ years to save that sum up.

Twenty-five dollars per week would remove the incentive to work for, probably, millions of people. Aren't we rapidly reaching a point where we will be taking in each other's washing? Remember that the \$25 is net, without deduction of carfare, lunches, income tax, and social-security tax, as well as union dues.

According to the United States census, in the spring of 1940 the 24,200,000 families in the Nation who reported any income, had an annual average of \$1,221; \$25 per week benefits would thus be at the annual rate of \$79 more than the average family income in 1940. Should we have a constant unemployment factor of 10,000,000 persons, increased by the invitational appeal of \$25 during the next 2 years, the unemployment insurance benefits paid out would thus be equal to something more than 40 percent of our family incomes in 1940.

The situation was epitomized by Representative Knutson—

"If we pay a man \$25 a week for not working, what will we have to pay to get him to work?"

Perhaps the Italian proverb "dolce far niente" answers that as well as any other response.

On September 3 Mr. Robert Wilson, field secretary for the Los Angeles County Farm Bureau, stated that there had been 219 applications for farm jobs the previous week, but that they had been able to hire only 5 of the applicants. Mr. Wilson explained that the farmer can pay not more than \$5 or \$6 per day for farm labor, but that the applicants wanted about \$10 per day. Mr. Wilson reported the following in detail from his notes:

The Van Nuys office reported applicants wanted high wages and furnished houses before they would take the jobs.

Gardena office—six jobs available in truck gardening, but the applicants wanted \$10 per day.

Covina applicants wanted \$250 a month and a house or nothing.

Lancaster applicants didn't like the pay or the hours.

We respectfully suggest that our recommended amendment would cure this defection, and that the weekly benefit payable should not exceed the maximum weekly benefit now provided by the laws of the individual States and Territories. That is a fair measure of local requirements.

Respectfully submitted.

R. W. McKEE,
 Chairman, Unemployment Insurance Committee,
 Merchants and Manufacturers Association,
 Los Angeles, Calif.

CALIFORNIA DEPARTMENT OF EMPLOYMENT,
CALIFORNIA EMPLOYMENT STABILIZATION COMMISSION,
Sacramento 14, Calif., October 6, 1944.

(Direct reply to benefits division, 1100 South Flower Street, Los Angeles 15, Calif.)

Re J. J. Hatton, SSA 568-07-0860.

MAYWOOD GLASS Co.,
Los Angeles 22, Calif.

(Attention Treasurer.)

GENTLEMEN: In reply to your letter of September 19, 1944, regarding the above-named claimant, it seems to be the policy of the employment service not to ask skilled bricklayers to work outside their skilled classifications.

Since you do not offer a position to this claimant, there is nothing we can do in the way of disqualification.

If you have need for a bricklayer, we will be pleased to hear from you. Thank you for your cooperation.

Yours very truly,

PORTER E. MAGRUDER,
Unemployment Insurance Representative.

OFFICE OF WAR MOBILIZATION AND RECONVERSION,
Washington, D. C., September 4, 1945.

HON. WALTER F. GEORGE,
Chairman, Committee on Finance, United States Senate.

DEAR SENATOR GEORGE: I am forwarding with this letter a statement on the proposed legislation to provide temporary reconversion unemployment benefits, which is now being considered by your committee. It will be appreciated if you will incorporate this statement in the record of your hearings on S. 1274.

In most respects the enclosed statement is identical with a statement which I presented at the time of my appearance before the Ways and Means Committee of the House of Representatives to discuss similar legislation which is being considered by that Committee. It has been revised in some respects, however, to make it pertain directly to the provisions of S. 1274.

Sincerely yours,

JOHN W. SNYDER, Director.

STATEMENT TO THE FINANCE COMMITTEE OF THE UNITED STATES SENATE ON PROPOSED LEGISLATION TO PROVIDE TEMPORARY RECONVERSION UNEMPLOYMENT BENEFITS

(By John W. Snyder, Director of War Mobilization and Reconversion)

WASHINGTON, D. C., September 4, 1945.

I appreciate the opportunity to submit to your committee the following statement in support of the proposed legislation, now under consideration in both Houses of the Congress, which provides for temporary reconversion unemployment benefits. Through this legislation, the Federal Government would provide greater protection, in the form of unemployment benefits, to workers who are unemployed during the reconversion period.

No other measure now before the Congress is, in my opinion, more vital to our success in easing the shock of postwar readjustment.

The Congress has already taken action to assist business and veterans during the transition. Thus far, we have not yet developed an equally effective program to deal with the needs of the unemployed. For this reason, before discussing the provisions of proposed legislation, I should like to comment on the nature and extent of the unemployment problem which we face, and the Nation's responsibility for dealing with it.

I. THE IMPACT OF UNEMPLOYMENT DURING RECONVERSION

For the first time in several years, the people of the United States are faced with the problem of large-scale unemployment. From communities throughout

the Nation which have had an important share in our war effort, reports are coming in of mass lay-offs from the arsenals, shipyards, airplane plants, ordnance plants, and other factories whose products are no longer needed in view of our victory in the Pacific.

We cannot give you an estimate of how many workers are unemployed today. The situation has been changing too fast for precise measurement. In a single week, between August 18 and August 25, the number of claims filed for unemployment compensation increased nearly threefold—from about 325,000 to more than 960,000. Unemployment is on the increase and will continue to increase for some time. We believe that the total number of jobless workers in this country will probably be 5,000,000 by the end of the year. By early spring, the total may reach 8,000,000, as those released from war jobs are joined by large numbers discharged from the armed forces. This estimate is based on our best information on releases from war work, discharges from the armed forces, withdrawals from the labor force, and the reemployment of workers in peacetime pursuits.

One of the most urgent problems facing the Government today is that of averting or alleviating distress among those who have ceased to receive pay envelopes. Obviously, our first goal is to attain reemployment. But since this cannot be fully achieved in the months just ahead, our main line of defense against the shock of unemployment should be the provision of adequate unemployment benefits. President Truman has pointed out that the Nation has a solemn obligation to those workers who remained loyally on their war jobs, knowing these jobs would vanish as soon as we achieved victory.

Unemployment now, and in months to come, is as much a part of the war as was the mobilization of our manpower, material, and facilities for the needs of our fighting men. The sudden ending of the war was welcome. But at the same time it has accentuated the shock of reconversion unemployment.

In preparing for demobilization during the past 2 years, we have known this shock would come—that there would be a lag between the quick shut-down of war production and the full absorption of manpower in civilian activities. And we have not attempted to cushion the shock by measures that might in the long run have impeded reconversion. After thorough consideration of the complex questions involved, Congress decided that men should not be kept in the armed forces to reduce unemployment but should be released as soon as possible after fighting stopped. Another basic decision was that war production should cease at once when war requirements ended. The War Mobilization and Reconversion Act, which it is my duty to administer, states these policies in unequivocal terms.

On August 14, a very large part of our manpower and economic resources was devoted to war production and war supporting activities. Federal war expenditures were running at a rate of \$85,000,000,000 a year. Now, within a period of 2 or 3 months, more than four-fifths of our munitions production is to cease.

The manpower and other resources suddenly released from war production cannot be directed into peacetime production as rapidly as they are released. Full peacetime output requires levels of production and employment far higher than this country has ever known before the war. We aim to achieve these levels, but we cannot do so overnight. First, private industry must expand enough to fill the gap left by the sudden withdrawal of Government spending. Thousands of businesses must retool and expand facilities, develop plans and markets, and solve production and distribution problems. Millions of workers and veterans must find their way to permanent and satisfying jobs—often in new occupations, industries, and communities.

I have complete confidence in the capacity of American industry to overcome these problems, and to provide a high level of employment. But before reconversion is complete, new jobs must be created for millions of the workers who were in munitions industries on August 14, and for perhaps 9,000,000 of the men who were then in the armed forces. The creation of that many jobs is not an automatic process—it requires blueprints, machines, retail outlets, investment, and initiative. To expect unemployment is not to say that we cannot do the job—it is merely to say that we can't do miracles, at least not overnight.

The inescapable fact is that we face a temporary period of severe unemployment. The volume and duration of the unemployment are not immutably fixed. We can minimize it by speeding reconversion. In the meantime we can help these workers and at the same time benefit the country as a whole by an adequate unemployment-insurance program.

If unemployment is less severe than has been estimated, no one will be happier than I will. If that happens, the number of workers who receive greater

benefits because of the proposed legislation will be relatively small, and the cost will be correspondingly small. But if it turns out that the additional protection is needed—and our best estimates show that it will be—we will have failed the workers of America if we have casually concluded that nothing should be done because it may not be necessary.

II. THE NATIONAL RESPONSIBILITY FOR DEALING WITH UNEMPLOYMENT

Congress recognized the consequences of its decision to demobilize quickly and the need for a positive program to minimize the difficulties of the transition. It has set basic policies for the executive branch to follow, granted authority for action, and provided funds for administration. This program has three major elements—assistance to business, assistance to demobilized veterans, and assistance to war workers.

Under the program for assistance to business, contracts are being promptly terminated and settled. War materials and facilities are being declared surplus and disposed of. Material is being cleared from plants quickly to make way for civilian production. Congress has provided for prompt tax refunds to aid reconversion, and loans are available to concerns which find themselves in financial difficulties during the transition. Wartime controls over materials and manpower are being withdrawn at a very rapid rate in order to speed business expansion. Price controls are being maintained where necessary to protect the people, both as producers and as consumers, from inflationary prices that would retard reconversion.

The program for aid to veterans, while not perfect, is thorough and well considered. The GI bill of rights provides for limited guarantee of loans to veterans wishing to purchase homes, farms, or businesses. Grants are available to veterans who wish to return to school. Readjustment allowances of \$20 per week are available, for periods as long as 52 weeks, to those veterans who cannot find jobs when they return. The Selective Service Act provides reemployment rights for those veterans who left their jobs to enter the armed forces. Disabled veterans are, of course, given special rehabilitation and pension rights.

The third element of the over-all program—assistance to workers thrown out of jobs by the rapid cancellation of war contracts—is not adequate. In title IV of the War Mobilization and Reconversion Act, Congress sought to provide for manpower reconversion by authorizing advances to State unemployment compensation funds. This was done so that States could establish adequate coverage of workers and fix adequate benefit standards without fear of insolvency.

We have found that this provision of the act did not accomplish the necessary results. The action taken by the States has not yet made unemployment compensation a fully effective means of carrying workers through periods of unemployment during reconversion.

I should like to outline for you the basic reasons why I believe that the Federal Government has a direct obligation to insure that the unemployment compensation program is adequate for the reconversion period.

The first reason is that the return to peace is part and parcel of the war. The unemployment which occurs will be a direct result of the cessation of Federal war purchases, not a result of individual inefficiency or failure to search diligently for a job. The human as well as the material costs of transition are costs of war. We have recognized this fact in the programs for assistance to business and veterans. We cannot in good conscience adopt another attitude toward displaced war workers.

The second reason is that those who stuck loyally to their war jobs until the defeat of Japan are the ones who will be hardest hit by unemployment. Those who never transferred to war work, or those who quit before the end, will for the most part be safely set in peacetime jobs. The sudden and permanent lay-offs come—or have already come—to the workers who have filled the jobs which are most essential in war and unnecessary in peace. Those who face unemployment are the men and women who have built the weapons for victory. They have built our battleships, our carriers, and our submarines. They made the tanks which crushed the Panzer armies of the Germans, the amphibious vehicles and flame throwers which routed Japanese resistance, the bombers and the bombs which made it impossible for our enemies to maintain their own war production. In private plants and in Government arsenals they have been indispensable units in our civilian war machine. Can we in good faith ignore the fact that we are indebted to these workers, after persuading them to stay on the job?

