

# **THE EMERGENCY UNEMPLOYMENT COMPENSATION EXTENSION ACT OF 1977**

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## **HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE NINETY-FIFTH CONGRESS**

**FIRST SESSION**

**ON**

**H.R. 4800**

**AN ACT TO EXTEND THE EMERGENCY UNEMPLOYMENT  
COMPENSATION ACT OF 1974 FOR AN ADDITIONAL YEAR,  
TO REVISE THE TRIGGER PROVISIONS IN SUCH ACT, AND  
FOR OTHER PURPOSES**

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**MARCH 22, 1977**

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Printed for the use of the Committee on Finance



U.S. GOVERNMENT PRINTING OFFICE

86-447 O

WASHINGTON : 1977

5361-9

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## THE EMERGENCY UNEMPLOYMENT COMPENSATION EXTENSION ACT OF 1977

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

The committee met, pursuant to notice, at 10:20 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the committee), presiding.

Present: Senators Long, Talmadge, Byrd of Virginia, Bentsen, Matsunaga, Curtis, Hansen, Dole, and Danforth.

The CHAIRMAN. The committee will come to order.

Today, we will hear testimony on legislation to extend the Emergency Unemployment Compensation Act of 1977, which is scheduled to terminate at the end of this month under existing law.

The Federal-State Unemployment Compensation System is intended to serve as a temporary bridge between jobs for workers who became involuntarily separated. In ordinary circumstances, State programs provide a maximum of 26 weeks of unemployment benefits and in times of high unemployment, an additional 13 weeks of benefits.

The longer duration reflects the probability some workers will have to spend a longer time searching for work during a period when jobs are scarce.

In 1974 the severe recession we experienced led to a high unemployment whereby Congress found it necessary to enact an emergency unemployment program providing even longer duration of benefits than are available under present law.

This emergency program was enacted in response to a crisis situation and was extended in 1975, with the understanding that it was an emergency program which would be phased out as soon as unemployment levels declined and other measures to deal with long-term unemployment were developed.

The President has recommended one more extension of this emergency benefits program with, however, a reduction in the maximum duration under all programs from 65 to 52 weeks and with the final phaseout of the program on March 31, 1978.

H.R. 4800 embodies the President's proposals with some modifications.

[The press release announcing this hearing and the bill H.R. 4800 follows. Oral testimony continues on p. 23.]

P R E S S   R E L E A S E

FOR IMMEDIATE RELEASE  
March 14, 1977

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

FINANCE COMMITTEE SETS HEARINGS ON EMERGENCY  
UNEMPLOYMENT COMPENSATION EXTENSION

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the Committee plans to hold a hearing on H.R. 4800, the Emergency Unemployment Compensation Extension Act of 1977. The hearing will be held on Tuesday, March 22 at 10:00 a.m. in Room 2221 Dirksen Senate Bldg.

Senator Long noted that H.R. 4800 had been ordered favorably reported by the Committee on Ways and Means of the House of Representatives. It is expected that the bill will be considered by the House during the week of March 21.

Because this legislation involves a program which will expire on March 31, the Finance Committee is scheduling a hearing date at this time so that the Committee can begin its consideration of the bill as soon as it has been passed by the House of Representatives.

Under permanent law, benefits are payable to persons who become unemployed under state unemployment insurance programs, generally for a maximum of 26 weeks. In times of high unemployment, the Federal-State Extended Unemployment Compensation Act provides up to 13 additional weeks of benefits. Because of the extremely high levels of unemployment which the country experienced in the past few years, the Congress enacted in 1974 and extended in 1975 the Emergency Unemployment Compensation Act of 1974. This Act provides additional weeks of benefits for those who have exhausted their entitlement to regular and extended benefits. The emergency program provides up to 26 weeks of benefits (making a maximum under all programs of 65 weeks). Under existing law, the emergency benefits program is effective only in states with insured unemployment rates of 5 percent or more. No benefits are payable under the program for weeks of unemployment beginning after March 31, 1977.

H.R. 4800 as ordered reported by the Ways and Means Committee would extend the program for 1 year with a maximum of 13 weeks benefits. It would also modify the program to make benefits available in local areas with high rates of insured unemployment even if the state was below the 5 percent state "trigger" rate. The Ways and Means bill also includes new work requirements and provides general revenue financing for emergency benefits paid during the next year. The bill also provides a further temporary deferral of the repayment of Federal advances made to a number of states to meet their regular benefit costs.

Request to Testify. -- The Chairman advised that witnesses desiring to testify during this hearing must submit their requests

to Michael Stern, Staff Director, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D. C. 20510, not later than Thursday, March 17, 1977. Witnesses will be notified as soon as possible after this cutoff date as to when they are scheduled to appear. Once the witness has been advised of the date of his appearance, it will not be possible for this date to be changed. If for some reason the witness is unable to appear on the date scheduled, he may file a written statement for the record of the hearing in lieu of a personal appearance.

**Consolidated Testimony.** -- Senator Long also stated that the Committee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Committee. This procedure will enable the Committee to receive a wider expression of views than it might otherwise obtain. The Chairman urged very strongly that all witnesses exert a maximum effort, taking into account the limited advance notice, to consolidate and coordinate their statements.

**Legislative Reorganization Act.** -- Senator Long stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify must comply with the following rules:

- (1) A copy of the statement must be filed by noon the day before the day the witness is scheduled to testify.
- (2) All witnesses must include with their written statement a summary of the principal points included in the statement.
- (3) The written statements must be typed on lettersize paper (not legal size) and at least 100 copies must be submitted by the close of business the day before the witness is scheduled to testify.
- (4) Witnesses are not to read their written statements to the Committee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.
- (5) Not more than ten minutes will be allowed for oral presentation.

**Written Testimony.** -- The Chairman stated that the Committee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by Tuesday, March 22, 1977, to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D. C. 20510.

95TH CONGRESS  
1ST SESSION

# H. R. 4800

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IN THE SENATE OF THE UNITED STATES

MARCH 22 (legislative day, FEBRUARY 21), 1977

Read twice and referred to the Committee on Finance

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## AN ACT

To extend the Emergency Unemployment Compensation Act of 1974 for an additional year, to revise the trigger provisions in such Act, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Emergency Unemploy-  
5 ment Compensation Extension Act of 1977".

6 **TITLE I—AMENDMENTS TO THE**  
7 **EMERGENCY UNEMPLOYMENT**  
8 **COMPENSATION PROGRAM**

9 **SEC. 101. EXTENSION OF PROGRAM.**

10 (a) **GENERAL RULE.**—Paragraph (2) of section 102  
11 (f) of the Emergency Unemployment Compensation Act

1 of 1974 is amended by striking out "March 31, 1977" and  
2 inserting in lieu thereof "March 31, 1978".

3 (b) EFFECTIVE DATE.—The amendment made by sub-  
4 section (a) shall apply to weeks of unemployment ending  
5 after March 31, 1977.

6 **SEC. 102. PAYMENT OF EMERGENCY BENEFITS ON THE**  
7 **BASIS OF STATE OR AREA TRIGGERS AND 52-**  
8 **WEEK DURATION OF BENEFITS.**

9 (a) AREA EMERGENCY BENEFIT PERIODS.—

10 (1) Subparagraph (A) of section 102 (c) (3) of  
11 the Emergency Unemployment Compensation Act of  
12 1974 is amended—

13 (A) by striking out "any State" each place it  
14 appears and inserting in lieu thereof "any area of  
15 a State";

16 (B) by striking out "a State 'emergency on'  
17 indicator" and inserting in lieu thereof "an area  
18 'emergency on' indicator"; and

19 (C) by striking out "a State 'emergency off'  
20 indicator" and inserting in lieu thereof "an area  
21 'emergency off' indicator".

22 (2) Subparagraph (B) of such section 102 (c) (3)  
23 is amended to read as follows:

24 "(B) For purposes of subparagraph (A), in the case  
25 of any area of a State—



1           “(i) There is an area ‘emergency on’ indicator for  
2 any week—

3           “(I) if there is a State or National ‘on’ indicator  
4 for such week (as determined under subsections (d)  
5 and (e) of section 203 of the Federal-State Ex-  
6 tended Unemployment Compensation Act of 1970),  
7 and

8           “(II) if the rate of insured unemployment in  
9 such area for the period consisting of the most  
10 recent 3 calendar months ending before such week  
11 equaled or exceeded 5 per centum, or if the rate of  
12 insured unemployment in the State for the period  
13 consisting of such week and the immediately preced-  
14 ing 12 weeks equaled or exceeded 5 per centum.

15           “(ii) There is an area ‘emergency off’ indicator  
16 for any week—

17           “(I) if there is a State and National ‘off’ indica-  
18 tor for such week (as determined under subsections  
19 (d) and (e) of section 203 of the Federal-State  
20 Extended Unemployment Compensation Act of  
21 1970), or

22           “(II) if the rate of insured unemployment in  
23 such area for the period consisting of the most recent  
24 3 calendar months ending before such week is less  
25 than 5 per centum, and if the rate of insured unem-

1           employment in the State for the period consisting of  
2           such week and the immediately preceding 12 weeks  
3           is less than 5 per centum.”.

4           (b) 52-WEEK DURATION PERIOD FOR EMERGENCY  
5 BENEFITS.—Subsection (e) of section 102 of such Act is  
6 amended—

7           (1) by striking out paragraphs (2) and (3) and  
8           inserting in lieu thereof the following:

9           “(2) The amount established in such account for any  
10 individual shall be equal to the lesser of—

11           “(A) 50 per centum of the total amount of regular  
12           compensation (including dependents’ allowances) pay-  
13           able to him with respect to the benefit year (as deter-  
14           mined under the State law) on the basis of which he  
15           most recently received regular compensation; or

16           “(B) 13 times his average weekly benefit amount  
17           (as determined for purposes of section 202 (b) (1) (C)  
18           of the Federal-State Extended Unemployment Com-  
19           pensation Act of 1970) for his benefit year.”;

20           (2) by redesignating paragraph (4) as paragraph  
21           (3); and

22           (3) by striking out “amounts determined under  
23           paragraphs (2) and (3) with respect to any individual  
24           shall each” in paragraph (3) (as so redesignated) and

1 inserting in lieu thereof "amount determined under  
2 paragraph (2) with respect to any individual shall".

3 (c) DEFINITION OF AREA.—Section 105 of such Act is  
4 amended—

5 (1) by striking out paragraph (5) and re-  
6 designating paragraphs (6), (7), and (8) as para-  
7 graphs (7), (8), and (9), respectively; and

8 (2) by inserting after paragraph (4) the following  
9 new paragraphs:

10 "(5) the term 'area' means, with respect to any  
11 State—

12 "(A) a labor market area or part of a labor  
13 market area which is located within such State,  
14 and

15 "(B) all other parts of such State which are  
16 not located within any labor market area;

17 "(6) the term 'labor market area' means any  
18 area (determined without regard to paragraph (5))  
19 designated by the Secretary as being a contiguous popu-  
20 lation center with a population of at least 250,000  
21 individuals;".

22 (d) SPECIAL RULE WHERE BENEFITS ARE NOT IN  
23 EFFECT IN AN ENTIRE STATE.—Section 105 of such Act is

1 amended by inserting “(a)” after “SEC. 105.” and by adding  
2 at the end thereof the following new subsection:

3 “(b) For purposes of this Act, to the extent that an  
4 emergency benefit period is not in effect in all areas of a  
5 State, the determination of an individual’s period of eligibility  
6 or additional eligibility period or of whether there is an emer-  
7 gency benefit period applicable to the individual shall be  
8 made by reference to the area in which the indi-  
9 vidual was last employed during the base period for the  
10 benefit year with respect to which such individual most  
11 recently received regular compensation.”

12 (c) TECHNICAL AMENDMENTS.—

13 (1) Paragraph (4) of section 105 (a) of such Act  
14 (as amended by subsection (d)) is amended by strik-  
15 ing out “a State” and inserting in lieu thereof “any  
16 area of a State”.

17 (2) Paragraph (2) of section 102 (b) of such  
18 Act is amended—

19 (A) by striking out “section 105 (2)” and  
20 inserting in lieu thereof “section 105 (a) (2)”; and

21 (B) by striking out “section 105 (4)” and  
22 inserting in lieu thereof “section 105 (a) (4)”.

23 (f) EFFECTIVE DATES.—

24 (1) IN GENERAL.—Except as provided in para-  
25 graph (2), the amendments made by this section shall

1 take effect with the week beginning on April 24, 1977.  
2 If for the last week beginning before April 24, 1977,  
3 there is an emergency benefit period in effect in a State,  
4 any emergency benefit period in effect in any area of  
5 such State for the week beginning on April 24, 1977,  
6 shall, for purposes of section 102 (c) (3) (A) (ii) of the  
7 Emergency Unemployment Compensation Act of 1974,  
8 be treated as a continuation of the emergency benefit  
9 period which was in effect in such State for the last week  
10 beginning before April 24, 1977.

11 (2) SUBSECTION (b).—The amendments made by  
12 subsection (b) shall apply to weeks of unemployment  
13 ending after March 31, 1977.

14 **SEC. 103. FINANCING OF EMERGENCY UNEMPLOYMENT**  
15 **COMPENSATION FROM GENERAL FUNDS.**

16 (a) GENERAL RULE.—Section 104 of the Emergency  
17 Unemployment Compensation Act of 1974 is amended to  
18 read as follows:

19 "FINANCING PROVISIONS

20 "SEC. 104. (a) The Secretary shall from time to time  
21 certify to the Secretary of the Treasury for payment to each  
22 State the sums payable to such State under this Act. The  
23 Secretary of the Treasury, prior to audit or settlement by  
24 the General Accounting Office, shall make payments to the  
25 State, in accordance with such certification, by transfers

1 of funds appropriated pursuant to the authorization provided  
 2 by subsection (b) to the account of such State in the Un-  
 3 employment Trust Fund.

4 “(b) There are authorized to be appropriated, without  
 5 fiscal year limitation, from the general fund of the Treasury  
 6 such sums as may be necessary to carry out the purposes  
 7 of this Act.”

8 (b) **EFFECTIVE DATE.**—The amendment made by sub-  
 9 section (a) shall apply to payments to States to the extent  
 10 that such payments are attributable to emergency compensa-  
 11 tion paid to individuals for weeks of unemployment ending  
 12 after March 31, 1977.

13 **SEC. 104. DENIAL OF EMERGENCY COMPENSATION TO IN-**  
 14 **DIVIDUALS WHO REFUSE OFFERS OF SUIT-**  
 15 **ABLE WORK OR WHO ARE NOT ACTIVELY**  
 16 **SEEKING WORK.**

17 (a) **GENERAL RULE.**—Section 102 of the Emergency  
 18 Unemployment Compensation Act of 1974 is amended by  
 19 adding at the end thereof the following new subsection:

20 “(h) (1) Except as provided in paragraph (3), emer-  
 21 gency compensation shall not be payable for any week to  
 22 any individual otherwise eligible to receive such compensa-  
 23 tion if during such week such individual—

24 “(A) fails to accept any offer of suitable work

1 or to apply for any suitable work to which he was  
2 referred by the State agency, or

3 “(B) fails to actively engage in seeking work.

4 “(2) If any individual is ineligible for emergency com-  
5 pensation for any week by reason of a failure described in  
6 subparagraph (A) or (B) of paragraph (1), the individual  
7 shall be ineligible to receive emergency compensation for  
8 any week which begins during a period which—

9 “(A) begins with the week following the week  
10 in which such failure occurs, and

11 “(B) does not end until such individual has been  
12 employed during at least 4 weeks which begin after  
13 such failure and the total of the remuneration earned  
14 by the individual for being so employed is not less than  
15 the product of 4 multiplied by the individual's average  
16 weekly benefit amount (as determined for purposes of  
17 section 202 (b) (1) (C) of the Federal-State Extended  
18 Unemployment Compensation Act of 1970) for his  
19 benefit year.

20 “(3) Emergency compensation shall not be denied under  
21 paragraph (1) to any individual for any week by reason of  
22 a failure to accept an offer of, or apply for, suitable work—

23 “(A) if the average weekly remuneration payable

1 to such individual for the position does not exceed the  
2 sum of—

3 “(i) 120 percent of the individual’s average  
4 weekly benefit amount (as determined for purposes  
5 of section 202 (b) (1) (C) of the Federal-State Ex-  
6 tended Unemployment Compensation Act of 1970)  
7 for his benefit year, plus

8 “(ii) the amount (if any) of supplemental un-  
9 employment compensation benefits (as defined in  
10 section 501 (c) (17) (D) of the Internal Revenue  
11 Code of 1954) payable to such individual for such  
12 week;

13 “(B) if the position was not offered to such individ-  
14 ual in writing and was not listed with the State employ-  
15 ment service;

16 “(C) if such failure would not result in a denial  
17 of compensation under the provisions of the applicable  
18 State law to the extent that such provisions are not in-  
19 consistent with the provisions of paragraph (4); or

20 “(D) if the position pays wages less than the higher  
21 of—

22 “(i) the minimum wage provided by section  
23 6 (a) (1) of the Fair Labor Standards Act of 1938,  
24 without regard to any exemption; or



1           “(ii) any applicable State or local minimum  
2           wage.

3           “(4) For purposes of this subsection—

4           “(A) The term ‘suitable work’ means, with respect  
5           to any individual—

6           \_\_\_\_\_ “(i) any work for which the individual is  
7           reasonably fitted by training and experience; and

8           “(ii) any work for which an individual lacks  
9           the required skills and training if, in connection with  
10          the job, the individual is provided with the neces-  
11          sary training to perform the work.

12          If the State agency determines that an individual’s pros-  
13          pects for obtaining work in his customary occupation  
14          are poor, the determination of whether any work is suit-  
15          able work for the individual shall be made without  
16          regard to whether the work involves lower pay or lesser  
17          skills than the individual’s customary occupation.

18          “(B) An individual shall be treated as actively en-  
19          gaged in seeking work during any week if—

20          “(i) the individual has engaged in a syste-  
21          matic and sustained effort to obtain work during —  
22          such week, and

23          “(ii) the individual provides tangible evidence

1 to the State agency that he has engaged in such an  
2 effort during such week.”

3 (b) **EFFECTIVE DATE.**—The amendment made by sub-  
4 section (a) shall apply to weeks of unemployment beginning  
5 after the date of the enactment of this Act.

6 **SEC. 105. RECOVERY OF OVERPAYMENTS.**

7 (a) **GENERAL RULE.**—Section 105 of the Emergency  
8 Unemployment Compensation Act of 1974 is amended by  
9 adding at the end thereof the following new subsection:

10 “(c) (1) If an individual knowingly has made, or  
11 caused to be made by another, a false statement or repre-  
12 sentation of a material fact, or knowingly has failed, or  
13 caused another to fail, to disclose a material fact, and as a  
14 result of such false statement or representation or of such  
15 nondisclosure such individual has received an amount of  
16 emergency compensation under this Act to which he was  
17 not entitled, such individual—

18 “(A) shall be ineligible for further emergency com-  
19 pensation under this Act in accordance with the provi-  
20 sions of the applicable State unemployment compensation  
21 law relating to fraud in connection with a claim for un-  
22 employment compensation; and

23 “(B) shall be subject to prosecution under section  
24 1001 of title 18, United States Code.

25 “(2) (A) In the case of individuals who have received

1 amounts of emergency compensation under this Act to which  
2 they were not entitled, the State is authorized to require such  
3 individuals to repay the amounts of such emergency compen-  
4 sation to the State agency, except that the State agency  
5 may waive such repayment if it determines that—

6 “(i) the payment of such emergency compensation  
7 was without fault on the part of any such individual, and

8 “(ii) such repayment would be contrary to equity  
9 and good conscience.

10 “(B) The State agency may recover the amount to be  
11 repaid, or any part thereof, by deductions from any emer-  
12 gency compensation payable to such individual under this  
13 Act or from any unemployment compensation payable to  
14 such individual under any Federal unemployment compen-  
15 sation law administered by the State agency or under any  
16 other Federal law administered by the State agency which  
17 provides for the payment of any assistance or allowance with  
18 respect to any week of unemployment, during the three-year  
19 period after the date such individuals received the payment  
20 of the emergency compensation to which they were not en-  
21 titled, except that no single deduction may exceed 50 per  
22 centum of the weekly benefit amount from which such deduc-  
23 tion is made.

24 “(C) No repayment shall be required, and no deduction  
25 shall be made; until a determination has been made, notice

1 thereof and an opportunity for a fair hearing has been given  
2 to the individual, and the determination has become final.

3       “(3) Any determination by a State agency under para-  
4 graph (1) or (2) shall be subject to review in the same  
5 manner and to the same extent as determinations under the  
6 State unemployment compensation law, and only in that  
7 manner and to that extent.”

8       (b) **EFFECTIVE DATE.**—The amendment made by sub-  
9 section (a) shall take effect on the date of the enactment  
10 of this Act.

11 **SEC. 106. MODIFICATION OF AGREEMENTS.**

12       The Secretary of Labor shall, at the earliest practicable  
13 date after the date of the enactment of this Act, propose to  
14 each State with which he has in effect an agreement under  
15 section 102 of the Emergency Unemployment Compensation  
16 Act of 1974 a modification of such agreement designed to  
17 provide for the payment of emergency compensation under  
18 such Act in accordance with the amendments made by this  
19 title. Notwithstanding any other provision of law, if any  
20 State fails or refuses, within the 3-week period beginning  
21 on the date the Secretary of Labor proposes such a modifica-  
22 tion to such State, to enter into such a modification of such  
23 agreement, the Secretary of Labor shall terminate such  
24 agreement effective with the end of the last week which ends  
25 on or before the last day of such 3-week period.

**1 TITLE II—REPAYMENT OF STATE  
2 LOANS**

**3 SEC. 201. REPAYMENT OF STATE LOANS.**

**4** (a) GENERAL RULE.—The last sentence of section  
**5** 3302 (c) (2) of the Internal Revenue Code of 1954 (relat-  
**6** ing to reduction in credits against unemployment tax) is  
**7** amended by striking out “January 1, 1978” each place it  
**8** appears and inserting in lieu thereof “January 1, 1980”.

**9** (b) STATE REQUIREMENTS.—The amendment made  
**10** by subsection (a) shall not apply in the case of any State  
**11** unless the Secretary of Labor finds that such State meets  
**12** the requirements of section 110 (b) of the Emergency Com-  
**13** pensation and Special Unemployment Assistance Extension  
**14** Act of 1975.

**15 TITLE III—TECHNICAL AMEND-  
16 MENTS TO UNEMPLOYMENT  
17 COMPENSATION AMENDMENTS  
18 OF 1976**

**19 SEC. 301. DELAY IN EFFECTIVE DATES WHERE STATE  
20 LEGISLATURE DOES NOT MEET IN 1977.**

**21** (a) COVERAGE OF CERTAIN SERVICE PERFORMED FOR  
**22** NONPROFIT ORGANIZATIONS AND FOR STATE AND LOCAL  
**23** GOVERNMENTS.—Subsection (d) of section 115 of the Un-  
**24** employment Compensation Amendments of 1976 is amended  
**25** to read as follows:

1       “(d) **EFFECTIVE DATE.**—

2               “(1) Except as provided in paragraph (2), the  
3       amendments made by this section shall apply with  
4       respect to certifications of States for 1978 and subse-  
5       quent years; except that—

6               “(A) the amendments made by subsections  
7               (a) and (b) shall only apply with respect to serv-  
8       ices performed after December 31, 1977; and

9               “(B) the amendments made by subsection (c)  
10       shall only apply with respect to weeks of unemploy-  
11       ment which begin after December 31, 1977.

12              “(2) In the case of any State the legislature of  
13       which does not meet in a regular session which closes  
14       during the calendar year 1977, the amendments made  
15       by subsection (c) shall only apply with respect to weeks  
16       of unemployment which begin after December 31, 1978  
17       (or if earlier, the date provided by State law).”

18       (b) **PREGNANCY DISQUALIFICATIONS.**—Subsection  
19       (c) of section 312 of the Unemployment Compensation  
20       Amendments of 1976 is amended to read as follows:

21              “(c) **EFFECTIVE DATE.**—

22              “(1) Except as provided in paragraph (2), the  
23       amendments made by this section shall apply with  
24       respect to certifications of States for 1978 and subse-  
25       quent years.

1           “(2) In the case of any State the legislature of  
2           which does not meet in a regular session which closes  
3           during the calendar year 1977, the amendments made  
4           by this section shall apply with respect to the certifica-  
5           tion of such State for 1979 and subsequent years.”

6           (c) ELECTION OF LOCAL GOVERNMENTS TO USE RE-  
7   IMBURSEMENT METHOD.—Subsection (c) of section 506  
8   of the Unemployment Compensation Amendments of 1976  
9   is amended to read as follows:

10          “(c) EFFECTIVE DATE.—

11               “(1) Except as provided in paragraph (2), the  
12               amendments made by this section shall apply with re-  
13               spect to certifications of States for 1978 and subsequent  
14               years, but only with respect to services performed after  
15               December 31, 1977.

16               “(2) In the case of any State the legislature of  
17               which does not meet in a regular session which closes  
18               during the calendar year 1977, the amendments made by  
19               this section shall apply with respect to the certification  
20               of such State for 1979 and subsequent years, but only  
21               with respect to services performed after December 31,  
22               1978.”

23               (d) EFFECTIVE DATE.—The amendments made by this  
24   section shall take effect on October 20, 1976.

1 **SEC. 302. CLARIFYING AMENDMENTS.**

2 (a) **ILLEGAL ALIENS.**—Subparagraph (A) of section  
3 3304 (a) (14) of the Internal Revenue Code of 1954 (relat-  
4 ing to denial of unemployment compensation to illegal aliens)  
5 is amended by striking out “or otherwise” and inserting “, is  
6 lawfully present for purposes of performing such services,  
7 or”.

8 (b) **REIMBURSEMENT METHOD OF FINANCING FOR**  
9 **LOCAL GOVERNMENTS.**—Paragraph (2) of section 3309 (a)  
10 of such Code (relating to State law requirements) is  
11 amended by striking out “or group of organizations” and in-  
12 serting in lieu thereof “or group of governmental entities or  
13 other organizations”.

14 (c) **DISQUALIFICATION OF TEACHERS.**—Clause (i) of  
15 section 3304 (a) (6) (A) of such Code is amended—

16 (1) by striking out “instructional research” and  
17 inserting in lieu thereof “instructional, research”; and

18 (2) by striking out “two successive academic years”  
19 and inserting in lieu thereof “two successive academic  
20 years or terms”.

21 (d) **EFFECTIVE DATE.**—The amendments made by thi  
22 section shall take effect on October 20, 1976.



1 **SEC. 303. DELAY IN REPORTING DATES FOR NATIONAL**  
2 **COMMISSION ON UNEMPLOYMENT COMPEN-**  
3 **SATION.**

4 (a) **INTERIM REPORT.**—Subsection (f) of section 411  
5 of the Unemployment Compensation Amendments of 1976  
6 (relating to interim report of National Commission on Un-  
7 employment Compensation) is amended by striking out  
8 “March 31, 1978” and inserting in lieu thereof “Septem-  
9 ber 30, 1978”.

10 (b) **FINAL REPORT.**—Subsection (g) of such section  
11 411 (relating to final report) is amended by striking out  
12 “January 1, 1979” and inserting in lieu thereof “July 1,  
13 1979”.

Passed the House of Representatives March 21, 1977.

Attest: EDMUND L. HENSHAW, JR.,

*Clerk.*

The CHAIRMAN. Our first witness this morning in Hon. Ernest Green, Assistant Secretary of Labor for Employment and Training.

Mr. GREEN. Thank you, Mr. Chairman.

Before I speak, I would like to introduce the rest of my associates. To my right is Larry Weatherford, Administrator of the Unemployment Insurance Service; Murray Rubin, Chief of the Division of Program Policy and Legislation; and James Manning, Chief of Actuarial Services.

The CHAIRMAN. Thank you.

**STATEMENT OF ERNEST GREEN, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, ACCOMPANIED BY LAURENCE WEATHERFORD, ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE; MURRAY RUBIN, CHIEF, DIVISION OF PROGRAM POLICY AND LEGISLATION; AND JAMES MANNING, CHIEF, DIVISION OF ACTUARIAL SERVICES**

Mr. GREEN. I appreciate the opportunity to appear before you today to discuss legislation that is important to economic recovery—extension of the temporary Federal supplemental benefits program. This program, enacted in December 1974 as an emergency measure, is scheduled to expire on March 31, 1977.

As it now stands, the program provides a maximum of 13 weeks of emergency benefits for an overall maximum total of 52 weeks of regular, extended and emergency benefits in a State with an insured unemployment rate of between 5 and 6 percent, and a maximum of 26 weeks of emergency benefits—65 overall—in States with rates of 5 percent or more.

Mr. Chairman, the committee's announcement identified H.R. 4800 as the subject of this hearing. I shall discuss that bill, but I wish at the outset to reaffirm the administration's support for the original FSB extension proposals transmitted to Congress by Secretary Marshall on February 22 and introduced by Congressman Corman as H.R. 3723.

Both H.R. 4800 and the administration's proposal would extend the life of the FSB program beyond its scheduled termination date of the end of this month. Both would also establish 13 weeks as the maximum amount of emergency benefits payable during the extension. It is important that this committee know our reasons for the extension and the 13-week limit.

Mr. Chairman, we are confident that the economic stimulus package proposed by President Carter will improve the economy. Two key elements of the President's economic package are the creation of jobs in the private sector and the expansion of the Public Service Employment program.

These programs will help many of those who are, or who would be, eligible for FSB. Individuals who have received 15 or more weeks of unemployment benefits are one of the target groups for PSE.

These individuals are being identified by the Department's Employment and Training Administration and by the State agencies so that they can be referred to PSE jobs under the Comprehensive Employment and Training Act. These steps, along with an expanded effort

to provide intensified job search assistance for claimants, will help shorten the period of unemployment for many of the long-term unemployed.

In dealing with the Nation's unemployment problems, we strongly prefer the creation of new jobs to the provision of unemployment compensation. However, until our efforts produce the positive impact on the economy that we expect, we will continue to be faced with high levels of unemployment in many States. FSB is needed for those who cannot find jobs during this interim period.

As of the end of February, 32 States had insured unemployment rates of over 5 percent, and there were more than 500,000 beneficiaries receiving FSB. Seasonal factors may increase the number of States somewhat by the end of this month.

If the FSB program terminates as scheduled on March 31, 1977, far more than the over half-million current FSB recipients will be affected. We estimate that during calendar year 1977, an additional 1,500,000 claimants will exhaust regular extended benefits.

If FSB is allowed to expire, these workers also will be cut off from protection. Thus, about 2 million individuals will be left with no compensation.

The individuals receiving FSB are generally persons with long work histories before being hit by the economic downturn. The Department transmitted to the Congress in January a study of the characteristics of FSB claimants. This study showed: FSB beneficiaries average 17 years of employment since their first regular job; during the 3 years prior to claiming UI, they averaged 26 months of employment; without FSB payments, one out of three beneficiaries would have had household incomes below the poverty level; and a quarter-million households with FSB recipients were prevented by FSB from falling below the poverty level.

Mr. Chairman, not only has the FSB program had a critically important impact for individual workers and their families, but it has also played a substantial part in maintaining consumer purchasing power to aid the entire economy. During the calendar year 1975, 2.76 million claimants received \$2.57 billion in benefits. In 1976, 2.33 million claimants were paid \$2.95 billion in the 41 States that were triggered "on" at some time during the course of the year.

It is clear, therefore, that in certain States which continue to have poor economic conditions, we are going to need FSB continued beyond this month.

In the bill we submitted February 22, we therefore proposed an extension of FSB for those hard-hit States until December 31, 1977, with a phaseout of continued claims until March 31, 1978.

In other words, individuals will be permitted to make initial FSB claims through December 31, 1977, and those that have made such claims will be permitted to draw benefits through March 31, 1978.

H.R. 4800 would extend the program until March 31, 1978, with no phaseout period. We think a phaseout period is important to avoid abrupt termination of payments to those determined eligible and is critical to our being able to make a rational judgment on the future of the FSB program without the pressure of sudden terminations.

