

EXECUTIVE SESSION

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THURSDAY, MARCH 24, 1977

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United States Senate,
Committee on Finance,
Washington, D.C.

The Committee met, pursuant to notice, at 9:05 a.m. in room 2221, Russell Senate Office Building, Hon. Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Bentsen, Matsunaga, Moynihan, Curtis, Dole, Laxalt and Danforth.

The Chairman. Mr. Stern, suppose you get busy and start explaining to us what some of the problems are, some of the problems we will discuss and also compared to what we did before. Suppose you go ahead, Mr. Stern.

Mr. Stern. Mr. Chairman, I might start with a chart as an introduction. The chart appears on the blackboard on the left. It is also before you.

This chart shows the three different kinds of unemployment benefits that now exist and how they match together. The basic program is a program of regular benefits which generally speaking last for twenty-six weeks. They are paid for, 100 percent, out of state funds and are a feature of

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1 permanent law.

2 When we talk about state or Federal laws, we talk about
3 employer taxes, to make that clear.

4 The regular benefits are paid for entirely out of state
5 taxes on employers. That lasts for six months. The next
6 three months, or thirteen weeks, Federal law provides for
7 extended benefits. These benefits are paid, either nationally
8 or in a state, if unemployment is higher, the theory being
9 that you allow a worker six months to find another job, if
10 he becomes involuntarily unemployed. If unemployment is
11 particularly high, you give him three additional months to
12 find a job.

13 The extended benefits are paid 50 percent by Federal
14 employer taxes and 50 percent by state taxes. That is also
15 a feature of permanent law.

16 Finally, under temporary legislation, there are the
17 so-called Emergency Benefits. These are payable for twenty-
18 six weeks for a maximum of sixty-five weeks of unemployment
19 benefits in all under legislation due to expire at the end
20 of this month.

21 The Emergency Benefits are 100 percent Federal, financed
22 by Federal employer tax,

23 Senator Dole. How are they financed?

24 Mr. Stern. They are financed by an increase in the
25 Federal employer tax and these benefits will take the worker

1 up to 65 weeks until the end of this month. Under the House
2 bill they will be available for thirteen weeks for a total
3 of 52 weeks of unemployment benefits for another year.

4 What this legislation does is this third block, the
5 emergency benefits. When that program was last extended, the
6 Congress wanted to find out what kinds of people received
7 emergency benefits and referred the Labor Department to
8 report. The information is capitalized on the other black-
9 board, namely if you look at all households receiving emer-
10 gency benefits, the average total income of the households
11 is \$10,420 of which the unemployment benefits account for
12 \$2200 benefits.

13 If you look at husband-wife families that make up
14 60 percent of the beneficiaries, they are split about half
15 and half. If it is the husband who is unemployed, the family
16 income is about \$10,700 of which unemployment benefits
17 account for \$2700 and other income, typically the spouses'
18 earnings, account for \$8,000.

19 It is a similar story with the wife drawing benefits,
20 namely the family income averages \$12,500 of which the
21 unemployment benefits are \$1900 and the other income, typically
22 the husband's income, from employment is \$10,600.

23 If you look at benefits as a percent of prior net
24 earnings, if you take the earnings at the last job and subtract
25 out taxes plus working expenses, in general the emergency

1 benefits represent 65 percent of prior earnings. To use
2 the jargon, 65 percent replacement rate.

3 In the case of husband-wife families where it is the
4 husband who is drawing the benefits, it is 56 percent of his
5 prior earnings. In the case of the wife, she is getting bene-
6 fits equal to 77 percent of her prior earnings.

7 To show kind of a distribution in relation to the poverty
8 level, overall 33 percent of the beneficiaries have a total
9 family income of at least twice the poverty level, 45 percent
10 is one and a half times the poverty level, and 58 percent is
11 equal to poverty level.

12 If you look at the figures for husband-wife families,
13 where it is the husband is unemployed, the figure is lower.
14 If you look at husband-wife families where the wife is the
15 beneficiary, they are higher.

16 All of this is by way of introduction to the first staff
17 recommendation which is that you make the emergency benefits
18 needs tested. In other words, we wonder whether it is
19 reasonable to presume that a spouse, for example, is actively
20 engaged in seeking work after nine months if the family income
21 is that high and the unemployment benefits themselves
22 represent a fairly high proportion of net earnings from
23 before, being employed.

24 Our recommendation is a fairly simple needs test -- simple
25 from the administrative standpoint. Namely, as the ninth month

1 draws to a close the Employment Service looks at the family
2 income during that last three months from the seventh to the
3 ninth month of unemployment without regard to unemployment
4 benefits and simply relate that to a state by state poverty
5 level. What we have picked is 40 percent of the Bureau of
6 Labor Statistics low income level -- I am sorry, 50 percent
7 of the state median income that is available through the
8 Census because that is roughly equal, on a national basis,
9 to the poverty level. It would be a separate figure for
10 each state and every different size of family.

11 Whatever state rules apply to earnings now would just
12 apply after you calculate what the benefit level is. That
13 would probably save something like 30 percent to 40 percent
14 of the cost.

15 The Chairman. Why do you not give us an example of how
16 that would work? How would it work in Louisiana? Do you
17 have that there?

18 Senator Hathaway. Do you have it state by state?

19 Mr. Stern. We will give it to you in a minute.

20 In the case of Louisiana for a family of four it would
21 be about \$5600 so that any family whose total income was
22 \$5600 or less would receive the full unemployment benefit.