Frankly, I believe that the country as a whole, and not only the displaced workers, has a stake in adequate unemployment compensation payments. During the coming year we will be in a period of conflicting economic trends. We shall have to guard against deflation in some parts of the economy and inflation in others. In the fields of consumer purchases we must insure that the gigantic drop in consumer incomes, as a result of reduction in hours of work, unemployment, and other factors does not lead to a restriction on consumer purchases that will delay resumption of production at high levels.

The main reliance of unemployed civilian workers, except for their limited savings, is on unemployment compensation provided under State laws. These laws have been liberalized in recent years, but many still have serious limitations :

1. They do not provide protection at all for certain groups of workers who will lose their jobs as a result of the termination of war programs.
2. They provide weekly benefits which in many States represent too small a fraction of previous earnings because of unduly low limits on the maximum benefit payment per week.
3. The number of weeks for which benefits can be paid is insufficient to cover the probable period of unemployment for large numbers of workers during reconversion.

Legislation has been introduced in both Houses of Congress to correct these defects during the present emergency. All of these bills contain certain basic provisions which are substantially identical. They permit the Director of War Mobilization and Reconversion to enter into agreements with any State, under which the State's unemployment compensation agency will serve as agent of the United States in paying benefits to Federal employees and maritime workers. Such agreements would also provide for supplemental benefit payments to workers already covered by State laws by extending the maximum benefit amount to \$25 per week and increasing the maximum duration of benefits to 26 weeks in any year.

If a State fails to make such an agreement, the payments will be administered directly by the Federal Government, under regulations to be issued by the Director of War Mobilization and Reconversion. States may also, if they wish, agree to pay benefits to additional groups of workers not covered by the State law, such as the employees of small firms.

Most of my remarks will be directed to these basic provisions which are found in all of the bills under consideration.

The method used in the proposed bills would permit the States to pay increased benefits and to be reimbursed by the Federal Government for the cost of the increased payments. No amendment of the existing State laws will be required to put the program into effect. This method has been chosen because any program requiring action by State legislatures could not be made effective rapidly enough to meet the immediate emergency. At the end of the stipulated emergency period, June 30, 1947, unemployment benefits will be determined by the provisions of the State laws. This emergency program should not, in my opinion, delay consideration of appropriate amendments to State laws or congressional consideration of long run changes in the unemployment compensation system.

The committee may, however, wish to consider some alternative method of financing the additional benefits which will be paid to workers who are already covered by State laws. The unemployment reserves of the States, which have been accumulated solely for the purpose of paying unemployment compensation to these workers, now amount to more than \$7,000,000,000. It might be possible to work out a plan under which the additional benefits paid to such workers would be financed in the first instance by the advance of Federal funds, but later repaid, at least in part, from the existing State reserves. Benefits paid to Federal employees and other workers who are not covered by the State laws should unquestionably be financed entirely from Federal funds, since no previous contributions have been collected by the States from their employers.

III. THE NEED FOR EXTENDING THE COVERAGE OF UNEMPLOYMENT INSURANCE

Our present unemployment compensation systems cover only about 30,000,000 of our 52,000,000 gainfully employed persons.

While we cannot expect to bring all employees and self-employed persons under the unemployment compensation systems, there are some groups whose exclusion is particularly inequitable during the transition period.

Coverage of Federal employees and maritime workers

The absence of unemployment insurance protection for the 2,900,000 employees of the Federal Government is a glaring gap in the unemployment insurance systems. More than 2,000,000 of these workers are employed in war agencies, including more than 1,800,000 in the War and Navy Departments and nearly 200,000 in the emergency agencies. Employment in the permanent agencies, on the other hand, is almost unchanged from prewar levels.

The absence of unemployment insurance protection for these workers is difficult to defend because most of them are doing the same type of work as industrial employees. People sometimes think of Federal employees as office workers employed here in Washington. The truth is that 10 out of every 11 Federal employees work outside of Washington. In June, the Federal Government had more than a quarter of a million employees in New York and California and more than 100,000 employees in each of six other States.

Large numbers of these employees are really industrial workers—shipyard workers, production workers in arsenals, munitions depots, gun factories, and explosives plants operated by the Federal Government. The only distinction between them and their neighbors employed by private concerns is that their pay comes directly from the Federal Government. It would be ironic and unjust to deny them the protection of unemployment benefits because of this technicality.

The problem of providing unemployment compensation for the men who have manned our merchant ships is very similar. About 200,000 employees have worked long, arduously, and at great risk to carry cargoes to our fighting men and to our allies and to transport raw materials needed for our war industries. Many have lost their lives in attacks by submarines or bombing planes. Yet this group, too, has no protection under most of the existing State unemployment insurance programs.

The bills under consideration provide that the State unemployment compensation agencies may pay unemployment benefits to Federal and maritime workers, and that if the States do not elect to accept this administrative task, the Federal Government will itself make the payments. I believe you will agree with me that this is a practical way to meet our obligations to the hundreds of thousands of Federal workers who will be released during the coming months.

Coverage of other groups now excluded by State laws

A third group of workers whose exclusion from the unemployment compensation systems seems to me unjust is the 2,000,000 employees of small firms.

Sixteen States have recognized this inequity and now protect the employees of all employers of one or more who are engaged in activities coming within the provisions of the State laws. In addition, 29 States have provided for automatic extension of coverage whenever the Federal Unemployment Tax Act is amended so as to tax employers of one or more. This action by the States is adequate evidence that the administrative problem, which has been the sole reason for exclusion of the small firms, can be easily dealt with.

I think the best long-term means of providing protection to the employees of small firms is to amend the Federal Unemployment Tax Act so that these firms are covered, as proposed in H. R. 3736. Once this is done, the States which have not already done so will amend their laws so that benefits will eventually become available to the employees of small firms.

Meanwhile, however, benefits should be payable immediately to employees of the small firms if the States decide that this action is proper. States should, therefore, be authorized to pay benefits to these employees immediately and to be reimbursed for benefit payments to them.

The bill which you are considering provides for such interim protection to the employees of small firms, and I am sure that you will favor also the long-term protection which will be provided by amendment of the Federal Unemployment Tax Act, if such a step is initiated by the House of Representatives.

Some States may also desire to pay benefits to other groups of workers who now lack protection. The proposed bills would authorize agreements under which States would provide benefits for such other groups as they wish and be reimbursed by the Federal Government. While this provision may not be extensively used, I recommend that it be approved, since the States should be encouraged to provide the broadest possible unemployment insurance program during the emergency which lies ahead.

IV. SUPPLEMENTATION OF THE WEEKLY BENEFIT AMOUNT

The proposed bills also provide for increasing the maximum weekly benefit payment, during the reconversion period, to \$25 in all States. The increased benefits would be determined by extending the State's regular method of computing benefits on the basis of previous earnings, up to a maximum of \$25 per week.

To avoid any possible misunderstanding, I want to make it clear that the bills do not propose a uniform benefit rate of \$25 per week for every unemployed worker. No worker would receive \$25 per week unless his previous wages were high enough to have entitled him to a weekly benefit of \$25 except for limitations on the maximum benefit amount which are contained in the State law.

Most of the present State laws provide for a weekly benefit payment equal to about half of the worker's average weekly earnings during the preceding year, or in a selected calendar quarter. Let me outline how the proposed bills would work out in such a State, assuming that the State law provides for a maximum benefit of \$15 per week. In such a State, workers who previously earned less than \$30 per week receive a benefit equal to half their previous weekly wages—for example, a weekly benefit of \$10 if the previous wage was \$20 and a weekly benefit of \$14 if the previous weekly wage was \$28. On the other hand, workers who previously earned more than \$30 per week all receive the same amount of compensation—\$15 per week, whether they earned \$30 or \$40 or more than \$50 per week.

Lifting the maximum benefit rate to \$25 would not change the amount of benefits paid to a worker who previously earned \$30 or less per week. He would continue to get \$10 or \$12 or \$14, or whatever amount equals half his previous wage. But an increased maximum would permit the workers who previously earned more than \$20 per week to receive compensation equal to half of their previous wage instead of the flat rate of \$15 which they would be paid under terms of the State law. Persons who have been earning \$40 per week, for example, would get a \$20 benefit check; and those whose wage was \$50 or more would receive the new maximum of \$25 in benefits.

Action to equalize the maximum weekly benefit amount at \$25 in all States is needed during the reconversion period for several reasons. First, the present State maximum limits will result in benefit payments which are too small to prevent sharp cuts in the standard of living of many workers while they are unemployed. The American system of unemployment insurance seeks, in principle, to pay benefits which are related to previous earnings and living standards. Most of the existing State laws are designed to compensate a definite proportion of the wage loss caused by unemployment for high and low wage employees alike. This proportion is usually from one-half to two-thirds of the wage loss, as measured by previous earnings. But the present maximum limit, in many States, will mean that many war workers receive benefits equal to as little as one-third or one-quarter of their previous earnings.

When benefits first began, the maximum limits in most States affected only a moderate percentage of the unemployed. But wage rates, during the war, have increased far more rapidly than the maximum weekly benefit rate. In 1944 nearly 60 percent of all unemployment compensation payments were at the maximum rate provided under the various State laws; in some States as many as 80 or 90 percent of all payments were at the top rate.

The Social Security Board has furnished me with an interesting analysis of wage credits earned in covered employment in 1943. It shows that even in that year, when wages were lower than they are now, nearly half of all covered workers had high enough earnings to qualify for the present maximum rate in their State. About one-third of all insured wage earners would have qualified for \$25 per week if the maximum benefit rate were lifted to that level.

Wartime changes in the cost of living make these higher maximum benefits necessary. The over-all cost of living is up about one-third, and the prices of food, clothing, and household goods are now from 45 to 50 percent higher than in August 1939. An unemployed worker today would need at least \$22 to buy as much of these basic necessities as \$15 would have purchased in 1939. Yet half the States still have maximum rates as low as \$15 or \$18, and 41 States have a maximum of \$20 or less.

If we are to maintain a reasonable sense of security and decent living standards and adequate purchasing power for our displaced war workers, we should surely provide benefits which will cover at least half the wage loss of the unemployed, up to the proposed \$25 limit. A few States have taken action to

accomplish this, and maximum benefits as high as \$24 to \$28 are available, at least to workers with dependents, in six States.

The proposed bills contain one other provision affecting the size of benefit payments. States may, if they wish, increase the weekly benefit rate of workers entitled to less than the State maximum to an amount not greater than two-thirds of previous earnings. Several State laws already provide such benefits and others would be permitted to do so during the emergency without affecting the permanent structure of their laws.

Increased benefits can do much to sustain morale and purchasing power, which will help to lift our economy back to full production. I am not greatly impressed by the fears, occasionally expressed, that higher benefits will keep workers from accepting jobs. Benefits will still be considerably less than previous earnings, and all State laws disqualify workers from receiving compensation if they fail to accept suitable work when offered to them.

The Senate bill which you are considering provides for increasing the unemployment allowances paid to veterans under the Servicemen's Readjustment Act. President Truman indicated, in his message of May 18, that Congress will no doubt wish to make suitable adjustments in the benefits paid to unemployed veterans at the same time that increased unemployment compensation is provided for other workers. Since veterans' benefits are not related to previous wages, I believe the proposal that higher benefits be paid to veterans with dependents, as provided in S. 1274, may be preferable to a uniform increase for all veterans.

V. THE NEED FOR INCREASED DURATION OF BENEFITS

The third major proposal in the bills under consideration provides for extending the duration of benefits for all eligible workers to a maximum of 26 weeks in any year during the reconversion period. This provision would, of course, make no difference for those workers who succeeded in finding new jobs after a relatively few weeks of unemployment. But it will be immensely important to those individuals whose wage income is cut off for a relatively long period before they find permanent new jobs in civilian industries.

I have already pointed out that we will probably have large scale unemployment during much of the coming year. Some workers will find new jobs quickly, but others may have many months of unemployment. The length of any individual's unemployment will depend largely on both national and local conditions. The basic problem that we face is that large numbers of workers are almost certainly going to be unemployed for much longer periods than will be covered by their benefit under State unemployment compensation laws.