We also believe that the maximum number of weeks of FSB payable during the extension should be limited to 13 weeks in States with insured unemployment rates of 5 percent or higher. The result will be an overall limit in those States of 52 weeks for regular benefits, extended benefits, and FSB. This is the same as in H.R. 4800.

Mr. Chairman, the administration believes that FSB payments should continue to be based exclusively upon State triggers. Such an approach, which was initiated by this committee when FSB was extended for its current period, has worked well and is administratively sound and generally equitable.

We have serious concerns about the provisions of H.R. 4800 that would base benefits not only on State triggers, but also on local area triggers. We are today discussing a temporary extension of a temporary program. This is a time when we should be discussing a phasing down of the program, not making major changes in it that will make it harder to administer.

A program of area triggers will pose some enormous administrative problems for the Employment and Training Administration and the State employment security agencies. I am also concerned, however, with the perception of the program by the public. Under H.R. 4800 situations would occur where unemployed workers living in the same neighborhood will be treated differently solely because one individual's last base period job occurred in an area of high unemployment, while his neighbor's last job was in an adjacent area where the unemployment rate had not yet hit 5 percent.

Such situations can exist now, especially when individuals cross State lines to work; however, these situations will appear much more frequently if we turn to area triggers. For these reasons, we urge against adding area triggers at this date to the FSB program. We see no sound reason to so complicate this temporary program during the last months of its existence.

Mr. Chairman, we also see no reason to alter the financing at this time. Under the current FSB program, general revenues are used to provide repayable advances to the Extended Unemployment Compensation Account in the Federal Unemployment Trust Fund.

Repayment will come from future receipts from employer taxes under the Federal Unemployment Tax Act. H.R. 4800, however, would provide for general revenue financing of the FSB extension instead of charging the costs to future employer taxes. H.R. 4800 would also provide an additional 2-year deferral in the time by which States with outstanding loans will become subject to increased employer taxes for repayment of the loans prescribed in Federal law.

Mr. Chairman, we recommend against both these financing changes at this time. We are concerned about the appropriate source of FSB funding. We are equally concerned about the serious problem that the prolonged recession has caused for the solvency of the entire Federal-State unemployment compensation system.

The administration is now studying these problems. Our studies are keyed to preserving the insurance principle of the unemployment compensation program and the State experience rating systems. But we are not yet ready to recommend changes.

Moreover, we believe that a temporary extension of a temporary program is not the best vehicle for dealing with the UI system's financing problems.

Mr. Chairman, we estimate the cost of the extension we propose will be about \$500 million in fiscal year 1977 and about \$400 million in fiscal year 1978. The provisions of H.R. 4800 would instead cost \$570 million in fiscal year 1977 and \$580 million in fiscal year 1978.

The FSB program is a temporary emergency measure. It was not designed to provide permanent solutions to the problem of long-term unemployment. We would prefer to place the difference in dollars between our proposal and H.R. 4800 in job creation. In our view, this would contribute more to genuine economic recovery. We hope you will join with us in moving in this direction.

The CHAIRMAN. Thank you very much, sir, for your very thoughtful presentation.

Senator Talmadge, would you like to ask a question?

Senator TALMADGE. Yes.

Mr. Secretary, I call your attention to your testimony on page 5, paragraph 2, "The Administration believes that FSB payments should continue to be based exclusively on the State triggers. Such as approach, which was initiated by this committee when FSB was extended for its current period, has worked well and is administratively sound and generally equitable. We have serious concerns about the provisions in H.R. 4800 that would base benefits not only on State triggers, but also on local area triggers."

That is one of the objections that I have heard from the unemployment service in Georgia. They tell me it would be virtually impossible, if not completely impossible, to enforce the law if it was applicable in one section of the State, and inapplicable in some other section of the State.

Do you agree with that?

Mr. GREEN. We do. In addition, Senator, we think the stimulus package as we have outlined it, which is run through our CETA prime sponsor system, is targeted upon those areas most in need in providing the jobs that we have laid out in the stimulus program.

Senator TALMADGE. One of the examples that has been pointed out to me in the State of Georgia concerns Atlanta, our largest metropolitan area, and Gainesville, Ga., some 50 miles from Atlanta where there is a very mobile society. People there work and sometimes drive 110 miles round trip a day to their jobs in Atlanta.

In an illustration that was pointed out to me, you could have a fellow who would be unemployed, worked in Atlanta, Ga., and living in Gainesville, Ga., and another individual who also lived in Gainesville, Ga., who had worked in Gainesville, Ga.—both of them living side by side, both of them unemployed, who could be treated differently under the House bill.

Do you concur with that?

Mr. GREEN. That is true.

Senator TALMADGE. That would be unequal protection under the law. Would you agree with that?

Mr. GREEN. We feel so.

Senator TALMADGE. It would also be extremely difficult to administer, would it not?

Mr. GREEN. That is true, sir.

Senator TALMADGE. Thank you, Mr. Secretary.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. The House bill includes a rather long and complicated work test. As I understand it, anyone could refuse a job that does not pay as much as his usual occupation and does not use his skills until the employment agency makes a positive finding that his prospects for getting that usual job are poor.

Do you think that anyone who has been unemployed for 9 months can properly be assumed to have poor prospects for reemployment in his usual occupation?

Mr. GREEN. According to the way we have approached it, yes. We have attempted to help claimants to adjust their work sights in accepting alternative work; we have pursued this matter vigorously. Last fiscal year, we had some 100,000 claimants that we withdrew from benefits.

Senator HANSEN. Unemployment compensation generally is considered as a program that provides a source of income to people who are regularly employed during brief periods of temporary unemployment. How do we reconcile this definition with another extension of the emergency benefits program?

I might add, a full year of unemployment hardly seems a brief period of temporary unemployment.

Mr. GREEN. As I outlined in my statement, Senator, that we are beginning our stimulus activity, but we have not had enough time to get that going. We feel that proposing FSB for another year is a temporary approach. We are also proposing to terminate the program as of next March.

We feel that is necessary, it is equitable.

Senator HANSEN. A year from now?

Mr. GREEN. Yes.

We feel at that time there will not be the need for FSB as the economic stimulus package takes hold.

Senator HANSEN. Figures received yesterday from the National Labor Policy Associates indicates while unemployment is 7.5 percent, unemployment among those who have been out of work 15 weeks is 2.3 percent. Is the FSB program really necessary for this really very small group?

Mr. GREEN. We feel the FSB program is necessary. Given that many States will have continuing high unemployment, we feel that the FSB program is necessary to maintain parity and equity in those States, to cover those workers who are continuing to experience undue unemployment.

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

The CHAIRMAN. Senator Danforth?

Senator DANFORTH. There has been a little bit of debate about what constitutes unemployment, who is going to be included in the definition of unemployment, particularly with women in increasing numbers coming into the work force.

Are you satisfied with the existing definition of unemployment?

Mr. GREEN. Obviously the new administration will be looking at the question of unemployment. As presently defined, we are satisfied with it, yes.

Senator DANFORTH. You feel that the percentages that are in the law now are adequate?

Mr. GREEN. We feel the percentages are, yes.

Senator DANFORTH. Thank you, Mr. Chairman.

The CHAIRMAN. I have three questions I would like to ask. I will submit you the questions in writing so you can look at them and better understand what I am asking.

First, on the matter of income-testing, the study of the emergency benefits population in 1975 which Congress required to be made shows that most households have substantial income from other sources. Since the House bill proposes to fund the remaining months of this program from general revenues, would it not be appropriate to establish a simple income test to limit benefits to those households whose income is below some low-income standard?

Mr. GREEN. Mr. Chairman, we believe that to inject this at this time into a temporary program would make the program difficult to administer and put into effect. Second, as you know, the administration is considering welfare reform as a very important part of its program activity, and we expect that out of our deliberations on welfare reform—and we are in consultation with both houses of Congress—that we would be able to better address this at a later period of time.

Presently under the temporary extension, we feel that it would be very difficult to administer a simple income test.

The CHAIRMAN. It seems to me you people should be thinking about these problems. We think about them up here. You have a lot more time to think about these problems than we do, because you live with them day to day.

Here are the income figures: A typical family in which the wife was a beneficiary had an average income for the year of \$12,500 including her benefits. The husband's earnings in such cases averaged \$8,600.

One out of every five emergency benefit recipients had income in excess of \$15,000.

Now, some people look upon this unemployment insurance program as a vacation with pay program. You work for awhile with pay, then you live on the Government program for 6 months or a year. Obviously you do not want your program to be a ripoff; I do not, either.

When somebody, let us say, is drawing as much as a year of benefits and they have \$15,000 of income in addition to those benefits, why should we not regard those kind of people as being a poor insurance risk and simply say, I am sorry, you have had as much benefit from this program as the country can afford? This program is for people who do not have other sources of income and people who do not have the choice of using this as a vacation with pay program.

Mr. WEATHERFORD. I think we are giving some consideration to this. We find ourselves in this position now: That the basic unemployment insurance program, we do not believe, needs to be income tested or needs tested. What we have here is a long-term program. Sixty-five weeks of unemployment compensation is something we are not accustomed to.

We do, as a part of the regular program, give consideration to these factors in our administration, but the program is based on the insurance system. The replacement of lost wages is the thing that is

terribly important in the regular program. When you leave the regular program and go to this extended one, it is grounds to think about it differently.

The CHAIRMAN. If you are trying to insure someone against the theft of his property and every time you turn around he had another claim on you, after awhile you would say look, we just cannot insure you any more. You are just too big of a burden for us to carry.

I do not know why we should not take a similar view in the unemployment insurance program. I would ask you, if people make a racket out of this program why can we not take a look at how they do it and modify the law to keep it from being a racket?

Mr. WEATHERFORD. I am very sensitive to what you are saying, Senator Long. We are very concerned about who is eligible.

As the Secretary said, in our regular program, we have identified, for example, in 1976, 2 million cases where individuals did not look for work, they were not able to work, or they refused jobs and we took them off the rolls. We are concerned about this issue, Senator Long, in our regular program.

When we move from this to our temporary program, we have some concern about the income test.

The CHAIRMAN. The great majority of people in the country think welfare reform should mean that people who have no rightful claims to these benefits should not be getting it.

In their view, welfare reform should include this program, as far as people who are not looking for work at all.

Do you agree with that?

Mr. GREEN. Yes, sir.

The CHAIRMAN. If you do not have any suggestions to correct this problem, I think you ought to go to work and generate some. Give us some help in trying to improve this program.

I have to defend this program to my constituents. I have to run for office. The same is true of the other members of this committee. If we vote for a program, we should be in a position to defend it. If there is something wrong, we should be in a position to explain why.

My next question concerns characteristics of unemployment benefit recipients.

The study of the emergency benefits program mandated by the 1975 law extending the program shows that most households receiving these benefits also have substantial other sources of income. Apparently, however, the Department has no comparable survey data concerning the household income of persons receiving regular or extended unemployment benefits.

What plans does the Department have for conducting research which would shed some light on the economic characteristics of regular benefits for households?

Mr. WEATHERFORD. We have underway now a program that would address this issue, in the regular and extended program. It is called continuous wage and benefit histories studies which is a collection of information for research purposes as a part of the ongoing program.

In addition to that, we are planning to collect this kind of data on a survey basis. We already have eight States which have undertaken it.



Senator Talmadge, Georgia is one of them, and we have already started the process working. We are planning to expand that so we will have data, maybe not on all States, but data that will be subject to national implications.

The CHAIRMAN. Let us look at the next question.

Under the House bill, emergency unemployment benefits would be paid in labor market areas with 5 percent or more unemployment, and in parts of States outside labor market areas, if those parts have a combined insured unemployment rate of 5 percent or more.

Are these labor market areas already designated or will that have to be done after enactment?

Can you explain how these areas and rest-of-State insured unemployment rates will be determined?

Mr. WEATHERFORD. Taking the first question first, there are two sets of labor market areas which are available. One is the one that is published in an official list by the Office of Management and Budget. Those are already identified.

There is a second list published by the Labor Department in a publication called Area Trends, which has about 19 additional areas where there is some difference.

We have to have a clear understanding of what the Congress enacts, of which list that Congress would like to have used. The one thing that we would like to ask for is a clear understanding, so that we will not get into court, and so forth about whether an area is in or out, or a county is in or out of an area.

We need a clarification.

The second part is we had some discussion over in the House of how do you determine these areas originally? The House originally put in total unemployment rates as opposed to the insured unemployment rates, and we determined that State agencies have in their files the data necessary to calculate such area rates. We do not have such information at national levels, but we have set in motion procedure that will collect that information in the event it is needed.

The CHAIRMAN. Thank you, sir.

Senator Curtis?

Senator CURTIS. Who pays the unemployment compensation tax?

Mr. WEATHERFORD. The employers who are covered under the Federal Unemployment Tax Act.

Senator CURTIS. Is that true in all States?

Mr. GREEN. That would be true in all States.

Mr. WEATHERFORD. Three States have an employee tax, Senator Curtis.

Senator CURTIS. What three?

Mr. WEATHERFORD. Alabama, Alaska, and New Jersey.

Senator CURTIS. Where do the employers get the money to pay this tax?

Mr. GREEN. It is the cost of doing business.

Senator CURTIS. They get it from their customers, do they not?

Mr. WEATHERFORD. Certainly.

Senator CURTIS. How many of the adult population never draw unemployment compensation from these funds?

Mr. WEATHERFORD. I do not have that.

Senator CURTIS. How many do draw?

Mr. WEATHERFORD. I guess I do not know that either.

Senator CURTIS. Among those who draw, do you know how many are repeaters?

Mr. WEATHERFORD. We have some studies on that, Senator Curtis, that gives some indication in selected States that we could furnish you.\*

Senator CURTIS. These questions are leading up to a matter on my mind. That is, what do you think should be the test and the requirement as to what is suitable employment?

If a person wants to draw unemployment compensation which is paid for by all the rest of the people—because the businessmen do not pay the taxes; they get it from their customers and transmit it—what should the requirement be as to what kind of a job refusal it would take to disqualify someone from benefits?

Mr. WEATHERFORD. As you know, every State has in its law a requirement that claimants accept suitable work, and that gets us to the question, I guess, as to what is suitable work.

Senator CURTIS. Right now, the Federal Government is supplementing the State funds.

Mr. WEATHERFORD. They are lending the States money.

Senator CURTIS. The extended period is a Federal expense.

Mr. WEATHERFORD. The employers pay the Federal unemployment tax into a Federal account from which these funds—

Senator CURTIS. I am talking about supplemental benefits.

Mr. WEATHERFORD. Federal employers taxes, not general taxes.

Senator CURTIS. A Federal tax?

Mr. WEATHERFORD. Right.

Senator CURTIS. It seems to me that it is a concern of the Federal Government to have something to say about what sort of a job a person is supposed to take if he has a chance to do so. If he is going to be considered for these benefits, do you have any recommendation?

Mr. WEATHERFORD. Yes, sir.

Subsequent to our last session with the Finance Committee where you indicated at that time that there should be greater attention given to this, we issued instructions to the State agencies.

We did issue instructions, saying that when you reach the FSB in this program that States should give greater attention and claimants should lower their sights in terms of what they would accept and what the State agencies would determine would be suitable work.

The language that you had in your report has been given to the States for their guidance.

Senator CURTIS. That is why the House would not accept it.

This was before us before. I raised a question about paying unemployment compensation to company employees, including their top-paid executives, who face a mandatory retirement, say at 65. Their payments are terminated. Somebody gives them a bonus. They get a company pension.

But they are told, you can go down to the unemployment office and you are entitled to your unemployment pay for your requested number of weeks. That was raised last year. Is that still going on?

Mr. WEATHERFORD. There are 35 States in which that cannot be done, or is not done. In the remaining States, there are some provisions under State law whereby you can receive a pension and unemployment benefits. Also, I call your attention to the bill you just passed

\*The Department of Labor subsequently supplied material appearing in the appendix of this volume.

this past year; 94566 has in it a provision that would mandate each State to change its law to address that particular issue.

That is not effective, Senator Curtis, until October 1, 1979, as I recall, which was agreed to in conference.

Senator CURTIS. Where does military service fit in in this program of unemployment compensation?

Mr. WEATHERFORD. Military service, the wages earned while an individual is in the military is treated the same as wages earned in the nonmilitary for benefits. We pay ex-servicemen on the same basis as we do other people.

Senator CURTIS. I am told the same thing is going on there that has gone on with company pensions. A colonel or general can retire and have a retirement of \$1,500 a month. Then he reports over to the unemployment compensation and gets unemployment pay for his required number of weeks.

Is that going on?

Mr. WEATHERFORD. In 35 States, that does not happen. In the remaining States, it is possible. I do not mean in all cases, but the law does not flat out preclude the payment of both.

Again, we have addressed that in the permanent law. That provision will be taking effect shortly.

Senator CURTIS. I understand in this bill before us there is a provision that a job that is offered has to pay 120 percent of the total aggregate of the amount of the benefits. Are you supporting that?

Mr. WEATHERFORD. We did not propose it, Senator Curtis. We worked with the committee in the House and the committee to get it to where we could administer it. But it does provide that work would be considered suitable if it paid 120 percent of the benefit amount.

Senator CURTIS. It seems as if there is some improvement.

Are you familiar with what was in the 1975 bill on the Senate side in regard to work requirements? What was a suitable job? Can someone tell us what that was?

Mr. WEATHERFORD. The last bill passed, Senator Curtis, the permanent amendments?

Senator CURTIS. Yes, I think it was 1975.

Mr. WEATHERFORD. Yes, I think I recall that.

Senator CURTIS. What did that provide, just briefly?

Mr. WEATHERFORD. It provided that any bona fide offer would constitute suitable work without regard to the amount of pay, without regard to whether or not it was more or less than the weekly benefit amount, just a flat offer of a job, any bona fide offer. I would not try to define what "bona fide" was. You might give us guidance as to what you mean by that.

The thing that also concerns us, Senator Curtis, it did not address the Federal standards. You know you have in the permanent Social Security Act certain Federal requirements on suitable work, health, labor-management relations, things like that. I believe it did not address those issues.

Senator CURTIS. How was it handled? How did it approach it?

Mr. WEATHERFORD. Well, sir, we never got to managing it, because it did not pass.

Senator CURTIS. That is all, Mr. Chairman.

Senator TALMADGE [presiding]. Mr. Dole?

Senator DOLE. Mr. Chairman, I assume most of the questions I had may have been asked, but they bear repeating. They are all concerning the effectiveness of the program.

I will just ask two brief questions. There is a great deal of concern about how effective the program is and possible abuses of the program. There has been a great deal of information emanating from the State of Massachusetts on the program.

At one time, as you are probably aware, there was a headline in the Sunday Herald Advertiser that talked about an abuse in Florida. Has that been corrected?

Mr. GREEN. In Florida, yes. It has been corrected.

Senator DOLE. How was that done?

Mr. GREEN. I assume that that was dealing with a group of agricultural workers—

Senator DOLE. I remember seeing on "60 Minutes" that all kinds of people including professionals who spend their winters in Florida on unemployment benefits. This was perfectly legitimate, depending on the States.

You may have a transcript of the "60 Minutes" program.

Mr. GREEN. I did not see the "60 Minutes" program. I was not onboard.

This administration feels that: one, it is concerned with maintaining the integrity of this program, which is a temporary program. As I outlined in my testimony, we are more concerned about jobs, than unemployment insurance and we feel that this stimulus package that we put forward on jobs, particularly on public service employment, is going to go a long way to meeting those UI exhaustees who have exhausted a viable search for work, because they have become a target group, one of the main target groups that we regard as important to include as PSE enrollees.

Senator DOLE. I understand your statement, but have there not been efforts made to eliminate some of the abuses?

Mr. GREEN. Yes. We are continually working on that.

Mr. WEATHERFORD. Our quality control program slipped some when we had the high claim load in 1975. We understood that. Before your committee last time, we talked to that point.

We started in September 1975, trying to rebuild quality control into our effort. Some of the things that we did were getting people onboard to get the checks out and have some interviewers talk to people about whether they were looking for jobs.

That is the way we went about it.

In 1976, we took 2 million people off the rolls, 2 million cases where people refused jobs, or could not work, or did not look for a job, in which benefits were denied to them. There were another 2 million individuals who quit their jobs or who were discharged.

I say that to let you know we are working on it and we are concerned about it. We acknowledge that, for example, in the second week of January 1975, a million people came into our office and said they had lost their jobs. It overwhelmed us and some of our quality did slip.

We think we are coming back. We are finding those cases where people abuse the program. In fiscal year 1976, our benefit payment control program found \$100 million in overpayments. We recovered over half of that; in fact, we are working on it.

Senator DOLE. I cannot remember the precise date, but there were a series of articles in the Washington Star about professional basketball, football, or basketball players who could not find a sports job after their sport season ended, but they could qualify for unemployment compensation.

I know I asked Bowie Kuhn about it one day; he answered something else.

It does disturb anyone who may read a story of that kind. Maybe it is one of those horrible examples that is not a pattern, but it is disturbing.

Mr. WEATHERFORD. We addressed that issue when we were making permanent changes to the law. Now that issue is left to the State agencies and not governed by Federal standards now.

We did put in a standard to require States to deny benefits to professional athletes between seasons.

Senator DOLE. If there is any other group that comes up, you would not object to our taking care of that either?

Mr. WEATHERFORD. As a matter of policy, we generally favor the State legislature dealing with eligibility. In those things, they are in a better position to deal with what goes on in Kansas as opposed to what goes on in Georgia. There are some wide variations in industry in the States and work that goes on, in the industrial makeup, and we generally favor the State legislators dealing with these sorts of issues.

That is the way it has been over these many years, and we do not prescribe Federal standards.

Senator DOLE. In some of these areas where they engage in interstate commerce, maybe it is better to have the Federal Government—

Mr. WEATHERFORD. We have proposed Federal standards on benefits. That is a subject that the National Study Commission is going to address.

We have a study commission that will have a report by 1979. This is one of the areas that will be addressed by that group.

Senator DOLE. Thank you, Mr. Chairman.

Senator TALMADGE. Thank you very much, gentlemen.

The next witness is John D. Crosier, director of the Massachusetts Division of Employment Security, on behalf of the Interstate Conference of Employment Security Agencies, Inc.

Senator CURTIS. I have before me an analysis prepared by the staff. On page 7, there is a section-by-section comparison of the House bill before us and what the Senate did in 1975.

I ask unanimous consent that page 7 be incorporated in the hearings immediately following the last witness.

Senator TALMADGE. Without objection, so ordered.

[The material referred to above follows:]

*Work requirements for emergency benefits: Comparison of Ways and Means bill and 1975 Senate provision*

<i>H.R. 4800</i>	<i>Basic requirement</i>	<i>1975 Senate bill</i>
—Must actively engage in seeking work;		—Must apply for available employment within capabilities and must accept any bona fide offer of employment;
—Must accept offer of suitable work;		—State must refer applicants to all available jobs within their capabilities.
—Must apply for any suitable work to which referred by employment agency.		

*Period of disqualification*

- Until applicant has been reemployed for 4 weeks and earned the equivalent of 4 weeks benefits. —Duration of Emergency benefit entitlement.

*Form of job offer*

- Must be in writing; —Any bona fide offer.  
—Must be offered through State employment service.

*Jobs which may be refused*

- Any job involving lower pay or lesser skills than usual occupation unless State determines that individual has poor prospects of reemployment in usual job. —No comparable exemption.  
—Any job for which individual does not have training or experience unless employer will provide training. —No comparable exemption.  
—Any job which pays less than 120 percent of unemployment benefits plus any supplemental payments from union or employer. —No comparable exemption.  
—Any job which could be refused under regular State employment rules (except insofar as they define "suitable" employment differently). —Any job if:  
the individual would have to join a company union or refrain from joining any bona fide labor organization;  
the job is located at an unreasonable distance;  
the job involves risk to health, safety, or morals; or  
the applicant is in an approved training program.  
—Any job below the Federal minimum wage law even if that law is not applicable to the job.  
—Any job below the applicable State or local minimum wage.

Senator TALMADGE. Mr. Crosier, you may read your statement, or summarize it as you see fit.

**STATEMENT OF JOHN D. CROSIER, DIRECTOR OF THE MASSACHUSETTS DIVISION OF EMPLOYMENT SECURITY, ON BEHALF OF INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., ACCOMPANIED BY WILLIAM L. HEARTWELL, JR., EXECUTIVE VICE PRESIDENT, AND ROBERT GOODWIN, ASSOCIATE VICE PRESIDENT**

Mr. CROSIER. Thank you, Mr. Chairman. I would like to introduce my associates. On my left is William Heartwell and on my right is Robert Goodwin, associate director of the Interstate Conference and former member of the Unemployment Division of the Department of Labor.

Mr. Chairman and members of the committee, my name is John Crosier, and I am president of the Interstate Conference of Employment Security Agencies, Inc. I am also director of the Massachusetts Division of Employment Security.

We appreciate this opportunity to present to your committee the views of the Interstate Conference of Employment Security Agencies on proposals to extend the Federal supplemental benefits program.

State employment security agency administrators, as you know, are responsible for administering the FSB program as part of the unemployment insurance operation in their respective States. A majority of State administrators and the Interstate Conference of Employment Security Agencies as an organization has generally supported the FSB program, although last August with the employment situation improving, a majority of the State administrators concluded that it would not be necessary to extend FSB beyond the termination date of March 31, 1977.

Due to increases in unemployment, including sharp increases induced by the weather, our board of directors decided on February 10 that we should take another poll on the question of extending FSB. This decision was made with the knowledge that the administration would recommend an extension and with a substantial amount of concern on the part of the States that the termination date of March 31, unfortunately, came at a near seasonal peak of unemployment.

I should like to say to your committee that many State administrators seriously question a period of 65 weeks of benefits for an unemployment insurance program. The State experience with the FSB program has indicated that a large proportion of those receiving FSB benefits have a very tenuous attachment to the labor force. Many of our administrators believe that these people, if still in need, should be taken care of by a program other than unemployment insurance.

Unfortunately, we do not have at present an adequate substitute for unemployment insurance. This fact has without question been a major factor in the decision of a number of administrators to recommend a further extension of FSB.

In carrying out the decision of the board of directors to conduct a poll on further extension of FSB, we transmitted a poll to all State administrators on February 10. We have now received 49 responses—5 more than when we testified in the House.

A total of 32 administrators favored some kind of FSB extension. Thirty administrators favored a proposal with the following provisions:

One, extend FSB for 9 months to December 31, 1977, with a 3-month tailout running until March 31, 1978.

Two, finance from general funds of the Treasury with the further provision that retroactive FSE costs be paid from general funds of the Treasury rather than the FUTA.

The unemployment insurance program is not structured to finance benefits beyond 39 weeks with the result that we have had a serious loss of creditability in paying benefits for 52 and 65 weeks. This entire burden, past and future, should be transferred to general funds of the Treasury.

Three, a State trigger of 5 percent insured unemployment rate. We are strongly opposed to the area trigger provided in the House bill. In our opinion, there is no way such a provision can be administered equitably. Area triggers may be effective for the allocation of block grants to a governmental agency but not for a program involving individual legal rights such as FSB.

Such a program is discriminatory for those living in areas smaller than 250,000 as well as for those whose employers are outside the area. A person's neighbor can be eligible for benefits while he is not, even though they have the same work history and other eligibility requirements.

Except for source of funding our recommendations are the same as recommended by the administration.

Two administrators were opposed to the 9-month option and voted for the provisions in S. 604. Seven administrators, although voting for the 9-month extension said they would prefer the provision of S. 604.

As you know, S. 604 provides for 12 months' extension to March 31, 1978, with a liberalized trigger which would count 25 percent of exhaustees in the formula for computing unemployment and would provide a national as well as State trigger at 5 percent insured unemployment rate. It would also provide an additional 13 weeks of benefits for workers in approved training and would provide funding for future and past benefits from general funds of the Treasury.

Seventeen administrators were opposed to extension in any form. State employment security administrators have not been polled on the "actively seeking work" and "suitable work" provisions added to the bill in the House.

However, on the basis of past positions taken by the Conference and on the basis of reactions to these provisions I have received from many State administrators, it is clear that a substantial majority of administrators favor the "actively seeking work" proposal but are opposed to the "suitable work" provision.

Longtime beneficiaries should not be permitted to hold out for a job with the exact pay and conditions of their base period of employment, but an arbitrary provision of 120 percent of the UI benefit is too harsh and will produce indefensible inequities in many cases. Both "actively seeking work" and "suitable work" type problems can best be dealt with by strengthening State administration.

If the Congress should approve legislation extending FSB, we in the Interstate Conference hope that a more permanent solution can be worked out before any extension you approve has expired. We will be glad to help in any way we can in that effort.

Mr. Chairman and members of the committee, this concludes our testimony and I shall be glad to respond to your questions.

Senator TALMADGE. Mr. Crosier, I take it you are working for the 50 administrators of the unemployment security offices of the Nation. Is that correct?

Mr. CROSIER. Yes, Senator. There are 53, since the District of Columbia, Puerto Rico, and the Virgin Islands are now with us.

Senator TALMADGE. You people are the ones that actually have to administer the laws that we pass?

Mr. CROSIER. Yes, sir.

Senator TALMADGE [continuing]. Are on the front line, and know best the conditions of dealing with it. Is that an accurate statement?

Mr. CROSIER. We think we have an opinion; yes, sir.

Senator TALMADGE. You are in favor of the program as recommended by the President, except you want it funded with general funds.



Is that your statement?

Mr. CROSIER. Yes, Senator.

Senator TALMADGE. I notice also you administrators are violently opposed to having different triggers within portions of a respective State?

Mr. CROSIER. Yes, sir. We see it as an administrative nightmare.

Senator TALMADGE. I read some article in the press not too long ago that the General Assembly of Massachusetts under the Governor and leadership of your State took some very drastic action to crack abuses in unemployment compensation.

Is that an accurate statement?

Mr. CROSIER. What we have done, Senator, is institute a number of what we have described as reforms that have brought the Massachusetts Employment Security Law, in our judgment, into better balance with that of other States.

Before these changes were made, for example, in Massachusetts, it was possible for an individual to voluntarily leave work and suffer an 8-week disqualification and be eligible. It is no longer possible.

Anyone who voluntarily separates is ineligible to collect. We have doubled the disqualification for refusing suitable work from 4 to 8 weeks.

We have increased the qualification for eligibility. We used to have a flat \$1,200 amount. Now one needs to work 15 weeks, or 30 times the weekly benefit amount, to qualify.

These three changes have significantly contributed to what we believe is a tightening up of the law and more equitable administration. In addition to the legislature's support, administratively we have tightened up on the application of the work test and rate of disqualification for people we have judged to be not actively seeking work, or those not available for work.

It has tripled in Massachusetts in the last 2 years. We think there is still room for improvement, and are continuing to apply more vigorously the work test.

Senator TALMADGE. Thank you, sir.

Senator Hansen?

Senator HANSEN. You recommend on page 2, Mr. Crosier, that the entire burden of paying for this extra insurance beyond the 39 weeks, should be transferred to the general fund of the Treasury.

What do you estimate that cost to be?

Mr. CROSIER. Something in excess of \$6.6 billion.

The thing that concerns State administrators, we believe that the fundamental insurance program is sound and can be properly administered on a State-by-State basis. Some would quarrel that 26 or 39 weeks is the legitimate extent to which unemployment insurance should go.

When faced with the crisis we have on our hands, it was the vehicle Congress could turn to in providing emergency aid to those who were still out of work.

At no time in the formation of this program did State administrators ever agree that financing it on the back of the FUTA tax system was ever sound. The system was never designed actuarially to handle it.

As demonstrated proof of that, the program constraints were so difficult in States, 24 States have now borrowed \$4.4 billion.

As the language reads, we are likely to collect that from the private employers in the individual States who are bankrupt. In addition to that, a tax increase to pay back the \$6.6 billion is an added burden.

We think that that is not proper.

Any program that we administer on a State-by-State basis should be indicative of the State preferences in the unemployment insurance system. In no event should the mandate of the Congress, in our opinion, exacerbate the fundamental soundness of the UI program.

For that reason, all administrators—one, because of credibility; two, because of fundamental belief—believe that financing anything beyond 39 weeks is not in the interests of a sound insurance program.