23 By the time family income reached \$11,200 -- in other
24 words, twice that amount -- they would be eligible for no
25 benefits, and the range in between, between \$5,600 and \$11,200

1 the benefits would be scaled down.

2 The Chairman. How would you scale a benefit down?

3 Senator Hathaway. Is it dollar for dollar?

4 Mr. Stern. That is correct, dollar for dollar.

5 That is to say, it would be based on a percentage basis.

6 To the extent that the excess of family income exceeds \$5,600
7 in Louisiana, you would take that as a percentage of \$5,600.

8 For example, if the family income was \$2,300 higher
9 than \$5,600 that is 50 percent higher and the benefits would
10 be reduced by 50 percent.

11 By the time family income is 100 percent higher, then
12 this level of \$5,600 in Louisiana, the benefits would be down
13 to zero.

14 The Chairman. What is the Administration's position in
15 regard to that suggestion?

16 Mr. Stern. They are opposed to needs testing benefits.
17 When the question was raised -- the incident given in the
18 hearing was that they would oppose it, but there were
19 circumstances that maybe an emergency benefit program is
20 somewhat different.

21 Mr. Ruben is here from the Labor Department.

22 Mr. Ruben. My name is Murray Ruben. I work for the
23 Unemployment Insurance Service.

24 Our feeling was that we were reluctant to encumber a
25 temporary extension with additional administrative problems

1 that would ensue from the needs testing. I think that we
2 would opt for a shorter duration of the extension rather than
3 add to it this rather formidable overlay.

4 Senator Curtis. May I ask you a question? I got here
5 a little bit late. Is the proposal under discussion one that
6 would liberalize the payment of unemployment compensation
7 or is it one that would tighten it up and lessen the payments?

8 Mr. Ruben. It would reduce the payments considerably.

9 Senator Curtis. The Administration is opposed to it?

10 Mr. Ruben. Our feeling is we would oppose it in terms
11 of this particular extension.

12 Senator Curtis. What is complicated about it?

13 Mr. Ruben. It would involve pursuing the income of the
14 family, determining that. It would involve some inequities
15 also.

16 As I understand the proposal, it would be a one-time
17 thing. Once the family income was set, that would be
18 established for the duration of the claim.

19 Mr. Stern. The benefits are payable up to thirteen
20 weeks. You would just make a one-time determination based
21 upon the prior thirteen weeks of family income.

22 Senator Curtis. How many determinations are required
23 now?

24 Mr. Ruben. One determination of the individual's base
25 period earnings.

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1 Senator Curtis. How would this change it?

2 Mr. Stern. As the end of the ninth month approaches the
3 people in the Employment Security Office would determine what
4 the family income is during the seventh, eighth and ninth
5 month of unemployment. They would make that one determination
6 that would set a benefit level for the following three
7 months.

8 Senator Curtis. In other words, before the thirteen
9 weeks were up, they would look at it again? Is that what
10 you are proposing?

11 Mr. Stern. Mr. Ruben was referring to when the person
12 comes in to apply for benefits in the first place. This will
13 be one determination made after the ninth month.

14 The Chairman. If you look at that board up there, it
15 illustrates the percentages. If you look at the righthand
16 column, for example, with regard to the beneficiaries, the
17 average benefit there is listed as being \$1800 a year.
18 Other income, that is an average situation. Is that average?

19 Mr. Stern. That is correct.

20 The Chairman. An average of \$10,640.

21 What you are really trying to move towards here is not
22 the average situation. You are trying to look at those
23 situations where on a needs basis the benefit is not justi-
24 fied. There is no insurance principle justifying paying
25 the benefit. Is that not right?

1 Mr. Stern. That is correct, although I should mention
2 that the funding of the House bill is general revenue funding
3 so you are asking all taxpayers to contribute to the support
4 of these families.

5 The Chairman. Here is the kind of situation, as I
6 understand it, that you are talking about.

7 I do not believe it is shown on the board. Maybe you
8 should put the extreme situation on the board. Can you
9 give us an extreme situation of this?

10 Mr. Stern. This is not an extreme situation. One out
11 of every five emergency benefits recipients have household
12 incomes in excess of \$15,000 so when you pay for that out
13 of general revenues --

14 The Chairman. Here is the kind of thing I am talking
15 about. How long does the housewife have to work in private
16 employment before she is eligible for the benefits?

17 Mr. Ruben. The average requirement, as far as state
18 laws are concerned, fifteen to twenty weeks to work, or the
19 equivalent in dollars.

20 The Chairman. Let's take the extreme figures. Let us
21 assume she works for twenty weeks, so she worked about five
22 months. So after five months, she then goes back to her
23 housework. That is not unproductive labor. After all, that
24 saves a lot of expense because you do not have to pay some-
25 body else to do it when the wife is preparing the meals,

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1 looking after house matters and doing things, many of which
2 you would have to pay somebody to do for you.

3 Then she is drawing for that family the full benefits
4 for more than a year. How many weeks?

5 Mr. Stern. Sixty-five weeks under present law.

6 The Chairman. Sixty-five weeks.

7 So the mother in that family, then, she works twenty
8 weeks and the family then proceeds to draw this unemployment
9 benefit for sixty-five weeks, so they are drawing over
10 benefits over three times as long as she put into the fund
11 and the benefits that the family is receiving from the mother's
12 contribution in the home, it makes one wonder if they are
13 not better off with the mother away from that job than
14 she would be on it?