Many States have increased the number of weeks for which benefits are payable. There are now five States which provide a maximum duration of 26 weeks and six others where the maximum is from 21 to 23 weeks. But there are still 14 States where no workers can receive benefits for longer than 16 weeks and 40 States where the maximum is 20 weeks or less.

The actual provisions of existing laws are even more inadequate than these figures would indicate. Only 14 States have actually established a uniform maximum duration of benefits for all insured workers. All of the other States laws contain a further limit on benefit duration by providing that benefits in any year cannot exceed a specified fraction of the worker's total earnings in his base year. Benefits may be paid for only a few weeks to those workers who have been in covered employment only a short time or have had some unemployment during the base year. The average worker in a State with a maximum duration of 16 or 18 weeks may, for this reason, actually be able to receive benefits for only 11 or 12 weeks.

None of the bills now under consideration attempts to deal with the problems which result from unduly severe disqualification provisions which are contained in many State laws. As a result, many workers who should be protected by unemployment insurance may suffer serious and unjustified distress. Your committee may wish to consider some means of overcoming this defect in our present unemployment compensation systems.

VI. TRANSPORTATION ALLOWANCES FOR DISPLACED WAR WORKERS

The bill which you are considering contains one important provision which does not pertain directly to unemployment compensation. Under this provision, the United States Employment Service is authorized to provide transportation for

civilian workers (as well as their dependents and their household effects) from the community where they have been employed in jobs essential to the war effort to any place where the Employment Service certifies that suitable job opportunities are available.

Millions of wage earners have moved, during the war, to new communities where they could make the greatest contribution to war production. Some of them will wish to stay in their new homes, but a very large number will have to move, either to their former homes or to some other place where jobs are available, in order to find steady peacetime work. The payment of transportation allowances would unquestionably facilitate the redistribution of our labor force to areas of greater opportunity.

The payment of transportation costs may involve difficult administrative problems, but if these can be solved I would favor the payment of travel costs, for a single trip for displaced war workers. In fact, if the administrative difficulties can be overcome, I believe the proposed bill might be broadened to permit payments which will assist any worker either to return to his prewar residence (without requiring that the Employment Service certify that suitable jobs can be found there) or to move to an area where suitable work is available.

VII. CONCLUSION

The proposed legislation, as a whole, is designed to meet human needs during reconversion. It recognizes that unemployment, during this emergency, is a national problem, to be solved by national action. The impact of unemployment on individuals, and the duration of their unemployment, will be determined mainly by our success in achieving Nation-wide reemployment. I believe it is only fair that we should assure all of our unemployed workers of some basic income for a period of 6 months while the massive economic readjustments which must be completed are being carried out.

The assurance that reasonably adequate benefits will be available for a reasonably long period will give an added sense of security, not only to those who are unemployed but also to those who are still working but know they may become unemployed. It will thus help indirectly as well as directly to maintain a high level of expenditures.

OFFICE OF WAR MOBILIZATION AND RECONVERSION,
Washington, D. C., September 7, 1945.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate.

DEAR SENATOR GEORGE: I should like to call your attention to a resolution unanimously adopted on September 6 by the Advisory Board of the Office of War Mobilization and Reconversion in support of emergency unemployment compensation legislation now pending before the Congress. A copy of the Board's resolution, together with supplementary statements outlining the position of certain members of the Board, is attached to this letter.

The Advisory Board, as you know, was established by the War Mobilization and Reconversion Act of 1944, and consists of 12 members appointed by the President with the advice and consent of the Senate. All members of the Board represent the general public and the public interest, but it is required that 3 members shall have had experience in business management, 3 in matters relating to labor, and 3 in agriculture. The names of the members of the Board are listed on the attached resolution.

The Board has carefully considered the proposed unemployment compensation legislation at several of its meetings, beginning shortly after the recommendation made by the President last May. At its meeting yesterday the attached resolution was adopted by the Board as a final statement of its conclusions.

In view of the broad representation of the Advisory Board, as well as the outstanding nature of its individual members, I feel that this expression of opinion is entitled to great weight and will be of interest to your committee in its consideration of the pending proposal.

Sincerely,

JOHN W. SNYDER, Director.

Resolved, That the Advisory Board endorses the interim unemployment compensation benefits recommended in President Truman's message to Congress today.

SEPTEMBER 6, 1945.

Unanimously adopted:

O. Max Gardner
Albert S. Goss
Edward A. O'Neal
James G. Patton
Nathaniel Dyke, Jr.
Eric A. Johnston

George H. Mead
T. C. Cashen
William Green
Philip Murray
William H. Davis
Mrs. Anna M. Rosenberg

(NOTE.—In casting his vote in favor of the resolution, Mr. Goss asked that the record show that he did so with the proviso that Congress provide such safeguards as may reasonably be expected to reduce abuses to a minimum.

(Messrs. Johnston and Mead asked that the record show that they voted in favor of the resolution with the same proviso set forth by Mr. Goss.

(In casting his vote in favor of the resolution, Mr. O'Neal asked that the record show that his position is set forth in the American Farm Bureau Federation's resolution on unemployment compensation legislation, dated August 29, 1945. He asked that the federation's resolution be incorporated in the record and transmitted to Congress with any communication by the Director on the Advisory Board's action. The resolution referred to by Mr. O'Neal follows here:)

RESOLUTION CONCERNING UNEMPLOYMENT COMPENSATION ADOPTED BY BOARD OF DIRECTORS OF THE AMERICAN FARM BUREAU FEDERATION AT ITS MEETING, CHICAGO, ILL., AUGUST 29, 1945

We will support for the reconversion period a Federal supplement to the State unemployment compensation payments, such as is provided by the Doughton bill, H. R. 3736, with the understanding, however, that it be amended to provide that—

(1) Adjusted weekly benefit amounts "shall not exceed 50 percent of the weekly benefit amount now payable under respective State laws, or \$25, whichever is less." In other words, that the adjusted weekly benefit amount, which includes the supplementary payment provided for by this bill, will not be more than 150 percent of weekly benefit amounts now provided under the various State laws.

(2) There be a review of each case by the State unemployment compensation commission after 13 weeks, and that the benefits be extended to 26 weeks only if such review shows that no reasonable employment is available to the recipient.

(3) No person be entitled to Federal supplementary benefits if he refuses to accept employment of a permanent nature, provided the salary is at least two-thirds of the salary earned in the employment engaged in immediately previous to application for unemployment compensation.

We believe that—

No benefits should be paid to Federal workers under this plan, because such benefits, if desirable, should be provided by separate legislation.

No benefits should be paid to maritime workers, because this is not primarily a State unemployment compensation problem and may be a proper subject for Federal legislation.

With respect to benefits to workers engaged in the handling, drying, and processing of any agricultural commodity, that such persons be included or excluded in agreement with the State, under the general provision which permits the State to pay compensation in accordance with subsection (2) "to any class or classes of individuals who would be entitled to compensation under the State unemployment compensation law, except for existing or prior exclusions from the definition of 'employment' in such law."

There be no amendment of section 1607 of the Internal Revenue Code to extend the employer definition to "one or more at any time." Such amendment would tend to impose an additional burden on small business during the reconversion period and would present tremendous problems of administration.

If transportation costs are to be provided for the relocation of war workers, it should be provided that all Federal supplementary payments be immediately discontinued should such beneficiaries refuse the work provided at the point of relocation. No provision should be made to cover cost of transporting household goods of such relocated workers.

SEPTEMBER 7, 1945.

MEMORANDUM

To: Mr. John W. Snyder, Director.

From: Thomas I. Emerson, general counsel.

Subject: Possible Reduction or Denial of Benefits under State laws to individuals Receiving Supplemental Federal Benefits under S. 1274 (or H. R. 3736).

During the hearings on S. 1274 a legal question has been raised which merits our immediate consideration.

The problem arises out of a provision, contained in 47 of the State laws, that an individual shall be disqualified for benefits for any week with respect to which benefits are received or sought under another State or Federal unemployment compensation law.

This provision must be read in the light of another provision, found in all the State laws except Georgia, that the State unemployment compensation agency is authorized to enter into reciprocal arrangements with the appropriate agencies of other States and the Federal Government, under terms it finds fair and reasonable and not resulting in substantial loss to the fund, whereby potential benefit rights accumulated under the law of any State or of the Federal Government may constitute the basis for benefit payment through a single agency.

The Social Security Board is of the opinion that under this latter provision the State agencies would be authorized to enter into agreements with the Federal Government for supplemental benefits and that such benefits would not have to be deducted from the regular State payments. I concur in this view.

There is, however, a difference of opinion on this issue among the governors of the different States, as set forth in their answers to the telegraphic request of the committee. I understand that a substantial number of States have advised the committee that they can enter into agreements with the Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment; that a number of other States advise that they do not believe they have such authority; and that a few are in doubt. I believe mature consideration, on the part of those States which are doubtful and of those States which do not believe they have the authority, in the light of interpretations in sister States having similar statutes, will result in the vast majority of the States being able to immediately take advantage of the provisions of this act if it becomes a law.

Nevertheless, in view of the doubt on this issue, it would seem advisable to modify the bill so as to make it voluntary rather than mandatory for a State to include in its agreement with the Federal Government a provision for supplementation of the amount of the weekly benefit.

This could be accomplished by moving paragraph 702 (b) (2) into subsection 702 (c). The transfer of this paragraph to subsection 702 (c) would make it possible for those States which wish to enter into an agreement for supplementation of the weekly benefit amount to do so. The States which at present are of the opinion that they could not enter into an agreement to supplement the weekly benefit amount could refrain from incorporating that provision in the agreement. Such States would not be discriminated against, because they would have the option of calling a special session of their legislatures to amend the pertinent provisions of the State law.

The suggested change would make it possible to fulfill the recommendations contained in President Truman's message to the Congress of September 6, since extension of the maximum benefit amount would be possible in all States either immediately or after revision of the State law. The President's other recommendations regarding increased duration of the benefits and extension of coverage would be met under subsection 702 (b). At the same time, the change would completely eliminate any possibility that supplementary payments from Federal funds might have the effect of depriving any individual of benefits to which he would be entitled under existing State laws.

FEDERAL SECURITY AGENCY,
Washington 25, September 10, 1945.

HON. WALTER F. GEORGE,

Chairman, Committee on Finance, United States Senate,

Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 1274, a bill to amend the War Mobilization and Reconversion Act of 1944 to provide for

an orderly transition from a war to a peacetime economy through supplementation of unemployment compensation payable under State laws, and for other purposes.

S. 1274 provides for—

1. Payment from Federal funds to supplement State unemployment compensation benefits to enable unemployed individuals eligible under State law to receive 26 weeks of benefits in an amount varying with the individual's past wages up to a ceiling of \$25.

2. Federal funds to be paid to State unemployment compensation agencies for providing similar benefits to Federal civilian employees, maritime employees, and

3. Payment of the supplementary benefits outlined under (1) and (2) by the agricultural processing workers.

Director of War Mobilization and Reconversion if a State does not elect to do so.

4. Payment of Federal funds to a State which elects to increase unemployment compensation payments to individuals up to a maximum of two-thirds of the individual's previous weekly earnings but in no case more than \$25 per week.

5. Payment of Federal funds to a State which elects to cover any workers not now covered under State laws.

6. Payment of transportation allowances to workers who go to a place at which the United States Employment Service certifies there are available, suitable job opportunities.

7. Amendment of the unemployment compensation provisions of the Servicemen's Readjustment Act of 1944 (the GI bill of rights), increasing unemployment benefits from \$20 per week to \$25 per week for a single person and to \$30 for a person with dependents; and providing, instead of a variable duration of benefits, that every eligible unemployed serviceman will be entitled to 52 weeks of benefits.