Some of the conversation this morning, in all candor, alarms us. In our opinion, it is an insurance program. It should not be a needs-tested one. It is to tide people over when they are unemployed and unable to find suitable work.

If there are people ripping the system off and people abusing it, then I think the answer to that is better administration. That is obviously a complex issue in terms of how we fund the whole benefit payment control activity.

As you have heard here this morning, when the full dimension of the recession hit, the pressure was on every administrator. In some cases like Massachusetts, we faced triple loads. We had to simply respond to the need of the moment and benefit control quality did suffer. We recognize that.

Now that the crunch is off us, we have been able to respond. I think that the Congress turned legitimately to the best available vehicle. That is why we are urging simply a simple extension of what is in front of us with no more complications, because in our opinion it should be a temporary extension.

If the Congress does not have a suggestion from the administration or from a study commission or anywhere else that somebody beyond this extension uses another vehicle other than the unemployment insurance system to finance what we will call this macroeconomic misadjustment.

Senator HANSEN. I note \$6.6 billion is not very much in terms of the total Federal budget. Do you believe that without providing some mechanism to raise that amount of money, simply to transfer the burden to the Treasury and to add that to the transfer payments, or the outgo from the Treasury, does that imply to you that we are, by virtue of handling it in that fashion, going to exacerbate the inflationary pressures?

Mr. CROSIER. I guess I am not enough of an economist to know if \$6.6 billion is going to make the difference between a modest rate of inflation, or an unacceptable rate of inflation.

Senator HANSEN. I did not ask you that. My question was, would it exacerbate it? Is it going to make it worse?

I am not saying whether it is acceptable or unacceptable.

Mr. CROSIER. In our opinion, it will not because the money has already been spent, printed and now it is a question of bookkeeping: Who is going to pay for it retroactively?

Senator HANSEN. You do not think that it will add to the inflationary pressures?

Mr. CROSIER. Not as I understand it. It will not.

Senator HANSEN. I have no further questions.

Senator TALMADGE. Senator Danforth?

Senator DANFORTH. Would you explain the way in which the suitable job provision is policed? What constitutes an offer?

Mr. CROSIER. The suitable work is defined 53 different ways by 53 separate jurisdictions. I can speak as an administrator of one State, wherein suitable work is defined as roughly equivalent to what one earned before he or she was separated.

I have installed in Massachusetts a sliding scale that says the longer one is unemployed then the lesser his or her expectations should be on starting salary. I have just begun to install this. In no event would the amount one was asked to accept go below 80 percent of what he or she had earned in their base period.

After the 26 weeks, we would look harder if it were a simple wage issue.

Beyond that, suitable work means the task that one is asked to do is roughly similar to what one did before they were separated. If there is no available prospect for employment in an area, we would look at one's educational background and past experience to see if there was a second area of talent that could be utilized in the available job market.

Those are the principal tests. We do get into such considerations as availability of public transportation, length to commute. If one is using a private vehicle, in no event can the added cost of those particular responsibilities be so burdensome as to make someone commute more than 2 hours a day and incur an extra \$100 a month in commuter charges.

Senator DANFORTH. How do you know whether an offer has been made and what it consists of?

Mr. CROSIER. An offer can be checked out with the local company. We, as a part of the work test application, refer applicants to what we have judged to be suitable work. We know what the starting wage is; we know what the working conditions are and what the requirements are for training or education.

If we make that referral and the individual who is referred refuses to accept that job, then that individual is interviewed and we try to find out if he found out something we did not know. But if the facts are the same, the individual is disqualified for a maximum—the maximum in our State is 8 weeks. The individual may appeal that while his benefits are temporarily interrupted, based on the decision we make.

If the board of appeals reverses that decision, the benefits are reinstated.

In all candor, it is one of the most difficult issues to administer. Without controversy and without the need for hearing, obviously reasonable parties disagree as to what is suitable.

Senator DANFORTH. Is there a requirement, either in Federal law or State law or in your regulations, that a job offer has to be in writing?

Mr. CROSIER. In order for a legitimate offer to be made through the division it has to be listed on the job listings in the agency, so I can tell you there are situations where someone discovers the firm happens to be hiring. The process can be pretty fast. We try to maintain good relationships with area firms.

Senator DANFORTH. If an employer were to call you up and say, hey, I am looking for somebody, that would constitute an opening?

Mr. CROSIER. We would take that.

Senator DANFORTH. Without anything more? If the person who was enrolled in the program was told over the telephone look, go down to the Jones Co., they are hiring, that would be sufficient?

Mr. CROSIER. Yes.

We would have to make sure that it was a legitimate offer, subject to the test afterwards. In the employment service, the employment security agencies are paid for only bona fide placements and there is a listing test that applies. The placement has to be made and verified.

Senator DANFORTH. I have a note here. I do not know what the Ways and Means Committee report says, but the Ways and Means Committee report provides on page 8 of the report that the job offer has to be in writing, it has to specify the nature of the job including wages, hours and fringe benefits.

Mr. CROSIER. That would be standard information that would appear on the job listing taken by the employment service for listing in their job bank.

Senator DANFORTH. No technical burden on the employer. You do not say, in order to make a job offer which constitutes suitable employment for this program, that you have to follow very technical provisions?

Mr. CROSIER. My guess is that it might institute some delays, but I do not think it is counterproductive.

Senator DANFORTH. Thank you, Mr. Chairman.

Senator TALMADGE. Senator Dole?

Senator DOLE. Mr. Crosier, I was just reading a very interesting article appearing in the Boston Herald-American, December 29, 1976. You did not write it, I assume, but it is a positive article about the work you have done. Is it accurate?

Mr. CROSIER. Is that the one by Mr. Brooks?

Senator DOLE. Yes.

Mr. CROSIER. In all fairness to Mr. Brooks, I think some conclusions that are drawn in there that indicate some corrections within the Massachusetts economy that are perhaps taking a little bit of literary license.

The indication in there, as a result of the efforts in the Commonwealth we have succeeded in lowering the unemployment rate rather substantially, I would like to take that credit, but I cannot.

In Massachusetts, we were one of three States that faced a peculiar phenomenon; when the Federal supplemental benefit program was passed by the Congress there was a provision in there that said any State could qualify retroactively from the last time that the extended benefits trigger had been on, and there were three States whose Federal trigger had been on for weeks, 27 to 39, in perpetuity since Congress enacted the law in October 1970.

For that reason, when Massachusetts was at the peak of the recession with the claims in excess of 350,000 claims per week, more than one-third of the eligible recipients in Massachusetts were FSB. For that reason, our unemployment rate skyrocketed, for no other reason than a Federal law was passed that made benefits available for weeks 40 through 65, ultimately.

It was further exacerbated because in Massachusetts there is a provision that retirees, mandatory retirees, are eligible for unemployment benefits if they are ready and available for work. A great many of the claims that were filed in the interstate system happened to originate in Florida, retirees, mandatory.

For that reason, when we hit the peak, we had an unusually high percentage. The second largest number, actually, the highest percentage of FSB in Massachusetts. When we were bad, we were very bad. When the FSB program, when the people began to exhaust their 26 weeks, they fell out of the figures. The rate would have gone down faster, if the retention factors outlined in the Bureau of Labor Statistics figures had not been so high.

The trip factor for FSB, in our opinion, is not comparative to the standard method of treating people who exhaust benefits after 39 weeks.

Because of those two things, we were caught both ways.

Senator DOLE. There is one statement attributed to Professor Martin Feldstein at Harvard, described as the top expert on unemployment compensation, feels as much as two full percentage points in unemployment figures are produced by the availability of a generous unemployment compensation program which people are now abusing. I think that is a very significant statement.

Based on your explanation, it may not be totally accurate.

Mr. CROSIER. The particular point the professor made there was that there was a consensus that the distortion in Massachusetts was around that number because of the FSB eligibility.

Senator DOLE. Thank you, Mr. Chairman.

Senator TALMADGE. Senator Hansen?

Senator HANSEN. I referred earlier to the burden of the excess payment made beyond 39 weeks should be made out of the general funds of the Treasury. My question is, while I agree it is true that the money has already been spent with the general funds loaned to the Unemployment Tax Fund. Is it not true that the net Federal unemployment tax is now 0.7 percent taxable wages? The tax rate will go down to 0.5 percent of taxable wages only after the loan to the trust fund has been repaid.

If you cannot forgive past loans retroactively, the tax rate will go from .7 percent to .5 percent in 5 years. If you do not forgive loans, the tax rate will remain at .7 percent for an additional 5 years or so.

Thus, I submit that Congress has already provided the additional taxes in order to repay the loan. If we were to take the suggestion that you have made then that mechanism to keep the rate at 7 percent till the loan is repaid, instead of dropping it down to 5 percent would not be implemented.

My question is, does that not impose the possibility of additional inflationary pressures being generated by your solution as compared to what has been provided for by the Congress?

Mr. CROSIER. Yes, I think, Senator, the .2 future tax, .2 spread, would come into effect if it goes to .7 percent, would have an additional burden on the general treasury. I have to come to the fundamental position that the administrators have taken. We are talking about an unemployment insurance system actuarially designed at the FUTA tax and State tax level to handle a relatively historical situation.

The system actuarially was never designed to handle what it had to face up to in the face of the recession that we were in, and we are pleased the system was in place, that the United States can turn to it to take care of extreme need in a point of time.

In the opinion of those of us who administer the program, it is not correct to continue to lean on the unemployment insurance system financed through taxes on employers for funding countercyclical macroeconomic programs that are the result of national or international monetary policy. Any conversation that goes beyond 39 weeks of financing responsibility gets very short shrift from anybody who understands the employment security, unemployment insurance responsibility in the Federal-State partnership.

We feel that federally-mandated programs should be paid for by Treasury dollars that have a broader tax base, even considering if you will the inflationary concern that you expressed.

Senator HANSEN. Mr. Chairman, let me observe that I think Mr. Crosier has done an excellent job. He has been unduly modest in taking the full measure of praise that the story that Senator Dole referred to would attribute to him. I appreciate the fine job he has done.

I would say that I did not vote to extend the benefits. I think that much that has been said here about the incidence of higher unemployment can be directly attributable, that we have made it pretty darned handy to let these people get these extra benefits. I think a lot of people in his country who are working and paying taxes and who, at the same time, know what the increasing inflation does to their salaries, are not very happy when they see people who are getting by one way or the other without working when they are working.

I just wanted to say that to you. I can appreciate your concern as the State administrator of the program in having to anticipate the time when the tax bite would be placed on your employers in the State of Massachusetts in order for you to implement and follow through on a program that has been federally directed, that all the States have to participate in.

I do not think that the easy answer that we hear so many times, let the Federal Treasury pay for it, is becoming a very good answer or a very credible one, either. More and more people are finding out that every time we do that, every time we say, let the Federal Treasury pay for it, sooner or later, part of that cost is going to come back to us.

Mr. CROSIER. Thank you, Senator. If I could add one statement?

In addition to the \$6.6 billion that we would want the Federal Treasury to assume responsibility for, the 24 States that have borrowed who owe \$4.4 billion, over half of that debt, can be attributed to the northeastern States: Connecticut, Massachusetts, Rhode Island, Vermont, Maine, Pennsylvania, New Jersey and New York.

For example, in the State of Massachusetts, the maximum tax the employer pays is 5.1 percent. We have now 3 years, we hope with the passage of this bill 5 years, in which to repay some \$265 million. The intake of the funds in Massachusetts of those high rates—and we are almost the highest in the Nation—is in excess of \$300 million a year. We are talking this year, because of an increased tax wage base, effective January 1, 1978, of hitting employers possibly with \$70 or \$80 million worth of tax.

That does not begin to generate enough money to begin to build a surplus, repay the past loans, and continue cash flow at a reasonable level.

I believe our State is relatively well off compared to some like Pennsylvania. I think we very definitely need to impress upon the Congress the fact that it is absolutely essential so that we avoid important regional differences to string out that payback period so it is not an unfair tax for those States that were the most adversely affected to have to repay those benefits in an unreasonably short period of time.

Senator TALMADGE. Any questions, Senator Matsunaga?

Senator MATSUNAGA. No questions.

Senator TALMADGE. Thank you very much for a very impressive performance, Mr. Crosier. The next witness is Mr. Jim O'Brien, assistant director, Department of Social Security with Robert McGlotten, legislative representative, AFL-CIO.

**STATEMENT OF ROBERT McGLOTTEN, LEGISLATIVE REPRESENTATIVE, AFL-CIO, ACCOMPANIED BY JIM O'BRIEN, ASSISTANT DIRECTOR, DEPARTMENT OF SOCIAL SECURITY**

Mr. McGLOTTEN. Thank you, Mr. Chairman. I am Robert McGlotten, legislative representative, AFL-CIO. Sitting to my left is James O'Brien, the assistant director of the Social Security Department in charge of unemployment compensation for the AFL-CIO.

The AFL-CIO appreciates the opportunity to appear before this committee and express its support for H.R. 4800 and other proposals before the committee to extend the Federal supplemental benefits program for 1 year. This program has met a demonstrated need of the long-term unemployed workers, and it should not be permitted to terminate at this time. Although we support H.R. 4800, organized labor would like to see it revised to some extent so it agrees with some provisions of S. 604, introduced by Senator Javits and cosponsored by Senators Williams, Kennedy, Case, Hathaway, Cranston, Moynihan, and Magnuson.

Congress established the FSB program in December 1974 to meet the depression levels of joblessness existing at that time. Subsequent amendments changed this program slightly, but it still operates in a manner consistent with its original objectives.

This program has been entirely financed with Federal general revenue loans to the unemployment compensation trust fund. These loans are scheduled to be repaid over a period of time from Federal Unemployment Tax Act contributions to the trust fund. The AFL-CIO favors the legislative proposals in S. 604 that would forgive the repayment of the loans prospectively and retroactively to December 1974.

If the committee cannot give this proposal favorable consideration, the least it should consider is the provision of H.R. 4800 that would finance the program with general revenue beginning April 1, 1977.

FSB is a program which provides for the payment of extended unemployment compensation benefits beyond 39 weeks to jobless workers who have exhausted all entitlement to regular and extended benefits. Depending upon the level of unemployment in a State, combined regular, extended, and FSB benefits can entitle an individual

to a potential benefit duration period of 65 weeks. We regret that H.R. 4800 will reduce potential duration to 52 weeks.

The FSB program is now a State-triggered, two-tiered system. Since January 1976, the FSB program has provided benefits up to 52 weeks where the insured rate of unemployment, the State trigger, is between 5 and 6 percent or more. Despite the existing high levels of unemployment in many cities and local areas, only 31 States are currently triggered on to pay for FSB benefits. This is a problem we shall discuss subsequently.

The Department of Labor has estimated that the number of workers exhausting benefits in 1976, including FSB benefits, was about 2.3 million. In 1975, the FSB program provided benefits for 2.8 million jobless workers. This program has proven itself to be an essential economic stabilizer during the current depression. Unfortunately, it is due to be terminated March 31, 1977.

The AFL-CIO is vigorously opposed to the termination of this program at a time when, by organized labor's realistic measure of unemployment which includes discouraged and part-time workers, the jobless rate at the end of January was 10 percent and we know this figure has been increased during the energy problems of the past few weeks.

On January 1, approximately 555,000 jobless workers were receiving FSB benefits. On March 31, these FSB recipients and other workers whose unemployment was extended by the extreme cold weather of recent weeks will have no income protection whatsoever if this program is not extended.

The Labor Department estimates that 610,000 workers will exhaust all benefit entitlement at the end of the second quarter of 1977 and 510,000 additional workers at the end of the third quarter of 1977. These million workers will be completely cut off from FSB protection unless the program is extended for at least another year. In many cases, these jobless workers will have no recourse but to seek public assistance until they are reemployed. They will simply add to the burden already being carried by State welfare programs.

Earlier we stated that the FSB program had been a demonstrated success. A study just submitted to the Congress by the Department of Labor supports our position. The study conducted by Mathematician Policy Research, Inc. of Princeton, N.J., reported that without unemployment compensation nearly 50 percent of the households of FSB married men would have had incomes below the poverty level—\$5,500 for a nonfarm, 4-member family.

The study also reveals that FSB recipients had a strong labor force attachment. These workers had held their preunemployment compensation jobs for an average of about 5 years and worked 26 months out of the 35-month period prior to filing an unemployment compensation claim.

Organized labor is convinced this program would have been even more effective if it had operated on a national trigger basis. Under the State trigger arrangement, an unknown number of workers in areas of high unemployment were denied FSB protection because the entire State was not suffering from an excessively high level of unemployment.



The State triggers are unrelated to individual needs; a national trigger would provide much more equity in the program. S. 604 proposes a national trigger for the operation of the program.

According to the latest trigger notices—February 12—the State of Ohio has not triggered on, but the December unemployment rate in the Youngstown-Warren labor market area was at 8.8 percent and in the Canton area, the December rate was 8.2 percent.

We know the jobless rates increased in the past few months due to weather conditions in the State. It is common knowledge that Ohio was one of the States hardest hit by the energy shortage. A similar situation prevails in other States.

The jobless rate in the State of Indiana is still below the State FSB trigger level, but the December jobless rate in the Gary-Hammond and East Chicago area was 5.8 percent.

Jobless workers in these labor market areas need the protection of the FSB program when they are unemployed; a national FSB trigger of 5 percent insured unemployment would provide equity for all unemployed workers. Workers who are jobless should be treated equitably, especially where Federal revenue is involved. The present State trigger devices that permit different treatment of jobless workers should be replaced with a national trigger.

Organized labor urges you to include a national trigger, such as the one proposed in S. 604, in any legislation you report. However, if the committee does not wish to recommend a national trigger, we urge you to report favorably on the local labor market area trigger proposed in H.R. 4800. This type of trigger will enable the program to operate in pockets of high unemployment within a State even if the State program is triggered off. The AFL-CIO hopes the committee, as a minimum, will include a provision of this nature in the bill.

There is one provision in H.R. 4800 which is a matter of serious concern to organized labor. It is the provision related to the denial of FSB to individuals who refuse offers of suitable work or who are not actively seeking work. The AFL-CIO would prefer this provision to be eliminated from the bill, if possible.

It is unnecessary for the operation of a successful program—good administration can overcome any problems that exist in this area. This implementation of this provision will almost certainly lead to arbitrary decisions concerning prospects for work, suitable work, and active search for work.

All State programs, at this time, contain suitable work and active search for work provisions. If these provisions in State programs are efficiently administered, there is actually no need for Congress to concern itself with this area of the program.

However, if the committee feels that a provision of this nature should be retained in the legislation, we urge you to provide the following safeguards to protect the right of injured workers.

Suitable work should not include employment which exposes an individual to an increased degree of risk relative to health, safety, or morals. Any employment, to be considered suitable work, should be available within a reasonable distance of a claimant's residence. The active search for work requirements should recognize the labor and management jointly developed hiring practices, such as hiring halls, to be considered as complying with the active search for work.

We urge you to include these minimum safeguards if you decide to include a provision of this nature in the bill you report.

Senator BYRD (presiding). Senator Dole?

Senator DOLE. I just have one question.

The previous witness, who has the responsibility of administering the program, indicated the local trigger would be an administrative nightmare. That seems to be shared by most of his colleagues across the country.

Do you have any comments in addition to those made about the administrative problem? You indicate that good administration would solve most of the problems. It is hard to have good administration in a program where anyone can qualify for benefits. How do we put the two together?

Mr. Crosier, I think, was an excellent witness. He said the local trigger would be very difficult to administer.

Mr. McGLOTTEN. Senator, there is no doubt that a local area trigger does cause some problem. In supporting the area trigger concept, what we were attempting to do was to ensure that those areas hardest hit, individuals in those areas, working in those areas, would receive unemployment compensation.

One way to resolve that is to go to a national trigger where you trigger in the entire Nation so that individuals in those particular States which are hardest hit would receive unemployment compensation, or you could go to an area trigger.

Youngstown, Ohio is a good example.

Senator DOLE. I agree with what you have said; because we have a high unemployment rate in one area, it could be leveled out in other parts of the State. I understand the problem. I do not know how we are going to resolve it, based on conflicting testimony.

Mr. O'BRIEN. I think our position is somewhat similar to their position because they support S. 604 in their trigger proposal. In our testimony, we are supporting the trigger provisions in S. 604.

If the committee feels that it cannot report favorably on that provision, we say as a minimum we would like to see the area triggers, but our preference would be for a national trigger similar to that proposed in S. 604.

Senator DOLE. That is the one area that I think deserves some attention. I do not know how we get to the problem.

If we are talking about the people unemployed, the rate doesn't matter to them. It might be 3 percent in Kanas, 6 percent somewhere else, but they are still out of work. I do not know how you reach a State trigger or a local trigger.

What about the abuses of the program? I do not want to get into it extensively. Certainly you are as concerned about it as everybody else.

Do you have any suggestions for tightening up the program?

Mr. McGLOTTEN. We certainly are against any abuses in the program. It is an insurance program, something we have fought hard for over the years, maintaining the integrity of the program. We agree with the State administrators. We would like to see the integrity maintained.

We think that two things can be done. First of all, there should be some national standards that would go across the board in addition to the additional tightening up at the State level. I would greatly improve the situation.

The program on CBS was a question of slipping in the State administration. Somebody should have seen where the check was being mailed to and someone should have said, unless you are actively seeking work, you are denied benefits.

Mr. O'BRIEN. Senator Dole, another area of concern, in the legislation last year that was enacted by the Congress, would deal with the retiree problem mentioned earlier this morning, we think too harshly, but nevertheless, we will discuss that at another time, but it is due to be implemented in the next few years.

It would also take care of the seasonal problem that you mentioned earlier this morning. There is a prohibition enacted in the legislation that ballplayers—it does not say ballplayers, it says athletes or those who work on a seasonal basis cannot be paid benefits during the off-season under the Federal standard in the bill.

We favor the Federal standards generally in this program, minimum Federal standards, and we think that where abuses are found on the part of both workers and employers—and there are employer abuses in this program that are seldom mentioned—that good administration and Federal-State cooperation could overcome many of these problems that might be pinpointed at this time.

We are not opposed to the efficient administration of the unemployment compensation system. We do not want to see people arbitrarily denied benefits which, in most cases, are needed to maintain homes and families.

Senator DOLE. I think that there may be some employer abuses. If you could, could you furnish some examples for the record?

Mr. O'BRIEN. I would be glad to, Senator Dole. I will mention two, if I may.

The Department of Labor reports periodically on the imposition of disqualifications in appeals. It briefs the cases and outlines the situation.

A young woman with two or three children, unemployed, had worked for a restaurant, applied for unemployment compensation benefits. She was referred by an agency to a job as a go-go dancer. She was not an actress, or she was not in that business, was not a dancer.

When she refused the job—and she refused because her husband prohibited her from taking it—she was disqualified. We think this is an arbitrary decision, that she should not have been disqualified initially.

In another case that was brought to my mind, a truckdriver who delivered hot water tanks to a construction site was ordered to install it. When he refused to install it because he was not a plumber, he filed for unemployment compensation because he was discharged. The employer had him disqualified.

Reasonable people agree with us that this is not the way to treat unemployed people. The truckdriver was not a plumber. It probably would be a violation of the State law and building codes if he tried to install the water tank, but this kind of thing is not uncommon throughout the system.

We think this sort of thing should be corrected, along with the other abuses that might be brought to the attention of the Congress.

Senator DOLE. Thank you.

Thank you, Mr. Chairman.

Senator BYRD. Senator Matsunaga?

Senator MATSUNAGA. I have no questions.

Senator BYRD. May I ask this?

What would it cost to forgive the general revenue loans to the unemployment compensation trust fund?

Mr. McGLOTTEN. The total cost, prospectively and retroactively, that figure in the blue book here is \$5.5 billion to March 31 and an additional \$1.2 billion for fiscal year 1978.

Senator BYRD. \$6.7 billion, close to \$7 billion?

Mr. McGLOTTEN. That is correct.

Senator BYRD. What would be the cost of a national unemployment trigger?

Mr. McGLOTTEN. The figure that we got on the House side from the House Congressional Budget Office would be \$200 additional million this year and \$275 million next year, if my memory serves me correctly, Senator.

Senator BYRD. If this program is extended again for 1 year, do you think that this would be the last time an extension would be necessary?

Mr. McGLOTTEN. I would think that there would be no need for an additional extension. I prefaced my remarks by saying that if, in fact, we can get on with the business of welfare reform, my colleague and I now are in some discussions with the Labor Department about a proposal which they have which is entitled "triple track." The first part of that track would deal with the question of longterm unemployment, pay some kind of benefit, have people go into training and a variety of other things that would make FSB unnecessary.

Mr. O'BRIEN. Also, Mr. Chairman, the AFL-CIO is a strong supporter of a jobs program, increased jobs opportunities for all jobless workers.

Senator BYRD. Thank you.

The next witnesses will be, Mr. Ralph Adams, director, unemployment and workers compensation activities, General Motors Corp. on behalf of the Chamber of Commerce of the United States and Robert E. Matson, manager of State taxes of the Bethlehem Steel Corp. on behalf of the social legislation committee of the Council of State Chambers of Commerce.

Welcome, gentlemen.

**STATEMENT OF RALPH ADAMS, DIRECTOR, UNEMPLOYMENT AND WORKERS COMPENSATION ACTIVITIES, GENERAL MOTORS CORP., ON BEHALF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES**

Mr. ADAMS. I am Ralph Adams. I am the director of unemployment and workers' compensation activities of the General Motors Corp.

I might introduce those who are at the table: On my right is Michael Romig of the Chamber of Commerce of the United States. On my immediate left is Robert Matson of Bethlehem Steel. On my far left is William Brown of the Council of State Chambers of Commerce. Mr. Matson will present the statement of the Council of State Chambers of Commerce of the United States. We are aware of four proposals to extend and revise the FSB program.

One is the administration's, which is H.R. 3723. The other three proposals are H.R. 2235 introduced by Representative Yatron of Pennsylvania; Senate bill 604 by Senator Javits of New York and others; and H.R. 4800, the House Ways and Means Committee bill.

Attached to our written testimony, which has been submitted to you, is an exhibit that compares the significant features of these bills.

Unemployment compensation was initially conceived as a social insurance system that would provide support income for unemployed persons during relatively short periods of unemployment. The national chamber fully supports this basic concept. We have consistently stated the view that the unemployment compensation system is ill-equipped to meet the needs of the long-term and structurally unemployed.

With the advent of the FSB program and its resultant 65 weeks of income support, unemployment compensation has developed into something very much like welfare with many of the same bureaucratic flaws and abuses, and it has become a disservice to employers and many employees. We consider this development to be dysfunctional both for UC and welfare recipients and, more important, for the unemployed workers.

Unemployment compensation is an important component of our national employment and training policy. It functions well as a temporary income protection device particularly when this income assistance is accompanied by job search, training and related manpower services.

Unfortunately, the heavy claims load and the longer availability of benefits as a result of FSB has inhibited the State agencies from providing these supplementary services.

As studies of the program done by the Department of Labor and Mathematica Policy Research, Inc., of Princeton, N.J., have revealed, the absence of effective supplemental services has given rise to substantial number of FSB claimants who have learned how to qualify for benefits and simply use UC as an income supplement.

The point to be made is that we are asking our unemployment compensation system to solve problems requiring a more selective and a more concentrated form of aid that is within the province of employment and training—certainly not unemployment compensation. This is a conclusion that has been reached by:

The National Manpower Policy Commission in its reports to the Congress and the President;

The Federal Advisory Council on unemployment insurance in its recommendations to the U.S. Department of Labor;

The Interstate Conference of Employment Security Agencies, the Upjohn Institute for Employment Research, the American Retail

Federation, the Associated Builders and Contractors, and the California Taxpayers Association in testimony before Congress.

The national chamber believes we must increase the opportunities for persons able, willing and seeking work to prepare for and find employment. We do not believe that continuing FSB, absent major changes, will serve that end.

If the Congress decides to continue the Federal supplemental benefits program, some major overhauls are in order.

First, the maximum duration of benefits should be reduced from the present 26 weeks to 13 weeks. The FSB program was enacted by Congress to meet the emergency unemployment conditions of 1975 and 1976. The employment picture today is much more favorable and we do not anticipate the protracted unemployment conditions of the 1975-76 era. Both S. 604 and H.R. 4800 provide for this reduction in the maximum number of weeks of benefits.

Second, studies of the FSB program have revealed that a sizable number of claimants are neither seeking work nor accepting offers of employment. Such conduct should automatically disqualify these claimants from the FSB program. Although the law requires disqualification, the General Accounting Office reported that less than 1 percent of the registered claimants lost their benefits for failure to comply with the work test.

Moreover, under present law, FSB claimants are subjected to the same suitability of work requirements as are imposed on claimants drawing benefits under the regular program. Almost every State UC law contains a definition of suitable work, generally expressed in terms of specific criteria to be considered by the agency in determining whether a particular job is suitable work for an individual claimant.

Most commonly, the State law directs that in determining whether any work is suitable for a claimant, the agency consider such relevant factors as: The claimant's physical fitness for the work, prior training and experience, prior earnings, prospects for obtaining local work, prospects for obtaining work at his or her highest skills, the degree of risk to the claimant's health, safety, and morals, the distance of available work from the claimant's residence, the length of the claimant's unemployment, and such other factors as would influence a reasonably prudent person in the claimant's circumstances.

In effect, the criteria direct that the agency take into account for FSB claimants the same factors that would reasonably influence a worker laid off last Friday. The concept of suitable work must necessarily be flexible if it is to be realistic. The significance of each criterion changes as circumstances change.

As the period of the claimant's unemployment lengthens, individuals should lower their sights in terms of the kind of job offers they will accept. A job is not considered suitable work for a claimant in the early stages of that individual's unemployment, perhaps because it requires lower skills than the claimant can offer, may well be considered suitable after a substantial period of unemployment and after it becomes clear that the claimant's prospects are remote for obtaining work wholly in line with his or her training, experience and prior wages.

If we are to reduce the work disincentives of long-term jobless benefits, there must be a work test that the States can and will enforce. H.R. 4800 recognizes this need and has incorporated a work test that, properly enforced, would yield sizable savings. We urge its adoption.

Since the proposed FSB extension is to be financed from Federal revenue, we need not be concerned about a Federal standard on a State program. It is a Federal standard on a Federal program.

Third, we urge immediate correction of a serious flaw in the financing of the FSB program. Specifically, we recommend that the entire cost of FSB be allocated to the general fund of the Treasury.

Contrary to the widespread public impression, present law does not provide for the FSB program to be federally financed. The Federal Unemployment Tax Act expressly provides that the cost of this program, from its inception, shall be financed entirely by employer-paid UC payroll taxes to be paid into the FUTA trust fund.

FUTA, like the UC system, was not designed to cope with the financial demands of the FSB program. FUTA was originally conceived as a small, flat rate tax, the revenues of which were to pay for the administration of the State UC and employment service programs. The decision to burden FUTA, since 1974, with the responsibility for paying claimants up to 6 months of FSB benefits is simply unsupportable.

Since the enactment of FSB, FUTA has not had one dime to pay these supplemental benefits and it has been forced to borrow over \$5 billion from the Treasury to meet these benefit responsibilities. These advances are required to be repaid from future FUTA income. Yet, despite a 40-percent increase in the taxable wage base next year, the actuaries in the Department of Labor still cannot predict when these advances will be repaid.

Senator BYRD. Your time has expired.

Your entire statement will be placed in the record.

Mr. ADAMS. Thank you. I had just reached the point where Mr. Matson would summarize the business community's views on financing of FSB benefits.

[The prepared statement of Mr. Adams follows:]

**STATEMENT ON LEGISLATION TO EXTEND AND REVISE THE FEDERAL SUPPLEMENTAL BENEFITS PROGRAM (H.R. 4800 AND S. 604) FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES BY RALPH ADAMS**

I am Ralph Adams, director of Unemployment and Workers' Compensation Activities, General Motors Corporation. My appearance today is on behalf of the Chamber of Commerce of the United States where I serve as a member of the Chamber's Committee on Employee Benefits.

**SUMMARY**

We recommend against extension of the Federal Supplemental Benefits (FSB) program and we seek elimination of the requirement that the already incurred costs of FSB compensation be repaid to general revenues from the federal unemployment insurance tax.