15 Mr. Ruben. May I add that the bill provides for a
16 maximum of 52 weeks after the expiration. If we go further
17 on FSB, it would be expended, the maximum payable to any
18 individual, 13 weeks of FSB, not 26. Not every state provides
19 for an individual who works even as much as ~~20 weeks~~ the
20 full 26 weeks of regular benefits. It may be as low as ten
21 weeks and then the extended benefits would be five weeks and
22 the FSB would be five weeks.

23 Mr. Stern. The figures on the board relate to people
24 who, on the average, are getting benefits for 63 weeks.

25 Senator Hansen. Sixty-three weeks?

1 Mr. Stern. These figures are not based on people who
2 have that kind of short duration. The average person in the
3 study on which those figures were based were 63 weeks.

4 Mr. Weatherford -- that is the Administrator -- just
5 came in, and he would like to make some comment.

6 Senator Hathaway. How is the verification of the income
7 made?

8 Mr. Stern. In the study?

9 Senator Hathaway. If a person comes in for the additional
10 thirteen weeks, how do they determine whether or not they
11 had that family income at a certain level? Do they do that
12 by affidavit, or have an investigation, or what?

13 Mr. Stern. The question, Mr. Weatherford, is how the
14 local office would determine the income.

15 Mr. Weatherford. It would require us to bring the
16 claimants in some time during the claims series if they
17 purchased and exhausted prior to going into the FSB. We
18 would sit them down and go through a process of determining
19 the household income that they would have in the household.

20 The claimant would give us that information and sign
21 the form, from which we would make a general judgment about
22 whether or not they qualified or not.

23 I am sorry to come in late, sir, but we are in the
24 process of doing this with ^{our} Title VI effort that
25 the Secretary talked about the day before yesterday to determine

1 who of the FSB claimants meet the criteria that is required
2 under the stimulus package.

3 We are in the process of doing it. I think we can do
4 it.

5 Our basic concern is whether we want to get into this
6 at this particular time on an extension of this program. We
7 are hard at work -- I know Mr. Stern and others are working
8 on the task force of welfare reform to address this issue,
9 to come forward with a comprehensive program and our position
10 is it is really a question of whether we want to get into
11 it, or whether you want to get into it at this point in time.

12 We think we can do it. We are in the process of
13 gearing up for it.

14 The Chairman. What bothers me about it, I just do
15 not think that it is fair for the Administration to let
16 their programs get to be rip-offs where people are drawing
17 all sorts of benefits of one name or the other and then come
18 up here to Congress to extend those things and put the
19 burden in the Congress to stop all of these rip-offs when,
20 in my judgment, the duty is on the President and his Adminis-
21 tration.

22 Everytime we turn around, if we turn up with something,
23 usually they want to study it and think about it more. They
24 are not ready, that type of thing.

25 I really think that the Administration ought to assume

1 the burden of recommending to us that something that proves
2 to be a rip-off should be changed. Like that situation of
3 the people on the "60 Minutes" show with regard to the
4 government traffic control operators having a deal where
5 the so-called disability benefits are so attractive that
6 everybody wants to be declared disabled. It is easy enough
7 to do. He just says he is nervous, thereby he then proceeds
8 to have a better arrangement regarding himself as disabled
9 because of nervous strain.

10 The job, from his point of view, makes it such that he
11 can no longer do it. It was no problem until the benefits
12 were provided.

13 I think that the Administration ought to come in with
14 a proposal to tighten up on these programs. I notice they
15 want to tighten up on the water projects.

16 Senator Dole. The farm program.

17 The Chairman. The farm program.

18 How about these rip-offs here? It seems to me that they
19 ought to be willing to measure up and recommend that we
20 tighten up on those programs too.

21 Senator Hathaway. Mr. Chairman, I agree with you that
22 there probably are rip-offs. I think we should wait until
23 we have a broad review of the whole unemployment law as
24 well as welfare reform, which is not too far in the future,
25 before we tamper with this one.

1 We recognize that unemployment has persisted longer than
2 we anticipated. That is the purpose of the emergency benefits.
3 They are only for thirteen extra weeks.

4 I think that we ought to allot the money on the same
5 basis that the previous benefits have been allotted.

6 I do not think we should now get into this ^{needs} test
7 which is going to take a considerable amount of figuring until
8 we have an opportunity to go over the entire unemployment
9 law. If there were rip-offs during the thirteen week period,
10 obviously there were rip-offs before.

11 I am in favor of straightening those out, because a lot
12 of people are getting unemployment benefits who do not deserve
13 them and are not actively looking for work. There are state
14 laws that allow people not to travel any distance at all to
15 get a new job. They require them to take only a job in their
16 particular skill. A lot of that could be modified, but I do
17 not think that this is the particular time to do it.

18 I think that we should let this one ride for the extra
19 thirteen weeks on the same basis as the existing law is.

20 Mr. Stern. I should mention that the original law was
21 enacted as a temporary law and it was extended in 1975. This
22 is another extension. The fact that it is an extension
23 does not mean that it will necessarily expire next year.
24 You might get another request to have it extended again.

25 Senator Curtis. There is not anything complicated about

1 that, is there?

2 Mr. Stern. We tried to make it as simple a needs test
3 as possible. Since the benefit does only last for thirteen
4 weeks, we are suggesting simply making one determination
5 one time.

6 The purpose is to eliminate the relatively higher income
7 families.

8 Senator Curtis. I think that there is a tremendous
9 deficit, a cutback in other programs, and with the abuse of
10 that goes on, known to anybody across the land, we should
11 not only commend our staff for coming up with something, but
12 this Committee should wholeheartedly support it because there
13 is always a good reason for delay in something.