In view of the successful termination of the war and of the fact that many persons will be unemployed during the reconversion period, I am in favor of the early enactment of such legislation. While there are a number of technical problems and alternatives connected with any such proposed legislation which will undoubtedly be considered by the committee, the general outline of the proposed bill seems to me to be a sound basis for initial considerations by the Congress of the entire problem.

I believe that it is essential that adequate unemployment compensation benefits be paid during the reconversion period. I am also in favor of extending coverage under unemployment compensation to workers who are not now covered. S. 1274 carries out these two objectives.

It is my conviction that the Federal Government has a responsibility for dealing with the unemployment problem, as was recognized by the passage of the unemployment tax in the Social Security Act of 1935. This tax was largely instrumental in bringing about the establishment of State unemployment compensation laws. As a result of this Federal legislation enacted in 1935 the State unemployment compensation agencies have been able to build up reserves amounting to nearly \$7,000,000,000. Although these funds would be sufficient for all States to provide adequate benefits, most State legislatures have adjourned, and it is not possible to pass quickly comprehensive State legislation which will enable workers in all States to receive adequate unemployment benefits to tide them over the reconversion period. Consequently, immediate Federal action is needed at the present time to deal with the current situation.

This bill provides that for workers who are already covered under State laws the Federal Government will pay for the additional cost of the more adequate benefits during the reconversion period; and for those who are not now covered, the Federal Government will pay the entire cost. However, there is much to be said for requiring that the States pay the cost of providing adequate benefits to workers who are covered under State laws and for whom they have collected contributions and that the Federal Government pay only the cost of benefits to workers who are not covered under State laws. There is no doubt in my mind that this would be more equitable. All during the war States have collected contributions from employers for this very purpose. Moreover, if the Federal Government pays the cost of benefits to workers insured under State laws, the State with the least liberal benefits would receive proportionately the most funds from the Federal Government; while a State like Washington, which already provides for a maximum of \$25 for 26 weeks, would get almost nothing.

If the Congress believes it equitable to require the States to pay the cost of adequate benefits to workers insured under State laws, appropriate amendment of the Federal Unemployment Tax Act and of title III of the Social Security Act should be considered. As changes of State law could not be effected immediately, such amendments of the Federal statutes should be coupled with

interim arrangements for the payment of supplementary benefits at Federal expense. If the amendments of basic Federal law were made effective early in 1946, it might be possible to include transitional provisions which would facilitate the necessary action of State legislatures in revising their unemployment compensation laws.

As a logical part of any such plan, it would also be desirable to amend section 402 of the War Mobilization and Reconversion Act of 1944, to convert the advances to State unemployment funds into outright grants. Section 402 of that act provides that in order to guarantee the solvency of State unemployment funds the Social Security Board shall make advances to States whose unemployment funds begin to run low. The law provides that the State must repay these advances to the Federal Government. If States are required to liberalize their laws by the Congress and any State fund should begin to get low, continued operation of the State law would be assured through funds already authorized under section 401 of the War Mobilization and Reconversion Act of 1944, which established a Federal unemployment account consisting of excess funds collected under the Federal Unemployment Tax Act. However, there is no reason to believe, at the present time, that any State would have to apply for funds from this account during the reconversion period.

With respect to the extension of coverage proposed by S. 1274, the cost of the bill to the Federal Government could be reduced if small firms and maritime employers were made liable for payment of unemployment contributions. Provision could be made for the Federal Government paying the cost of providing benefits to these two groups until the necessary Federal amendments resulted in their being eligible for benefits on a permanent basis. However, it must be noted that any proposal for levying a tax must originate in the House of Representatives. H. R. 3736, a bill on the subject of unemployment compensation introduced by Mr. Doughton, already provides for covering employers of one or more persons under the Federal Unemployment Tax Act. Another bill, H. R. 1899, introduced by Mr. Jackson, provides for extending coverage to maritime employees under a uniform Federal law.

I believe that Federal employees should be covered under a uniform Federal law just as servicemen have been covered under a uniform law in the GI bill of rights. In this temporary program, as in the GI bill of rights, provision could be made for giving the States the opportunity to administer the provisions of such a law. In this way workers in all States would be treated equitably, while the administration of such a law would be decentralized so that benefits would be paid promptly and so that the test of availability and suitability of work would be determined in accordance with employment conditions in each local community.

In addition to requiring the States to pay benefits at an adequate rate and for an adequate period of time, I would recommend that limitations be placed upon the extent of disqualifications imposed upon insured workers. I mention this because of the fact that while the States have improved their benefit provisions during the last 2 years, they have continued to impose very onerous disqualifications, so that genuinely unemployed workers are denied benefits even though they are insured. The maximum limitations on disqualification already specified in the GI bill of rights might well be applied to all unemployed workers.

While I am strongly of the opinion that legislation should be enacted on a temporary basis to deal with the reconversion problem, I am also strongly of the opinion that our unemployment compensation program must also be permanently revised and strengthened to deal with unemployment during the long run. The Federal Government cannot escape the obligation it accepted in 1935, when it enacted the unemployment tax title of the Social Security Act, which forms the basis for the Nation-wide system of unemployment compensation we now have. I am hopeful, therefore, that the Congress will consider basic changes in the unemployment compensation program at an early date.

If the committee wishes any information or any technical assistance, the Federal Security Agency will be glad to supply whatever information the committee requests.

The Bureau of the Budget advises that "while the general objectives of the proposed legislation would be in accord with the program of the President, as indicated in his message of May 28, 1945, this advice should not be understood as involving a commitment as to the relation to that program of each and every one of the provisions contained in the proposed legislation or of the recommendations contained in" the foregoing report.

Sincerely yours,

WATSON B. MILLER,
Acting Administrator.

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY BOARD,
Washington 26, D. C., September 4, 1945.

HON. WALTER F. GEORGE,
United States Senate, Washington 25, D. C.

DEAR SENATOR GEORGE: In accordance with your request, I am enclosing an opinion of our general counsel with respect to a provision in State unemployment compensation laws disqualifying an individual from receipt of State benefits if benefits are being received under "another State or Federal unemployment compensation law."

All but 4 States (Tennessee, Texas, Washington, and Wisconsin) have such a provision in their State laws. However, as this opinion points out, these provisions were designed to prevent payment of duplicate benefits as between State laws or as between a State law and a Federal law such as the Railroad Unemployment Insurance Act. As you know, the benefits under S. 1274 are supplementary benefits.

If there is any further information that you desire, do not hesitate to call on me.

Sincerely yours,

A. J. ALTMAYER, *Chairman.*

Office memorandum, United States Government.

SEPTEMBER 4, 1945.

To: Mr. Arthur J. Altmeyer, Chairman, Social Security Board.

From: Office of the general counsel.

Subject: Authority of States Which Disqualify Claimants for Any Week in Which They Are Seeking or Receiving Unemployment Compensation Under a Federal Unemployment Compensation Law to Enter Into an Agreement Under S. 1274.

This is in reply to your request for an opinion as to the authority of States to enter into an agreement pursuant to S. 1274 without the necessity of calling a special session of the State legislature.

The legal basis for a State agency's entering into an agreement with the Director of War Mobilization and Reconversion under the present provisions of S. 1274 would be its authority to enter into cooperative arrangements. For example, section 17-A of the Texas unemployment compensation law provides:

"(b) The Commission is also authorized to enter into arrangements with the appropriate agencies of other States or the Federal Government whereby potential rights to benefits accumulated under the unemployment-compensation laws of one or more States or under one or more such laws of the Federal Government, or both, may constitute the basis for the payment of benefits through a single appropriate agency under terms which the Commission finds will be fair and reasonable as to all affected interests and will not result in any substantial loss to the fund.

"(c) The Commission is authorized to make to other State or Federal agencies and to receive from such other State or Federal agencies, reimbursements from or to the fund, in accordance with arrangements entered into pursuant to Subsection (b) of this Section. Reimbursements paid from the fund pursuant to this Subsection shall be deemed to be benefits for the purposes of this Act."

State agencies pursuant to the above authority to enter into cooperative arrangements now make combined benefit payments, based upon potential rights under two or more State unemployment-compensation laws, without disqualification. This is so even though the laws under which such State agencies operate also disqualify a claimant "for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment-compensation law of another State or of the United States. * * *"

If this disqualification is construed together with the provision for cooperative arrangements, its intent appears to be to prevent duplication of benefits for the same period through separate claims under two or more laws but not to preclude combined payments which increase the benefit amount in accordance with authorized administrative agreements.

Only by this interpretation can the disqualification provision and the statutory authority to make combined payments based upon potential rights under two or more laws be harmonized and both given effect.

The benefits provided under S. 1274 are not payable under a system designed to operate independently of the State system. Under the bill, in those States which enter into an agreement, the individual who is qualified to receive benefits under the State law may not file a claim for benefits under the Federal law. He must claim and be entitled to the State weekly benefit amount, which may then be augmented by any benefit rights he has under the Federal law. The Federal legislation is intended only to assure that the combined payment which an individual receives will be adequate.

The Texas unemployment compensation law does not contain the disqualification quoted above. The provision cited by Mr. Claude Williams in his testimony before the Senate Finance Committee as requiring deductions from a claimant's State benefit of any Federal supplemental payment under S. 1274 disqualifies for the receipt of:

"(3) Old-age benefits under title II of the Social Security Act, as amended, or similar payments under any act of Congress, or a State legislature, or employer pension plan, provided, that if such remuneration is less than the benefits which would otherwise be due under this act, he shall be entitled to receive for such benefit period, if otherwise eligible benefits reduced by the amount of such remuneration" (sec. 5 (e), Texas Unemployment Compensation Act).

Payments under S. 1274, which are payable to individuals "with respect to their unemployment," would not seem to be similar to old-age benefits under title II of the Social Security Act. Even if payments under S. 1274 were assumed to be similar to old-age benefits under title II, however, the legal analysis set forth above would be equally applicable in construing this disqualification in harmony with the provision of the State law for cooperative arrangements. The attorney general of Texas in an opinion cited by Mr. Williams held that "Federal war displacement benefits" under legislation proposed in 1942 would be deductible from benefits under the Texas unemployment-compensation law. Whether that opinion would apply to benefits under S. 1274 cannot be determined with certainty from the opinion. A later opinion by the Texas attorney general, dated May 27, 1944, held that the Texas Unemployment Compensation Commission has the authority to enter into a reciprocal agreement with other State unemployment compensation agencies whereby one State may pay "benefits accruing in one or more other States through a centrally constituted agency."

While the authorities of each State will of course determine the effect of their own laws, the legal basis for cooperation with the Federal Government and making combined payments under S. 1274 would appear to be the same as the legal basis for cooperation with other State agencies and making combined payments of benefits accrued under two or more State laws.

EARLE V. SIMRELL,
Assistant General Counsel.

TEXAS UNEMPLOYMENT COMPENSATION COMMISSION,
Austin, Tex., September 4, 1945.

Mr. WALTER GEORGE,

*Chairman, Senate Finance Committee, Senate Office Building,
Washington, D. C.*

DEAR SENATOR GEORGE: I regret very much that I have not been able to furnish the enclosed information to your committee at an earlier date but due to the weekend Labor Day holiday, I was unable to obtain the information from the offices of the Social Security Board.

The provisions in the State laws to which I referred in my testimony were enacted for the purpose of preventing duplicate benefit payments under more than one State law or an unemployment compensation law of the Federal Government. The provision with reference to the Federal Government is especially applicable to unemployment benefits under the Railroad Employees Unemployment Benefits Act, which is a Federal unemployment-compensation system.

It is to be noted that the digest as furnished by the Social Security Board shows the provisions to be more restrictive than I had stated to the committee. Most of the States would completely bar an individual from the receipt of any unemployment compensation under their State laws, if drawing under a Federal law, whereas a few of the States, Texas being one of them, would simply deduct the Federal payment from the amount due under the State law.