Should the Senate agree with the House of Representatives on extending this program, we recommend reducing the duration of benefits from the present 26 weeks to 13 weeks, the adoption of a work test, and general revenue financing of the entire cost of the FSB from its inception.

These issues are of vital concern to the Chamber's membership which includes 66,000 business firms, chambers of commerce and trade and professional associations.

#### THE FEDERAL SUPPLEMENTAL BENEFITS PROGRAM

The Emergency Unemployment Compensation Act (EUCA) of 1974 (Public Law 93-572) created a new temporary emergency unemployment compensation program entitled Federal Supplemental Benefits (FSB). As modified by subsequent legislation, this program provides a third tier of protection for workers in States with high unemployment levels who exhaust their benefits under the regular State program and the Federal-State Extended Unemployment Compensation Act.

Compensation under the program is payable in a State having an agreement with the Secretary of Labor and experiencing the required unemployment levels for weeks of unemployment beginning after 1974. Once triggered, payment of emergency compensation in the State will continue for at least 26 weeks, but no benefits are payable after March 31, 1977. The cost of the emergency benefits payments will be met by repayable advances from Federal general revenues to the extended unemployment compensation (UC) account in the Federal Unemployment Trust Fund. Total cost of the FSB program is expected to reach \$5.7 billion by its scheduled expiration date.

To be eligible for compensation under EUCA, an individual must have exhausted all rights to regular UC benefits and to extended benefits. In States with an insured unemployment rate of 6 percent or more, an eligible individual is entitled potentially to emergency benefits for up to the number of weeks of his total regular benefit entitlement, but not more than 26 weeks. In States with an insured unemployment rate of less than 6 percent, emergency benefit entitlement is limited to one-half of regular program entitlement, a maximum of 13 weeks. The program terminates (subject to the 26-week minimum duration) when the States' insured unemployment rate falls below 5 percent. The weekly benefit amount is the same for State regular benefit and Federal-State extended benefit.

An individual who applies for benefits under EUCA is required, as a condition of eligibility, to be either participating in or to have applied for a job-training program, if the Secretary of Labor has determined that the individual's occupational skills need upgrading or broadening.

The emergency UC program goes into effect in a State only when extended unemployment benefits are also payable in the State. However, the extended program is currently "triggered on" in all States since the mandatory national "on" indicator of 4.5 percent has been exceeded, and this situation is expected to continue well beyond the March 31, 1977, expiration date of the emergency benefits program.

#### PROPOSED CHANGES

We are aware of four proposals to extend and revise the FSB program, one of which, the Administration's, is H.R. 3723. The other three proposals are H.R. 2235 introduced by Rep. Yatron of Pennsylvania, S. 604 by Senator Javits of New York and others, and H.R. 4800, the House Ways & Means Committee bill. These proposals are compared in Chart I appended to our statement.

All of these bills would extend the life of the FSB program beyond its present March 31, 1977 expiration date. H.R. 2235 and H.R. 4800 would extend the program for all claims to March 31, 1978; the Administration would extend it to December 31, 1977 for initial claims and March 31, 1978 for continued claims. S. 604 would extend it to March 31, 1978 for initial claims and June 30, 1978 for continued claims.

H.R. 2235 would continue the FSB program at a 26 week maximum, whereas H.R. 4800, S. 604 and the Administration proposal would reduce it to 13 weeks.

H.R. 4800 and S. 604 would make further changes in the FSB program. S. 604 calls for the addition of a national trigger mechanism, revision of the method for calculating insured unemployment, provision for an additional 13 weeks of assistance for claimants participating in a training program, and general revenue financing of the entire FSB program. H.R. 4800 would add a new work test requirement, provide for general revenue financing of the extension, delay for two years the automatic recoupment of outstanding loans to States and also would make miscellaneous program changes.



## EXTENSION OF FSB

Unemployment compensation (UC) was initially conceived as a social insurance system that would provide support income for unemployed persons during relatively short periods of unemployment. The National Chamber fully supports this basic concept. We have consistently stated that the unemployment compensation system is ill-equipped to meet the needs of the long-term and the structurally unemployed.

With the advent of the FSB program and its resultant 65 weeks of income support, UC has developed into something very much like welfare, with many of the same bureaucratic flaws and abuses, and it has become a disservice to employers and many employees. We consider this development to be dysfunctional both for UC and welfare systems and, more important, for the unemployed workers.

Unemployment compensation is an important component of our national employment and training policy. It functions well as a temporary income protection device particularly when this income assistance is accompanied by job search, training and related manpower services. Unfortunately, the heavy claims load and the longer availability of benefits as a result of FSB has inhibited the state agencies from providing these supplementary services.

As studies of the program done by the Department of Labor and Mathematica Policy Research Inc. of Princeton, New Jersey have revealed, the absence of effective supplemental services has given rise to substantial number of FSB claimants who have learned how to qualify for benefits and simply use UC as an income supplement.

The point to be made is that we are asking our unemployment compensation system to solve problems requiring a more selective and a more concentrated form of aid that is within the province of employment and training—certainly not unemployment compensation. This is a conclusion that has been reached by:

The National Manpower Policy Commission in its reports to the Congress and the President;

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The Interstate Conference of Employment Security Agencies, the UpJohn Institute for Employment Research, the American Retail Federation, the Associated Builders and Contractors, and the California Taxpayers Association in testimony before Congress.

The National Chamber believes we must increase the opportunities for persons able, willing and seeking work to prepare for and find employment. We do not believe that continuing FSB, absent major changes, will serve that end.

## IMPROVING THE FSB PROGRAM

If the Congress decides to continue the Federal Supplemental Benefits program, some major overhauls are in order.

First, the maximum duration of benefits should be reduced from the present 26 weeks to 13 weeks. The FSB program was enacted by Congress to meet the emergency unemployment conditions of 1975 and 1976. The employment picture today is much more favorable and we do not anticipate the protracted unemployment conditions of the 1975-76 era. Both S. 604 and H.R. 4800 provide for this reduction in the maximum number of weeks of benefits.

Second, studies of the FSB program have revealed that a sizeable number of claimants are neither seeking work nor accepting offers of employment. Such conduct should automatically disqualify these claimants from the FSB program. Although the law requires disqualification, the General Accounting Office reported that less than one percent of the registered claimants lost their benefits for failure to comply with the work test.

Moreover, under present law FSB claimants are subjected to the same suitability of work requirements as are imposed on claimants drawing benefits under the regular program. Almost every State UC law contains a definition of suitable work, generally expressed in terms of specific criteria to be considered by the agency in determining whether a particular job is suitable work for an individual claimant.

Most commonly, the State law directs that in determining whether any work is suitable for a claimant, the agency consider such relevant factors as: the claimant's physical fitness for the work, prior training and experience, prior

earnings, prospects for obtaining local work, prospects for obtaining work at his or her highest skills, the degree of risk to the claimant's health, safety and morals, the distance of available work from the claimant's residence, the length of the claimant's unemployment, and such other factors as would influence a reasonably prudent person in the claimant's circumstances.

In effect, the criteria direct that the agency take into account for FSB claimants the same factors that would reasonably influence a worker laid off last Friday. The concept of suitable work must necessarily be flexible if it is to be realistic. The significance of each criterion changes as circumstances change. As the period of the claimant's unemployment lengthens individuals should lower their sights in term of the kind of job offers they will accept. A job not considered suitable work for a claimant in the early stages of that individual's unemployment, perhaps because it requires lower skills than the claimant can offer, may well be considered suitable after a substantial period of unemployment and after it becomes clear that the claimant's prospects are remote for obtaining work wholly in line with his or her training experience, and prior wages.

If we are to reduce the work disincentives of long-term jobless benefits, there must be a work test that the States can and will enforce. H.R. 4800 recognizes this need and has incorporated a work test that, properly enforced, would yield sizable savings. We urge its adoption.

Since the proposed FSB extension is to be financed from federal revenues, we need not be concerned about a federal standard on a state program. It is a federal standard on a federal program.

Third, we urge immediate correction of a serious flaw in the financing of the FSB program. Specifically, we recommend that the entire cost of FSB be allocated to the general fund of the Treasury.

Contrary to the widespread public impression, present law does not provide for the FSB program to be "federally financed." The Federal Unemployment Tax Act (FUTA) expressly provides that the cost of this program, from its inception, shall be financed entirely by employer-paid UC payroll taxes to be paid into the FUTA trust fund.

FUTA, like the UC system, was not designed to cope with the financial demands of the FSB program. FUTA was originally conceived as a small, flat rate tax, the revenues of which were to pay for the administration of the state UC and employment service programs. The decision to burden FUTA, since 1974, with the responsibility for paying claimants up to 6 months of FSB benefits is simply unsupported.

Since the enactment of FSB, FUTA has not had one dime to pay these supplemental benefits and it has been forced to borrow over \$5 billion from the Treasury to meet these benefit responsibilities. These advances are required to be repaid from future FUTA income. Yet, despite a 40 percent increase in the tax rate this year and an additional 43 percent increase in the taxable wage base next year, the actuaries at the Department of Labor still cannot predict when these advances will be repaid.

Certainly, no one wants to raise payroll taxes again. The employment disincentives of payroll taxes are increasingly recognized with each tax hike. Not only have federal UC taxes been raised, but so have state UC taxes, where rates were up by one-third last year and are expected to increase even more this year.

Excessive unemployment over the past three years has caused a serious depletion of State unemployment trust funds. In fact, through February of this year, 22 States had depleted their reserves and found it necessary to borrow over \$4 billion in order to continue paying state benefits. It will require years of higher UC taxes for these States to repay these loans and restore adequate reserves.

The growing UC payroll tax burden is causing many employers to reconsider expansion plans particularly in the very States that need to attract new jobs. By adding the cost of FSB to this burden, we are inviting more restrictive employment plans in the private sector.

FSB is a special program designed to meet unusual employment dislocations. So too are the Special Unemployment Assistance, Trade Adjustment Assistance and Disaster Assistance programs. We think that FSB, like these programs, should be financed by general revenues. This recommendation has been made on several occasions by the Federal Advisory Council on Unemployment Insurance.

Should employers be saddled with the cost of extended periods of unemployment caused by general economic conditions over which they have no control? Obviously they should not, but this is what the FSB program requires. We urge that this inequity be corrected. We do not ask that employers be excused from

financing the regular and extended benefits programs, which are a cost of doing business. However, it is not appropriate to treat FSB costs the same.

In our judgment, the FSB benefits should be considered as a national cost of responding to the emergency economic circumstances facing this nation.

Parenthetically, we might add that this switch in financing should have no budgetary impact before 1982. Until that time federal UC tax collections will be sufficient only to meet existing program needs. Then, it is estimated that collections will exceed current operating costs and permit repayment of general fund advances made during fiscal years 1975 through 1977.

If our recommendation is adopted, future federal UC tax collections will be reduced to a level consistent with program needs at that time. The effect is to forgive the Federal Unemployment Insurance Fund's indebtedness for all FSB costs. Of the bills pending before the Committee, S. 604 would provide for this forgiveness and fund both past and future FSB costs from general revenues. H.R. 4800 would provide for general revenue funding for future FSB costs only. We recommend the approach offered by S. 604.

#### CONCLUSIONS

In conclusion, the National Chamber recommends:

Against extension of the FSB program, and

Elimination of the requirement to repay advances from the general fund of the Treasury for the prior costs of the FSB program.

However, should the Senate agree with the House of Representatives on extending the program, we recommend:

Reducing the maximum number of weeks of FSB benefits from 26 to 13;

Adopting a strong work test; and

Financing future and past FSB costs through general revenues.

We thank you for this opportunity to express our views on this important issue.

CHART I

Significant features	H.R. 3723 (Administration)	H.R. 2235 (Mr. Yatron)	S. 604 (Mr. Javits and others)	H.R. 4800 (Ways and Means)
Period of extension	Initial claims: To Dec. 31, 1977. Continued claims: To Mar. 31, 1978.	All claims: To Mar. 31, 1978.	Initial claims: To Mar. 31, 1978. Continued claims: To June 30, 1978.	All claims to Mar. 31, 1978.
Maximum duration	13 weeks FSB (overall 52)	5 percent—13 weeks FSB (overall 52). 6 percent—26 weeks FSB (overall 52).	13 weeks FSB (overall 52)	13 weeks FSB (overall 52).
Triggers:				
National	No provision	No provision	5 percent IUR—as defined under State trigger.	No provision.
State	5 percent IUR—as defined in present law; claimants for regular and extended benefits; 13 weeks maximum FSB.	5 percent IUR—as defined in present law; 13 weeks maximum. 6 percent IUR—as defined in present law; 26 weeks maximum FSB.	5 percent IUR—in computing IUR would add 25 percent of individuals exhausting extended benefits in previous 12-mo period.	5 percent IUR—as defined in present law.
Local	No provision	No provision	No provision	5 percent IUR—in local labor market (SMSA).
Funding of FSB	Present law—from employer taxes (FUTA) now paid by repayable advances to the extended unemployment compensation account from general revenues.	Present law	From general revenues. Prospectively and retroactive to beginning of FSB (January 1974).	From general revenues (prospective only).
Additional payments to individuals in training	No provision	No provision	Pay FSB for up to 13 weeks to individuals completing course of training.	No provision.
Fiscal year 1977 cost in addition to current FSB costs	\$500,000,000	\$800,000,000	\$600,000,000	\$588,000,000.
Fiscal year 1978	\$400,000,000	\$1,000,000,000		\$526,000,000.
Seiftable work test	No provision	No provision	No provision	FSB claimant must accept employment defined as paying gross wages greater than the minimum wage, 120 percent of the FSB benefit or FSB plus SUB benefit.
Repayment delay	No provision	No provision	No provision	2-yr extension in repayment.

Senator BYRD. The next witness is Mr. Robert E. Matson.

**STATEMENT OF ROBERT E. MATSON, MANAGER OF STATE TAXES OF THE BETHLEHEM STEEL CORP., ON BEHALF OF THE SOCIAL LEGISLATION COMMITTEE OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE, ACCOMPANIED BY WILLIAM R. BROWN, ASSOCIATE RESEARCH DIRECTOR**

Mr. MATSON. I would just like to make one or two points. I want to point out that I serve as one of the employer representatives on the Federal Advisory Council on Unemployment Insurance to the U.S. Department of Labor. Also, I would like to point out that the business community generally supports employer payroll tax financing of unemployment benefits for laid off or former employees for up to 39 weeks—in most States, this means 26 weeks of regular benefits and 13 weeks of the Federal-State extended benefits.

We do not believe that the employer obligation to former employees should extend beyond 39 weeks.

This committee and the Senate has in the past recognized the validity of this position by voting in favor of general revenue financing of the FSB program. The House in the past has not been willing to agree with the Senate position in favor of general revenue financing. The result is that employers now have an obligation to repay through the FUTA payroll tax over \$5 billion in "repayable advances" which were made from general revenues.

The Ways and Means Committee report (No. 95-82) accompanying H.R. 4800 explains the reason for the section 301 financing of FSB after March 31, 1977 from general revenues.

Not only is the validity of general financing recognized in the Ways and Means Committee report, but general revenue financing of FSB from the beginning has received widespread support from State administrators, all major general business organizations, the AFL-CIO and the Federal Advisory Council on Unemployment Insurance.

The Federal Advisory Council on Unemployment Insurance on which I have the honor of serving as an employer representative, has on several occasions voted unanimously in favor of general revenue from the beginning of the FSB program. The most recent recommendation of the Advisory Council to the Secretary of Labor in this regard was agreed to by the Council on March 3 of this year after the Ways and Means Committee had agreed to only "prospective" general revenue financing. The recommendation which was agreed to upon the motion of the representative of the AFL-CIO, Mr. James O'Brien, specifically provided that general revenue financing be both prospective and retroactive to the start of the FSB program.

We strongly urge this committee to amend H.R. 4800 to provide for full general revenue financing of the FSB program—past, present, and future.

Senator BYRD. Do you recommend the committee approve that?

Mr. MATSON. That the committee amend the bill to provide for that.

Senator BYRD. Where do you anticipate getting the \$7 billion?

Mr. MATSON. If you look at the unemployment situation as it occurred, it did not come about as a result of the employer community, it came about as a result of the economic situation in the country. Why penalize the employer community, asking them to pick up and pay the cost that the general public should bear?

Senator BYRD. I am not taking exception to that, what you are saying. I am just wondering what is your recommendation to get the \$7 billion?

Mr. MATSON. We have not addressed ourselves to that. Maybe the gentlemen on either side of me has addressed himself; I have not given it much consideration.

Mr. BROWN. If I might, in that regard, I think that we should make it clear that the money is coming from the general revenue now. It is already part of the national debt. What we are talking is the longer run picture.

In regard to Senator Hansen's position on inflation, there is no way to tell whether this would add to inflationary pressure in years in the future when there may be sufficient money produced by the payroll tax to start repaying the general fund.

You see, it has come out of the general fund, because there has not been sufficient money produced by the payroll tax. What we are saying is in the future it should continue to come from the general revenue fund and the employer should not be expected to pick up that obligation to repay the general revenue fund and thereby be penalized when they hire additional employees, because their payroll tax is going to be higher than it would necessarily have to be otherwise.

We should look at the penalty that is being placed on the employer by using the payroll tax in this matter. The payroll tax is going to have to bear a great deal of additional burden. The State UC payroll tax rates increased by over one-third last year, and there will be a much greater increase this year.

To expect the employer to meet this repayment obligation in the future will penalize the employers' ability to create new jobs and will be contrary to the basic concepts of the unemployment insurance program.

We feel that the Senate was correct in believing this should have been financed by general revenue in the first place.

A mistake was made; the Senate should stick by their guns on this and correct the mistake that was made in past legislation by the insistence of the House.

Senator BYRD. You are recommending, as I understand it, the forgiveness of the general revenue loans, retroactively as well as prospectively, are you not?

Mr. BROWN. That is correct.

Senator BYRD. The cost will approximate \$7 billion.

Mr. MATSON. As we understand it.

Mr. ROMIG. The thrust of this general revenue funding recommendation, that has been offered by all of the witnesses that have preceded us with the exception of the administration, is to reduce FUTA tax revenues somewhere around 1982. They would be reduced, judging by the Finance Committee print, by approximately \$900 million per year. That would be the inflationary potential that would occur at approximately that point in time because we would be reducing revenues.

Senator BYRD. I was not so much seeking the inflationary impact as to where you thought Government could best get the \$7 billion.

Both witnesses on other matters of this type say do not worry about that. Just add it to the debt. No one has to pay for it.

That is one way of handling it, I suppose.

Mr. ROMIG. We would prefer, as we indicated here, that the FSB program not be continued and, therefore, we would not increase the debt any further. Also, whether you finance this through a continuation of FUTA tax or general funding, we are still going to increase the deficit. There are no FUTA funds to pay for this program.

There will be no FUTA funds until 1982 at which point there should be an excess of FUTA tax collections over the needs for current operating need.

What concerns us, is the concept that the employer should bear the responsibility for long-term unemployment. We believe that the employer does have the responsibility for financing short-term unemployment associated with his employment patterns. Consequently, we do endorse employer responsibility for paying for the full costs of the unemployment program, the benefits and the administration, for periods of up to 9 months.

We do feel at that point, for someone who has been unemployed for that period of time, his continued unemployment is due to other factors. Other than his original unemployment.

Senator BYRD. Your thinking is that the general revenues would be utilized only after the first 39 weeks, not during the period after that?

Mr. ROMIG. That is correct. We do not recommend that States who have borrowed funds to meet their payments for the first 39 weeks should have those funds forgiven. That is part of the responsibility that we believe the employers have agreed on. On the other hand we have never supported FUTA funding of FSB.

Senator BYRD. You do not now support it?

Mr. ROMIG. That is correct, sir.

Senator BYRD. Thank you.

Senator Dole?

Senator DOLE. You support that provision in the Javits bill both prospectively and retroactively to January 1974?

Mr. ROMIG. Most definitely.

Senator DOLE. Do you support anything else in his bill?

Mr. ROMIG. Not much.

Senator DOLE. Is this free enterprise or just free, that we are hearing this morning?

Mr. ROMIG. We are trying to accomplish a principle—

Senator DOLE. I think you are probably right. At the end of 39 weeks it ceases to become insurance and becomes welfare, or something.

Do you have the same view on social security?

Mr. ROMIG. No, sir. We have taken a position at the U.S. Chamber of Commerce—

Senator DOLE. You want to dip into the general revenue on that?

Mr. ROMIG. No sir. If I may digress without going too far afield. We are apprehensive about the delays in taking action on bringing additional funds into the social security system. In a sense, this has a relationship to our concerns here.

We face increasing payroll taxes, not only for unemployment compensation, but social security as well. All of this is going to have some employment connotations; as we add to the burden of taking someone into the program you are going to make it tougher to add people to your payroll.

Senator DOLE. That is why I raised the question; you do have some of the same principles involved and it does have an impact similarly. I do not know how the young generation of the work forces is going to understand Congress raising their social security taxes. They pay more now than they do in income taxes. There will be a revolt one of these days.

Do you know of any employer abuses?

Mr. ROMIG. Yes, sir. We could document some abuses. We have heard that there are situations. In fact the most recent issue of *Nation's Business* magazine, which the Chamber publishes, features a discussion of unemployment compensation, including abuses, and what the States are attempting to do to reduce these abuses.

In that article, I think there was a reference to some employer abuses as well as employee abuses—I might cite that for you.

Senator DOLE. I will get that. I assume there are some.

Mr. ROMIG. I think the one I hear most oftentimes is the false account. Here an employer sets up a false account and then immediately submits layoffs before he has actually contributed tax collections. It is an outright fraud. They are really not employers.

Senator DOLE. I assume you are opposed to a national triggering device?

Mr. ROMIG. When you go to a national trigger you make FSB benefits available in areas where the job market is quite good and you are really encouraging work disincentive. When you go in the opposite direction, to the area triggers, you are targeting to the real, tough labor market areas. Certainly there is some attraction to that.

The difficulty, of course, as was testified to this morning, it becomes administratively difficult to administer. Second, you start getting some real inequitable situations, as Senator Talmadge pointed out this morning.

I think that this is why everyone had agreed earlier that the State trigger seemed most satisfactory. There are fewer disincentives and fewer inequities. We are best off with State triggers if we are to continue this program.

Senator DOLE. It seems to me if you do not have a State trigger you are really in trouble.

Mr. ROMIG. We are in trouble because we have not fashioned a dovetailing of the components of the manpower program. People on UC should be getting job placement and training. We do not have that. That is not working now. There is no reason why someone drawing unemployment for 50 weeks has never once walked into the placement office or been evaluated for retraining. Yet it is occurring out there.

Senator DOLE. I agree with that. It seems to me that there may be some deserving unemployed who cannot participate because of the State trigger. I do not know whether we should say if we cannot administer it we will dismiss it.



Mr. ROMIG. There is an attraction for an area trigger. That is where the tight job market is. It just lends itself to some administrative problems and some basic equity questions where two neighbors could be residing next to one another, one commuting to one work district, another to another labor market area.

Senator DOLE. That would be an exception. As with any Federal program, there are going to be some horror stories, and most of them are true.

Mr. ROMIG. Ideally, if you want to go to the area triggers, eliminate the State triggers.

Senator DOLE. Thank you.

Senator BYRD. Thank you, gentlemen.

[The prepared statement of Mr. Matson follows:]

STATEMENT OF ROBERT E. MATSON IN BEHALF OF COUNCIL OF STATE CHAMBERS OF  
COMMERCE SOCIAL LEGISLATION COMMITTEE

H.R. 4800 FEDERAL SUPPLEMENTAL BENEFITS

My name is Robert E. Matson. I am manager of State Taxes for Bethlehem Steel Corporation. I serve as one of the employer representatives on the Federal Advisory Council on Unemployment Insurance to the U.S. Department of Labor. Today I am appearing before this Committee as a member of and in behalf of the Social Legislation Committee of the Council of State Chambers of Commerce.

Accompanying me is William R. Brown, Associate Research Director of the Council.

I wish to discuss just one aspect of H.R. 4800—financing—specifically the failure of the House bill to provide for general revenue financing of the more than \$5 billion in Federal Supplemental Benefits (FSB) already expended.

EMPLOYER FINANCIAL OBLIGATION SHOULD END AFTER 39 WEEKS

The business community generally supports employer payroll tax financing of unemployment benefits for laid off or former employees for up to 39 weeks—in most States this means 26 weeks of regular benefits and 13 weeks of the Federal-State extended benefits. We do not believe that the employer obligation to former employees should extend beyond 39 weeks. After 39 weeks of unemployment, if public benefits of any kind are provided, we believe that the serious economic setbacks are responsible for such extended periods of unemployment and it is the obligation of the public in general to pay for them—not just one segment of the taxpaying community—the employer.

This Committee and the Senate has in the past recognized the validity of this position by voting in favor of general revenue financing of the FSB program. The House in the past has not been willing to agree with the Senate position in favor of general revenue financing. The result is that employers now have an obligation to repay through the FUTA payroll tax over \$5 billion in "repayable advances" which were made from general revenues.

WAYS AND MEANS RECOGNIZES VALIDITY OF GENERAL REVENUE FINANCING PRINCIPLE

The House Ways and Means Committee has now recognized the validity of the general revenue financing principle for benefits beyond 39 weeks. Section 103 of H.R. 4800 would provide for Federal general revenue financing of any FSB paid for weeks of unemployment after March 31, 1977. However, H.R. 4800 makes no provision for general revenue financing of the more than \$5 billion in supplemental benefits that have already been spent as repayable advances from general revenues.

The Ways and Means Committee report (No. 95-82) accompanying H.R. 4800 explains the reason for the Section 301 financing of FSB after March 31, 1977 from general revenues as follows:

"It is the position of the committee that after a person has exhausted regular and extended benefits the reason for his unemployment can no longer be attributed to his previous employers. Therefore, the financing of any additional un-

employment compensation benefits should be shifted from employer-paid payroll taxes to general revenues."

This principle, which is so well stated in the Ways and Means Committee report, is just as applicable to the past FSB program as to the future.

#### WIDESPREAD SUPPORT FOR GENERAL REVENUE FINANCING

Not only is the validity of general revenue financing recognized in the Ways and Means Committee report, but general revenue financing of FSB from the beginning has received widespread support from State administrators, all major general business organizations, the AFL-CIO, and the Federal Advisory Council on Unemployment Insurance.

The Federal Advisory Council on Unemployment Insurance on which I have the honor of serving as an employer representative, has on several occasions voted unanimously in favor of general revenue financing from the beginning of the FSB program. The most recent recommendation of the Advisory Council to the Secretary of Labor in this regard was agreed to by the Council on March 3 of this year after the Ways and Means Committee had agreed to only "prospective" general revenue financing. The recommendation which was agreed to upon the motion of the representative of the AFL-CIO, Mr. James O'Brien, specifically provided that general revenue financing be both prospective and retroactive to the start of the FSB program.

#### CONCLUSION

With the Federal unemployment tax rate having been increased January 1 of this year; with the taxable wage base due to increase next year; with State UC tax rates up by one-third last year and much greater increases expected this year; and with additional Social Security payroll taxes being needed in the near future, it is no time to expect the employer payroll tax to repay the more than \$5 billion in advances for past FSB.

We strongly urge this Committee to amend H.R. 4800 to provide for full general revenue financing of the FSB program—past, present, and future.

Senator BYRD. The next witness is Mr. Glenn Jackson, legislative representative, National Taxpayers Union.

#### STATEMENT OF GLENN JACKSON, LEGISLATIVE REPRESENTATIVE, NATIONAL TAXPAYERS UNION

Mr. JACKSON. Over the last 2 years, Congress has made unemployment insurance benefits available beyond the permanent 39 week program. This Federal supplement benefit program will expire shortly, and Congress must decide if an extension is warranted.

The National Taxpayers Union, speaking on behalf of our 35,000 members, opposes any extension of the FSB program. Do not misunderstand our position. We recognize the need to provide support for the involuntarily unemployed. Available evidence suggests, however, that 39 weeks of benefits are sufficient and that long-term benefits have created substantial work disincentives.

Supporting this conclusion are the unemployment statistics themselves. Although our unemployment rate is high, the duration of unemployment is normally far less than 39 weeks. According to the Labor Department's employment and earnings report, about 70 percent of the jobless leave the unemployment rolls within 15 weeks. Another 10 percent drop out in the following 10 weeks. The fact that well over 80 percent of the unemployed are capable of finding an alternative within 25 weeks indicate that a 39-week program is ample.

Empirical research confirms that extended benefit duration creates substantial work disincentives. One such study was conducted for the

Labor Department by the Public Research Institute. Their report estimated that extending unemployment insurance benefits from 26 to 65 weeks, along with liberalized eligibility requirements, could be expected to increase the unemployment rate from one-half to nine-tenths of 1 percent.

I would like to briefly discuss two reports recently issued by the Labor Department. They are important because both conclude that no significant work disincentives were created by the recent benefit extension. Close examination of these studies reveals, however, that neither provides such evidence.

One of the studies, entitled "Federal Supplemental Benefit Post-Exhaustion Study," was a mail survey of individuals who had previously exhausted their benefits. The sample included residents of New York, California, Missouri, Nevada, and Wisconsin. This report found little evidence "that long-term beneficiaries 'ride with' the system then immediately take jobs or leave the labor force."

Unfortunately, several flaws effectively destroy the credibility of the survey and this conclusion.

One of the survey's problems is the disproportionately high number of older respondents. In three States surveyed, 70 percent or more of the sample were over age 45. Yet in those same States, the actual percentage of exhaustees over 45 ranged between only 33 and 49 percent. By all accounts, older exhaustees are less likely to obtain reemployment than younger individuals. Thus odds were heavily weighed against this study finding evidence of disincentives due to the sample's bias.

The extraordinarily high response rate is another factor casting doubt upon the reliability of this survey. The Department reported that response rates were 92, 89, 72, and 67 percent. Anyone experienced with mail survey techniques will recognize that such rates are virtually unimaginable. A 50 percent rate of response to such surveys is generally considered excellent. These highly irregular rates of return cast further doubt on the accuracy of the findings.

Finally, it is fair to question whether or not respondents could be expected to respond candidly to this survey. I find it difficult to believe that respondents would actually admit to their respective State labor departments, who administered the survey, that they drew benefits rather than working.

The second report which the Labor Department cites as disproving the disincentive hypothesis was conducted by a private contractor, Mathematica Policy Research, Inc. of Princeton, N.J. In this far more sophisticated study interviews were conducted with a large sample of recipients at three intervals, the last interviews coming approximately 1 year after the first.

But this study does not directly address the issue of work disincentives. Two of those who worked with Mathematica on this project have, on their own, examined the data for evidence of disincentives. Their conclusion is that significant disincentives were created by the extension of unemployment benefits. In their paper, "A Job Search Model of the Effect of Extended Unemployment Benefits on Re-Employment," the authors suggest the FSB program increased the likely duration of unemployment for exhaustees by 9.4 weeks or more. The amount is substantial. It represents roughly half the average unemployment duration of all unemployed workers.

In summary, the latest available evidence confirms commonsense: extended benefits do create significant work disincentives.

Recent press accounts also provide indications that jobs are available, even though those jobs may not be the most desirable for the highest paying. Indeed, a recent story in the Washington Post of March 5 described a rally of the unemployed called to protest the possible lapse of FSB. Those present also denounced a proposal that might require recipients to accept available work.

"Slave labor," the requirement was termed. The fear of such a clause apparently indicates that its enforcement would significantly reduce the unemployment rolls.

How can the Government expect taxpayers to support an extension? Currently a taxpayer must work about 5 months each year to pay his Federal, State and local taxes. This proposed benefit extension would take a portion of those hard-earned dollars and give them to individuals who choose not to work, because available openings are not satisfactory.

An extension of the FSB program will cost money the Government does not have, it will perpetuate high unemployment levels, and it will fail to substantially help those incapable of finding employment.

The permanent 39 weeks program is sufficient. The National Taxpayers Union asks you to vote against an extension of the Federal supplemental benefits program.

Thank you.

Senator BYRD. Thank you, Mr. Jackson.

It is interesting to note from page 14 of the staff report, committee report, that the total number of beneficiaries which utilize the Emergency Unemployment Compensation Act of 1974, that although Virginia has the 12th largest population in the country, only four States have fewer individuals utilizing that program.