14 These things go on and on and the next time it is
15 presented before a recess or something or other.

16 The Chairman. Mr. Laxalt?

17 Senator Laxalt. I agree with the concept of the needs
18 test, but I have one reservation coming out of the states.
19 The states would administer the needs test, would they not?

20 Mr. Stern. Yes.

21 Senator Laxalt. Should they not be consulted as to
22 what kind of burden this would impose upon them?

23 Mr. Stern. This kind of determination is right now
24 being made for CETA, is it not?

25 Mr. Weatherford. That is a recent innovation. We have

1 not done it in the past through state offices. The public
2 services you added last fall, half of those jobs come from
3 the longterm unemployment claimants and WIN recipients, so
4 we have gone into a process of identifying that in the local
5 offices.

6 I believe the state agencies -- did they testify on
7 that yesterday or the day before? I think they would raise
8 some question about it, Senator, but they have been responsive
9 in doing the things we have told them to before.

10 Senator Laxalt. They are fully into it in CETA already?

11 Mr. Weatherford. Yes, sir.

12 Senator Danforth. What is the difference in savings?

13 Mr. Stern. It depends on what else you do. Without
14 regard to this question of area triggers that Senator
15 Talmadge wanted to bring up, the bill cost \$400 million.
16 This would bring the cost to \$240 million in fiscal year
17 1978.

18 Our recommendation would be you would not make it
19 effective until July 1st. You have to allow some time.

20 Senator Laxalt. What is the net savings?

21 Mr. Stern. We would estimate it to be \$160 million.

22 Senator Danforth. \$160 million would be saved by
23 implementing this needs test.

24 Mr. Stern. Yes, sir.

25 Senator Danforth. There is no such test for anything

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1 up to 39 weeks, right?

2 Mr. Stern. That is right. Of course, there is no
3 test now. Our suggestion relates only to the last part.
4 It can also be related to the fact that you have a different
5 source of funding. It is employer taxes for the first 39
6 weeks and for the emergency benefit period, ending in April,
7 it will be paid out of general tax revenues.

8 Senator Danforth. The Administration's reason for
9 opposing it again is what? That you do not think you are
10 ready for this kind of program? You would rather put off
11 your reform until some later date? You feel that this is
12 simply an emergency proposition now and you would rather do
13 the emergency and then have the reform later?

14 - Mr. Weatherford. Yes.

15 I am very sensitive to what Senator Long said about our
16 concern. We have expressed it on several occasions before
17 the Committee, about being sure that those individuals who
18 are on these benefits are entitled to them.

19 When the economy did not improve, we had recommended
20 prior to this not to extend the program. As Mr. Stern
21 mentioned, we had to tack on two extensions because things
22 did not get better as quickly as we hoped. We are caught in
23 that kind of a situation.

24 With the next Administration coming in I think it is
25 obviously to everybody that they are taking a hard look in

1 connection with staff members on the Hill to try to get a
2 reform package together.

3 Our position is that we ought to let that follow its
4 course.

5 If I understand it, President Carter has indicated that
6 he will come back shortly with a welfare reform proposal
7 that will address those individuals who have run out of
8 unemployment benefits.

9 Senator Laxalt. To what extent do you have a fix on this
10 extended period being a disincentive for people working? Do
11 we need this at all?

12 Do we need, at this point, an extended period at all?
13 An emergency period?

14 Mr. Weatherford. Senator, I think so. We still have
15 some areas, some states and some areas in the country that
16 are still hard-hit by this recession. I just believe that
17 an individual where they have plant closings in the New
18 England states and so forth, where they are shut down, not
19 a matter of somebody being between jobs, -

20 Senator Laxalt. Can those areas not be isolated? This
21 is broad stroke in this legislation.

22 Mr. Weatherford. I believe now, and I think the
23 proposal brought forth in the Administration is a trigger
24 mechanism which we will comment, and we have a lot
25 of states triggered "on" now. By September there are going

1 less states, primarily the hard hit states in the country,
2 New England, Pennsylvania and Michigan, that have high
3 enough levels of unemployment.

4 Down the road, we are going to have a lot of states
5 that are going to trigger off where the benefits are not
6 needed in that area. It is going to be targeted in those
7 areas.

8 Senator Laxalt. You feel overall socially that we have
9 not done more harm than good extending it to this length
10 of time?

11 Mr. Weatherford. I am of the opinion that this country
12 needed this effort the past two years. We have never had
13 as many people lose their jobs as we have had in the last
14 two years.

15 I indicated the day before yesterday a million people
16 came into our offices in one week. It is a tough situation;
17 I think we are coming out of it.

18 I am hopeful that the stimulus package is going to take
19 us out of some of these high levels.

20 The Chairman. I want to make this clear. I think that
21 the staff is right about this, but I really feel -- I do not
22 believe that we can make it stick on the Floor now. My
23 guess is that if we do this, it will be knocked out on the
24 Floor or the House will not take it.

25 If I thought that we could do this and make it law, I

1 think I would vote for it. But with the Administration
2 recommending against it, I do not think we can make it
3 stick.

4 Senator Hansen?

5 Senator Hansen. Let me make two points. I have heard
6 a lot of conflicting ideas about jobs in this country. I
7 have read the statistics on the number of people out of work.
8 I have gained the impression that perhaps an inordinate
9 number of people out of work come from two classes: one,
10 those between the ages of 16 and 20, fellows who have never
11 had a job of any long period of time; and women in the work
12 force.

13 Obviously, a married woman who has some responsibilities
14 at home may not have the kind of time availability that fits
15 into a job situation.