You will note that the Social Security Board listed Texas as one of the States not having the provisions digested. I checked this morning with the Social Security Board's technician in this field and was advised that they were in error. So that of the 51 jurisdictions, 47 of them have provisions which would subtract the amount paid by the Federal Government from the amount paid by the State, or completely bar any payment to a claimant drawing or seeking unemployment compensation under a Federal unemployment compensation law.

May I express my deep appreciation for the opportunity of appearing before your committee.

Very truly yours,

CLAUDE A. WILLIAMS.

GUIDE FOR STATE EMPLOYMENT SECURITY ADMINISTRATION

Part I, Vol. 2, December 11, 1943, secs. 9500-9699

COMPARISON OF STATE UNEMPLOYMENT COMPENSATION LAWS

9567. Receipt of other remuneration:

A. Benefits under another State or Federal unemployment compensation law (47):

(1) Disqualified for the week with respect to which benefits received, or allowed but not yet received, (4): Connecticut, sec. 1339e (b) (4) A; Maine,¹ sec. 5 (e) (4); Rhode Island, sec. 7 (7) (c); West Virginia, art. VI, sec. 4 (5) (d).

(2) Disqualified for the week with respect to which benefits received or sought (4): Alaska,¹ sec. 5 (e); Georgia,¹ sec. 5 (f); New Hampshire,¹ sec. 4 F; North Carolina,⁴ sec. 96-14 (g).

(3) Disqualified for the week with respect to which benefits received or sought; but disqualification not to apply if other agency finally determines that individual is not entitled to such benefits (37): Alabama, sec. 214 G; Arizona,¹ sec. 56-1005 (f); Arkansas,¹ sec. 5 (f); California, sec. 57.5; Colorado, sec. 5 (f); Delaware,¹ sec. 5 (e) (1); District of Columbia, sec. 10 (g); Florida,¹ sec. 443.06 (5); Hawaii,¹ sec. 5 (f); Idaho, sec. 5 (f); Illinois,¹ sec. 7 (e); Indiana, sec. 7 (f) (6); Iowa, sec. 1551.11 F; Kansas,¹ sec. 44-706 (f); Kentucky, sec. 341.360 (2); Louisiana,^{1,5} sec. 4 (e); Maryland,¹ sec. 5 (f); Massachusetts, sec. 26; Michigan,¹ sec. 61 (a); Minnesota, sec. 268,08.2 (3); Mississippi,¹ sec. 7379 (f); Missouri,¹ sec. 9431 (II) (d); Nebraska,¹ sec. 48-628; Nevada,¹ sec. 5 (e); New Jersey,¹ sec. 43:21-5 (f); New Mexico,¹ sec. 5 (f); New York,¹ sec. 506.3; North Dakota, sec. 52,060.5; Ohio,¹ sec. 1345-7 (b); Oklahoma,¹ sec. 215 (f); Pennsylvania, sec. 402 (c) South Carolina,¹ sec. 7035-85 (e); South Dakota, sec. 17.0830 (7); Utah, sec. 42-2a-5 (f); Vermont, sec. 5 (f); Virginia, sec. 5 (e); Wyoming,¹ sec. 5 B IV.

(4) Disqualified for the week with respect to which benefits received (2): Montana, sec. 5 (e) (4); Oregon,² sec. 126-705 (g).

(5) No provision (4): Tennessee, Texas, Washington, Wisconsin.

B. Payments by Federal Government for unemployment following completion of military service (31):

(1) Individual disqualified for any week until rights to Federal payments are exhausted (24): Arizona, sec. 56-1003 (g) (8); Arkansas, sec. 3 (f) (6); California, sec. 57.7 (6); Connecticut, sec. 1339e (b) (7); District of Columbia, sec. 7 (f) (6); Florida,³ Reg. No. 11.7; Hawaii, sec. 3 (f) (9); Illinois, sec. 4 (f) (8); Indiana, sec. 7 (i) (5); Kansas, sec. 44-707 (h); Maryland, sec. 3 (d) (5); Massachusetts, L. 1941, ch. 701, sec. 5.

¹ The disqualification does not apply to weeks for which the claimant is seeking waiting period credit.

² Although Oregon has no provision regarding disqualification for any week with respect to which benefits are sought, it nevertheless has a provision for the cancellation of the disqualification if another agency finally determines that the individual is not entitled to benefits.

³ But if Federal benefits are less than weekly benefit amount, claimant is entitled to weekly benefit amount less Federal allowance plus \$2.

⁴ Specifies "shall have or assert any right to."

⁵ Does not apply to Federal benefits intended as a supplement to State benefits.

STATEMENT BY JOSEPH KEENAN, SECRETARY, CHICAGO FEDERATION OF LABOR, SUBMITTED TO THE UNITED STATES SENATE COMMITTEE ON FINANCE IN REGARD TO S. 1274

The Chicago Federation of Labor has instructed me to officially present its viewpoint in regard to the bill before you (S. 1274) which amends the War Mobilization and Reconversion Act of 1944 (Public Law 458, 78th Cong.) by providing supplemental unemployment compensation for workers who are idle during the time employers in our Nation are converting from war production to a peacetime basis.

It is our considered opinion that the proposal is a long step in the right direction and we favor its passage immediately.

President Truman in his message of May 28, 1945, clearly outlined the necessity of such legislation and the bill before you is the best, most concrete proposal measuring up to his message now pending in the Congress.

I wish to remind you that the President's message emphasized that Congress had provided for contract terminations, the carrying back by business of postwar losses against excess-profit-tax payments, support prices for agricultural products to protect farmers against postwar lessened incomes, for reconversion activities of all Federal agencies and cash payments to returning veterans until they are again absorbed into business or industry.

He further pointed out that a major gap remained in the reconversion program which was lack of adequate benefits for workers' temporary unemployment in the transition period from war to peace.

Due to the fact that most of us, including Congress, were not abreast of the scientific developments which ended the war suddenly, most everyone believed we would have ample time to plan for reconversion.

However, the war's end has come and the problem of reconversion and unemployment is upon us and the prompt passage of S. 1274 will do much to alleviate and lighten the burden now, upon many of the workers.

Objection to the bill has been raised in some quarters because under the bill those States having low unemployment benefits will receive more money per person unemployed than those States having higher unemployment benefits.

However, it must be remembered that the proposal before you is temporary stopgap legislation which is needed now and, therefore, fundamental changes requiring ample studies and much deliberation cannot be undertaken prior to action on the bill.

States' rights will, no doubt, be injected here by opponents of this measure and I desire to emphasize the fact that the bill does not disturb the Federal-State relationship in any way. The Federal Government does supplement State funds in order that States through their own unemployment agencies may pay the amount provided in the bill.

The bill will, therefore, not Federalize the State unemployment agencies and I hope this committee and the Congress will be on the alert against such spurious arguments which have absolutely no foundation as their base.

During the prewar depression the Federal Government was obliged to take the lead in order to provide for the relief of the unemployed and it was only the enactment of Federal legislation containing a tax remission feature which caused the enactment of State unemployment-compensation laws.

The States have not the time, if they were willing, to enact legislation to care for the crisis now upon us and if action by them was had many of them would not make adequate provisions.

We feel it is the duty of our Federal Government to do so in order that relief may be had from suffering or hardships caused by involuntary unemployment. In addition, unemployment compensation bolsters the economy of the Nation by maintaining confidence and purchasing power.

Mass purchasing power is absolutely necessary for the continuance of our economic system and while wartime savings will contribute to its maintenance, they should be supplemented by unemployment payments and the unemployed worker not forced to expend or rely entirely upon his savings.

Workers we represent rely mainly upon steady jobs under good conditions and high wages, but are convinced that it is the duty of the Government to provide them some income when something happens, not of their creating, which deprives them of their livelihood. As we all know, something is happening along these

lines at the present moment and it will continue for some time and affect millions. Hence the necessity for this bill, S. 1274.

I have mentioned unemployment compensation bolstering confidence and maintaining purchasing power. This is of great importance, for if those employed know that unemployment is to be alleviated their confidence is maintained and purchases of goods are made and industry rolls on. This thought also applies to those unemployed for they in turn will draw upon their savings and purchase more goods than if they had nothing from the Government to rely upon.

We sincerely hope that your committee will promptly report and the Congress enact this vitally necessary legislation.

STATEMENT OF JOHN F. SCHELLEY, PRESIDENT, SAN FRANCISCO LABOR COUNCIL

On behalf of the Central Labor Council of San Francisco, affiliated with the American Federation of Labor, I am submitting herewith a brief statement of views of the San Francisco Labor Council relative to the problems of unemployment compensation and employment security in California and the need for Federal legislation of the type envisaged by Senate Resolution 1274 and House Resolution 3891.

To identify myself for the record, may I say my name is John F. Shelley, president of the San Francisco Labor Council, which office I have held for the past 9 years. The San Francisco Labor Council is the parent body of the American Federation of Labor in the city and county of San Francisco and has affiliated with it all of the American Federation of Labor unions in this city. For further identification purposes and to point out that I personally have had some contact with this subject matter in the State of California I state that I am now, and have been since January 1939, the State senator from San Francisco County in the California Legislature, having been elected in 1938 and reelected in 1942. During that period of office I have always served on the social-welfare committee of the State senate and from May 1943 to July 1945 was chairman of a senate interim committee on unemployment insurance.

I am enclosing with the statement, which I ask be recorded, copies of the senate interim committee's report on unemployment insurance to the 1945 California Legislature. This report is being day by day more generally accepted as an authority on the present conditions in this State in connection with this subject.

A brief survey of the recorded facts concerning employment conditions in California today, and its present industrial economy, will establish a firm foundation from which an appraisal can be made of the vital problems of reconversion that are before us.

During the war California became the third largest State in the Union in population, with more than 8,000,000 people within its borders. It expanded industrially to the point where 3,500,000 people were employed, making an increase of more than 1,000,000 workers over 1940.

An analysis of these 1,000,000 new jobs which developed in California with the war and are disappearing with the termination of war production shows clearly what type of employment experienced the tremendous expansion. It has been chiefly the following: (1) Aircraft and shipbuilding manufacturing and (2) Federal Government employment.

It was in these two fields that the bulk of the 1,000,000 new wartime workers were engaged.

The total annual wages paid to workers in California's manufacturing industries soared from less than one-half billion dollars in 1940 to over 2 billion dollars in 1944.

In view of the foregoing, consider what has happened and what is happening in this State today. The most current statistical data brings the picture up to August 1, 1945. During the month of July 1945 there were approximately 800,000 persons working in manufacturing. This is 200,000 less than the number working in manufacturing during the month of July 1944. In July of this year there were an average of 25,000 workers drawing unemployment benefits each week with a total of 2 million dollars paid in benefits during the month. A year ago benefit payments were about one-half million dollars per month.

The facts clearly reveal that the reconversion period in California will be severe. The contraction in the two war-expanded industries of aircraft and shipbuilding and Federal Government employment alone will create a critical

economic dislocation and adversely affect purchasing power within the State. Along with this condition, it should be remembered that California's share of returning veterans is about 650,000.

Unfortunately, the State unemployment insurance system is not adequate to serve as an effective cushion against the shock of unemployment even in these two industries. Primarily, the civilian Federal Government workers are not covered under the State law. This is a serious defect in the Federal law which should be remedied without delay. The War Mobilization and Reconversion Act of 1944 in its original form contained a provision to cover Federal employees. This feature was amended out of the bill, however. California has a large number of Government owned and operated war plants. The employees are entirely without unemployment insurance protection while the workers doing the same work in private war plants are secured against the evils of unemployment. Secondly, the California Unemployment Insurance Act provides for weekly benefits of from \$10 to \$20 per week for an unemployed worker. These benefits last from 9 to 23.4 weeks; the shortcoming of the law in this respect being the limitation on the amount of benefits paid to any individual which in most cases is not even a sum for adequate subsistence as well as the variable period of payment. These shortcomings would be corrected by the enactment of either Senate Resolution 1274 or House Resolution 3891.