Virginia has 1,282; Alaska, which is 10 percent of the population of Virginia, had 1,126; New Hampshire had 777; North Dakota, 646; and Wyoming, 89.

Of those who had exhausted benefits, only two States had less individuals exhausting the benefits. Virginia had 39, New Hampshire had 25, Wyoming had 3.

I am pleased to see that Virginia has shown up so well. It may be that Virginia has a somewhat, shall we say, sounder government than maybe some other States have.

I think it is a tribute also to the working people of our State; our people, those who are the working people of Virginia are very sound individuals and I see a great deal of them. I see them in the factories, in so many places that I go around in Virginia and I am so very proud of them.

That statistics and the records show that the Virginians who are working in companies and industrial plants and otherwise employed, that they want to bet back into a job at the earliest opportunity, and I think the philosophy of the Virginia people is just so sound. That is why these statistics show up so well.

In any case, I am very proud of Virginia's record.

Mr. Jackson, would you supply for the record a copy of the study that you referred to on page 3 of your statement in which the authors

conclude that unemployment benefits create significant work disincentive?

Mr. JACKSON. Certainly.

Senator BYRD. Thank you.

Thank you, Mr. Jackson.

[The following study was submitted by Mr. Jackson:]

A JOB SEARCH MODEL OF THE EFFECT OF EXTENDED UNEMPLOYMENT INSURANCE BENEFITS ON RE-EMPLOYMENT

(By Adrian Dillon and Walter Nicholson<sup>1</sup>)

Paper to be presented at the Annual Meetings of the American Economic Association, Atlantic City, New Jersey, September 18, 1976.

INTRODUCTION

The mean duration of unemployment increases greatly in recessionary periods. During each the major post-war recessions the proportion of the unemployed who have been unemployed 15 weeks or longer has more than doubled from pre-recession levels. In response, Unemployment Insurance (UI) benefit durations have been frequently extended on a temporary basis. Such programs were implemented in 1958, 1961, and 1971. These provided extensions amounting to 50 percent of a UI claimant's regular entitlement (usually a maximum of 26 weeks of regular benefits) up to a maximum of 13 additional weeks of coverage. Under the Federal-State Unemployment Compensation Act of 1971 a permanent program of such extensions was enacted (EB). The Act mandated that extensions were automatically to come into effect whenever the insured unemployment rate in a state rises above some "triggering" level. During the 1974-75 recession extensions were triggered on in all states.<sup>2</sup> In addition, the sharpness of economic down turn in late 1974 led Congress to adopt further emergency extensions in the duration of UI coverage through the Federal Supplemental Benefits Program (FSB). Under that program UI claimants were able to collect additional benefits equal to 100 percent of their regular UI eligibility up to a maximum of 26 additional weeks. Consequently, current law permits a UI claimant to collect up to 65 weeks of benefits: 26 weeks of regular benefits, 13 weeks of regular extensions (EB), and 26 weeks of emergency extensions (FSB).<sup>3</sup>

Adoption of such major extensions in UI durations has raised several questions about their overall desirability as a way of providing income protection to unemployed workers. Questions of equity have been raised about policies of relatively long-term income support that tie payments to prior employment history rather than to direct measures of family need. Questions of efficiency have been raised about the possible disincentive effects of such policies on job search activity and on the willingness of unemployed workers to take jobs. A major focus of this paper is on this second issue. By examining a sample of individuals who in early 1975 became eligible for extended benefits, the paper attempts to estimate the effect these extensions had on their labor force activity. A more general purpose of the paper is to develop a model of the behavior of unemployed job seekers and to test that model empirically.

The paper is divided into six additional sections. The first offers a general analysis of the theory of job search by unemployed workers with particular attention to the specification of search strategies. Data from a longitudinal sample of over 2,000 individuals who exhausted their UI benefits in October, 1974 will be used to estimate this model and these data are briefly discussed in section two. This is followed in section three by a presentation of the empirical results for the job search model. In section four the discussion centers on the benefit

<sup>1</sup> The authors are respectively graduate and Associate Professor of Economics, Amherst College. They are also associated with Mathematica Policy Research. Data used in this paper were collected by Mathematica Policy Research under contract to the Employment and Training Administration, U.S. Department of Labor. Computations for the paper were made at the Computer Center, University of Massachusetts, Amherst.

<sup>2</sup> For many states the triggering mechanism was overridden by Congressional action in late 1974 and the EB program came into effect prior to the date it would have under existing law.

<sup>3</sup> In states with low insured unemployment rates, FSB benefits were cut back to 13 weeks in 1970.

extensions in early 1975 and on the ways in which the effects of these extensions might be estimated. Section five presents these empirical estimates. Finally, section six concludes by assessing the policy significance of the findings.

### I. A theory of job search by unemployed workers

In an effort to understand the microeconomic foundations of labor market activity, economists have devoted considerable attention to the process by which individuals look for jobs.<sup>1</sup> Initial research on this subject focused on the problem of choice of an acceptance (or "reservation") wage rate. Workers were viewed as receiving one job offer per period and that offer had to be accepted or rejected before another arrived. Specification of a reservation wage provides an optimal stopping rule for this process: an offer that exceeds this wage is accepted; one that falls short is rejected. More recently job search theory has stressed a second aspect of the search process: the intensity of search effort. Rather than being limited to one job offer per period, an individual must choose the number of offers to be generated. The two elements of the individual's search strategy (reservation wage rate and search intensity) then combine (together with the strength of the labor market) to determine the length of time the searcher takes to find work. In this section we offer a further summary of this model of job search and conclude with a model for empirical estimation.

Choice of a job search strategy is one aspect of optimal investment in human capital. By equating the marginal benefits and marginal costs of additional search, individuals maximize their human wealth. Because job search is a sequential process a necessary part of any strategy is a decision on when to stop. One way of specifying a stopping rule is with a minimum reservation wage below which job offers will be rejected. Choice of such a wage involves two types of potential errors: a wage set too low may result in accepting a job that offers an earnings stream inferior to other obtainable possibilities; too high a reservation wage may, on the other hand, result in a prolongation of search with a concomitant loss in earnings. An optimally chosen reservation wage will, at the margin, equate the costs of these two potential errors.

Three specific influences on individual's choice of a reservation wage might be mentioned: the individual's skill level, sources of income support while searching, and the effect of time. The first of these should have a positive effect on reservation wages. Measures of human capital are indicators of productivity and hence of the types of wage offers an individual might expect. A highly skilled worker would not accept a low wage offer since this would foreclose the possibility of obtaining another offer of higher value. Income support should also have a positive effect on reservation wages. Such support permits a searcher to be more particular about his or her job choice and effectively reduces the cost of additional search. Ownership of liquid assets should have a similar effect—especially to the extent such assets are being held as a buffer to income fluctuations. Finally, elapsed time of searching would be expected to affect the benefits and costs of further search and should therefore affect reservation wages. Most authors have assumed this effect to be negative: longer unemployment durations should, *ceteris paribus*, cause individuals to reduce their reservation wages. Reasons for expecting this decline include: diminishing marginal utility of leisure associated with more lengthy unemployment periods; an individual's finite life time which implies that a longer unemployment spell reduces the duration of (and hence the present value of) post-search employment; and the belief that more accurate information about the true distribution of job offers will be generated over time thereby leading individuals to adopt more reasonable (and presumably lower) reservation wage rates. While none of these arguments is by itself persuasive, together they imply that the relationship between duration of unemployment and reservation wages is not likely to be positive.

In addition to deciding on when to stop searching, an unemployed worker must also decide the resources (primarily time) to be devoted to search activity. Since the level of such search intensity will determine the number of job offers generated per period, additional resources should be invested up to the point at which the expected value of the last offer generated is equal to the cost of generating it. Because such benefits and costs differ greatly among individuals, the level of search intensity would be expected to exhibit a similarly wide variation.

<sup>1</sup> See for example, Gronau (1971), Holt (1970), McCall (1970), Mortensen (1970), and Mortenson (1976).

Skill levels, sources of income support, and unemployment duration could also be expected to affect job search effort. Since higher skills reflect higher potential earnings streams, individuals with such skills would be expected to look for work harder in order to capitalize on them. Income support reduces the need to find employment and therefore should reduce search intensity. Finally, a negative relationship between search effort and unemployment duration would be expected since least costly ways of generating job offers will be used early in an unemployment spell and the marginal cost of generating additional offers will rise over time.

Since reservation wages and search intensity are determined simultaneously by an individual as part of an overall search strategy, trade-offs among these components should be observed. In particular, high levels of search intensity may be positively correlated with high reservation wages for individuals who adopt a high effort—high payoff search strategy. In addition, choice of search strategy will have an important effect on the probability of finding a job during a given time interval. Hence, search strategy will help to determine unemployment durations. Additional search effort should raise the probability of reemployment (reduce unemployment duration) whereas higher reservation should, *ceteris paribus*, have the opposite effect. And, as mentioned above, unemployment duration should have important feedbacks in determining the search strategy employed. Consequently, reservation wages (RW), search intensity (SI), and unemployment duration (D), are endogenously determined by individuals engaged in the search process. A simple three equation model of this behavior can be written as:

$$RW = a_0 + a_1 SI + a_2 D + a_3 X + U_1 \quad (1)$$

$$SI = b_0 + b_1 RW + b_2 D + b_3 X + U_2 \quad (2)$$

$$D = c_0 + c_1 RW + c_2 SI + c_3 X + U_3 \quad (3)$$

Where  $X$  represents a vector of exogenous variables including skill levels, income sources, and other economic and demographic characteristics. Our theory suggests that  $a_1 > 0$ ,  $a_2 < 0$ ,  $b_1 > 0$ ,  $b_2 < 0$ ,  $c_1 < 0$ , and  $c_2 > 0$ . Signs of the many coefficients of the exogenous variables are also predictable on theoretical grounds and those predictions will be summarized in the next section together with a discussion of the data set with which we intend to estimate equations (1)–(3).

## II. Description of the data base

The job search model specified in the previous section will be estimated using data gathered as part of a longitudinal survey of over 2,000 individuals who exhausted their unemployment insurance benefits in October, 1974. Individuals in the sample were located in four representative urban areas (Atlanta, Baltimore, Chicago and Seattle). They were interviewed in their local UI office at the time of benefit exhaustion and four months later (February, 1975) in their homes.<sup>1</sup> The interviews contain a variety of detailed information about the backgrounds of the exhaustees and (of particular relevance to this paper) about the ways in which they look for work. Although the original purpose of the study was to examine the behavior of individuals who had exhausted their UI entitlement, adoption of benefit extensions in late 1974 re-established UI eligibility for most people in the sample. Their renewed eligibility (which could not have been anticipated either by the exhaustees or by those involved in the design of the survey) provides the opportunity to estimate the effect of benefit extensions on individuals in the sample and that subject will be investigated in later sections. First, however, we present estimates of the job search model derived from the initial interview.

Our sample is restricted to those exhaustees who: (a) completed both interviews; (b) were not employed at the time of benefit exhaustion; (c) were not out of the labor force (by the standard CPS criteria) at the second interview; and (d) provided all necessary data for estimation of the model.

<sup>1</sup>These data were collected by Mathematica Policy Research under contract to the Employment and Training Administration, N.J. Department of Labor. Details of the study are described in W. Nicholson and W. Corson, "A Longitudinal Study of Unemployment Insurance Exhaustees" (Princeton, Mathematica Policy Research, 1976). A third interview was administered to the sample in November, 1975, but the results of that interview are not reported here.

That subsample numbers 827. Summary data for the sample are presented in Table 1. The first five rows of the table report basic economic and demographic characteristics of the sample. While we will not discuss these in detail, it is worth noting that the sample has a relatively high mean age (although there is considerable variability about that mean) and overrepresents white females and blacks of both sexes relative to their incidence in the labor force as a whole. Rows 6-8 of Table 1 report the basic endogenous variables to be used in implementing the job search model (equations 1-3). The reservation wage data (row 6) represents respondents' answers to the question, "What is the lowest weekly wage at which you would be willing to go to work now?" combined with data on anticipated hours of work. These data appear (at least on average) to be correlated with the wage rate of the job held prior to becoming unemployed. There is sufficient variability in that sample relationship however, to suggest that additional determinants should also be considered.

As our measure of search intensity we have chosen the number of employer contacts made in the four week period prior to the Wave 1. Such contacts probably accurately reflect the number of job offers generated during the period and therefore are the measure appropriate for our model.<sup>1</sup> On average individuals in the sample made about 2.5 employer contacts per week. Both telephone and in person contacts are included in that figure. The sample standard deviation in the number of contacts is 16.6 implying substantial variation in individuals job search efforts.

TABLE 1.—SUMMARY CHARACTERISTICS OF THE EXHAUSTEE SAMPLE

Characteristic	White males	White females	Black males	Black females	Total sample
1. Mean age (years).....	39.3	42.5	36.2	36.9	39.2
2. Mean education (years).....	12.0	11.3	10.4	11.2	11.3
3. Mean weekly income (other than exhaustees' earnings).....	\$86	\$133	\$61	\$118	\$100
4. Mean liquid assets.....	\$3,709	\$2,753	\$721	\$779	\$2,245
5. Mean hourly pre-UI wage.....	\$4.77	\$3.12	\$4.01	\$3.49	\$3.87
6. Mean hourly reservation wage.....	\$3.85	\$3.00	\$3.96	\$3.10	\$3.49
7. Mean employer contacts.....	10.5	9.1	14.0	9.1	10.6
8. Percent reemployed.....	3.74	31.7	27.2	24.6	31.2
9. Mean percent of net wage replaced by UI benefit.....	50.5	61.5	49.1	60.5	55.2
Number in sample.....	243	259	191	134	827

Because many individuals in the sample continued to be unemployed at the date of the second interview, we cannot measure the duration of completed unemployment spells. Rather, as a measure of the payoff to job search we will use the probability of having found a job by Wave II. The percent of individuals finding jobs is reported in line 8 of Table 1. The average 4-month re-employment rate of 31.2 percent implies a mean unemployment duration of longer than one year from the date of exhaustion of UI benefits.<sup>2</sup> That figure reflects the weak labor market conditions of early 1975. It varies considerably among groups of exhaustees: whites were more likely to have found jobs than blacks, and males were more likely to have done so than females. Below we show that age was also an important correlate of re-employment: younger exhaustees were far more likely to have found jobs than were older ones.

The final row in Table 1 reports the percent of individual's after-tax weekly earnings (received on their pre-UI job) replaced by UI benefits. This variable has been widely regarded as an important measure of the labor force disincentives posed by UI<sup>3</sup> and it is the variable we will use for that purpose. It is discussed in more detail in Section IV.

Exogenous variables to be used in the estimation of the job search model are listed in Table 2. The table also summarizes their expected signs in the equations on the job search model. For the purposes of Table 2 we have used the prob-

<sup>1</sup> Other measures of search intensity (such as number of different job search methods used or number of times used various methods) were highly correlated with the employer contact data.

<sup>2</sup> This calculation assumes a constant probability of re-employment overtime. Although there are reasons to believe that the probability of re-employment falls over time as more "employable" exhaustees find jobs, we will adopt this widely-used method for transforming re-employment probabilities into expected duration of unemployment spells.

<sup>3</sup> See for example Feldstein, (1974).



ability of re-employment as the dependent variable in equation 3 rather than duration in accordance with our discussion above.

Expected signs in that equation are therefore reversed from those to be expected in a duration equation.

A few of the exogenous variables in Table 2 deserve discussion. Predicted signs of the skill level and income variables have already been analyzed in Section 1 and are reflected in the table. It is assumed that family size and the presence of young children reduces search intensity because of the competing demands on the searcher's time. Union membership is assumed to increase reservation wages but, because of union-provided search assistance, to reduce intensity. Past unemployment history (other than the duration of the current unemployed spell) does not affect search strategies, but may reflect an individual's employability in ways not adequately captured by other exogenous variables in the model. This variable is therefore expected to have a negative effect on re-employment. Finally, car ownership should reduce the cost of search and increase search intensity.

TABLE 2.—EXOGENOUS VARIABLES AND THEIR PREDICTED EFFECT IN THE JOB SEARCH MODEL

Variable	Predicted effect on—		
	Reservation wage (RW)	Search intensity (Contacts)	Reemployment probability (Employed 2)
Pre-UI wage (Prewage).....	+	+	a
Age-sex-race interactions.....	a		a
Education (Education).....	+	+	+
Prior job training (Jobtrain).....	+	b	+
Number of children (Nchildren).....	b	—	a
Number of young children (Youngchild).....	b	—	a
Union member (Union).....	+	—	b
Total weeks unemployed in last 3 yrs (Weeksunemp).....	b	b	—
Weekly family income (Income).....	+	—	—
Total liquid assets (Liqassets).....	+	b	b
Car ownership (Haveacar).....	a	+	a
Site.....	a	a	a

a—No prediction.

b—Omitted, coefficient assumed to be 0. This permits identification of the equations.

### III. Estimation of the job search model

In this section we present results for equations 1 and 2 of the job search model. There are two reasons why results for equation 3 are not reported here. First, because we wish to apply the model to estimation of the effects of UI benefit extension we intend to treat the model as being recursive. A search strategy is determined at the time of the first interview and this then affects the probability of finding a job. We discuss estimation of that equation in the next section.

A second reason for not estimating a simultaneous duration equation relates to the nature of the duration variable as measured at Wave I. Since the individuals in our sample were exhausting their UI benefits at that time, measured durations reflect the administrative provisions of the unemployment insurance system rather than a behaviorally determined completed spell of unemployment. Interpretation of estimation of an equation using this dependent variable would therefore be ambiguous. Nevertheless, we have argued that duration may affect search strategy and the variable must be included in equations 1 and 2. To avoid potential biases arising from that part of duration which is determined simultaneously with search strategy, the UI duration variable is treated as endogenous in the search strategy equations which are estimated by two stage least squares.

Distribution of the three endogenous variables in the job search models were found to be highly skewed and it was therefore decided to use natural logarithms of these variables in the estimated equations. For a similar reason, pre-UI wage rates were also entered in logarithmic form. Such logarithms are denoted by LOG in the regression tables.

TABLE 3.—RESERVATION WAGE EQUATION

	Coefficient	t ratio
Independent variable:		
Logcontacts.....	1 0.249	1.86
Logduration.....	-.210	-.85
Logprowage.....	1.144	4.89
Wfemale.....	-.088	-.68
Bmale.....	.037	.30
Bfemale.....	.030	.17
Age.....	.002	.89
Wage.....	-.001	-.09
Bwage.....	-.001	-.23
Bfage.....	-.006	-1.15
Education.....	.012	.97
Jobtrain.....	.025	.52
Union.....	1.178	2.93
Income (\$100).....	1.050	2.92
Liqassets (\$1000).....	1.006	2.74
Havecar.....	.050	1.40
Baltimore.....	-.130	-1.31
Atlanta.....	-.219	-1.49
Chicago.....	-.099	-.73
Constant.....	1 1.26	1.72
Dependent variable: Logrw. <sup>2</sup>		

<sup>1</sup> Coefficient significantly different from zero at 0.05 level (1 tail).

<sup>2</sup> Estimated by 2-stage least squares. Additional exogenous variables include: number of children, presence of young children, weeks unemployed past 3 yr, and net wage replacement on UI.

Note: R<sup>2</sup>—0.264; SE—0.404; F(19,807)—14.44.

Tables 3 and 4 report the job search strategy equations. In general both equations conform to the *a priori* expectations outlined earlier. Reservation wages (Table 3) are positively affected by measures of skill levels and by family income. There is also evidence that individuals who adopt high effort search strategies (as measured by the number of employer contacts) also have higher reservation wage rates. The coefficient of duration is negative (as predicted by theory), but not significantly different from zero. This may be explained by the problems with the duration variable outlined above and by the probability that effects of duration on search diminish as longer durations are examined.<sup>1</sup> Other variables in the reservation equation are generally insignificant. In particular, there is no evidence that younger searchers adopt "unrealistically" high reservation wages as some authors have suggested.

While estimates for the search intensity equation (Table 4) are somewhat less satisfactory than for the reservation wage equation, they also exhibit some interesting findings. Income has a significant negative effect on search intensity as predicted by our model. Similarly education has the theoretically correct positive effect although the coefficient just misses being significantly different from zero on a one tail test. The equation shows that older individuals search somewhat less intensively than younger ones and that individuals in Chicago (possibly because of compulsory registration with the Employment Service in that site) search more actively than those elsewhere. Estimated family size effects are contrary to theory although for those with very young children the effect is in the expected direction. Neither reservation wages nor duration seem to have any significant effects in the contracts equation. Simultaneously in choices of search strategies seems to affect reservation wages more than it affects the generation of job offers.

<sup>1</sup> Average duration of unemployment at Wave I averaged 26 weeks in the sample.

TABLE 4.—EMPLOYER CONTACTS EQUATION

	Coefficient	t ratio
Independent variable:		
Logrw.....	0.387	0.40
Logduration.....	.300	.37
Logprwage.....	-.028	-.26
Wfemale.....	-.531	-1.36
Bmale.....	-.278	-.82
Bfemale.....	1.891	1.90
Age.....	1.015	-2.99
Wage.....	.013	1.56
Bage.....	1.014	1.65
Fage.....	1.028	2.56
Education.....	.058	1.59
Nchildren.....	1.097	1.90
Youngchild.....	-.139	-.89
Union.....	1.359	-2.43
Income (\$100).....	1.097	-1.89
Havacar.....	.077	.29
Baltimore.....	.312	1.01
Atlanta.....	.207	.41
Chicago.....	1.883	3.30
Constant.....	-.752	-.29
Dependent variable: Logcontacts. <sup>2</sup>		

Coefficient statistically different from zero at 0.05 level (1 tail).  
<sup>2</sup> Estimated by 2-stage least squares. Additional exogenous variables include: job training, liquid assets, weeks unemployed past 3 yrs, net wage replacement on UI.

Note: R<sup>2</sup>—0.16; SE—1.21; F(19,807)—7.60.

#### IV. The re-employment equation

Discussion presented in Section II suggests that the duration equation in the job search model should be replaced by one using the probability of re-employment (P) as the dependent variable:

$$P = d_0 + d_1RW + d_2SI + d_3X + U_3 \quad (3')$$

Here it is hypothesized that  $d_1 < 0, d_2 > 0$ , and that the sign of the exogenous variables are those presented in Table 2. In the context of our present estimation problem, equation 3' is not assumed part of a simultaneous system including equations 1 and 2, but rather as a behavioral equation determined after a job search strategy has been selected. Consequently, all of the variables on the right side of the equation 3' are taken as exogenous and ordinary least squares is the appropriate estimation procedure.

Equation 3' is appropriate for estimating re-employment in the absence of UI eligibility. However, enactment of extended UI coverage in late 1974 provided an option to individuals in the sample that had not existed previously. There are a number of ways in which that additional option might be incorporated into equation 3', but we will investigate only two of them here. The first such specification assumes that the effects of renewed UI eligibility are best represented by the extent to which UI benefits compensate for potential earnings. If it is assumed that potential earnings can be measured by earnings on the pre-UI job, the "wage replacement ratio" (WR) that has been widely used in other studies provides a suitable variable.<sup>1</sup> We make two refinements to that variable.

First, we use a more comprehensive measure of total weekly earnings (including tips, bonuses, and in kind benefits). Second we estimate earnings net of income and payroll taxes to allow for the fact that earnings are taxed whereas UI benefits are not.<sup>2</sup> The resulting wage-replacement ratios are somewhat higher than the pre-tax wage replacement ratios that are usually reported. Mean values for this variable are reported in line 9 of Table 1. Adding the WR variable to equation 3' yields:

$$P = d_0 + d_1RW + d_2SI + d_3X + d_4WR + U_4 \quad (4)$$

<sup>1</sup> For a summary of theoretical considerations concerning wage-replacement ratios and of empirical estimates of their effects see Hamermesh (1976).

<sup>2</sup> The calculated net wage-replacement ratios are of considerable interest in their own right. For a detailed discussion together with a description of their own construction see Nicholson and Corson (1976).

where  $d_4 < 0$  would indicate that renewed UI eligibility reduced potential recipients willingness to take jobs. In the next section we present results for estimating equation 4. In the estimates we allow  $d_4$  to differ by age, sex, and race since these are demographic variables known to affect labor supply behavior.

One difficulty with the specification of equation 4 is that not all individuals are affected by WR. Implementation of additional UI benefits adds a "kink" to some individuals' budget constraints, but only those actually collecting benefits are fully influenced by that variable. Other individuals (who may be employed, ineligible for additional benefits, or may choose not to collect for other reasons) are affected by WR to a lesser degree, if at all.<sup>1</sup> In other words, the effect of UI benefit extensions should be specified by  $WR \cdot PROB$  where PROB represents the probability that an individual will collect UI. For  $PROB=1$  the individual collects UI and WR is an element of his or her budget constraint; for  $PROB=0$  the individual definitely does not collect UI and WR is not relevant to behavior. Intermediate cases can be represented by values of PROB between 0 and 1. Equation 4 can be altered to take this more complex specification into account as:

$$P = d_0 + d_1 RW + d_2 SI + d_3 X + d_4 WR \cdot PROB + U_i \quad (5)$$

where again a finding that  $d_4 < 0$  would be indicative of a work disincentive posed by UI. Results for estimation of equation 5 (which again permit  $d_4$  to vary by age, sex, and race) are presented in the next section.

#### V. Results

Tables 5 and 6 report empirical estimates of the re-employment equations. In both equations the dependent variable is binary, taking the value 1 if the individual was employed at the Wave II interview and the value 0 if he or she was not. Before examining the estimated effects of the UI benefit extensions a few of the results for the other exogenous variables might be highlighted. Perhaps most interesting, search intensity (as measured by employer contacts) has a significant positive effect on re-employment. The equations suggest that a doubling of search effort increases re-employment probability by 3-4 percent (slightly more than one-tenth of the mean probability). Reservation wages, the other element in job search strategy, have no significant effect on re-employment, however. Collinearity between reservation wages and skill levels may in part explain our inability to detect the expected negative effect of RW.<sup>2</sup> Age and race do have significant effects on re-employment as do some of the locational dummy variables.

Wage replacement ratios have a significant negative effect on re-employment in Table 5. The effect becomes less negative with increasing age (it hypothetically becomes zero at age 69) and is most negative for white males (the omitted category in the regression). As an aid to interpreting the estimates, the first row of Table 7 presents calculated effects of the wage replacement variable evaluated at the mean ages occurring in the sample. Surprisingly, black males are estimated to have a large positive coefficient for wage replacement and this reduces substantially the overall negative effect calculated for the sample. However, the exhaustee sample over-represents blacks relative to their representation among UI exhaustees in the population as whole. Reweighting the coefficients to reflect this population representation increases the negative effect of wage replacement substantially as shown in Table 7.

<sup>1</sup> This problem is similar to that involved in modeling the effects of other transfer programs (AFDC, Food Stamps, or a "Negative" Income Tax) where individuals may or may not participate.

<sup>2</sup> In an attempt to control for skill levels, dummy variables for the industry and occupation of the job held prior to going on UI were added to the re-employment equations. These were not, as a group, statistically significant.

TABLE 5.—PROBABILITY OF REEMPLOYMENT WITH WAGE REPLACEMENT

	Coefficient	t ratio
Independent variable:		
Logcontacts.....	<sup>1</sup> 0.038	3.02
Logrw.....	.022	.57
Logprowage.....	.013	.54
Logduration.....	-.007	-.35
Wfemale.....	-.039	-.34
Bmale.....	<sup>1</sup> -.448	-3.73
Bfemale.....	<sup>1</sup> -.322	-2.16
Age.....	<sup>1</sup> -.012	-4.57
Wage.....	-.001	-.67
Bmage.....	.003	.75
Bfage.....	.004	.78
Education.....	<sup>1</sup> .017	2.72
Jobtrain.....	.049	1.03
Weeksunemp—3yr.....	-.001	-.99
Income (\$100).....	-.005	-.36
Havecar.....	-.031	-.87
Baltimore.....	-.044	-.92
Atlanta.....	-.074	-1.54
Chicago.....	<sup>1</sup> -.113	-2.20
Wr.....	<sup>1</sup> -.483	-2.34
Wrage.....	.007	1.64
Wrwage.....	.003	.81
Wrbmage.....	<sup>1</sup> .014	2.61
Wrpfage.....	.005	.96
Constant.....	<sup>1</sup> 1.737	4.10
Dependent variable: Employed2. <sup>2</sup>		

<sup>1</sup> Coefficient significantly different from zero at 0.05 level (1 tail).

<sup>2</sup> Estimated by ordinary least squares.

Note: R<sup>2</sup>—0.127; SE—0.439; F(24,802)—4.88.

TABLE 6.—PROBABILITY OF REEMPLOYMENT WITH WAGE REPLACEMENT TIMES PROBABILITY OF COLLECTING UI

	Coefficient	t ratio
Independent variable:		
Logcontacts.....	<sup>1</sup> 0.035	2.69
Logrw.....	.024	.63
Logprowage.....	.013	.55
Logduration.....	-.004	-.19
Wfemale.....	-.042	-.36
Bmale.....	<sup>1</sup> -.437	-3.60
Bfemale.....	<sup>1</sup> -.358	-2.41
Age.....	<sup>1</sup> -.011	-4.66
Wage.....	.001	.14
Bmage.....	<sup>1</sup> .006	1.71
Bfage.....	<sup>1</sup> .007	1.66
Education.....	<sup>1</sup> .019	2.88
Jobtrain.....	.027	.58
Weeksunemp—3 yr.....	-.001	-.78
Income (\$100).....	-.005	-.33
Havecar.....	-.039	-1.10
Baltimore.....	-.040	-.84
Atlanta.....	-.064	-1.32
Chicago.....	<sup>1</sup> -.106	-1.77
WR-prob.....	<sup>1</sup> -.735	-2.06
Wrage.....	.010	1.61
Wrwage.....	.004	.80
Wrbmage.....	<sup>1</sup> .021	2.68
Wrpfage.....	.002	.29
Constant.....	<sup>1</sup> 1.595	3.60
Dependent variable: Employed. <sup>2</sup>		

<sup>1</sup> Coefficient significantly different from zero at 0.05 level (1 tail).

<sup>2</sup> Estimated by ordinary least squares.

Note: R<sup>2</sup>—0.128; SE—0.438; F(24,802)—4.90.

Table 6 reports the alternative parametrization of the effects of UI by interacting wage replacement with the predicted probability of collecting UI benefits.<sup>1</sup> Qualitatively, the results of these estimates are similar to those from the

<sup>1</sup> This predicted probability is derived from a regression of a binary variable representing whether or not the individual was collecting extended benefits at Wave II on the exogenous variables listed in Table 2.

previous equations. The reweighted coefficient estimate (Table 7) is quite close to that calculated above if the probability of collecting additional UI benefits is set equal to .6 (the mean probability observed in the sample over the year following exhaustion of benefits). An alternative (and substantially more negative) estimate is provided by setting the probability of participating equal to 1. This alternative may be more appropriate if the coefficient estimates are to be applied to the population of individuals who actually collect benefits under the extended benefits program.

Our results then suggest that the UI benefit extensions had a significantly negative effect on the re-employment of individuals who were eligible for them. In the next section we summarize our conclusions and interpret them within the more general context of the effects of UI on the labor market.

TABLE 7.—COEFFICIENTS OF WAGE—REPLACEMENT RATIO EVALUATED AT MEAN AGES

	White males	White females	Black males	Black females	Total sample	Total sample reweighted <sup>1</sup>
Equation 4.....	-0.208	-0.058	0.277	-0.040	-0.022	-0.100
Equation 5 (for prob=0.6).....	-.205	-.084	.232	-.175	-.061	-.120
Equation 5 (for prob=1).....	-.342	-.140	.387	-.292	-.102	-.200

<sup>1</sup> Reweighted to reflect national race—sex composition of regular UI exhaustees.

#### VI. Conclusion and interpretation

The job search model developed in Section I of this paper has been shown to be supported reasonably well by data from the sample of UI exhaustees. Equations explaining two principal components of search strategy (reservation wages and search intensity) were shown to conform to *a priori* expectations and to exhibit some trade-offs among the components. The intensity of search effort was also found to have a significant positive effect on re-employment. Contrary to expectations, however, reservation wages had no statistically significant effect on re-employment success.