16 I thought, overall, the numbers of jobs in this country
17 had been on the increase. I do not think it is accurate to
18 say a lot of people are out of work now working a year or
19 two ago. I do not get that feeling.

20 I am concerned also about the statistics that staff
21 has presented here. When you look at the number of people in
22 these different groups who are still receiving incomes
23 totalling an amount in excess of the poverty level, when
24 you consider the fact also, as Mr. Stern has pointed out,
25 that when someone has been drawing unemployment compensation

1 for nine months, I think that it is reasonable to ask yourself
2 the question, is there not a built-in disincentive of the
3 payment of compensation in the amounts that has been indicated
4 here?

5 My final point is that I have to think, with all due
6 appreciation for the good arguments that can be made in favor
7 of giving the President a clean slate on which to write his
8 proposals, I can find little or no justification for saying
9 we should not take a step now that seems, at least to me,
10 to make good sense. I do not think that is going to jeopard-
11 ize the President's clout in coming up with a better
12 program.

13 For Heavens sakes, I, for one, do not want to sit here
14 and say we will not do anything despite we see that this
15 part of the house is on fire until we get the right type of
16 fire truck here to handle a bigger fire. I think it makes
17 awfully good sense to me to take a step here now.

18 Thank you, Mr. Chairman.

19 The Chairman. Let me make it clear that if the program
20 is going to be continued I think this reform is well-justi-
21 fied. Even though I would be willing to lead the battle and
22 the charge, I do not think that we can make this one stick.

23 If the Committee wants to do it, I think someone else
24 ought to lead the charge for it. I, for one, do not think
25 we can make it stick.

1 Mr. Moynihan?

2 Senator Moynihan. Thank you.

3 Two points. Unemployment insurance, as I am sure Mr.
4 Weatherford would agree, has been social insurance in our
5 country since it was established. It was paid for by
6 employer contributions. It is not, in any sense, charity. It
7 is an earned benefit that comes from work and we have gone
8 through the worst recession since the Great Depression in the
9 1930's in which this program began and we have found it
10 useful and necessary to accept the benefit.

11 But, sir, to introduce into social insurance a needs
12 test principle I think would be repugnant to many of us
13 who have been associated with it. I think the Department
14 would find it very difficult. Is that not the case?

15 Mr. Weatherford. Yes.

16 Senator Curtis. Let me ask a question.

17 Is the proposal to eject this means test into the regular
18 program, or is it only to the Federally-financed part that
19 is no relation?

20 Senator Moynihan. May I say to my most respected and
21 very senior colleague, when a python begins swallowing a
22 calf, it only goes into the first part of the python, but
23 it tends to go through the whole thing eventually.

24 The second thing, sir, there are, in fact regions --
25 I am sorry to keep at this, but there is no way to avoid it --

1 where the recession has not turned up at all. In my state,
 2 for example, the level of total employment has gone down
 3 *Continuously* since the presence of this recession. The
 4 bottom of the recession was June of '75 and we have gone
 5 down from June of '75.

6 It is as though it has not changed. Is that not right,
 7 sir?

8 The Chairman. I suggest that we vote on this one.
 9 Let's call the roll on it.

10 Senator Byrd. State the issue.

11 The Chairman. The issue is whether we should apply a
 12 needs test to these extended benefits beyond the 39th week.

13 Is that it?

14 Mr. Stern. That is correct.

15 Senator Byrd. It does not affect the first 39 weeks?

16 The Chairman. No.

17 Mr. Stern. Mr. Talmadge?

18 Senator Talmadge. No.

19 Mr. Stern. Mr. Ribicoff?

20 (No response)

21 Mr. Stern. Mr. Byrd?

22 Senator Byrd. Aye.

23 Mr. Stern. Mr. Nelson?

24 (No response)

25 Mr. Stern. Mr. Gravel?

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1 (No response)
2 The Chairman. Nelson votes no.
3 Mr. Stern. Mr. Bentsen?
4 (No response)
5 Mr. Stern. Mr. Hathaway?
6 The Chairman. No.
7 Mr. Stern. Mr. Haskell?
8 The Chairman. No.
9 Mr. Stern. Mr. Matsunaga?
10 The Chairman. No.
11 Mr. Stern. Mr. Moynihan?
12 Senator Moynihan. No.
13 Mr. Stern. Mr. Curtis?
14 Senator Curtis. Aye.
15 Mr. Stern. Mr. Hansen?
16 Senator Curtis. Aye.
17 Mr. Stern. Mr. Dole?
18 Senator Curtis. Aye.
19 Mr. Stern. Mr. Packwood?
20 Senator Curtis. Aye.
21 Mr. Stern. Mr. Roth?
22 Senator Curtis. Aye.
23 Mr. Stern. Mr. Laxalt?
24 Senator Laxalt. Aye.
25 Mr. Stern. Mr. Danforth?

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1 Senator Danforth. No.

2 Mr. Stern. Mr. Chairman?

3 The Chairman. No.

4 There are seven years and eight days.

5 Let's go on to the next point.

6 Mr. Stern. The next point relates to the duration of
7 the extension.

8 The House bill extends the program exactly for one year,
9 meaning even if a person is only in the second or third week
10 drawing benefits from a year from now, there is a total cut-
11 off on March 31, 1978.

12 The Administration recommended that the program be
13 extended for twelve months, but that new claims only be
14 taken for nine months to allow for a tail-out for the last
15 three months.