The average weekly earnings of workers in manufacturing industries in California approximate \$55 per week. It is impossible to attempt to maintain stabilized purchasing power during the reconversion period when the unemployed worker is compelled to maintain himself and family on a maximum of \$20 per week. The duration of benefits under the California law with a maximum of twenty-three and a fraction weeks is not any answer to the reconversion problem in this State.

In addition to the foregoing major defects of the present unemployment insurance system in meeting the specific problems facing us, there are numbers of other weaknesses in the California law. The workers of California are no different from those in any other State in the Union. We favor a program not on the basis of whether it is administered or exists by virtue of a State law rather than a Federal law, but on the ground of its operation and results in practice. The test is whether or not it meets the problems confronting the working people. The California Unemployment Insurance Act fails miserably in the eyes of the worker, despite the glossy picture presented by the State administrators who are concerned primarily with their own job security and the tax lobbyists who have made a small fortune out of the discriminatory merit rating tax system which has crept into nearly all State laws.

The California law, like most State laws, is restricted in coverage, exempting domestic service, nonprofit organizations, agricultural labor, government service, and other types of employment. As a result, only one-half of the workers in this State were protected by unemployment insurance in normal times. There are serious interstate problems. These include questions of coverage as well as questions of prompt payment of benefits to those workers who move to other States. The most destructive feature in the California unemployment compensation system is the merit rating principle, whereby a lower tax is allowed to certain employers even though they fail to maintain stabilized employment.

Need for Federal legislation.—It is the conviction of the San Francisco Central Labor Council, and we believe the opinion of all sincere citizens of this State, that an attempt to meet the problem of Nation-wide unemployment by individual State unemployment compensation laws is fundamentally unsound. Workers move from State to State. As a matter of fact, the program of Government, management, and labor through the war period was directed toward encouraging workers to move from State to State, thereby enabling the war-production program to have sufficient labor available for the requirements. Under individual State laws, the tax rates vary in each jurisdiction, the benefits are different, the delay in interstate payments is great. What workers desire is what is given under the Federal old age and survivors insurance law and the GI bill of rights, namely, uniform, fair, and equal rights anywhere in the United States.

However, even without a complete and comprehensive Federal system of employment security, which is the only real and ultimate answer, the proposed legislation contained in S. 1274 and H. R. 3891 would be a worth-while improvement for all State laws, particularly to California, for the next 2 years.

The need for covering Federal workers is great in this State. Statistics show California to be a critical area in this respect.

The need for providing at least a maximum of \$25 per week in benefits is vital to the economic stability of California. Additional allowances should be made for dependents.

The need for providing returning veterans with additional benefits under the GI bill in the case of dependents is necessary protection for the 650,000 servicemen who will return to California during the reconversion period.

Transportation costs to areas where work is available would greatly assist the readjustment of many workers who have come to California to meet the needs of war production.

While California law covers workers engaged in processing and packing as well as native workers, these provisions in the Kilgore bill are meritorious and should be retained.

It is the feeling of the San Francisco Labor Council that Senate bill 1274 and H. R. 3891, containing the above-mentioned provisions though they retain unemployment insurance on a State basis, propose the very minimum needed to preserve and protect the industrial welfare and economy of the United States, and particularly in California, during the reconversion period. We therefore respectfully urge the enactment into law of Senate bill 1274.

Respectfully submitted.

JOHN F. SHELLEY,
President, San Francisco Labor Council.

TELEGRAM SENT TO GOVERNORS OF ALL STATES BY THE SENATE FINANCE COMMITTEE

The bill, S. 1274, provides for Federal Government supplementing amount and duration of State unemployment benefits by means of voluntary agreement between State and Federal Government. If State does not wish to enter into such agreement, the Federal Government will make such supplementary payments directly. Would appreciate your immediate reply as to how your attorney general or legal department construes your State law: (1) Can your State enter into such agreement with Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment? (2) If your State does not enter into such an agreement would Federal supplementary payments result in reduction of the State amount? In brief, will your State under existing law be required to credit any payments made by Federal Government against the unemployment compensation benefits paid under your State law? Please advise by telegram collect.

REPLIES TO TELEGRAM OF THE SENATE FINANCE COMMITTEE

MONTGOMERY, ALA.

Re tel September 4. I am advised by the attorney general of Alabama that under the provisions of Alabama unemployment compensation law, section 214 (G), title 26, Alabama Code of 1940, the answer to question 1 set out in your telegram is "No" and the answer to question 2 is "Yes."

CHAUNCEY SPARKS, *Governor.*

PHOENIX, ARIZ.

Governor Osborn has referred your telegram of September 3 relative S. 1274 to this commission for answer. Attorney for commission advise it is his opinion Arizona Employment Security Act authorizes commission to enter into reciprocal arrangement with Federal Government to utilize Federal benefit rights without State payment being partially or totally reduced by amount of supplementary Federal payment. If States does not enter into such agreement and payments are made directly to claimants by Federal Government, Arizona statute prohibits payment of benefits from State fund for each week claimant is seeking or has received Federal benefits, consequently State fund would be relieved of all payments until claimants exhaust Federal credits. Special session Arizona Legislature convening September 10 is being requested to increase maximum benefit amount from \$15 to \$20 per week and to extend 14-week individual duration to 16-week uniform duration.

EMPLOYMENT SECURITY COMMISSION OF ARIZONA,
BRUCE PARKINSON, *Director.*

LITTLE ROCK, ARK.

Section 5-F of Arkansas Employment Security Act provides that an individual shall be disqualified from drawing unemployment compensation for any week with respect to which he has received or is seeking unemployment benefits under unemployment compensation law of another State or of the United States. Under this act any payment made under the proposed bill pending would disqualify an individual from receiving compensation under our act.

BEN LANEY, *Governor of Arkansas.*

SACRAMENTO, CALIF.

Am advised by Robert W. Kenny, attorney general of the State of California, that the California Unemployment Insurance Agency can execute agreements called for in Senate bill 1274 and can cooperate with Federal Government to the fullest extent and that any failure on the part of California to so cooperate would place the California law out of conformity with section 303 (c) of the Federal Social Security Act.

JAMES G. BRYANT,
Chairman, California Employment Stabilization Commission.

DENVER, COLO.

Re tel September 3 concerning unemployment compensation. Chapter 224, Session Laws of Colorado, 1941, provides in part as follows: "For any week with respect to which or a part he has received or is seeking unemployment benefits under an unemployment compensation law of another State of the United States, provided that if the appropriate agency of such other State of the United States finally determines that he is not entitled to such unemployment benefits this disqualification shall not apply." In my opinion the answers to your questions are as follows: Question No. 1, "No." Question No. 2, "Yes." Question No. 3 payments made by Federal Government would be credited against claimant and he also would be totally disqualified from receiving State benefits for any week in which he receives Federal benefits.

JOHN C. VIVIAN, *Governor of Colorado.*

HARTFORD, CONN.

Re your telegram September 3 and questions therein contained. 1, After conferring with attorney general it is our opinion that Connecticut could legally enter into an agreement with the Federal Government re payment of unemployment-compensation benefits without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment (subsec. F of sec. 1334E, ch. 280A, of the 1939 supplement to the general statutes). 2, There is grave doubt in our minds under existing law as to whether or not Federal supplementary payments would result in the reduction of the State amount if Connecticut did not enter into such an agreement (sec. 1339E, subdivision 4-A, ch. 280-A, 1930 supplement to Connecticut General statute).

RAYMOND E. BALDWIN, *Governor of Connecticut.*

WILMINGTON, DEL.

Gov. Walter W. Bacon has asked me to answer your wire of September 3 in respect to bill S. 1274 providing for the Federal Government supplementing the amount and duration of State unemployment benefits by means of voluntary agreement between State and Federal Government. Under existing law Delaware cannot enter into such an agreement with the Federal Government. Also under existing law an individual will be disqualified for any benefits under Delaware law if he receives any amount from the Federal Government intended to supplement State unemployment benefits.

C. J. KILLORAN,
Attorney General, Delaware.

TALLAHASSEE, FLA.

Reurtel S. 1274. Section 443.08 (5) of Florida law disqualifies for benefits "any individual for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or the United States." It is our opinion that said portion of our disqualification section may have reference to complete separate unemployment compensation program of another State or of the United States as distinguished from supplementary program as proposed in S. 1274. However, since said section has not been construed by Florida courts possibility exists that claimants under Florida law would be totally disqualified thereunder for any week in which they were claiming or receiving benefits as proposed in S. 1274. Therefore there is some doubt as to authority of Florida agency to enter into agreement guaranteeing that State benefits not be reduced or denied by reason of payments made pursuant to S. 1274.

MILLARD F. CALDWELL, *Governor*.

ATLANTA, GA.

Re your telegram September 3, State unemployment benefits. I am referring questions involved to Hon. Eugene Cook, attorney general, and requesting Mr. Cook to furnish your reply as expeditiously as possible. Regards.

ELLIS ARNALL, *Governor*.

ATLANTA, GA.

Retel September 3 to Governor Arnall re State unemployment benefits, section 5 (F) of the Georgia unemployment-compensation law provides as follows: "An individual shall be disqualified for benefits: (F) for any week with respect to which he has received or is seeking unemployment compensation under an employment-compensation law of another State or of the United States." Accordingly, it is my opinion that if the Georgia benefit allowance were to be supplemented by additional Federal allowance, a claimant would be disqualified from receiving benefits from the Georgia unemployment compensation fund under the terms of section 5 (F) of the Georgia law.

EUGENE COOK, *Attorney General*.

BOISE, IDAHO.

Re your wire of September 4 unemployment compensation, have been advised by attorney general that any payments received under the Federal law would be deducted from payments payable to benefit recipient under the Idaho law, and it would make no difference if the supplemented amount should come by reason of an agreement entered into between the State of Idaho and the Federal Government or a voluntary payment made by the Federal Government.

CHARLES C. GOSSETT,
Governor of Idaho.

CHICAGO, ILL.

As to increased weekly benefit amount: (1) "Yes," but only if the bill is amended to eliminate provision for payment of unemployment compensation to individuals directly by Federal Government; (2) if not so amended Senate bill 1274 might be construed as "an unemployment-compensation law of the United States" and the provision in section 7E of the Illinois unemployment compensation act which disqualifies an individual from receiving benefits "for any week with respect to which he has received or is seeking unemployment benefits under an unemployment-compensation law of the United States" might be applicable. As to increased duration, Illinois could enter into the agreement and payments made by Federal Government would not be credited against benefits under Illinois law.

DWIGHT H. GREEN, *Governor*.

DES MOINES, IOWA.

Iowa Senators Wilson and Hickenlooper are thoroughly familiar with provision of our unemployment-compensation law and can furnish you information.

ROBERT D. BLUE, *Governor*.

TOPEKA, KANS.

Re your telegram September 3, have had matter checked with the attorney general and he advises me as follows: "This State has no authority to enter into an agreement with the Federal Government on the provisions of S. 1274 as to supplementary unemployment benefits without reducing the amount of the State payment as provided in subsection (F), section 44-706, 1943 supplement, and this maintain the requirements of subsection (B), section 44-704, 1943 supplement. Compliance with the two subsections mentioned would bring the same reduction in the State payments, if Federal supplementary payments are made without any agreement with this State." Regards,

ANDREW F. SCHOEPPPEL,
Governor of Kansas.

FRANKFORT, KY.

Retel September 3 relative to Senate bill 1274, the attorney general advises that his answer to question No. 1 in telegram is "No"; answer to question No. 2 in telegram is "Yes."

SIMEON WILLIS, *Governor.*

FRANKFORT, KY.

In receipt your telegram September 3 reply pending opinion Kentucky attorney general. Will wire immediately.

RALPH A. HOMAN,
Executive Secretary.