Application of the job search model to assessing the effects of UI benefit extensions on the re-employment experiences of the exhaustees yielded significantly negative coefficient estimates. Those coefficients (when weighted to reflect the national profile of UI exhaustees) suggest that re-employment rates over a 4 month interval were between 5 and 10 percent lower<sup>1</sup> than they would have been in the absence of the extensions. Even the lower of these estimates implies a difference in *weekly* re-employment rates of nearly 20 percent (2.49 percent per week in the absence of the extensions, 2.02 percent per week in their presence). They imply a similar differential in expected unemployment duration from the date of the Wave I interview (40.2 weeks versus 49.6 weeks). That 9.4 week difference in unemployment duration is quite large. If applied to all individuals who ever collected under the FSB program in 1975 (approximately 2.7 million individuals) it would imply a 6.25 percent increase in total weeks of unemployed experienced by the civilian labor force over what it would have been in the program's absence.<sup>2</sup> The measured unemployment rate in 1975 would also have been commensurately higher than in the program's absence.

Of course such "back of the envelope" calculations should be made with caution. The exhaustee sample may not represent the typical FSB claimant in 1975 (most individuals in the sample had lost their jobs in early 1974 rather than in the sharp downturn later in the year) and it may exhibit peculiarities unique to the survey sites. In addition, the disincentive estimates may not be robust to alternative parametrizations of the benefit extensions. Finally, it should be recognized that no "natural experiment" (such as represented by the unexpected extension of benefits to the exhaustee sample) can substitute for a carefully controlled experiment designed to test the disincentive hypothesis.

<sup>1</sup> This figure is calculated by taking the product of the weighted coefficient estimates from Table 7 times the mean net wage replacement ratio (about .56) observed in the sample.

<sup>2</sup> To the extent that some of the additional weeks of unemployment were not experienced in the calendar year 1975, this figure is an over-estimate. In addition, the calculation assumes no labor force participation rate effects as a result of changes in UI policy.

Even if the disincentive effects estimated here are regarded as approximately correct,<sup>1</sup> they do not provide an unambiguous argument against emergency benefit extensions of the FSB type. Such extensions serve an important distributional function by providing income supplementation to unemployed workers. Similarly, they are an important component of overall macroeconomic stabilization policies. Finally, prolonged periods of job search may not represent a loss of economic output if those periods are used to find better job matches. We have not investigated these additional issues here, however.

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Senator BYRD. The committee will stand in recess until 9 o'clock tomorrow morning.

[Whereupon, at 12:35 p.m. the Committee recessed to reconvene at 9 a.m., Wednesday, March 23, 1977.]

[By the direction of the chairman, the following communications were made a part of the record:]

#### STATEMENT BY RUTH C. CLUSEN, PRESIDENT, THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

The League of Women Voters supports a one-year extension of the Federal Supplemental Benefits Program (FSB) due to expire March 31, 1977, and urges you to take action quickly on this very important measure. The League is a volunteer citizen education and political organization of 1,350 Leagues with approximately 136,000 members in 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. Since the early sixties the League has been actively involved in federal programs to provide jobs and job training for Americans able and willing to work. In the last few years of extremely high rates of unemployment we've been especially concerned with seeing that adequate benefits are provided for those unable to work.

We have strongly supported the FSB program since its inception in 1974. The arguments offered for the program in 1974 are, unhappily, relevant today.

<sup>1</sup>The estimates are 3-4 times larger than those summarized by Hamermesh (1976) p. 47-52. Those other estimates refer to regular UI benefits, however, and there are reasons to believe that the disincentive effects of extended benefits would be somewhat greater. Most important, extended benefit recipients have considerably longer unemployment durations than do regular UI claimants and the extensions occur in periods of weak labor market activity during which alternative earnings possibilities may be considerably less than earned on the pre-UI job.

Unemployment is still severe, ranging somewhere between 7.5 percent in February as figured by the Bureau of Labor Statistics to 10.3 percent for the same time period according to the AFL-CIO, who include discouraged and part-time workers in their estimates.

Let me say in closing that, should the idea of area triggers become the law of the land in connection with FSB, we in Georgia will be forced into a completely manual system of administration. This, in our opinion, would cost more to administer than we would pay in benefits.

Whichever figure is believed, the fact is that at this time, enough jobs do not exist for all those seeking work. Unemployment compensation and the FSB program serve to provide a buffer for those who have lost their jobs and who are unable to re-enter the labor force immediately. Without FSB, if a job is not available when a worker has exhausted the regular UC benefits then that person has no alternative but to exhaust all private sources of income, savings and liquid assets until he or she qualifies for public assistance. According to the Department of Labor, by the end of the second quarter in 1977 approximately 610,000 workers will exhaust their UC benefits; by the end of the third quarter of 1977, 510,000 more workers will exhaust their benefits. The League of Women Voters believes the FSB program is much more humane and, in the long run, better for our economy than the welfare alternative.

We urge passage of an extension similar to HR 4800 reported by the House Ways and Means Committee. We are pleased to see that HR 4800 recognizes that the state trigger mechanism contained in the original act does not realistically match the dynamics of unemployment in our country. Specifically, metropolitan areas with high unemployment can be found in states with general unemployment rates too low to trigger into the program. Unemployment is not confined to state boundaries. It is more of a national phenomenon. Short of a national trigger mechanism, which might be politically infeasible, the state and/or labor market area trigger found in HR 4800 is preferable to the present system.

Other than the trigger, we urge the committee not to amend the program further at this time. With March 31, 1977 looming next week, time is crucial. We are afraid, in reading the blue book prepared by Finance Committee staff February 25 and by reading the Committee's budget estimates letter of March 4, that the Committee is considering placing a needs test on the FSB program in order to cut costs. We strongly oppose such an amendment.

While some believe that because FSB is funded indirectly from the general revenue, it operates in fact as an income assistance transfer and should therefore be subject to a needs test, we maintain that it is not and has never been considered a welfare program. Unemployment compensation has traditionally been thought of as an insurance system earned by the worker. It is not the worker who is responsible for unemployment. And it is not the worker who should be penalized by switching programs in mid-recession, regardless of who is picking up the tab.

While the League is concerned over the prospect of a needs test being applied to FSB, we are shocked by the wording in the staff blue book report of February 25 which singles out unemployed wives when discussing how unemployment benefits bring up a recipient household's income over that which it would have earned without the benefits. To single out working wives when it would have been sufficient to refer to two-person working households leads to no other conclusion than that the staff considers compensation for unemployed wives to be expendable. We consider this to be sex discrimination in its most blatant form.

The Committee should be aware that many women today work out of economic necessity—nearly half of all American families that have a median income require two workers to maintain that level. Labor force participation of wives with children under 6 is highest when the husband's income is between \$5,000 and \$7,000. Women account for nearly two thirds of the new growth in the labor force over the past 20 years.

We must assume that the Committee members agree that women workers are no less deserving of unemployment compensation than male workers, whether they are married or not. Any reform of the program which implies otherwise would certainly be open to constitutional challenge.

In conclusion, the League of Women Voters urges you to act swiftly to extend the FSB program for one year. We support an extension similar to that of HR 4800 and ask that you not make other substantive amendments in the program at this time.



STATEMENT OF JON M. WOODALL, CHIEF, LABOR INFORMATION SYSTEMS, GEORGIA  
DEPARTMENT OF LABOR

I wish to thank you for presenting me with the opportunity of appearing before you during your consideration of H.R. 4800. This bill would extend the Federal Supplemental Benefits (FSB) Program for one year to March 31, 1978 with some very significant changes.

I and the Agency I represent have no major opposition to a *temporary*, and may I emphasize *temporary*, extension of this program. However, we strongly feel that if the Congress, in its wisdom, believes that long-term unemployed workers should be assisted to survive, then the assistance should take some form other than the Unemployment Compensation Program. This program was instituted (and, by the way, has done its job well) to provide short-term assistance to those persons who are unemployed through no fault of their own.

From the information available to us, it appears to be the mood of Congress to enact this extension. My testimony today is intended to support some much needed changes and to strenuously oppose other changes.

The changes we favor are: (1) Revised financing methods to pay these long-term benefits from General Revenues rather than from the Federal Unemployment Tax paid by subject employers, and (2) reduction of the maximum duration of benefit entitlement under FSB from the present 26 weeks to 13 weeks. These changes will tend to reduce the impression that the U.I. Program is a welfare system rather than an earned right and will share the cost among all taxpayers rather than only employers. It certainly cannot be argued that an employer who paid wages to a worker and then was forced to lay off that worker has the sole responsibility for assisting that worker after financing 39 weeks of benefits.

The establishment of a more stringent definition of suitable work to be offered a recipient of FSB than for the regular and extended programs certainly seems to be in order. In fact, the General Assembly of Georgia has imposed such a requirement on claimants who have been paid eight weeks of benefits in a single spell of unemployment and a further tightening after thirteen weeks. We oppose limiting this "work test" by the requirements that the job be listed with the public employment service and that job offer must be in writing.

The most distasteful change being proposed, however, is the establishment of "area triggers" in geographic areas which represent only part of a state. The intent here appears to be to provide longer durations of benefits to claimants residing in areas which are experiencing levels of insured unemployment higher than other parts of the state when the entire state has a trigger rate of insured unemployment less than 5%. The intent may be admirable but it will not materialize under the terms of H.R. 4800 as we understand them.

First, the measurement of the insured unemployment rate for an "area" will use as the numerator of the fraction the number of persons filing claims for regular and extended benefits in offices located within the "area." The denominator of the fraction will be the average number of insured workers in the "area." In Georgia, we think it to be untenable to require an unemployed worker to file his claim in a specified office, such as the one nearest his place of work or his place of residence. Thus, it is entirely possible (and frequently happens) for a worker laid off from an employer in Metropolitan Atlanta and who resided in Gainesville (about 50 miles away) to file his claim in either the Gainesville or Atlanta office. This fact may be graphically illustrated by two interesting numbers—40% of the insured employed in Georgia work in the Atlanta Metropolitan Area; whereas, only 30% of the unemployed workers filing claims for unemployment compensation are filing those claims in the Atlanta area.

Alternative numerators for this fraction are claimants for the regular and extended programs who are counted based on their place of work or their place of residence. In the first instance, we do not have the information available for the count; and, in the second instance, methods available to us for this count are so laborious that a timely measure could not be produced.

Now for the worst part of this "area" trigger. The entitlement of an individual claimant for these long-term benefits will be based on the location of his last employer who paid him wages in his base period used to establish his claim for regular benefits. Thus, in the example cited above, the claimant residing in Gainesville and formerly working in Atlanta may have a next door neighbor who formerly worked in Gainesville. A computation of these "area trigger rates" as defined has shown that the Atlanta area trigger would be "off" and the trigger

would be "on" in Augusta and the balance of the State. Thus, the next door neighbor would be eligible and our "hero" would not be. Not only does this fail to make economic sense, it borders on violation of equal protection and certainly is politically unfeasible.

And beside all the reasonable reasons to oppose area triggers, there is a valid unreasonable reason for opposition on the part of State Employment Security Agencies; i.e., we cannot administer payments of FSB to claimants based on their place of work within a state. The information is not available on individual claimant files as to his last place of work in his base period. Wages are reported by employers for individuals in their employ on a quarterly basis. Thus, if a claimant has two employers in the last quarter of his base period, we have no way of knowing which was the last. A more common occurrence, however, is the employer who has multiple locations in the state. No effort has been made to obtain the plant location for individual workers; and we think that obtaining this information would impose another intolerable reporting burden on already over-reported employers.



## APPENDIX

### MATERIAL SUPPLIED BY THE DEPARTMENT OF LABOR

JUNE 28, 1976.

Directive: Unemployment Insurance Program Letter No. 17-76, Change II.

To: All State Employment Security Agencies.

From: Floyd E. Edwards, FEE Administrator, Field Operations.

Subject: Suitable Work for Federal Supplemental Benefit Claimants.

1. *Purpose.* To emphasize the need for appropriation application of suitable work criteria to FSB claimants.

2. *References.* Definitions of suitable work in State unemployment insurance laws.

3. *Background.* Federal Supplemental Benefits claimants are long-term unemployed. In light of the improvement in the economy we have been experiencing (and project for the future) major efforts should be aimed now at restoring long-term unemployed workers to the employed labor force. These efforts could be assisted by renewed emphasis upon the application of suitable work criteria in State laws. Almost every State UI law explicitly contains a definition of suitable work, generally expressed in terms of specific criteria to be considered by the agency in determining whether a particular job is suitable work for an individual claimant. The criteria are necessarily applied on a case by case basis, depending upon the individual circumstances of the claimant and the particular characteristics of the job. Most commonly, the State law directs that, in determining whether any work is suitable for a claimant, the agency consider such relevant factors as:

The claimant's—

- physical fitness for the work,
- prior training and experience,
- prior earnings,
- prospects for obtaining local work,
- prospects for obtaining work at his or her highest skills,
- the degree of risk to the claimant's health, safety and morals,
- the distance of the available work from the claimant's residence,
- the length of the claimant's unemployment,
- such other factors as would influence a reasonably prudent person in the claimant's circumstances.

In effect, the criteria direct that the agency take into account the same factors that would reasonably influence any unemployed worker in considering a job. Generally, the community and the individual are served best by placing individuals at their highest skills. This is not always possible, and the concept of suitable work must necessarily be flexible if it is to be realistic. The significance of each criterion changes as circumstances changes. As the period of the claimant's unemployment lengthens, all States expect the individuals to lower their sights in terms of the kinds of job offers they will accept. In other words, as unemployment continues, this fact becomes more significant, with diminishing importance attached to such factors as prior training, experience, or earnings. A job not considered suitable work for a claimant in the early stages of that individual's unemployment, perhaps because it requires lower skills than the claimant can offer, may well be considered suitable after a substantial period of unemployment elapses, and it becomes clear that the claimant's prospects are remote for obtaining work wholly in line with his or her training, experience, and prior wages.

By the time a claimant begins to draw FSB, the individual has been unemployed a long time. To be eligible for FSB, the claimant must have exhausted both regular and extended benefit entitlement. Current data on the average actual benefit duration of regular and extended benefit exhaustees are not yet available, but there are ample grounds for concluding that, nationwide, only insignificant

numbers of FSB beneficiaries exhausted less than 16 weeks of regular plus extended benefits and that a large majority of FSB beneficiaries exhausted more than 33 weeks of regular plus extended benefits.

As indicated above, for unemployment insurance purposes, suitable work for a claimant broadens with the individual's increased length of unemployment and diminished prospects for jobs in his or her customary work. In the case of regular benefit claimants, this gradually becomes a factor for careful factual exploration before the necessary judgments as to the suitability of particular jobs can be made. By contrast, in the case of FSB claimants, by the time they file their initial FSB claims, the substantial length of their unemployment has been demonstrated. This does not necessarily mean that the prospects of reemployment at the claimant's customary work are negligible (with the economy improving the prospects may be better now than before) but it does point to the need to reassess some criteria of suitability in light of the substantial length of unemployment experienced by the claimant.

**4. Action Required.** To assure that the suitability of work referrals and job offers made to FSB claimants are being evaluated realistically, each State should: (1) attempt to refer and place all individuals in jobs requiring their highest skills; and (2) apply the following interpretation of suitable work to FSB claimants. We believe this interpretation is not only consistent with existing suitable work provisions in most State laws, but, in fact, represents the intent of such provisions and their interpretation by State courts with respect to all claimants as the period of their unemployment lengthens. In applying the recommended interpretation of suitable work to FSB claimants, it must be recognized that its application should in no way preclude consideration of the personal circumstances of individuals that reasonably constitute "good cause" for refusing a given work, referral or job offer. It should be noted also that benefits may not, consistently with Federal law requirements, be denied to an otherwise eligible individual for refusing an offer of new work under the conditions spelled out in the "labor standards" provisions of section 3304(a)(5), FUTA, and in the corresponding provisions of all State laws. These are included in the following interpretation of suitable work.

"Suitable Work" for an FSB claimant is work for which the individual is reasonably fitted by training and experience. If the individual lacks the skills and training need to perform offered work, that work may nonetheless be suitable for him or her if, as part of the job, he or she is provided with the training necessary to develop the work skills needed. The fact that offered work involves lower pay or lesser skills than the individual's customary occupation does not preclude such work from being considered suitable if the individual has no reasonable prospects for work at his or her customary pay and skill levels. Other relevant State law suitable work criteria shall be considered, as appropriate and in light of the foregoing definition.

"In no case, however, may benefits be denied to an otherwise eligible individual for refusing to accept a bona fide offer of work under any of the labor standards provisions in the State law, including the following conditions:

"(a) if the position offered is vacant due directly to a strike, lockout, or other labor dispute;

"(b) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality;

"(c) if, as a condition of being employed, the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization.

"In addition, in no case may benefits be denied to an otherwise eligible individual for refusing to accept bona fide offers of work under any of the following conditions:

"(a) if the work offered exceeds the individual's physical or mental capacity or would be dangerous to his or her health, safety, or morals;

"(b) if the distance from the individual's residence to the offered work is substantially greater, substantially more time-consuming, or substantially more costly to the individual than is usually the case for similar employment in his or her locality, provided that this subparagraph shall not apply if the individual is provided with financial assistance to relocate to the vicinity of the offered work."

CLAIMANT REPEATER STUDY—NORTH DAKOTA UNEMPLOYMENT COMPENSATION  
DIVISION, JULY 1963

SUMMARY

A total of 26,084 claimants were included in this study. Three percent drew benefits in each of the five years studied, six percent drew in four out of five years, nine percent drew in three out of five years, 20 percent drew during two years, while 62 percent of the claimants studied drew benefits during only one of the five years covered by the study.

The seasonality factor, which has such an adverse effect on the North Dakota Unemployment Insurance program, was highlighted in this study. Other significant aspects which were brought out included the sex, age, and occupation of the repeaters. Base period earnings, being an eligibility factor, were not an important part of the study except for their use in determining the claimant's labor market attachment. Duration of benefits is of prime importance in analyzing seasonal unemployment and was used to that extent in this study.

On an industrial basis, claimants from the government and construction industries were found to be most likely to file two or more claims for unemployment insurance benefits during a given five-year period. This reflects the seasonality factors which affect North Dakota's Unemployment Insurance program. Most unemployment insurance claimants from government units are people who were employed on county road construction crews. This type of work and other construction activity is most severely affected by seasonal factors and thus accounts for the high incidence of repeated claims filing by workers from these industries.

Claimants from the service, finance, insurance and real estate and trade industries showed the lowest incidence of repeated claims filing. This is due mainly to the fact that employment in these industries is more stable. Employees in these industries are not likely to be laid off as are workers in the construction industry and when they are laid off their chances of finding new employment are better.

Skilled, semi-skilled and unskilled claimants were found to file claims most often in a five year period while claimants from clerical and sales and service occupations filed least often. Here again the ever present seasonality factors can be noted. The occupational groups related to the most seasonal industries showed the highest incidence of repeated filing.

On the basis of age, claimants under the age of 25 were found to be the least likely to repeat. As the age of the claimants increased the likelihood of repeated claims filing increased also, with claimants age 65 and over found to be most likely to repeat within a given five year period.

Perhaps surprisingly, claimants in the higher earnings brackets were found to draw benefits more often than claimants in the lower earnings brackets. Proportionately, the highest incidence of repeated claims filing was noted among claimants who had base period earnings of \$4,000 to \$4,499. The lowest incidence of repeated claims filing was noted among claimants who earned less than \$500 during their base period.

There was a strong positive correlation between the number of weeks of benefits drawn and the frequency of repeated filing during the five year period studied. The claimants who drew benefits for only 1-4 weeks were least likely to file claims repeatedly while claimants who drew benefits for 15 or more weeks were most likely to do so.

PURPOSE OF THE STUDY

The purpose of this study was to determine the number of compensable claims a selected number of claimants filed during a five year period and to determine the characteristics of these claimants.

SCOPE OF THE STUDY

This study included all regular unemployment insurance claimants who drew one or more weeks of benefits during one or more of the years 1955 through 1959. Only claimants who filed an initial claim and drew one or more weeks of benefits

during a given year were considered to have drawn benefits during that year. Claimants who filed an initial claim but were found to be ineligible and claimants who filed a valid claim but did not draw any benefits during their benefit year were not included in this study.

#### METHODOLOGY

Benefit year ending control cards, for all unemployment insurance claimants whose benefit year ended during the period January 1, 1955 through December 31, 1959 were used as the source for all claimant characteristics included in the study. These cards were matched by data processing equipment and the matched cards were then arranged in groups based on the number of years the claimants drew unemployment insurance benefits. The claimant characteristics data was tabulated by group using the data from the most recent control card, and each group was analyzed separately. The study contains a summary analysis of each group by characteristic as well as an overall comparative summary which includes data relating to covered employment during the study period.

#### OVERALL ANALYSIS

Of the 26,034 claimants included in this study 62 percent drew benefits during only one of the five years studied, while only three percent of the claimants studied drew benefits during each of the five years covered by the study.

The male claimants were found to be twice as likely to draw benefits in two or more years during a given five year period than were the female claimants.

#### INDUSTRY

More than half of all the claimants studied indicated that they were last employed in construction. Claimants from this industry were dominant in each repeater group. The percentage of claimants who were from the construction industry increased as the number of years in which benefits were drawn increased. This along with the fact that these claimants have the highest rate of exhaustions emphasizes the highly seasonal nature of the construction industry in this state.

Claimants from government employment were found to be most likely to draw benefits in more than one benefit year within a given five-year period. Most of these claimants were last employed by local government units and had been working on county road crews. The highly seasonal nature of this type of work is emphasized by the fact that more than three-fourths of these claimants drew benefits during two or more of the five years studied while only about one-third of all the other claimants studied drew benefits that often.

Claimants from construction and from agriculture also showed a high incidence of repeated claim filing. More than half of the claimants from these industries filed for benefits during two or more of the five years studied.

The highly seasonal nature of the industries listed above accounts for the frequent filing for benefits by claimants from those industries.

The transportation, communications and public utilities industry and the trade industry are not affected as much by seasonal factors. As a result, employment in these industries is relatively stable and claimants from these industries are not very likely to repeat several times in a given five year period.

The incidence of repeated claims filing by claimants from the service industry was also found to be very low. Here it was the limited coverage of workers in this industry and the relative stability of employment which accounted for the small proportion of "repeaters" found among claimants from this industry.

As was expected, those industries which are most severely affected by seasonal layoffs accounted for the bulk of the "repeaters" studied.

#### OCCUPATION

An occupational analysis of the claimants included in this study showed that three-fourths of the claimants studied were either from skilled, semi-skilled, or unskilled occupations. The proportion of claimants from these occupational groups increased as the number of years in which benefits had been drawn increased. They accounted for 90 percent of all the claimants who drew benefits during each year of the five years studied.

Semi-skilled male claimants and unskilled female claimants were found to be most likely to draw benefits in each year during a given five year period.

Claimants that worked in a professional or managerial capacity represented only two percent of all the claimants studied. Persons in these classifications normally do not become unemployed and those that do, very rarely file more than one claim for unemployment compensation. Clerical and sales persons are affected by seasonality factors to a certain degree. This is usually true of people in these occupations who are employed on a part-time or temporary basis. This study showed that 84 percent of the claimants with clerical and sales occupational classifications drew benefits during only one of the five years covered by the study while less than one percent drew benefits during each of the five years.

Claimants in clerical and sales occupations consist mainly of women, many of whom are secondary wage earners. Claimants with service occupations follow the same pattern as those claimants with clerical and sales occupations. Slightly over three-fourths of these claimants drew benefits in only one of the five years studied. More than two-thirds of the claimants with service occupations were women. Here too, part-time and temporary employment was common and upon becoming unemployed many of these women either change occupations or, as is the case of many secondary wage earners, withdraw from the labor market.

#### AGE

Older workers, those 45 years of age or older, made up 39 percent of all the claimants who drew benefits during two or more of the five years studied. Persons in this age group made up only 22 percent of North Dakota's workforce in the 1960 census. Most of the older claimants were semi-skilled or unskilled and most of the older male claimants were unemployed construction workers. A large segment of women claimants 45 years of age and older had been employed on a part-time or temporary basis and many were partial claimants who were working in the food processing industry on a "call" basis.

Claimants under 25 years of age accounted for about ten percent of the claimants in this study. Among this group we found that the ratio of these young claimants to all claimants decreased as the number of years in which benefits were drawn increased. Workers in this age group more readily adjust to labor market conditions by changing occupations when they become unemployed. In most cases they can be easily trained in new jobs and are in demand by many industries for this reason. In North Dakota, unemployed young people are quite prone to leave the state in search of steady employment. This fact also adds to the reasons for the low proportion of "repeaters" in the under 25 age group. It is interesting to note that none of the female claimants under 25 years of age drew benefits in more than three of the five years.

#### BASE PERIOD EARNINGS

Three-fourths of all claimants in the study and 96 percent of the females had earned less than \$3,000 during their base period. More than three percent of the claimants had earned less than \$500 while at the upper end of the earnings range nearly five percent had earned \$5,000 or more. The many variables related to wages contributed to the wide distribution of earnings. These include industry, occupation, sex and duration of employment during the base period. Those claimants with the strongest attachment to the labor market were, for the most part represented in the higher earnings groups while those temporary and part-time workers are included in the lower earnings range. The only contradiction to the above findings was that the claimants in the higher earnings groups did not necessarily have a stronger labor market attachment or a longer employment duration during their base period, but instead might have been working in an occupation or industry which demanded higher wages. This was especially true of the semi-skilled and the skilled construction workers. This is borne out by the fact that claimants who had base period earnings of \$2,500 or more were more likely to repeat as claimants within a given five year period than were the claimants who had lower base period earnings.

#### DURATION

The duration of a compensable claim series, in terms of weeks of total unemployment, also emphasizes seasonality of employment to a certain degree. It was noted that the bulk of the North Dakota claimants were exhaustees. Claimants with the longest duration of unemployment were also found to be most likely to be repeaters. This can be related to the seasonal nature of the construc-



tion industry where many workers experience long layoffs each winter, and again emphasizes the strong influence seasonality factor have on the North Dakota Unemployment Insurance Program.

TABLE I.—INDUSTRIAL DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE DRAWN

	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all claimants:</b>						
Total.....	26,034	100.0	22,026	100.0	4,008	100.0
Agriculture.....	186	.7	155	.7	31	.8
Mining.....	1,013	3.9	998	4.5	15	.4
Construction.....	12,828	49.3	12,691	57.6	137	3.4
Manufacturing.....	2,114	8.1	1,621	7.4	493	12.3
Transportation, communications, and public utilities.....	1,079	4.1	851	3.9	228	5.7
Trade.....	6,745	25.9	4,306	19.6	2,440	60.8
Finance, insurance, and real estate.....	6,239	23.9	118	.5	121	3.0
Service.....	1,228	4.7	692	3.1	536	13.4
Government.....	597	2.3	590	2.7	7	.2
INA.....	4	.1	4	0	0	0
<b>Total all nonrepeaters (claimants who drew benefits during only 1 year):</b>						
Total.....	16,231	100.0	13,083	100.0	3,148	100.0
Agriculture.....	99	.6	84	.6	15	.5
Mining.....	701	4.3	688	5.3	13	.4
Construction.....	6,728	41.5	6,639	50.8	89	2.8
Manufacturing.....	1,368	8.4	1,060	8.1	308	9.8
Transportation, communications, and public utilities.....	794	4.9	586	4.5	208	6.6
Trade.....	5,172	31.9	3,223	24.6	1,949	61.9
Finance, insurance, and real estate.....	190	1.2	77	.6	113	3.6
Service.....	1,006	6.2	555	4.2	451	14.3
Government.....	173	1.1	171	1.3	2	.1
INA.....	0	0	0	0	0	0
<b>Total all repeaters (claimants who drew benefits 2-5 years):</b>						
Total.....	9,803	100.0	8,943	100.0	860	100.0
Agriculture.....	87	.9	71	.8	16	1.9
Mining.....	312	3.2	310	3.5	2	.2
Construction.....	6,100	62.2	6,052	67.7	48	5.6
Manufacturing.....	746	7.6	561	6.3	185	21.5
Transmission, communications, and public utilities.....	285	2.9	265	3.0	20	2.3
Trade.....	1,574	16.1	1,083	12.1	491	57.1
Finance, insurance, and real estate.....	49	.5	41	.5	8	.9
Service.....	222	2.3	137	1.5	85	9.9
Government.....	424	4.3	419	4.7	5	.6
INA.....	4	0	4	0	0	0
<b>Claimants who drew benefits 2 out of 5 years:</b>						
Total.....	5,243	100.0	4,661	100.0	582	100.0
Agriculture.....	31	.6	22	.5	9	1.5
Mining.....	184	3.5	183	3.9	1	.2
Construction.....	2,972	56.6	2,843	63.1	129	5.0
Manufacturing.....	428	8.2	334	7.2	94	16.2
Transmission, communications, and public utilities.....	194	3.7	175	3.7	19	3.2
Trade.....	1,100	21.0	750	16.1	350	60.1
Finance, insurance, and real estate.....	31	.6	23	.5	8	1.4
Service.....	170	3.2	99	2.1	71	12.2
Government.....	130	2.5	129	2.8	1	.2
INA.....	3	.1	3	.1	0	0
<b>Claimants who drew benefits 3 out of 5 years:</b>						
Total.....	2,333	100.0	2,168	100.0	165	100.0
Agriculture.....	24	1.0	21	1.0	3	1.8
Mining.....	82	3.5	91	4.2	1	.6
Construction.....	1,530	65.6	1,517	70.0	13	7.9
Manufacturing.....	166	7.1	125	5.8	41	24.8
Transportation, communications, and public utilities.....	54	2.3	53	2.4	1	.6
Trade.....	305	13.1	214	9.9	91	55.2
Finance, insurance, and real estate.....	9	.4	9	.4	0	0
Service.....	30	1.3	19	.9	11	6.7
Government.....	122	5.2	118	5.4	4	2.4
INA.....	1	.1	1	.0	0	0

TABLE I.—INDUSTRIAL DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE DRAWN—Continued

	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Claimants who drew benefits 4 out of 5 years:</b>						
Total.....	1,432	100.0	1,360	100.0	72	100.0
Agriculture.....	24	1.7	20	1.5	4	5.6
Mining.....	29	2.0	29	2.1	0	0
Construction.....	1,005	70.2	1,001	73.6	4	5.6
Manufacturing.....	95	6.6	72	5.3	23	31.9
Transportation, communications, and public utilities.....	26	1.8	26	1.9	0	0
Trade.....	126	8.8	88	6.5	38	52.8
Finance, insurance and real estate.....	6	.4	6	.4	0	0
Service.....	14	1.0	11	.8	3	4.1
Government.....	107	7.5	107	7.9	0	0
INA.....	0	0	0	0	0	0
<b>Claimants who drew benefits 5 out of 5 years:</b>						
Total.....	795	100.0	754	100.0	41	100.0
Agriculture.....	8	1.0	8	1.1	0	0
Mining.....	7	.9	7	.9	0	0
Construction.....	593	74.6	591	78.4	2	4.9
Manufacturing.....	57	7.2	30	4.0	27	65.8
Transmission, communications, and public utilities.....	11	1.4	11	1.4	0	0
Trade.....	43	5.4	31	4.1	12	29.3
Finance, insurance, and real estate.....	3	.4	3	.4	0	0
Service.....	8	1.0	8	1.1	0	0
Government.....	65	8.2	65	8.6	0	0
INA.....	0	0	0	0	0	0