16 We would think that it is quite important to have that
17 kind of phase-out. We would recommend, however, that a
18 better time to phase out would be six months from now rather
19 than nine months from now, because ~~that~~ is the time that
20 unemployment is at its seasonal lowest.

21 If you really have in mind phasing out the program, the
22 best time to do it is when the least number of states are
23 still triggered into the program.

24 Our recommendation would be extending the program for
25 nine months, of which the last three months would only be

1 those people who had already begun to drop out.

2 The Chairman. Is there any discussion, gentlemen?

3 All in favor, say aye?

4 (A chorus of ayes)

5 The Chairman. Opposed, no?

6 (No response)

7 The Chairman. The ayes have it.

8 Mr. Stern. The next matter is one that Senator Talmadge
9 asked to be brought up.

10 The House bill pays benefits both if state unemployment
11 is above 5 percent and also introduces a concept of a labor
12 market area trigger, so that even though unemployment in the
13 state as a whole is below 5 percent, if a particular area
14 it is below, then in that area you would pay benefits.

15 This was not proposed by the Administration. They do
16 oppose the area triggers, the State Administrators oppose
17 the area triggers.

18 Senator Talmadge. May I be heard on that?

19 The Chairman. Senator Talmadge.

20 Senator Talmadge. It was first called to my attention
21 by the Unemployment Security Office in Georgia that this
22 would be an administrative nightmare. They pointed out a
23 situation that follows.

24 You have two people living side by side in Gainesville,
25 Georgia, one of them works in the Atlanta area. He is

1 unemployed. The other one works in the Gainesville area;
2 he likewise is unemployed.

3 Under the triggering device that came over from the
4 House, the one who worked in Gainesville, Georgia would be
5 covered; the one who worked in Atlanta, Georgia would not
6 be covered.

7 The Assistant Secretary of Labor, Mr. Green, testified
8 very strongly against a state triggering device.

9 The Representative from Massachusetts -- who I thought
10 made a very impressive presentation-- also testified very
11 strongly in opposition to a triggering device within states.

12 In a mobile society like we live in, there is no way
13 on earth you could enforce unemployment compensation within
14 a given state where two people living side by side, unemployed
15 for the same duration, could be administered where one would
16 be entitled to it and the other one would not.

17 The Chairman. How would it be that one person would
18 be entitled and the other would not?

19 Senator Talmadge. Because one worked fifty miles away
20 from the other. He goes by automobile to and from his place
21 of employment. The other one works locally.

22 The Chairman. If one of them had a job in Gainesville
23 and the other one had a job down the road, one would be
24 entitled to a benefit and the other would not, even though
25 they lived next door to each other?

1 Senator Talmadge. Even though they lived side by side?
2 Senator Byrd. Why would one be entitled and the other
3 would not?

4 Senator Talmadge. Because there is a triggering device
5 within given areas.

6 Mr. Stern. It depends upon where you work rather than
7 where you live. If you have two people who live in the same
8 town, the one works in the area that is triggered and the
9 other one does not work in the area that is triggered, even
10 though they live next to each other.

11 Senator Curtis. I think Senator Talmadge's position
12 makes sense. I think we should adopt it.

13 The Chairman. Is that also the Administration's
14 position?

15 Mr. Stern. Yes.

16 The Chairman. Also a staff position?

17 Mr. Stern. Yes.

18 The Chairman. That is a House amendment which has no
19 support on this side, is that what it amounts to? Where
20 did it get in that bill?

21 Mr. Stern. That is correct.

22 The Chairman. Then I take it that Senator Talmadge
23 would suggest --

24 Senator Talmadge. Move to strike the state triggering
25 device.

1 The Chairman. All in favor, say aye?

2 (A chorus of ayes)

3 The Chairman. Opposed no?

4 (No response)

5 The Chairman. The ayes have it.

6 The next point?

7 Mr. Stern. The next major question relates to general
8 revenue financing. The program up to now has been financed
9 by increasing the employer tax, the Federal tax, by .2 percent
10 and the House bill says beginning on April 1st it would be
11 financed out of general funds in the Treasury.

12 The basic argument for that is the notion that after
13 39 weeks it should not be considered an employer responsi-
14 bility any more that a particular employee is unemployed.

15 The Administration would prefer not to have any general
16 revenue financing prospective as well as retroactive and
17 business groups who testified would prefer to have forgiveness
18 be retroactive.

19 The practical effect is, at what point is the employer
20 tax reduced? The employer is going to say it is .7 percent
21 rather than .5 percent until advances from the general fund
22 to the trust fund are repaid.

23 Since that extra .2 percent is worth roughly \$1 billion
24 a year, it means that the employer taxes will remain .2
25 percent higher for five years longer, under the House bill,

1 or present law.

2 Senator Moynihan. Just to repay it?

3 Mr. Stern. That is correct.

4 The Chairman. It seems to me that this is one of these
5 areas where the Administration has not yet learned to think in
6 consistent economic terms. I am sure they will after awhile,
7 but they have not learned yet.

8 When you are going out here advocating that you have a
9 tax cut for everybody to try to stimulate the economy, knowing
10 this is going to increase your deficit, then at that point
11 it does not make much sense to add a tax burden on business
12 when you are trying to help those same businesses get going
13 with a tax cut.

14 Senator Hansen?

15 Senator Hansen. Mr. Chairman, I agree with you
16 completely.

17 The Senators will recall that the unemployment tax just
18 doubled, is that not right, about the 1st of January?

19 I think we went from a .5 percent tax on an upper limit
20 of income of \$4200 a year to a .7 percent tax on \$6000.
21 That went from \$2100 to \$4200.