BATON ROUGE, LA.

Reference S. 1274. Louisiana's unemployment-compensation law permits full utilization of Federal supplementation without deduction from State benefit allowances. Section 4 E, Act 160 of 1944 Louisiana Legislature. Louisiana attorney general has so advised me.

JAMES H. DAVIS, *Governor of Louisiana.*

AUGUSTA, MAINE.

Have been advised by attorney general that State cannot enter into agreement for supplementary unemployment benefits and extending the duration of payment of benefits without State legislative action. If the State could enter into such an agreement, Federal supplementary payments would result in reduction of amount State would pay under our State law. Our State under existing law would not be required to credit any payments made by the Federal Government against the unemployment-compensation benefits paid under our State law.

HORACE HILDRETH,
Governor of Maine.

ANNAPOLIS, MD.

In re telegram concerning supplementary unemployment-compensation benefits, am advised by State law department as follows: Section 5 (F) of the Maryland unemployment-compensation laws reads as follows: "An individual shall be disqualified for benefits for any week with respect to which, or a part of which, he has received, or is seeking, unemployment benefits under any unemployment-compensation law of another State of the United States," we feel that under the above section 5 our State will be required to credit during the period within which the State is making payment any payment made by the Federal Government under S. 1274, which the telegram of Senator Walter F. George says provides for Federal Government supplementing amount and duration of State unemployment benefits. State cannot enter into voluntary agreement with Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment.

HERBERT R. O'CONNOR, *Governor.*

LANSING, MICH.

Copy of Michigan attorney general's opinion on unemployment compensation with reference to bill S. 1274 is as follows: "This is in answer to your in-

quiry with special reference to two telegrams, one from Senator A. H. Vandenberg and one from Senator Walter F. George, under dates of September 1 and September 3, respectively, both with reference to bill S. 1274. Both of these telegrams, in substance, present two questions:

"1. Can Michigan enter into a voluntary agreement with the Federal Government increasing the weekly unemployment compensation pay and/or extend the period during which payments may be made?"

"2. If Michigan has no statutory authority to enter into any such agreement would supplementary payment by the Federal Government result in a reduction of the State payment; that is, would any Federal supplementary payment have to be included in the maximum weekly allowance under Michigan statute?"

"In answer to the first question, please refer to section 17.511, Michigan Statutes, Annotated Supplement, being section 11 of the Michigan Unemployment Compensation Act as amended. Subsections (C) and (F) particularly of this section 11 grant broad powers to the commission as to reciprocal agreements. However, section 27 of the act (sec. 17.529, Michigan Statutes, Annotated Supplement) expressly provides 'That no individual shall receive for any week of total unemployment a primary benefit which is greater than \$20.' (See also subsec. (D).)

"It is the opinion of this office that because of the limitation as to maximum payment the Michigan commission could not make any reciprocal agreement increasing the weekly payment, nor extending the payment period if such increase or extension involved the expenditure of any Michigan unemployment funds.

"Briefly, the commission may make no agreement with the Federal Government to 'match funds.'

"In answer to the second question, please refer to section 61 of the Unemployment Compensation Act, being section 17.565, Michigan Statutes, Annotated Supplement. We quote therefrom:

"'An individual shall be disqualified for benefits: (A) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment-compensation law of another State or of the United States.'

"We understand that in some opinions in support of the conclusion that the statutes of certain States necessitate deductions of Federal payments from the statutory maximum of any compensation payments made by the State, statutes are cited nearly identical with the Michigan statute (sec. 29 of the Michigan act, being sec. 17.531, Michigan Statutes, Annotated Supplement) reading as follows:

"'An individual shall be disqualified for benefits: (E) For any week with respect to which he is receiving or has received payments in the form of—

"'3. Compensation for temporary partial disability under the workmen's compensation law of any State or under a similar law of the United States, or old-age benefits under title 2 of the Social Security Act, as amended, or similar payments under any act of Congress: *Provided*, That if such payment is less than the benefits which would otherwise be due under this act, he shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such payments.'

"However, it is our conclusion that the words 'or similar payments under any act of Congress' should be construed to refer only to old-age benefits or workmen's-compensation benefits.

"Because of the above quoted section 61 (sec. 17.565, Michigan Statutes, Annotated Supplement) it is the opinion of this office that one receiving 'unemployment benefits under an unemployment compensation law of the United States' is not entitled to receive compensation under the State Unemployment Compensation Act.

"Conclusion: The answer to question 1 is that Michigan may not enter into a reciprocal agreement with the Federal Government which would increase payments or the period of payments if such increase or extension involved expenditure of Michigan unemployment funds.

"The answer to question 2 is that the receipt of Federal compensation would make the receiver thereof disqualified from receiving compensation under the Michigan act."

HARRY F. KELLY,
Governor of Michigan.

ST. PAUL, MINN.

Re your telegram 3d instant, there is no State authority to enter into agreement under S. 1274. If Federal act is an unemployment-compensation act, recipient of Federal payments thereunder is barred from receiving benefits under State acts for same period. If Federal aid is in form of gift there would be no deductions of State benefits.

EDWARD J. THYE, *Governor*.

BOSTON, MASS.

Relative your telegram bill 1274 attorney general advises me answer to question No. 1 is in the negative and answer to question No. 2 is in the affirmative. As Governor of the Commonwealth of Massachusetts I stand ready to use my emergency powers to suspend the operation of any State law or laws which interfere with making Federal supplemental benefit payments as to amount and duration available to Massachusetts unemployed workers would also recommend to incoming legislature in 1946 to modify State laws to make these Federal benefits available to Massachusetts workers for the duration ending May 1947.

MAURICE J. TOPIN,
Governor of Massachusetts.

JACKSON, MISS.

Reurtel September 3. Am advised by attorney general and unemployment compensation legal department that claims for or receipt of supplementation as proposed would disqualify benefit claimants under Mississippi unemployment compensation law. Disqualification would be accomplished whether State entered into agreement or supplementation resulted from direct payment of supplementation by Federal Government. Understand that laws of 47 other States, including District of Columbia and Hawaii, contain similar provisions. For foregoing reasons Mississippi could not legally enter into such agreement.

THOMAS L. BAILEY, *Governor*.

JEFFERSON CITY, MO.

Retel while the Missouri law authorizes agreements between the State and Federal Government as to unemployment compensation, our benefit sections seem to prohibit payments of benefits from both sources in the following language: "An individual shall be disqualified for benefits for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment-compensation law of another State or of the United States."

PHIL M. DONNELLY, *Governor*.

HELENA, MONT.

Under existing State laws extremely doubtful whether Montana could enter into agreement with Federal Government increasing amount and extending duration State unemployment benefits if supplementary payments are made by Government individual would be disqualified receiving benefits under State law State would not credit payments made by Federal Government against unemployment-compensation benefits received by State but individual receiving payments from Federal Government would be disqualified for benefits under our law.

SAM C. FORD, *Governor of Montana*.

LINCOLN, NEBB.

Relative to employment service: It appears that unemployment compensation is to continue to be administered by the States. If the States are to have a decent opportunity to do a good job it seems necessary that the employment service also be administered by the States, as they require complete coordination and should be operated as a unified employment program. I can see no emergency existing during the next 6 months which will not be existing 2 years from now, and I am certain that an immediate return of the employment service

to the States would be beneficial to the unemployed. Early action on this matter and on bills relating to unemployment-compensation benefits is necessary in order that unemployed may know exactly where they stand, permitting them to adjust themselves accordingly.

DWIGHT GRISWOLD, *Governor.*

LINCOLN, NEBR.

Replying on S. 1274 question. Nebraska attorney general advises: "(1) Under our law Nebraska can enter into such agreement with the Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment; (2) if Nebraska does not enter into such agreement Federal supplementary payments would result in reduction of the State amount.

DWIGHT GRISWOLD, *Governor of Nebraska.*

CARSON CITY, NEV.

Reurwire September 3, opinion attorney general, if interpreting employment-security laws of Nevada relative question No. 1: If State of Nevada entered into an agreement with Federal Government under present State law it would result in State payment being partially or totally reduced by amount of supplementary Federal payment. Question No. 2: If State of Nevada does not enter into such an agreement, the Federal supplementary payments would result in reduction of State amount. It appears very clear that present State law would require the State to credit any payments made by Federal Government against the unemployment-compensation benefits paid under State law.

VAIL PITTMAN, *Governor of Nevada.*

CONCORD, N. H.

New Hampshire cannot enter into agreement with Federal Government resulting in payments in excess of \$20 per week for 20 weeks from State unemployment funds without additional legislative authority. Supplementary payments by Federal Government whether paid directly or through the unemployment compensation division would have no effect on amount of employment paid by this State.

CHARLES M. DALE, *Governor.*

TRENTON, N. J.

Acknowledging your telegram, this will advise you the attorney general of New Jersey has ruled that this State may enter into an agreement with the Federal Government for additional payments to unemployed in New Jersey above our statutory maximum and that such payments by the Federal Government of these additional sums will not in any way reduce the amount which is due to these employed workers under State laws. However, New Jersey legislature last March increased maximum payments from \$18 to \$22 per week and extended the duration payments from 18 weeks to 26 weeks, thus placing New Jersey in second position in the Nation for total benefit payments and along with four other States in the very top position for duration of payments. In addition, New Jersey law has been broadened to include employers of four or more workers and provided coverage for maritime workers.

WALTER E. EDGE, *Governor.*

SANTA FE, N. M.

Reurtel Attorney General, Clyde McCulloh cites the section of our law which reads "An individual shall be disqualified for benefits for any week with respect to which, or a part of which, he has received or is seeking unemployment benefits under an unemployment-compensation law of another State or of the United States, provided, that if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment

benefits, this disqualification shall not apply." Regarding this the attorney general says "The State could not agree with the Federal Government to continue paying State benefits if a person receives supplementary benefits from the Federal Government nor could such State benefits be paid if any Federal benefits are sought or received by the person."

JOHN J. DEMPSEY, *Governor.*

ALBANY, N. Y.

DEAR SENATOR GEORGE: on behalf of Governor Dewey, I acknowledge your telegram of September 3, 1945, relative to bill S. 1274 and certain provisions of the New York State law relating to unemployment benefits. I am transmitting your telegram to the attorney general, from whom, I am sure, it will receive appropriate consideration and attention. ●

Sincerely yours,

LAWRENCE E. WALSH,
Assistant Counsel to the Governor.

ALBANY, N. Y.

Answering your telegram to Governor Dewey, in reference to S. 1274 which has been referred to me as attorney general, I desire to advise you as follows: (1) If the New York State statute be liberally construed, it would appear to permit the State industrial commissioner to enter into an agreement with the United States on terms "fair and reasonable to all affected interests" for payment of supplementary benefits provided by possible Federal contributions and the benefits under State law would not be reduced thereby. New York now provides unemployment insurance up to maximum of \$21 per week for 26 weeks of unemployment. Before entering into agreement industrial commissioner would have to determine whether the Federal statute contributing greater proportion of maximum benefits to other States than to New York is fair and reasonable.

(2) In the absence of such agreement New York law as amended at suggestion of Federal Social Security Board presently provides that claimant receiving benefits under unemployment-insurance law of the United States can receive no State unemployment compensation for same period.

NATHANIEL L. GOLDSTEIN,
Attorney General, State of New York.

RALEIGH, N. C.

Answering your telegram of September 3, 1945 to Governor Cherry re Senate bill 1274, the legal department of the Unemployment Compensation Commission of North Carolina is of the opinion: 1. The State of North Carolina has the right under the law to enter into agreement with the Federal Government by which the Federal Government supplements payment of benefits and duration of period without the payments being partially or totally reduced by the amount of the supplementary Federal payment. 2. In the absence of any agreement between the State of North Carolina and the Federal Government and the Federal Government pays unemployment benefits directly to an individual such individual under the North Carolina statute is disqualified for benefits during the period in which he has or asserts any right to such Federal benefits. 3. Three is answered in 1 and 2 above.