TABLE II.—OCCUPATIONAL DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED

	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all claimants:</b>						
Total.....	26,034	100.0	22,026	100.0	4,008	100.0
Professional and managerial.....	475	1.8	427	1.9	48	1.2
Clerical and sales.....	2,747	10.5	1,106	5.0	1,641	40.9
Service.....	1,767	6.8	512	2.3	1,255	31.3
Agriculture.....	843	3.2	828	3.8	15	.4
Skilled.....	5,543	21.3	5,419	24.6	124	3.1
Semiskilled.....	6,672	25.6	6,409	29.1	263	6.6
Unskilled.....	6,272	24.5	5,970	27.1	402	10.0
INA.....	1,615	6.2	1,355	6.2	260	6.5
<b>Total all nonrepeaters (claimants who drew benefits during only 1 year):</b>						
Total.....	16,231	100.0	13,083	100.0	3,148	100.0
Professional and managerial.....	415	2.6	372	2.8	43	1.4
Clerical and sales.....	2,307	14.2	891	6.8	1,416	45.0
Service.....	1,954	8.3	371	2.8	983	31.2
Agriculture.....	582	3.6	576	4.4	6	.2
Skilled.....	3,194	19.7	3,109	23.8	85	2.7
Semiskilled.....	3,746	23.1	3,542	27.1	204	6.5
Unskilled.....	3,573	22.0	3,343	25.6	230	7.3
INA.....	1,060	6.5	879	6.7	181	5.7
<b>Total all repeaters (claimants who drew benefits 2-5 years):</b>						
Total.....	9,803	100.0	8,943	100.0	860	100.0
Professional and managerial.....	60	.6	55	.6	5	.4
Clerical and sales.....	440	4.5	215	2.4	225	26.2
Service.....	413	4.2	141	1.6	272	31.6
Agriculture.....	261	2.7	252	2.8	9	1.0
Skilled.....	2,349	23.9	2,310	25.8	39	4.5
Semiskilled.....	2,826	28.8	2,867	32.1	59	6.9
Unskilled.....	2,799	28.6	2,627	28.4	172	20.0
INA.....	555	5.7	476	5.3	79	9.2

TABLE II.—OCCUPATIONAL DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED—Continued

	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Claimants who drew benefits 2 out of 5 years:</b>						
Total.....	5, 243	100.0	4, 661	100.0	582	100.0
Professional and managerial.....	46	.9	41	.9	5	.9
Clerical and sales.....	348	6.6	170	3.6	178	30.6
Service.....	319	6.1	102	2.2	217	37.2
Agriculture.....	165	3.1	160	3.4	5	.9
Skilled.....	1, 214	23.2	1, 191	25.5	23	4.0
Semiskilled.....	1, 424	27.2	1, 382	29.7	43	7.2
Unskilled.....	1, 411	26.9	1, 333	28.6	78	13.4
INA.....	316	6.0	282	6.1	34	5.8
<b>Claimants who drew benefits 3 out of 5 years:</b>						
Total.....	2, 333	100.0	2, 168	100.0	165	100.0
Professional and managerial.....	8	.3	8	.4	0	0
Clerical and sales.....	65	2.8	30	1.4	35	21.2
Service.....	67	2.9	23	1.1	44	26.7
Agriculture.....	52	2.2	50	2.3	2	1.2
Skilled.....	592	25.4	581	26.8	11	6.7
Semiskilled.....	716	30.7	706	32.5	10	6.1
Unskilled.....	712	30.5	666	30.7	46	27.9
INA.....	121	5.2	104	.8	17	10.3
<b>Claimants who drew benefits 4 out of 5 years:</b>						
Total.....	1, 432	100.0	1, 360	100.0	72	100.0
Professional and managerial.....	3	.2	3	.2	0	0
Clerical and sales.....	20	1.4	8	.6	12	16.7
Service.....	24	1.7	14	1.0	10	13.9
Agriculture.....	31	2.2	30	2.2	1	1.4
Skilled.....	377	26.3	375	27.6	2	2.8
Semiskilled.....	463	32.3	460	33.8	3	4.1
Unskilled.....	449	31.4	417	30.7	32	44.4
INA.....	65	4.5	53	3.9	12	16.7
<b>Claimants who drew benefits 5 out of 5 years:</b>						
Total.....	795	100.0	754	100.0	41	100.0
Professional and managerial.....	3	.4	3	.4	0	0
Clerical and sales.....	7	.9	7	.9	0	0
Service.....	3	.4	2	.3	1	2.4
Agriculture.....	13	1.6	12	1.6	1	2.4
Skilled.....	168	20.9	163	21.6	5	7.3
Semiskilled.....	323	40.5	319	42.3	4	9.7
Unskilled.....	227	28.6	211	28.0	16	39.1
INA.....	53	6.7	37	4.9	16	39.1

TABLE III.—AGE DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED, BY SEX

Age group	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all claimants:</b>						
Total.....	26, 034	100.0	22, 026	100.0	4, 008	100.0
Under 25.....	2, 482	9.5	2, 134	9.7	348	8.7
25 to 34.....	7, 083	27.2	6, 199	28.1	884	22.1
35 to 44.....	6, 082	23.4	5, 163	23.4	919	22.2
45 to 54.....	5, 229	20.1	4, 270	19.4	959	23.9
55 to 64.....	3, 391	13.0	2, 753	12.5	638	15.9
65 and over.....	1, 561	6.0	1, 336	6.1	225	5.6
INA.....	196	.8	171	.8	25	.6
<b>Total all nonrepeaters (claimants who drew benefits during only 1 year):</b>						
Total.....	16, 231	100.0	13, 083	100.0	3, 148	100.0
Under 25.....	1, 882	11.7	1, 579	12.1	313	9.9
25 to 34.....	4, 664	28.7	3, 893	29.8	771	24.5
35 to 44.....	3, 782	23.3	3, 060	23.4	722	22.9
45 to 54.....	2, 973	18.3	2, 283	17.4	690	21.9
55 to 64.....	1, 923	11.9	1, 484	11.2	439	14.0
65 and over.....	915	5.6	737	5.6	178	5.7
INA.....	82	.5	67	.5	15	.5

TABLE III.—AGE DISTRIBUTION OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED, BY SEX—Continued

Age group	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all repeaters (claimants who drew benefits 2-5 years):</b>						
Total.....	9,803	100.0	8,943	100.0	860	100.0
Under 25.....	590	6.0	555	6.2	35	4.1
25 to 34.....	2,419	24.7	2,306	25.8	113	13.1
35 to 44.....	2,310	23.6	2,103	23.5	207	24.1
45 to 54.....	2,256	23.0	1,987	22.2	269	31.3
55 to 64.....	1,458	15.0	1,289	14.4	179	20.8
65 and over.....	1,646	6.8	1,539	6.7	107	12.5
INA.....	114	1.1	104	1.2	10	1.1
<b>Claimants who drew benefits 2 out of 5 years:</b>						
Total.....	5,243	100.0	4,661	100.0	582	100.0
Under 25.....	436	8.3	405	8.7	31	5.3
25 to 34.....	1,437	27.5	1,354	29.0	83	14.3
35 to 44.....	1,207	23.0	1,065	22.9	142	24.4
45 to 54.....	1,075	20.5	898	19.3	177	30.4
55 to 64.....	692	13.2	580	12.4	112	19.2
65 and over.....	316	6.0	285	6.1	31	5.3
INA.....	80	1.5	74	1.6	6	1.1
<b>Claimants who drew benefits 3 out of 5 years:</b>						
Total.....	2,333	100.0	2,168	100.0	165	100.0
Under 25.....	110	4.7	106	4.9	4	2.4
25 to 34.....	579	24.8	562	25.9	17	10.3
35 to 44.....	579	24.8	534	24.6	45	27.3
45 to 54.....	5-5	23.4	494	22.8	51	30.9
55 to 64.....	354	15.2	316	14.6	38	23.0
65 and over.....	154	6.6	146	6.7	8	4.9
INA.....	12	.5	10	.5	2	1.2
<b>Claimants who drew benefits 4 out of 5 years:</b>						
Total.....	1,432	100.0	1,360	100.0	72	100.0
Under 25.....	36	2.5	36	2.6	0	0
25 to 34.....	274	19.1	266	19.5	8	11.1
35 to 44.....	342	23.9	330	24.3	12	16.7
45 to 54.....	381	26.6	356	26.2	25	34.7
55 to 64.....	274	19.1	265	18.8	9	12.4
65 and over.....	111	7.8	105	7.7	6	8.3
INA.....	14	1.0	12	.9	2	2.8
<b>Claimants who drew benefits 5 out of 5 years:</b>						
Total.....	795	100.0	754	100.0	41	100.0
Under 25.....	8	1.0	8	1.1	0	0
25 to 34.....	129	16.2	124	16.4	5	12.2
35 to 44.....	182	22.9	174	23.1	8	19.5
45 to 54.....	255	32.1	239	31.7	16	39.0
55 to 64.....	148	18.6	138	18.3	10	24.4
65 and over.....	65	8.2	63	8.3	2	4.9
INA.....	8	1.0	8	1.1	0	0

TABLE IV.—BASE PERIOD EARNINGS OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED BY SEX

Base period earnings	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all claimants:</b>						
Total.....	26,034	100.0	22,026	100.0	4,008	100.0
Less than \$500.....	826	3.5	584	2.7	342	8.5
\$500 to \$999.....	3,762	14.5	2,584	11.7	1,178	29.4
\$1,000 to \$1,499.....	5,094	19.6	4,049	18.4	1,045	26.1
\$1,500 to \$1,999.....	4,098	15.7	3,367	15.3	731	18.2
\$2,000 to \$2,499.....	3,086	11.9	2,685	12.2	401	10.0
\$2,500 to \$2,999.....	2,541	9.8	2,385	10.8	156	3.9
\$3,000 to \$3,499.....	1,990	7.6	1,904	8.7	86	2.1
\$3,500 to \$3,999.....	1,520	5.8	1,484	6.7	36	.9
\$4,000 to \$4,499.....	1,035	4.0	1,010	4.6	25	.6
\$4,500 to \$4,999.....	713	2.7	711	3.2	2	.1
\$5,000 and over.....	1,269	4.9	1,263	5.7	6	.2

TABLE IV.—BASE PERIOD EARNINGS OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED, BY SEX—Continued

Base period earnings	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
<b>Total all nonrepeaters (claimants who drew benefits during only 1 year):</b>						
<b>Total</b> .....	16, 231	100. 0	13, 063	100. 0	3, 148	100. 0
Less than \$500.....	714	4. 4	448	3. 4	266	8. 4
\$500 to \$999.....	2, 735	16. 8	1, 832	14. 1	883	28. 0
\$1, 000 to \$1, 499.....	3, 490	21. 5	2, 688	20. 5	802	25. 5
\$1, 500 to \$1, 999.....	2, 611	16. 1	2, 008	15. 4	603	19. 2
\$2, 000 to \$2, 499.....	1, 804	11. 1	1, 464	11. 2	340	10. 8
\$2, 500 to \$2, 999.....	1, 359	8. 4	1, 216	9. 3	143	4. 5
\$3, 000 to \$3, 499.....	1, 063	6. 5	1, 017	7. 8	66	2. 1
\$3, 500 to \$3, 999.....	737	4. 5	713	5. 4	24	. 8
\$4, 000 to \$4, 499.....	519	3. 2	504	3. 8	15	. 5
\$4, 500 to \$4, 999.....	968	5. 9	967	7. 4	1	. 0
\$5, 000 and over.....	750	4. 6	716	5. 4	34	1. 1
<b>Total all repeaters (claimants who drew benefits 2-5 years):</b>						
<b>Total</b> .....	9, 803	100. 0	8, 943	100. 0	860	100. 0
Less than \$500.....	212	2. 2	196	1. 5	76	8. 8
\$500 to \$999.....	1, 027	10. 5	732	8. 2	295	34. 3
\$1, 000 to \$1, 499.....	1, 604	16. 3	1, 361	15. 2	243	28. 3
\$1, 500 to \$1, 999.....	1, 487	15. 1	1, 359	15. 2	128	14. 9
\$2, 000 to \$2, 499.....	1, 282	13. 1	1, 221	13. 7	61	7. 1
\$2, 500 to \$2, 999.....	1, 182	12. 1	1, 169	13. 1	13	1. 5
\$3, 000 to \$3, 499.....	907	9. 3	887	9. 9	20	2. 3
\$3, 500 to \$3, 999.....	723	7. 4	711	7. 9	12	1. 4
\$4, 000 to \$4, 499.....	516	5. 2	506	5. 7	10	1. 2
\$4, 500 to \$4, 999.....	344	3. 5	344	3. 8	0	0
\$5, 000 and over.....	519	5. 3	517	5. 8	2	. 2
<b>Claimants who drew benefits 2 out of 5 years:</b>						
<b>Total</b> .....	5, 243	100. 0	4, 661	100. 0	582	100. 0
Less than \$500.....	148	2. 8	95	2. 1	52	8. 9
\$500 to \$999.....	683	13. 0	478	10. 3	205	35. 2
\$1, 000 to \$1, 499.....	974	18. 6	808	17. 3	166	28. 5
\$1, 500 to \$1, 999.....	850	16. 2	761	16. 3	89	15. 3
\$2, 000 to \$2, 499.....	697	13. 3	655	14. 1	42	7. 2
\$2, 500 to \$2, 999.....	553	10. 5	544	11. 7	9	1. 6
\$3, 000 to \$3, 499.....	411	7. 8	401	8. 6	10	1. 7
\$3, 500 to \$3, 999.....	324	6. 2	319	6. 8	5	. 9
\$4, 000 to \$4, 499.....	230	4. 4	226	4. 8	4	. 7
\$4, 500 to \$4, 999.....	140	2. 7	140	3. 0	0	0
\$5, 000 and over.....	233	4. 5	233	5. 0	0	0
<b>Claimants who drew benefits 3 out of 5 years:</b>						
<b>Total</b> .....	2, 333	100. 0	2, 168	100. 0	165	100. 0
Less than \$500.....	39	1. 7	23	1. 0	16	9. 7
\$500 to \$999.....	216	9. 3	156	7. 2	60	36. 4
\$1, 000 to \$1, 499.....	353	15. 1	308	14. 2	45	27. 3
\$1, 500 to \$1, 999.....	336	14. 4	315	14. 5	21	12. 7
\$2, 000 to \$2, 499.....	290	12. 4	278	12. 8	12	7. 3
\$2, 500 to \$2, 999.....	307	13. 2	305	14. 1	2	1. 2
\$3, 000 to \$3, 499.....	250	10. 7	245	11. 3	5	3. 0
\$3, 500 to \$3, 999.....	191	8. 2	189	8. 7	2	1. 2
\$4, 000 to \$4, 499.....	119	5. 1	118	5. 5	1	. 6
\$4, 500 to \$4, 999.....	92	3. 9	92	4. 3	0	0
\$5, 000 and over.....	140	6. 0	139	6. 4	1	. 6
<b>Claimants who drew benefits 4 out of 5 years:</b>						
<b>Total</b> .....	1, 432	100. 0	1, 360	100. 0	72	100. 0
Less than \$500.....	22	1. 5	15	1. 1	7	9. 7
\$500 to \$999.....	96	6. 7	78	5. 7	23	31. 9
\$1, 000 to \$1, 499.....	193	13. 5	174	12. 8	19	26. 4
\$1, 500 to \$1, 999.....	193	13. 5	182	13. 4	11	15. 2
\$2, 000 to \$2, 499.....	189	13. 2	186	13. 7	3	4. 2
\$2, 500 to \$2, 999.....	206	14. 4	205	15. 1	1	1. 4
\$3, 000 to \$3, 499.....	151	10. 5	150	11. 0	1	1. 4
\$3, 500 to \$3, 999.....	128	8. 9	125	9. 2	3	4. 2
\$4, 000 to \$4, 499.....	88	6. 1	85	6. 2	3	4. 2
\$4, 500 to \$4, 999.....	76	5. 3	76	5. 6	0	0
\$5, 000 and over.....	90	6. 3	89	6. 5	1	1. 4

TABLE IV.—BASE PERIOD EARNINGS OF CLAIMANTS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED, BY SEX—Continued

Base period earnings	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Claimants who drew benefits 5 out of 5 years:						
Total.....	795	100.0	754	100.0	41	100.0
Less than \$500.....	3	4	2	3	1	2.4
\$500 to \$999.....	32	4.0	25	3.3	7	17.1
\$1,000 to \$1,499.....	84	10.6	71	9.4	13	31.6
\$1,500 to \$1,999.....	108	13.6	101	13.4	7	17.1
\$2,000 to \$2,499.....	106	13.3	102	13.5	4	9.8
\$2,500 to \$2,999.....	116	14.6	115	15.3	1	2.4
\$3,000 to \$3,499.....	95	11.9	91	12.1	4	9.8
\$3,500 to \$3,999.....	80	10.2	78	10.3	2	4.9
\$4,000 to \$4,499.....	79	9.9	77	10.2	2	4.9
\$4,500 to \$4,999.....	36	4.5	36	4.8	0	0
\$5,000 and over.....	56	7.0	56	7.4	0	0

TABLE V.—DURATION OF BENEFITS BY NUMBER OF YEARS IN WHICH BENEFITS WERE CLAIMED, BY SEX

Duration	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total all claimants:						
Total.....	26,034	100.0	22,026	100.0	4,008	100.0
1 to 4 weeks.....	4,648	17.9	3,846	17.5	802	20.0
5 to 9 weeks.....	4,901	18.8	4,148	18.8	753	18.8
10 to 14 weeks.....	5,245	20.1	4,598	20.9	647	16.1
15 to 19 weeks.....	5,204	20.0	4,629	21.0	575	14.4
20 weeks (ex.).....	6,036	23.2	4,805	21.8	1,231	30.7
Total all nonrepeaters (claimants who drew benefits during only 1 year):						
Total.....	16,231	100.0	13,083	100.0	3,148	100.0
1 to 4 weeks.....	3,356	20.7	2,690	20.6	666	21.1
5 to 9 weeks.....	3,191	19.7	2,587	19.8	604	19.2
10 to 14 weeks.....	3,209	19.8	2,716	20.7	493	15.7
15 to 19 weeks.....	2,869	17.7	2,435	18.6	434	13.8
20 weeks (ex.).....	3,606	22.1	2,655	20.3	951	30.2
Total all repeaters (claimants who drew benefits 2-5 years):						
Total.....	9,803	100.0	8,943	100.0	860	100.0
1 to 4 weeks.....	1,292	13.2	1,156	12.9	136	15.8
5 to 9 weeks.....	1,710	17.4	1,561	17.5	149	17.3
10 to 14 weeks.....	2,036	20.8	1,882	21.0	154	17.9
15 to 19 weeks.....	2,335	23.8	2,194	24.5	141	16.4
20 weeks (ex.).....	2,430	24.8	2,150	24.1	280	32.6
Claimants who drew benefits 2 out of 5 years:						
Total.....	5,243	100.0	4,661	100.0	582	100.0
1 to 4 weeks.....	787	15.0	686	14.7	101	17.4
5 to 9 weeks.....	957	18.3	861	18.5	96	16.5
10 to 14 weeks.....	1,100	21.0	1,001	21.5	99	17.0
15 to 19 weeks.....	1,128	21.5	1,041	22.3	87	14.9
20 weeks (ex.).....	1,271	24.2	1,072	23.0	199	34.2
Claimants who drew benefits 3 out of 5 years:						
Total.....	2,333	100.0	2,168	100.0	165	100.0
1 to 4 weeks.....	318	13.6	294	13.6	24	14.5
5 to 9 weeks.....	444	19.1	410	18.9	34	20.6
10 to 14 weeks.....	479	20.5	447	20.6	32	19.4
15 to 19 weeks.....	547	23.4	524	24.2	23	13.9
20 weeks (ex.).....	545	23.4	493	23.7	52	31.5
Claimants who drew benefits 4 out of 5 years:						
Total.....	1,432	100.0	1,360	100.0	72	100.0
1 to 4 weeks.....	146	10.2	137	10.1	9	12.5
5 to 9 weeks.....	225	15.7	210	15.4	15	20.8
10 to 14 weeks.....	302	21.1	288	21.2	14	19.4
15 to 19 weeks.....	375	26.2	362	26.6	13	18.1
20 weeks (ex.).....	384	26.8	363	26.7	21	29.2
Claimants who drew benefits 5 out of 5 years:						
Total.....	795	100.0	754	100.0	41	100.0
1 to 4 weeks.....	41	5.2	39	5.2	2	4.9
5 to 9 weeks.....	84	10.6	80	10.6	4	9.8
10 to 14 weeks.....	158	19.5	146	19.4	9	21.0
15 to 19 weeks.....	285	35.8	267	35.4	18	43.9
20 weeks (ex.).....	230	28.9	222	29.4	8	19.5

WHAT TYPES OF IOWA WORKERS REPEATEDLY CLAIM UNEMPLOYMENT INSURANCE?—  
IOWA EMPLOYMENT SECURITY COMMISSION, DES MOINES, IOWA

PREPARED BY RESEARCH & STATISTICS DIVISION, MAY 1965

The popular and, in some instances, critical assertion has often been made that the same people tend to receive benefits year after year under the unemployment insurance program. The purpose of our study is to determine the validity of the assertion and to attempt to analyze the pertinent characteristics of persons who repeatedly filed claims.

Although many characteristics could be studied, the most significant characteristics are assumed to be occupation, sex and industry attachment. Since occupational information could not be obtained, the study is limited to the industry attachment and the sex of the repeating claimants. Emphasis has been placed on those claimants who filed for benefits during each of the four years covered by the study.

HIGHLIGHTS AND CONCLUSIONS

A total of 140,260 persons filed for unemployment benefits during the four-year study period. Only 3.5 per cent of these claimants filed a claim in each year, only slightly more than 8 per cent filed in three of the four years and only slightly more than 21 per cent filed in two of the four years. Over 67 per cent of the 140,260 persons filed in only one of the four years.

Industry attachment was found to influence the number of years that a person filed for benefits. Over 91 per cent of the persons who filed in each of the four years were from manufacturing, construction and wholesale and retail trade industries. Nearly 45 per cent of these four-year repeaters came from manufacturing. Almost 38 per cent came from construction and nearly 9 per cent came from the wholesale and retail trade industries.

Proportionately more of the four-year repeaters were attached to construction industries than to manufacturing industries. Construction industries represented only 7 per cent of the average covered employment from 1960-1962 and manufacturing represented nearly 39 per cent.

The more stable employment level of wholesale and retail trade was also demonstrated. With 31 per cent of the average covered employment during the study, wholesale and retail trade contributed less than 9 per cent to the group of four-year repeaters. Although there were fewer claimants from the service industry, a greater proportion of persons were four-year repeaters than those from wholesale and retail trade.

Claimants from mining industries made up a relatively large portion of the four-year repeaters although they represented a small portion of total claimants. As expected the large proportion of claimants from manufacturing, construction and mining industries was the result of the high seasonality factors in these industries.

Transportation, communications, and public utilities industries and finance, insurance and real estate industries demonstrate the relative stability of their employment levels and contributed very few claimants to the four-year repeater group.

The sex of the claimants was a definite influence on repeat claims in several major industry groups. Women represented 61 per cent of the manufacturing claimants who filed in each of the four years, but only 29 per cent of the total manufacturing claimants who filed during the four-year period.

Seventy per cent of the four-year repeaters from the wholesale and retail industries were women although women made up only 42 per cent of the total claimants from the trade industries. A similar trend was noted in the service industry. Women made up 52 per cent of the total service claimants and 70 per cent of the four-year service repeater group.

DATA ANALYSIS

*General Statements*

The study was formulated to determine the validity of the popular assertion that the same persons claim unemployment benefits year after year. At the same time the study hoped to establish which characteristics distinguished persons who filed for benefits in more than one of the four years from those who filed only once, and from all workers covered by the state unemployment insurance program.

A certain group of claimants did file in each of the four years and these have been designated as four-year repeater claimants. This group constituted less than 3.5 per cent of all persons who filed claims during the study period.

Two-thirds of all the claimants filed for benefits in only one of the four years. In other words, only one-third of the claimants in the study could be classified as repeater claimants. This one-third was then broken down into those who claimed benefits in two of the four years, in three of the four years and in every year of the study.

In general, all repeaters had similar industry distribution and sex characteristics. As a result, our emphasis will be on the comparison of four-year repeater claimants to claimants who filed only once in the four years and to all claimants who filed during the study period with some reference to the average covered employment from 1959 through 1962.

#### *Industrial Characteristics*

A definite relationship existed between repeater claimants and the industries to which they were attached. Invariably the majority of repeater claimants were associated with construction, manufacturing or the wholesale and retail trade industry. The largest number of repeater claimants were from the manufacturing industries. The next largest number came from construction while the third largest number came from wholesale and retail trade.

On the average, manufacturing workers made up 39 per cent of all the workers covered by unemployment insurance during the period from 1959 to 1962. However, during that same time manufacturing contributed nearly 50 per cent of all claimants for unemployment insurance benefits.

Construction industries had the same type of disproportionate ratio but to an even greater extent. Less than 7 per cent of the average covered employment during the study was made up of construction workers. However construction contributed over 19 per cent of the claimants who received unemployment benefits.

Although wholesale and retail trade was the third largest contributor of claimants over the four-year period, the ratio of claimants to its covered employment was the reverse of construction and manufacturing. With nearly 32 per cent of the average covered employment, wholesale and retail trade contributed only 19 per cent of the claimants during the four-year study period.

Nearly 45 per cent of the persons who filed a claim in each of the four years were from manufacturing industries. Almost 38 per cent of the four-year repeater claimants were from construction industries while 9 per cent were from wholesale and retail trade.

The seasonal nature of the construction industries and of many manufacturing industries explains the high level of repeaters from these industries. The number of four-year repeaters was proportionately much lower in wholesale and retail trade industries than in manufacturing and construction but to a lesser degree the same features of seasonality probably apply.

The mining industries which are also highly seasonal in their employment demonstrated a relatively high proportion of four-year repeaters, considering that mining represents only .7 per cent of the average covered employment (Table I and II). Finance, insurance and real estate industries demonstrated their stable employment pattern by contributing the smallest proportion of four-year repeaters.

#### *Characteristics of Sex Distribution*

In manufacturing, 29 per cent of all claimants and nearly 27 per cent of non-repeater claimants were women. However, 61 per cent of the four-year repeaters from manufacturing were women. The more highly seasonal nature of the manufacturing industries which hire larger numbers of women, for example food processing, probably explains the proportionate increase.

Similar situations appear in the trade and service industries. In wholesale and retail trade nearly 42 per cent of all claimants and 41 per cent of non-repeater claimants were women. However, over 70 per cent of the four-year repeaters from this industry were women.

Approximately 52 per cent of all claimants and non-repeater claimants from the service industry were women. In the four-year repeater group, the percentage of women from the service industry rose to slightly more than 70 per cent.

In both service and trade groups, the higher turnover rates among women employees and the seasonal buying patterns of the public combine to increase the proportion of women who filed a claim in each of the four years.



The extremely small percentage of women working in the mining and construction industries rules out the significance of the sex of the repeater claimants.

Finance, insurance and real estate and all other industrial categories contributed such a small number of repeated claimants that the sex characteristic was unimportant in analyzing repeater claimants.

#### ECONOMIC CONDITIONS DURING THE STUDY PERIOD

The data contained in this study was prepared from a sampling procedure that covered four calendar years, 1959 through 1962. The fluctuations in economic conditions during the period directly affected the payments of benefits under the unemployment insurance program. In general, however, the level of economic activity is assumed to have a more direct relationship to the total number of claimants who file for benefits and to the average number of weeks a claimant draws benefits than to the industry and sex characteristics of repeater claimants. The types of industries prominent in the state, their particular seasonal patterns, and the distribution of their employees by sex as well as the coverage of the unemployment program, all of which are factors subject to fluctuation only over relatively longer periods, would be more apt to influence the characteristics of repeater claimants.

However, the interrelation of the factors involved necessitates the following summary which is presented chronologically to provide a background of the economic conditions that prevailed during the study period.

The Iowa labor market was marked by a sharp reduction in hours of work and in the number of available jobs during the first part of 1958. National unemployment exceeded the five million figure for the first time in the postwar period.

Industrial wage and salary jobs were most affected by the business readjustment. Manufacturing firms engaged in the production of durable goods suffered the greatest declines. However, higher farm incomes during the last half of 1958 contributed to an unusually rapid recovery in the employment rate and non-agricultural employment was at an all-time high by June 1959. A constant increase in employment was shown by Iowa manufacturing from the last half of 1958.

The rapidity of the employment recovery is reflected in the turnover rates for factory workers. In July 1958, 11 workers in each 1,000 quit their jobs. By May 1959 the rate had jumped to 20 workers in each 1,000 indicating that jobs were more plentiful.

The average weekly earnings of production workers in Iowa manufacturing rose from \$87.50 to \$94.20 between July 1, 1958 and July 1, 1959. Average weekly overtime for each production workers in manufacturing was 3.1 hours in the May 1959 midweek. Average hourly earnings hit an all-time high of \$2.29 in June 1959.

Iowa nonagricultural employment reached 684,400 in mid-June 1960, a net growth of 10,200 from June 1959. Employment increases came mainly from the nonmanufacturing segment, with major gains in public utilities, trade, finance, insurance and service.

Most major nondurable goods manufacturing industries also showed employment gains. With an increase of 2,100 employees over the year, food processing had the largest rise. Durable goods industries, however, showed a drop of 6,010 workers between June 1959 and June 1960.

In general, fiscal year 1960 had favorable employment trends and nonagricultural employment reached a new record level in September 1959. Average weekly earnings of Iowa factory workers reached an all-time high during the first part of fiscal 1960. In September 1959, overtime for each production worker averaged almost 4.5 hours a week.

Evident indications of an unfavorable national labor market were noted in the last half of 1960 and a period of national economic recession developed during the first part of 1961. A period of recovery began in 1962.

However, conditions in Iowa were generally more favorable than in the nation as a whole. Seasonally adjusted nonagricultural employment reached an all-time high in October 1960. After this peak, Iowa employment began to follow the national recessionary movement. Both seasonally adjusted nonfarm employment and total employment showed a distinct dip. Iowa continued its downswing, through the mid-summer month.

A slight upward trend appeared in August 1961 and various indicators pointed to a resurgence in economic activity. The average weekly earnings of manufacturing production workers reached \$96.32 in fiscal year 1961, an increase of 3.7 per cent from the previous fiscal year.

Considering employment and unemployment, the 1961 Iowa recession was the mildest of the post-war recessions. The Iowa workforce totaled 1,181,400 in July 1961 and by July 1962, the work force numbered 1,208,000. Weekly earnings of manufacturing production workers exceeded the \$100 mark for the first time in fiscal year 1962.

#### METHODOLOGY

Study data consisted of a 20 per cent sample of all claimants who established a benefit year between January 7, 1959 and December 31, 1962. Claimants did not have to receive benefits to be included in the study. The procedure yielded a sample of 28,052 claimants including 9,218 who were repeater claimants. The tables in this report are intended to reflect the universe rather than the sample size; that is the sample data multiplied by five.