22 Senator Moynihan. On the average worker?

23 Senator Hansen. Whatever it is, it is double.

24 I think we ought to keep that in mind. We are working
25 in the wrong direction. We are trying to stimulate business.

1 We are talking about increasing the investment tax credit,
2 then we double the tax charged on the employers.

3 I know one thing, if I were an employer and I did not
4 support that 65 weeks extension anyway -- I know Senator
5 Javits thought that was a great idea; I still do not -- I
6 just do not see the rationale in saying, it seems to me to
7 fly in the face of the facts.

8 The Chairman. The only thing you can say for it, I
9 imagine, is that it would make some of the employers eligible
10 for the \$50.

11 Mr. Laxalt?

12 Senator Laxalt. Has the Unemployment Compensation Fund
13 historically ever been subsidized by general revenues? Is
14 this unprecedented?

15 Senator Curtis. I think it is.

16 Mr. Stern. I do not believe so. Of course, advances
17 are made from general funds.

18 Senator Curtis. Under the present system.

19 Senator Laxalt. Are we establishing some harmful
20 precedent that could be carried over to the principle of
21 Social Security?

22 Senator Moynihan. Did not this Committee recommend
23 general funding of Supplemental Benefits in April, 1975?

24 Mr. Stern. Yes.

25 Senator Hansen. We made some mistakes. We have some

1 new members on board and we can take a fresher look.

2 Senator Curtis. I would like to ask the staff a
3 question.

4 Under the present system of financing, is there any
5 incentive for employers to help police the program?

6 Mr. Stern. I think that occurs in the basic program,
7 because an employer is experience-rated as to how many of
8 his employees draw benefits.

9 It is thought to be something to be adversary to the
10 extent an employer would not want an employee credited against
11 him if he was not a bona fide involuntary employee.

12 Senator Curtis. I think that that is one thing to
13 consider, because the distinguished Senator from New York
14 just convinced me, if you start something, it is apt to
15 grow.

16 Mr. Stern. What we are talking about is already the
17 tenth month, the tenth to the fifteenth month. I do not
18 think there is any more effect one way or the other. The
19 question is whether the person gets on the unemployment rolls
20 in the first place, and it gets credited against a particular
21 employer.

22 Senator Curtis. These payroll taxes are particularly
23 high and the Work Incentive Program, too, the Social
24 Security tax off the individual, and here we are moving in
25 the direction of taking the unemployment tax off. I know

1 that it is very burdensome. My sympathy is with the people
2 who have to pay it. They are getting money from the
3 Federal Treasury.

4 Senator Hansen. Those figures, Mr. Chairman, are
5 \$210 to \$420 annually, is the way that figures out.

6 The Chairman. It seems that we have recommended this
7 before. In my judgment, I think we should finance it out
8 of general revenues. Basically, what you are doing, to use
9 my expression, you are financing it out of the deficit.

10 In times of recession, I think it is generally agreed
11 that the government will run a deficit. It will have to, and
12 some of the emergency things you do, you will pay for it out
13 of that deficit. You hope to make it back some other
14 time.

15 It does not trouble me that this is one thing you are
16 going to have to pay out of the deficit you are running.
17 You are going to have to borrow the money to pay for this.

18 Senator Laxalt. Respectfully, Mr. Chairman, is not
19 the method by which we should offer release through the
20 businesses is through a tax cut rather than this, and estab-
21 lish here a very dangerous precedent?

22 The Chairman. As I understand it, we will not impair
23 any funds with this.

24 Mr. Stern. The question only relates to the method by
25 which the repayment is made. I would point out that the House

1 bill does, in fact, move to general revenue financing for
2 these benefits on April 1st. I was simply saying it was a
3 compromise position.

4 The business groups wanted it to be general revenues,
5 financed retroactively, so they would not have to pay back,
6 the Administration would rather not either. They would rather
7 have the payroll tax pay for the whole thing.

8 The House bill is prospective only.

9 The Chairman. This proposal here is that we finance
10 from general funds what now?

11 Mr. Stern. The House bill says prospectively only the
12 last period of benefits, the emergency benefits, beginning
13 April 1st.

14 The Chairman. Is that what we are voting on right now?

15 Mr. Stern. If you do not vote, you just accept the
16 House bill which is prospective only. Since it was an issue
17 almost every witness raised, we thought we should discuss
18 it here.

19 Senator Moynihan. Mr. Chairman, at one point I would
20 like to propose that we not only accept the House provision
21 about prospective financing, but that there be a retroactive
22 financing as well, so that we knock this tax off, which we
23 can do without budgetary impact. The budget office says so --
24 when you are ready for that.

25 The Chariman. Now is the logical time to do it.

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1 Senator Byrd. May I ask this question?

2 How can you make it retroactive without budget impact?

3 Senator Moynihan. Because the money has been spent.

4 It has been spent in past budgets. This is a situation --and
5 Mr. Stern, help me if I slip up here -- these funds have
6 been paid into the unemployment compensation, the extended
7 unemployment compensation account which has a total debt now
8 of \$8.8 billion of which \$5.3 billion has been extended from
9 general revenues by the Treasury to the account to pay these
10 extended benefits, and this money has to be repaid by a
11 tax on employers, this extra .2 percent which Mr. Hansen
12 spoke of, which is 2 percent on a higher base.