UNEMPLOYMENT COMPENSATION COMMISSION,
CHARLES U. HARRIS, *Acting Chief Counsel.*

BISMARCK, N. DAK.

Our statute would permit Federal supplementary payments under voluntary agreement without resulting in State payment being reduced. Without agreement State payments in question and apparently would be reduced.

FRED G. AANDAHL,
Governor of North Dakota.

COLUMBUS, OHIO.

In re your telegram to Frank J. Lausche, Governor of Ohio. Attention is directed to section 1345-7, General Code of Ohio, which provides "No benefits shall be paid for any week with respect to which or a part of which an individual has received or is seeking unemployment benefits under an unemployment compensation law of any other State or of the United States." Letter will follow.

HUGH S. JENKINS,
Attorney General of Ohio.

COLUMBUS, OHIO.

DEAR SIR: Your telegram of September 3 to Governor Lausche, wherein you inquire whether the enactment of S. 1274 will operate to reduce the amount of unemployment compensation benefits paid by the State of Ohio, has been referred to this office.

In regard thereto, I might submit the following: The Kilgore bill proposes two modes of procedure whereby the unemployment compensation provided by the laws of the several States may be supplemented (1) by an agreement between the Federal Government and the State, whereby the United States will pay over to the State the difference between the amount allowed by the State law and the amount proposed by the Federal law, and the State will distribute it to the individuals entitled thereto under its laws; (2) if the State fails to enter into such an agreement, then the Federal Government will make supplementary payments to individuals for a period and in amounts substantially equivalent to payments which would have been made from Federal funds had the State entered into such agreement.

It seems evident that if the first mentioned procedure is to be followed, some officer of the State would have to be given authority by the legislature to enter into such agreement.

If such authority were given without an express declaration on the part of the legislature, it would be doubtful whether one who accepted such supplementary benefit from the Federal Government through the agency of the State would be relieved from the conditions of section 1345-7, General Code of Ohio, which provides:

"No benefits shall be paid for any week with respect to which or a part of which an individual has received or is seeking unemployment benefits under an unemployment compensation law of any other State or of the United States."

If the State should enter into such agreement, it is possible that a claimant's benefits would not be limited by the provisions of section 1345-7, General Code; however, this is not without some question, and if the legislature sees fit to give such authority it should do so in clear language, which leaves no question of its intention to relieve such recipient from the condition expressed in the statute above quoted.

If the execution of such contract is not authorized and payments are received from the Federal Government by way of supplementary benefits, as contemplated by the Kilgore bill, then it appears that the recipient would automatically cut himself off from the right to receive the unemployment compensation provided by present laws to be paid by the State of Ohio.

Very truly yours,

HUGH S. JENKINS, *Attorney General.*

OKLAHOMA CITY, OKLA.

Reply to your telegram you are advised Attorney General of Oklahoma advises that under Oklahoma Unemployment Compensation Act supplementary payments by Federal Government under S. 1274 would not result in reduction of compensation paid by State. State agency could enter into reciprocal agreement with Federal Government for such supplementary payments without reduction of amount paid by State agency. Attorney general advises that while there is considerable question in regard to the matter, the above are his views.

ROBERT S. KERR,
Governor of Oklahoma.

SALEM, OREG.

State legal department advises under Oregon statutes State has authority to enter such unemployment-benefit agreement with Federal Government described your wire. Also advises laws expressly disqualify workers in this State from receiving State unemployment compensation if for any time he receives benefits from other States or Federal Government.

EARL SNELL, *Governor.*

HARRISBURG, PA.

MY DEAR SENATOR: Your wire is acknowledged, and the attorney general's department advises me as follows:

Answer to question No. 1: If the Commonwealth of Pennsylvania should enter into an agreement with the Federal Government to pay \$25 for 26 weeks, payments would still be limited by section 404 of the Pennsylvania Unemployment Compensation Act as last amendment by Act No. 408, approved May 29, 1945, to \$20 for 20 weeks. Amendments to existing law would be necessary to increase weekly payments to \$25 for 26 weeks.

Answer to question No. 2: Under section 402 (c) an employee is ineligible for compensation if he receives unemployment-compensation benefits under the unemployment-compensation law of any other State or of the United States. Hence, if a claimant would receive additional benefits directly from the Federal Government, under our law he would be disqualified.

Very sincerely,

EDWARD MARTIN, *Governor.*

PROVIDENCE, R. I.

Public Laws of Rhode Island, 1940, chapter 812, read in part "an individual shall be disqualified from receiving benefits for any week of his unemployment occurring within any period with respect to which such individual is currently receiving, or has received, remuneration in the form of (C) benefits under an unemployment-compensation law of any State of the United States." Accordingly, unless Rhode Island State law is amended benefit payments under unemployment-compensation law of the United States either by way of direct supplementary Federal payment or through agency of State by way of voluntary agreement totally bars benefit claimant from any benefits under Rhode Island State law.

J. HOWARD McGRATH, *Governor.*

COLUMBIA, S. C.

Retel September 3, answer to first question, "Yes." Answer to second and third questions, "No."

RANSOME J. WILLIAMS, *Governor.*

PIERRE S. DAK.

Reurtel have submitted request for official opinion to attorney general on unemployment compensation and will advise you as soon as opinion received.

M. Q. SHARPE,
Governor of South Dakota.

NASHVILLE, TENN.

Retel Federal supplementation of State unemployment compensation payments under S. 1274. It is permissible under our State law for Tennessee to enter into an agreement with the Federal Government without resulting in the State benefit payment being partially or totally reduced by the amount of the supplementary Federal payment.

If this State should not enter into such an agreement Federal supplementary payments would not occasion a reduction in the State benefit amount. In response to your last question this State under existing law would not be required

to credit any payments made by the Federal Government against the unemployment compensation benefits paid under our State law.

The majority of States have specific provisions on the subject in their law dealing with unemployment compensation payments under other jurisdictions. This is not true in Tennessee.

JIM MCCOBD, *Governor.*

AUSTIN, TEX.

Reurtel September 3 requesting legal opinion on S. 1274, opinion of attorney general of Texas answers both questions one and two negatively: That is, Federal supplementary payments under the Kilgore bill would not result in payments by the Texas Unemployment Compensation Commission being partially or totally reduced by the amount of the Federal payment.

COKE STEVENSON, *Governor.*

STATE OF UTAH,

Salt Lake City, September 8, 1945.

DEAR SENATOR GEORGE: After receiving your telegram of September 3, I asked the attorney general to construe the laws of Utah with respect to workmen's compensation, particularly as they might be affected by S. 1274. For your information, I am quoting herein the opinion of the attorney general.

"You request advice as to whether or not an otherwise eligible individual can legally be paid unemployment compensation benefits under the provisions of the Utah Employment Security Act while seeking or receiving benefits pursuant to the provisions of H. R. 3736, Seventy-ninth Congress. This bill proposes to amend the War Mobilization and Reconversion Act of 1944 by establishing a new title, 'Title VII, Temporary Reconversion Unemployment Benefits.' By its terms, this proposed Federal bill provides, among other things, that the Federal Government, through the Director of War Mobilization and Reconversion, will for each week of total unemployment pay each individual who is eligible for the State maximum weekly benefit amount, supplemental benefits equal to the difference between the State maximum weekly benefit amount and \$25. Individuals eligible would be paid supplemental benefits proportionately. The act further provides that eligible individuals will be paid extended benefits, that is, a number of weeks of benefits which, when added to the total weeks of benefits to which an individual is entitled under the provisions of the State act, will equal 26. The act defines "supplemental benefits" as a supplementary amount payable with respect to a week of total unemployment. It further provides that the several unemployment compensation agencies of the United States, that is, the several States, shall act as agents of the Federal Government for the payment of these Federal benefits.

"The Utah Employment Security Act, section 42-2a-5 (f), Utah Code Annotated, 1943, provides that an individual shall be ineligible for benefits or for purposes of establishing a waiting period:

"(f) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or the United States, *Provided*, That if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

"The intent of the Utah Legislature, as evidenced by the mandatory language of the above-quoted subsection, was to prevent the payment of benefits from the Utah employment compensation fund for the particular week during which an individual was seeking or receiving benefits under any other unemployment compensation act, either State or Federal. H. R. 3736 clearly is an unemployment compensation act and must be so construed. You are advised, therefore, that an individual who is seeking or receiving benefits for a week of unemployment pursuant to the provisions of H. R. 3736 will be disqualified from receiving benefits under the Utah act for such week.

"The Utah act does not prohibit the paying of extended benefits as an agent for the Federal Government under the provisions of the proposed Federal act since these extended benefits would be paid after the individual had exhausted his rights under the Utah act. Sections 42-2a-11 and 42-2a-18, Utah Code

Annotated, 1943, authorize the industrial commission to enter into arrangements with agencies of other States or of the Federal Government so as to afford cooperation in the administration of any unemployment insurance law, provided, however, that such law does not specifically violate other provisions of the Utah act such as the above-quoted section 42-2a-5 (f), Utah Code Annotated, 1943."

If you desire additional information, I shall be glad to supply it.

Yours truly,

HERBERT B. MAW, *Governor.*

MONTPELIER, VT.

I am advised that the State of Vermont cannot enter into agreement referred to in recent telegram with Federal Government without resulting in State payment being partially or totally reduced by the amount of the supplementary Federal payment. Vermont does not enter into such an agreement, Federal supplementary payments would result in reduction of the State amount.

MORTIMER R. PROCTOR,
Governor of Vermont.

RICHMOND, VA.,

Referring to your telegram of September 3 to Hon. Colgate W. Darden, Jr., Governor of Virginia, you are advised that under the provisions of S. 1274 now being considered, it is my opinion that the Unemployment Compensation Commission of Virginia does not have the power under the Virginia Unemployment Compensation Act to enter into any such agreement as contemplated in question No. 1 of your telegram. With respect to question No. 2, I am of the opinion that should Congress provide for supplementary payments, claimants for benefits under the Virginia State law could not be paid benefits under such State law for any week with respect to which or a part of which he has received or is seeking such supplementary payments.

KENNETH C. PATTY,
*Assistant Attorney General of Virginia, Counsel for Virginia
Unemployment Compensation Commission.*

OLYMPIA, WASH.

Reurtel S. 1274 and State of Washington. Attorney general advises our State can enter into voluntary agreement re Federal supplementary amount and duration of State unemployment benefits. Should Federal Government increase either amount or duration of benefits under agreement or otherwise would not result in Washington State payment being totally or partially reduced by amount of Federal supplementary payment. State not required to credit any payments made by Federal Government against State unemployment-compensation benefits. For any further details please contact John Davis, commissioner of Washington State Unemployment Compensation, Washington Hotel, room 528. He is appearing before Senate Finance Committee.

MON C. WALLGREN, *Governor.*

CHARLESTON, W. VA.

Retel September 3. Attorney general advises: To question 1, "Can your State enter into such agreement with Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment?" Answer, "No." To question 2, "If your State does not enter into such an agreement, would Federal supplementary payments result in reduction of the State amount?" Answer, "Yes." To question, "Will your State, under existing law, be required to credit any payments made by Federal Government against the unemployment-compensation benefits paid under your State law?" Answer: Individual receiving benefits under any other State or Federal law ineligible for benefits under law of this State.

CLARENCE W. MEADOWS,
Governor of West Virginia.

MADISON, Wis.

Reurtel unemployment benefits, reply to first question is "Yes"; second question, "No."

WALTER S. GOODLAND, *Governor*.

CHEYENNE, WYO.

It is the tentative opinion of attorney general receipt of supplemental benefits as proposed by S. 1274 would bar compensation benefits under Wyoming act, also that it is very doubtful whether State may legally enter into agreement with Federal Government as proposed in bill.

LESTER C. HUNT, *Governor*.

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