TABLE I.—PERCENT DISTRIBUTION OF AVERAGE COVERED EMPLOYMENT, ALL CLAIMANTS, NONREPEATER CLAIMANTS, AND REPEATER CLAIMANTS BY MAJOR INDUSTRY GROUP  
(1959 to 1962)

Industry	Average covered employment		All claimants		Nonrepeater claimants		Repeater claimants	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	449,200	100.0	140,260	100.0	94,170	100.0	46,090	100.0
Mining.....	3,113	.7	2,155	1.5	1,275	1.4	890	1.9
Construction.....	29,874	6.7	27,115	19.3	15,230	16.2	11,885	25.8
Manufacturing.....	174,724	38.9	69,945	49.9	45,460	48.2	24,545	53.3
Transportation, communication and public utilities.....	33,547	7.5	5,120	3.7	3,995	4.2	1,125	2.4
Wholesale and retail trade.....	141,878	31.6	26,390	18.8	20,765	22.1	5,625	12.2
Finance, insurance, and real estate.....	27,048	6.0	1,540	1.1	1,255	1.3	285	.6
Service.....	35,166	7.8	7,065	5.0	5,480	5.8	1,585	3.4
All other.....	3,381	.8	930	.7	770	.8	160	.3

TABLE II.—NONREPEATER CLAIMANTS, 2-YR REPEATER CLAIMANTS, 3-YR REPEATER CLAIMANTS, AND 4-YR REPEATER CLAIMANTS, AS A PERCENT OF ALL CLAIMANTS BY MAJOR INDUSTRY GROUP

Industry	All claimants		Nonrepeaters		2-yr repeaters		3-yr repeaters		4-yr repeaters	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	140,260	100	94,170	67.1	29,910	21.3	11,350	8.1	4,830	3.5
Mining.....	2,155	100	1,275	59.2	385	17.9	285	13.2	210	9.7
Construction.....	27,115	100	15,230	56.2	6,470	23.9	3,585	13.2	1,830	6.7
Manufacturing.....	69,945	100	45,460	64.9	16,875	24.1	5,505	7.9	2,165	3.1
Transportation, communication and public utilities.....	5,120	100	3,995	78.0	840	16.4	245	4.8	40	.8
Wholesale and retail trade.....	26,390	100	20,765	78.7	3,940	14.9	1,265	4.8	420	1.6
Finance, insurance, and real estate.....	1,540	100	1,255	81.5	200	13.0	65	4.2	20	1.3
Service.....	7,065	100	5,480	77.6	1,080	15.3	370	5.2	135	1.9
All other.....	930	100	770	82.8	120	12.9	30	3.2	10	1.1

TABLE III.—SEX DISTRIBUTION OF ALL CLAIMANTS, NONREPEATER CLAIMANTS, 2-YR REPEATER CLAIMANTS, 3-YR REPEATER CLAIMANTS, AND 4-YR REPEATER CLAIMANTS BY MAJOR INDUSTRY GROUP

Industry	All claimants			Nonrepeater claimants			2-yr repeater claimants			3-yr repeater claimants			4-yr repeater claimants		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total.....	140,260	107,710	37,550	94,170	68,545	25,625	29,910	22,685	7,225	11,350	8,375	2,975	4,830	3,105	1,725
Mining.....	2,155	2,115	40	1,275	1,245	30	385	375	10	285	285	0	210	210	0
Construction.....	27,115	26,840	275	15,230	15,025	205	6,470	6,420	50	3,585	3,585	10	1,830	1,820	10
Manufacturing.....	69,945	49,650	20,295	45,400	33,375	12,025	16,875	12,135	4,740	5,505	3,295	2,210	2,165	845	1,320
Transportation, communication, and public utilities.....	5,120	3,675	1,445	3,995	2,730	1,265	840	675	165	245	235	10	40	35	5
Wholesale and retail trade.....	26,390	15,410	10,975	20,765	12,300	8,460	3,940	2,260	1,680	1,265	725	540	420	125	295
Finance, insurance, and real estate.....	1,540	895	645	1,255	665	590	200	150	50	65	60	5	20	20	0
Service.....	7,065	3,390	3,675	5,480	2,605	2,875	1,080	565	515	370	180	190	135	40	95
All other.....	930	735	200	770	600	175	120	105	15	30	20	10	10	10	0

TABLE IV.—PERCENT DISTRIBUTION OF ALL CLAIMANTS, NONREPEATER CLAIMANTS, 2-YR. REPEATER CLAIMANTS, 3-YR. REPEATER CLAIMANTS, AND 4-YR. REPEATER CLAIMANTS BY MAJOR INDUSTRY GROUP

Industry	All claimants		Nonrepeaters		2-yr. repeaters		3-yr. repeaters		4-yr. repeaters	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	140,260	100.0	94,170	100.0	29,910	100.0	11,350	100.0	4,830	100.0
Mining.....	2,155	1.5	1,275	.4	385	1.3	285	2.5	210	4.4
Construction.....	27,115	19.3	15,230	16.2	6,470	21.6	3,585	31.6	1,830	37.9
Manufacturing.....	69,945	49.9	45,400	48.2	16,875	56.4	5,505	48.5	2,165	44.8
Transportation, communica- tion and public utilities.....	5,120	3.7	3,995	4.2	840	2.8	245	2.2	40	.8
Wholesale and retail trade.....	26,390	18.8	20,765	22.1	3,940	13.2	1,265	11.1	420	8.7
Finance, insurance, and real estate.....	1,540	1.1	1,255	1.3	200	.7	65	.6	20	.4
Service.....	7,065	5.0	5,480	5.8	1,080	3.6	370	3.2	135	2.8
All other.....	930	.7	770	.8	120	.4	30	.3	10	.2

#### CHRONIC REPEATERS AMONG UNEMPLOYMENT INSURANCE BENEFICIARIES, NEW YORK STATE, 1961-67

In the administration of unemployment insurance, two questions are always asked: What kinds of workers draw unemployment benefits year after year, and how numerous are they? To answer these questions a special study was made of a 10 per cent sample of persons who drew unemployment insurance benefits in the 1961 benefit year and in the succeeding 6 benefit years, 1962-1967. (In this report these beneficiaries are called "chronic repeaters.")

The study indicated that 37,000 workers, or 4 per cent of all the 1961 beneficiaries, received benefits in each of the 7 benefit years 1961-1967. These chronic repeaters were concentrated in industries with sharp seasonal fluctuations. More than two-thirds of them (25,000) worked in nondurable-goods manufacturing; 20,000 of them were attached to the apparel industry; another 4,000 of these repeaters were construction workers. Altogether, 10 per cent of the apparel workers (9 per cent of the men and 11 per cent of the women) were chronic repeaters, a far higher proportion of the beneficiaries than from any other industry group.

A comparison of chronic repeaters by other characteristics indicates clearly that industry attachment dwarfs other factors in influencing the date of benefit repetition. An apparel worker, for example, is more likely to draw benefits each year than a worker in any other industry covered by the unemployment insurance system.

Apart from industry attachment, the following groups of workers are more likely to become chronic repeaters:

Women—because such a high proportion of them work in the apparel industry.

Beneficiaries 45 to 54 years of age.

Semiskilled workers from the apparel industry.

Beneficiaries with a substantial number of weeks of base-year employment (27-44 weeks).

Beneficiaries with long duration of benefits (15-19 weeks), but not those who exhaust their rights to benefits.

Beneficiaries from New York City—because of the higher proportion of apparel workers among them.

The beneficiary groups with low rates of repeater experience are men, those from durable-goods manufacturing, professional and managerial workers, those who are under 25 years of age, and those who receive benefits for a few weeks a year.

#### EMPLOYMENT AND UNEMPLOYMENT CONDITIONS, 1961-67

The 7-year period from 1961 through 1967 began with the 1960-1961 recession, when employment declined and unemployment increased. Conditions improved in 1962, but there was a temporary reversal in 1963. From then on, employment was generally rising and unemployment falling. In 1961, an estimated 6 per cent of the labor force was unemployed; by 1967 the rate had fallen to 3.9 per cent. During the same period, more than one-half a million additional persons were employed in New York State.

Experience under the Unemployment Insurance Law was similar. Average covered employment increased by more than 400,000 and the number of beneficiaries receiving benefits during a benefit year declined by over 200,000 (Table 1).

TABLE 1.—COVERED EMPLOYMENT AND UNEMPLOYMENT INSURANCE BENEFICIARIES, 1961-67

Year	Covered private employment	Beneficiaries <sup>1</sup>
1961.....	4,885,800	875,460
1962.....	4,961,900	828,680
1963.....	4,943,700	803,820
1964.....	5,001,500	796,430
1965.....	5,100,400	741,030
1966.....	5,258,400	671,530
1967.....	5,325,100	668,660

<sup>1</sup> Refers to benefit years ending in calendar year.

#### THE INCIDENCE OF CHRONIC REPEATERS<sup>1</sup>

Altogether, 37,000 persons, or 4 per cent of the 1961 beneficiaries, received benefits in every year from 1961 through 1967. Proportionately more women than men drew benefits in consecutive years. As would be expected, the number and proportion of persons receiving benefits in 7 consecutive years was much smaller than the number who received benefits for 4 or 5 consecutive years (Table 2).

The women were chronic repeaters to a greater extent than the men, primarily because a higher proportion of them worked in the highly seasonal apparel industry.

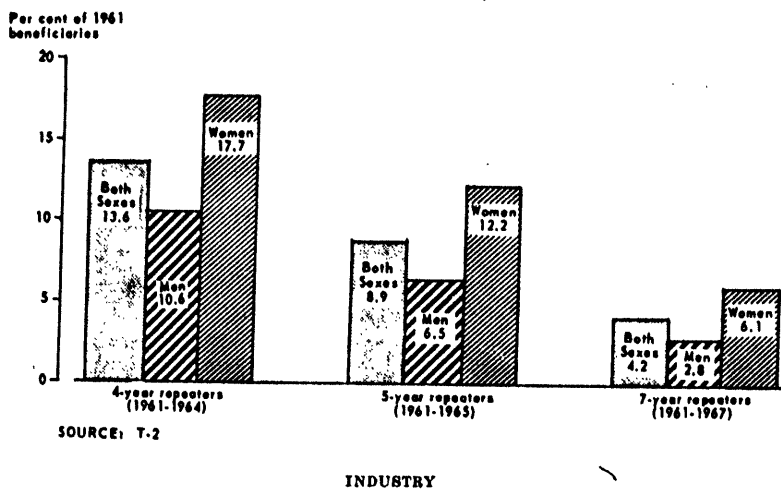
TABLE 2.—1961 BENEFICIARIES WHO RECEIVED BENEFITS IN 4, 5, AND 7 CONSECUTIVE BENEFIT YEARS, 1961-67

[Based on a 10 percent sample]

Sex and number of consecutive benefit years receiving benefits	Number of repeaters	Percent of 1961 beneficiaries
<b>Both sexes:</b>		
4 benefit years (1961-64).....	118,990	13.6
5 benefit years (1961-65).....	77,970	8.9
7 benefit years (1961-67).....	36,550	4.2
<b>Men:</b>		
4 benefit years (1961-64).....	53,420	10.6
5 benefit years (1961-65).....	33,000	6.5
7 benefit years (1961-67).....	13,950	2.8
<b>Women:</b>		
4 benefit years (1961-64).....	65,570	17.7
5 benefit years (1961-65).....	44,970	12.2
7 benefit years (1961-67).....	22,600	6.1

<sup>1</sup> Throughout the rest of the report, the year refers to benefit years ending in a calendar year. Since a benefit year is the 52-week period following the filing of a valid original claim, individual beneficiaries with benefit years ending in a calendar year are those who began their benefit year in the previous calendar year.

Chart 1. Per cent of 1961 Beneficiaries who received Benefits in 4, 5, and 7 consecutive years



The proportion of beneficiaries who drew benefits each benefit year of the 7-year period varied considerably by industry: from less than  $\frac{1}{2}$  of 1 per cent of the beneficiaries from durable-goods manufacturing to 4 per cent of the beneficiaries from contract construction and 10 per cent of the beneficiaries from the apparel industry. Although in any year, beneficiaries from the apparel industry receive benefits for a shorter period of time and exhaust benefits at a lower rate than workers from any other industry group, they are subject to repetitive periods of unemployment year after year, more than any other industry group (Table 3).

TABLE 3.—NUMBER OF BENEFICIARIES AND PROPORTION THAT CHRONIC REPEATERS, 1961-67, ARE OF ALL 1961 BENEFICIARIES, BY INDUSTRY AND SEX

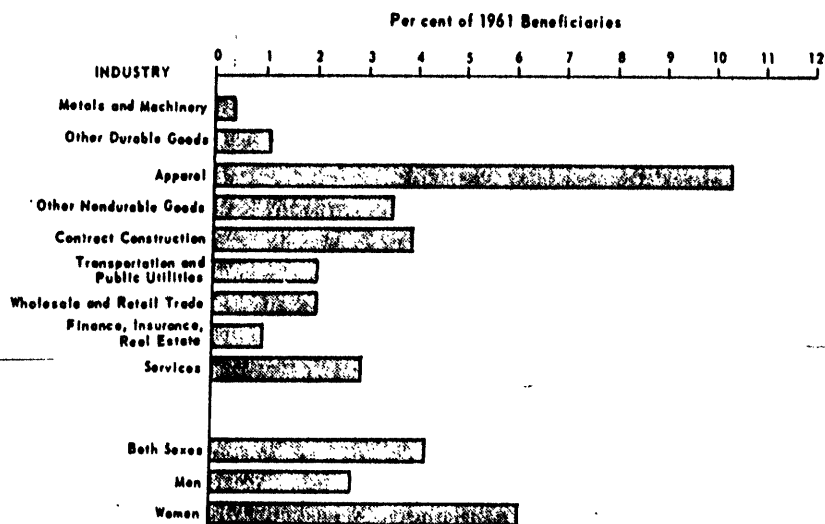
[Based on a 10 percent sample]

Industry in benefit years ending 1961, and sex	All beneficiaries BYE 1961	Claimants receiving benefits each year, 1961-67	
		Number	Percent of all 1961 beneficiaries
<b>Both sexes</b> .....	875,460	36,550	4.2
<b>Manufacturing</b> .....	487,690	25,840	5.3
Durable goods.....	138,610	580	.4
Metals and machinery.....	117,550	280	.2
Other.....	21,060	300	1.4
Nondurable goods.....	349,080	25,260	7.2
Apparel.....	191,760	19,740	10.3
Other.....	157,320	5,520	3.5
<b>Nonmanufacturing</b> .....	387,770	10,710	2.8
Contract construction.....	111,240	4,300	3.9
Transportation and public utilities.....	40,840	820	2.0
Wholesale and retail trade.....	129,430	2,560	2.0
Finance, insurance, real estate.....	22,080	220	1.0
Services.....	72,840	2,190	3.0
Other.....	11,340	620	5.5
<b>Men</b> .....	506,040	13,950	2.8
<b>Manufacturing</b> .....	224,730	5,990	2.7
Durable goods.....	104,060	450	.4
Metals and machinery.....	86,750	170	.2
Other.....	17,310	280	1.6
Nondurable goods.....	120,670	5,540	4.6
Apparel.....	48,660	4,420	9.1
Other.....	72,010	1,120	1.6
<b>Nonmanufacturing</b> .....	281,310	7,960	2.8
Contract construction.....	109,140	4,250	3.9
Transportation and public utilities.....	35,850	730	2.0
Wholesale and retail trade.....	73,830	1,160	1.6
Finance, insurance, real estate.....	13,090	150	1.1
Services.....	40,560	1,140	2.8
Other.....	8,840	530	6.0
<b>Women</b> .....	369,420	22,600	6.1
<b>Manufacturing</b> .....	262,960	19,850	7.5
Durable goods.....	34,550	130	.4
Metals and machinery.....	30,800	110	.4
Other.....	3,750	20	.5
Nondurable goods.....	228,410	19,720	8.6
Apparel.....	143,100	15,320	10.7
Other.....	85,310	4,400	5.2
<b>Nonmanufacturing</b> .....	106,460	2,750	2.6
Contract construction.....	2,100	50	2.4
Transportation and public utilities.....	4,990	90	1.8
Wholesale and retail trade.....	55,600	1,400	2.5
Finance, insurance, real estate.....	8,990	70	.8
Services.....	32,280	1,050	3.3
Other.....	2,500	90	3.6

## AGE

The group with the highest rate of benefit repetition were those in their late forties and early fifties. Relatively few of the younger beneficiaries were chronic repeaters. Among the men, the rate of recurrent receipt of benefits increased with age, from less than  $\frac{1}{2}$  of 1 per cent of those under 20 to 5 per cent of those 45 to 54 years old. Among the women, the rate varied from less than 1 per cent of those under 25 years to 10 per cent of those in their late forties and early fifties. It should be remembered, however, that the age used in their report is for 1961. By 1967, all of these beneficiaries were 6 years older. Undoubtedly, the decline in the rate of recurrent receipt of benefits among those who were 55 and over in 1961 is because many of the older workers retired and left the labor market and were no longer in the beneficiary file in 1967 (Table 4).

Chart 2. Per cent of 1961 Beneficiaries who were Chronic Repeaters 1961-1967, by Industry and Sex



SOURCE: T-3

TABLE 4.—PROPORTION THAT CHRONIC REPEATERS, 1961-67, ARE OF ALL 1961 BENEFICIARIES BY AGE, OCCUPATION, AND SEX

[Based on a 10-percent sample]

Age and occupation, benefit years ending 1961	Claimants receiving benefits each year, 1961-67, as percent of all 1961 beneficiaries		
	Both sexes	Men	Women
Total.....	4.2	2.8	6.1
Age:			
Under 20 years.....	0.4	0.4	0.5
20 to 24 yr.....	.9	1.1	.8
25 to 34.....	1.9	1.4	2.7
35 to 44 yr.....	4.6	2.8	6.7
45 to 54 yr.....	7.4	4.6	10.2
55 to 64 yr.....	5.9	4.5	6.0
65 yr or over.....	3.3	2.8	4.7
Occupation:			
Professional and managerial.....	.9	.7	1.5
Clerical and sales.....	.9	1.1	.3
Service:			
Personal.....	3.2	2.0	4.8
Other.....	1.6	1.1	3.2
Skilled.....	4.2	2.4	15.0
Semiskilled:			
Apparel.....	11.1	11.2	11.0
Other.....	3.2	2.3	4.8
Unskilled.....	3.5	2.7	4.8
Other.....	2.6	2.6	2.6



## OCCUPATION

There was also great variation by occupation in the proportion of beneficiaries who received benefits in each of the 7 years. Eleven per cent of the semiskilled apparel workers were chronic repeaters, the same proportion of men as of women and a much higher proportion than among semiskilled workers from other industries. However, the proportion of skilled women who were repeaters was 15 per cent, much higher than among skilled men, probably because the skilled women workers were concentrated in the apparel industry and subject to recurrent spells of seasonal unemployment, while more of the skilled men came from contract construction and durable-goods manufacturing (Table 3).

## EMPLOYMENT AND BENEFIT EXPERIENCE

Beneficiaries with a substantial number of base-year weeks of employment (27-38 weeks) were chronic repeaters to a greater extent than other beneficiaries. On the other hand, beneficiaries who worked 50-52 weeks in their base year were least likely to become chronic repeaters. This was true of both men and women (Table 5).

TABLE 5.—PROPORTION THAT CHRONIC REPEATERS, 1961-67, ARE OF ALL 1961 BENEFICIARIES BY BASE-YEAR WEEKS OF WORK, WEEKLY BENEFIT RATE, DURATION OF BENEFITS, AND SEX

(Based on a 10 percent sample)

Base-year weeks of work, weekly benefit rate, and duration of benefits, benefit years ending 1961	Claimants receiving benefits each year, 1961-67, as percent of all 1961 beneficiaries		
	Both sexes	Men	Women
Total .....	4.2	2.8	6.1
<b>Base-year weeks of work:</b>			
15 to 19 weeks .....	3.5	3.0	4.1
20 to 26 weeks .....	4.4	2.6	6.3
27 to 38 weeks .....	6.5	4.8	8.5
39 to 46 weeks .....	5.5	3.5	8.1
45 to 49 weeks .....	3.6	2.2	5.4
50 to 52 weeks .....	.9	.7	1.4
<b>Weekly benefit rate:</b>			
\$10 to \$14 .....	2.9	1.5	3.4
\$15 to \$19 .....	3.1	1.2	3.6
\$20 to \$24 .....	4.0	1.3	4.7
\$25 to \$29 .....	4.1	1.2	5.4
\$30 to \$34 .....	4.7	1.9	6.8
\$35 to \$39 .....	4.2	1.9	6.9
\$40 to \$44 .....	4.1	2.5	7.4
\$45 to \$50 <sup>1</sup> .....	4.1	3.5	9.3
<b>Weeks of benefits:</b>			
Less than 6 weeks .....	1.4	.6	2.4
6 to 14 weeks .....	4.9	3.1	7.1
15 to 19 weeks .....	8.1	5.9	11.1
20 to 25 weeks .....	6.8	4.7	9.8
26 weeks .....	2.7	1.8	4.0

<sup>1</sup> Effective for benefit years beginning after July 4, 1960, the maximum benefit rate was raised from \$45 to \$50.

The proportions of beneficiaries who were chronic repeaters did not differ much by weekly benefit rate. The proportion ranged from 3 per cent of those with benefit rates of \$10 to \$14 to 5 per cent of those with benefit rates of \$30 to \$34. At every weekly benefit-rate interval, more of the women than of the men were chronic repeaters. The proportion of women beneficiaries who were chronic repeaters increased as the weekly benefit rate increased, with the highest rate (9 per cent) occurring among those entitled to rates of \$45 to \$50.

Eight per cent of the beneficiaries who received benefits for a substantial period of time in 1961 (15-19 weeks) were chronic repeaters. Only 1 per cent of the beneficiaries who received benefits for less than 6 weeks, and 3 per cent of the exhaustees were chronic repeaters.

## NEW YORK CITY

Beneficiaries in New York City were chronic repeaters to a slightly greater extent (5 per cent) than in the State as a whole (4 per cent). Chronic repeaters in New York City ranged from less than 1 per cent of the beneficiaries from durable-goods manufacturing to 11 per cent of the beneficiaries from apparel manufacturing.

## CHARACTERISTICS OF CHRONIC REPEATERS

Among the 37,000 chronic repeaters, 23,000 or 62 per cent were women, a much higher proportion than among all 1961 or 1967 beneficiaries.

## INDUSTRY

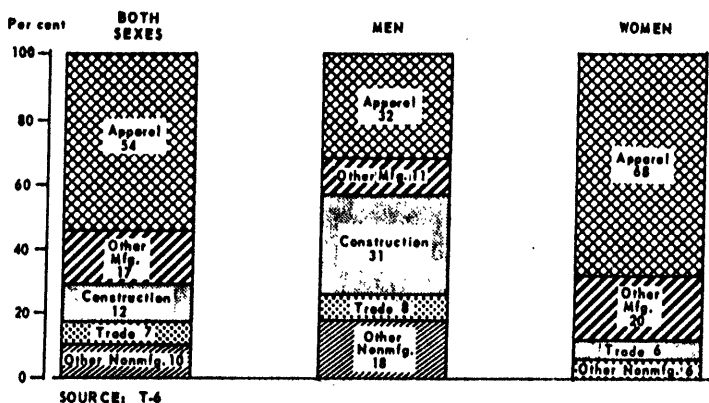
Four-fifths of the chronic repeaters were from nondurable-goods manufacturing (especially apparel) and construction, a much higher percentage than the proportion of beneficiaries from these industries in the total beneficiary population. The difference was attributable to the number of workers from the apparel industry, who represented more than half of the chronic repeaters, but only a little more than one-fifth of all beneficiaries. Few of the chronic repeaters came from durable-goods manufacturing or from finance, insurance, and real estate (Table 6).

TABLE 6.—PERCENT DISTRIBUTION OF ALL 1961 BENEFICIARIES AND CHRONIC REPEATERS, 1961-67 BY INDUSTRY, OCCUPATION, AND SEX

(Based on a 10 percent sample)

Selected characteristics, benefit years ending 1961	All 1961 beneficiaries			Claimants receiving benefits each year, 1961-67		
	Both sexes	Men	Women	Both sexes	Men	Women
Number of beneficiaries.....	875,460	506,040	369,420	36,550	13,950	22,600
Industry.....	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing.....	55.7	44.4	71.1	70.7	42.9	87.8
Durable goods:						
Metals and machinery.....	13.4	17.1	8.3	.8	1.2	.5
Other.....	2.4	3.4	1.0	.8	2.0	.1
Nondurable goods:						
Apparel.....	21.9	9.6	38.7	54.0	31.7	67.8
Other.....	18.0	14.3	23.1	15.1	8.0	19.5
Contract construction.....	12.7	21.6	.6	11.8	30.5	.2
Transportation and public utilities.....	4.7	7.1	1.4	2.2	5.2	.4
Wholesale and retail trade.....	14.8	14.6	15.1	7.0	8.3	6.2
Finance, insurance, real estate.....	2.5	2.6	2.4	.6	1.1	.3
Services.....	8.3	8.0	8.7	6.0	8.2	4.6
Other nonmanufacturing.....	1.3	1.7	.7	1.7	3.8	.4
Occupation.....	100.0	100.0	100.0	100.0	100.0	100.0
Professional and managerial.....	4.5	6.1	2.4	.9	1.5	.6
Clerical and sales.....	12.9	7.8	20.0	2.8	3.1	2.7
Services:						
Personal.....	5.2	5.0	5.5	4.0	3.7	4.3
Other.....	2.0	2.6	1.1	.8	1.1	.6
Skilled.....	15.8	23.4	5.3	15.7	20.2	13.0
Semiskilled:						
Apparel industry.....	15.7	6.3	28.6	41.7	25.7	51.6
Other industries.....	15.5	17.5	12.7	11.8	14.7	10.1
Unskilled.....	20.6	21.8	19.0	17.3	21.2	14.9
Other.....	7.8	9.5	5.4	4.8	8.9	2.3
Age.....	100.0	100.0	100.0	100.0	100.0	100.0
Under 25 yr.....	14.9	15.4	14.1	2.9	5.1	1.6
25 to 34 yr.....	20.6	22.7	17.8	9.2	11.5	7.8
35 to 44 yr.....	22.1	20.8	23.9	24.3	21.0	26.3
45 to 54 yr.....	20.7	17.9	24.4	36.6	29.6	40.9
55 to 64 yr.....	15.5	15.4	15.7	22.1	24.9	20.5
65 yr or over.....	6.1	7.8	3.9	4.9	7.9	3.0
Median yr.....	41.5	40.7	42.5	48.7	49.2	48.5

Chart 3. Industry of Chronic Repeaters 1961-1967, by Sex



Apparel workers loomed much larger among the women chronic repeaters than among the men. More than two-thirds of the women, compared to less than one-third of the male chronic repeaters, came from this industry.

However, almost one-third of the male chronic repeaters were construction workers and there were more men than women among the chronic repeaters from transportation, finance, and services.

The industry of chronic repeaters used in this analysis is the industry of the chronic repeaters in 1961. If chronic repeaters are distributed by industry in 1967, there is practically no change between the 2 years.

#### EMPLOYMENT AND BENEFIT EXPERIENCE

Chronic repeaters in 1961—in about the same proportion as all 1961 beneficiaries—had base-year employment of 15-26 weeks in the year; but a higher proportion of the chronic repeaters worked 27-44 weeks (62 per cent compared with 42 per cent) in the base year (Table 7).

TABLE 7.—PERCENT DISTRIBUTION ON ALL 1961 BENEFICIARIES AND CHRONIC REPEATERS, 1961-67, BY BASE-YEAR WEEKS OF WORK, WEEKLY BENEFIT RATE, DURATION OF BENEFITS, AND SEX

(Based on a 10 percent sample)

Base-year weeks of work, weekly benefit rate and duration of benefit years ending 1961	All 1961 beneficiaries			Claimants receiving benefits each year, 1961-67		
	Both sexes	Men	Women	Both sexes	Men	Women
Number of beneficiaries.....	875,460	506,040	369,420	36,550	13,950	22,600
Weeks of base-year employment.....	100.0	100.0	100.0	100.0	100.0	100.0
15 to 19.....	1.7	1.6	1.8	1.4	1.8	1.2
20 to 26.....	16.6	15.3	18.4	17.3	14.7	28.9
27 to 38.....	26.0	25.0	27.3	40.3	44.0	38.1
39 to 44.....	16.3	16.1	16.7	21.5	20.4	22.2
45 to 49.....	16.5	15.7	17.5	14.3	12.6	15.4
50 to 52.....	22.9	26.2	18.4	5.1	6.5	4.3
Weekly benefit rate.....	100.0	100.0	100.0	100.0	100.0	100.0
\$10 to \$19.....	2.9	1.1	5.5	2.1	0.5	3.2
\$20 to \$24.....	9.5	3.1	18.3	9.2	1.4	14.0
\$25 to \$29.....	16.8	9.8	27.6	16.7	4.0	24.5
\$30 to \$34.....	15.8	11.7	21.4	17.9	8.2	23.9
\$35 to \$39.....	11.6	11.0	12.5	11.7	7.7	14.2
\$40 to \$44.....	8.3	9.6	6.6	8.2	8.7	8.0
\$45 to \$50 <sup>1</sup> .....	35.1	54.7	8.1	34.1	69.4	12.3
Duration of benefits.....	100.0	100.0	100.0	100.0	100.0	100.0
Less than 6 weeks.....	23.7	23.7	23.6	7.8	5.6	9.2
6 to 14 weeks.....	29.7	28.9	30.9	34.6	32.3	36.0
15 to 19 weeks.....	12.3	12.4	12.2	23.9	26.7	22.1
20 to 25 weeks.....	11.6	11.8	11.4	19.0	20.2	18.2
26 weeks.....	22.6	23.2	21.9	14.8	15.3	14.5
Average weeks.....	14.3	14.4	14.2	16.4	16.9	16.0

<sup>1</sup> Effective July 4, 1960, the maximum benefit rate was raised from \$45 to \$50.

## AGE

The chronic repeaters were old; they had a median age of 48.7 years, 7 years older on the average than all 1961 beneficiaries. There were few persons under 25 years among them and most of these young persons were men. Among those 25 to 64 years of age, the majority were women.

## OCCUPATION

Blue-collar workers predominated among the chronic repeaters to a much greater extent than among all beneficiaries; more than four-fifths were blue-collar workers compared with two-thirds of all beneficiaries. A higher proportion of the men (56 per cent) than the women (38 per cent) were skilled, semiskilled from industries other than apparel, and unskilled workers. But half of the women, compared with one-fourth of the men were semiskilled workers from the apparel industry.

There was little difference in the average weekly benefit received by chronic repeaters and all 1961 beneficiaries. On the average, however, the chronic repeaters drew benefits of 2.1 weeks longer than all beneficiaries; but a smaller proportion of the chronic repeaters exhausted their benefits.

## EDUCATIONAL ATTAINMENT

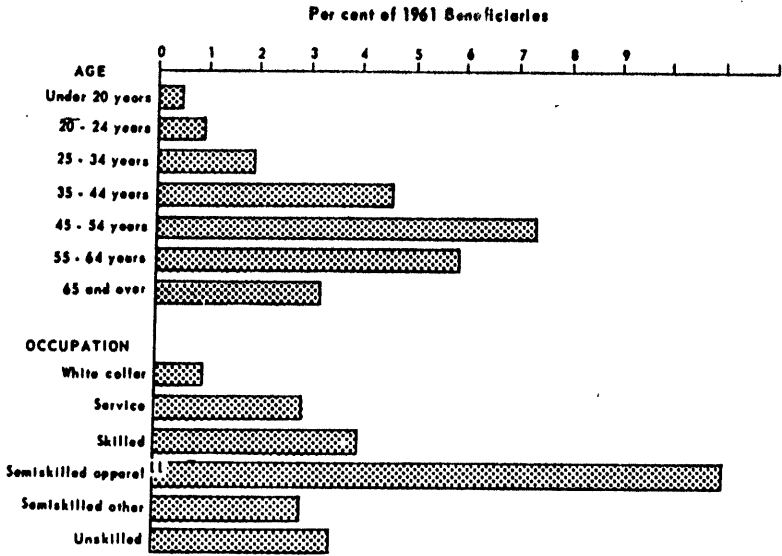
By large, the chronic repeaters were poorly educated. Over three-fifths of them had only an elementary school education and most of these did not finish grade school. Only 15 percent had at least completed high school (Table 8).

TABLE 8.—PERCENT DISTRIBUTION OF CHRONIC REPEATERS, 1961-67, BY EDUCATION AND SEX

[Based on a 10 percent sample]

Years of school completed, benefit years ending 1961	Both sexes	Men	Women
Total.....	100.0	100.0	100.0
Under 8 yr.....	32.8	33.8	32.2
8 yr.....	29.5	27.9	30.5
9 to 11 yr.....	22.7	23.0	22.5
12 yr.....	12.8	13.1	12.6
13 to 15 yr.....	1.9	1.9	2.0
16 yr or over.....	.2	.3	.2

-Chart 4. Per cent of 1961 Beneficiaries who were Chronic Repeaters, 1961-1967, by Age and Occupation



SOURCE: T-4

NEW YORK CITY

The chronic repeaters were concentrated in New York City to a greater extent than all beneficiaries—60 per cent of the chronic repeaters compared to 56 per cent of all beneficiaries were in New York City.

More of the chronic repeaters in New York City than in the State as a whole were women, and more came from the apparel industry. Sixty-nine per cent of those in New York City compared with 62 per cent in the State were women. Seventy per cent of those in the City compared with 54 per cent in the State were apparel workers.