13 So it is quite a big jump. It doubled, in effect,
14 in the dollar amount for the average worker in the plant.

15 Under this system, in order to repay the fund, this
16 extra tax on employers will be in effect until 1982 and it
17 seems to some of us that this is a tax on employing people
18 that we just do not need and the House has said, take the
19 tax off with respect to the additional benefits that will
20 go on from March 31.

21 But the tax itself will continue for another six
22 years -- five years, Mr. Chairman, for what has already been
23 spent.

24 We could get rid of that tax on employers, a tax which is
25 on a higher base now so it is a more serious tax simply by

1 cancelling and the Budget Committee's Counsel's Office has
2 assured us that this amendment would pose no point of order
3 problem. It is simply in effect forgiving an obligation that
4 was incurred in the course of the worst recession we have
5 had.

6 Senator Talmadge. If the Senator would yield, would
7 not the net effect of it be to forgive loans that have been
8 made to these states that have had high unemployment, that
9 have borrowed heavily against the fund?

10 Senator Moynihan. That would be one of the effects,
11 yes, sir.

12 Senator Talmadge. The principal effect?

13 Senator Moynihan. But those states will repay their
14 loans through this tax.

15 Senator Talmadge. What are you doing, eliminating the
16 tax and forgiving the loan simultaneously?

17 Senator Moynihan. In effect.

18 Senator Laxalt. If the Senator would yield, is not
19 the net effect to add some \$5 million to the debt?

20 Senator Moynihan. It would not add anything. It would
21 have eventually. It is a question of what comes in.

22 Senator Laxalt. We are converting a loan to a grant.
23 It has to reflect somewhere.

24 Senator Moynihan. It is a reduction in taxes, not an
25 increase in expenditure. The reduction of taxes goes

1 on employers to hire people and for whom, now that we are
2 going out of the recession, we are asking them to continue
3 paying for the recession.

4 Mr. Stern. Mr. Chairman, if I may comment on two
5 points, one is a matter that Senator Talmadge referred to.
6 There are two separate loans. One is a loan that is really
7 just the regular state benefits. Those outstanding loans
8 are \$4 billion. Those are loans made simply to pay to
9 states --

10 Senator Moynihan. I misspoke.

11 If I may say to my colleagues, the state loan is a
12 separate matter and would not be affected by this.

13 Mr. Stern. The other question that was raised earlier,
14 it does have a budgetary impact; why does it not require
15 a budget waiver?

16 The impact occurs several years from now.

17 Senator Byrd. But there will be a budget impact.

18 Mr. Stern. That is correct. That is the amount of money
19 that has so far been advanced to pay emergency benefits.

20 In addition to that, there is more than \$3 billion
21 that has been an advance to pay extended benefits. That
22 is the second column there.

23 Senator Byrd. Is that in addition to the \$5.4?

24 Mr. Stern. That is correct, a total of \$8.8 billion.

25 If you did nothing -- or, let me say, if you adopted

1 Senator Moynihan's amendment, it would take several years
2 anyway of having a higher employer tax to repay that \$3 billion
3 for the extended benefits. But beginning in about fiscal
4 year '81 or '82, somewhere in there, that is where the
5 employers, under your amendment, would have their taxes
6 lowered; instead of keeping their taxes at .7 percent, their
7 taxes would be lowered to .5 percent for five years.

8 The budgetary impact would be felt in the 1980's to
9 the tune of \$5.5 billion. It does not have an immediate
10 effect. Indeed, you are correct that the money has been paid
11 out through these general funds. Eventually, beginning
12 several years down the road, there would be, over a period
13 of about five years, there would be a \$5.5 billion impact.
14 The Federal government would take in \$5.5 billion less.

15 Senator Moynihan. It comes to a question, if you want
16 to pay for the recession of the 1970's way into the 1980's.
17 To many of us, it seems to us a good idea to pay this tax
18 now.

19 Senator Byrd. The government is going to be paying for
20 it into the 1980's even if business is not paying for it.

21 Senator Moynihan. It is in respect to the specific
22 burden on an employer who are of this matter.

23 Senator Hansen. Mr. Chairman, one of the most often-
24 expressed concerns I have heard about our raising our
25 wages without actually taking a vote on it was simply that

1 the average person in this country believes
2 that we were addressing the problems of inflation as they
3 affected the Congress of the United States and a few, very
4 highly paid bureaucrats, ~~that we ignored~~ the overriding
5 impact that inflation had on everybody else and selfishly
6 we addressed our own problem ignoring that of everyone
7 else.

8 I submit that there is no way the Budget Committee can
9 come up with to avoid the impact of just writing something
10 off into the Treasury and adding something to the deficit.
11 It will ~~impact~~ impact upon us later down the road.

12 My point is, it is pretty darned discouraging for
13 people who are working and whose wages are raised and get
14 into higher tax brackets as a consequence of the efforts
15 of employers to hold them even, and they find they actually
16 wind up, as many have, with less purchasing power after a
17 wage increase when you consider the impact of inflation, and
18 I ~~just have to think that if we do~~ nothing else, we ought to
19 get a handle on inflation in this country.

20 That is the one thing. That and jobs are the two
21 overriding concerns, I believe, that most Americans have.
22 It seems to me that saying that we are not going to pay for
23 this over \$5 billion expenditure, we are just going to add
24 it to the deficit and it is going to be of minimal impact
25 I think denies the fact that is so clear to every taxpayer.

1 The Chairman. Shall we vote on it?

2 Call the roll.

3 Senator Byrd. You had better state the issue, so we
4 will fully understand what we are voting on.

5 Mr. Stern. The advances that have been made of \$5.5
6 billion to pay for emergency benefits up until this point
7 would retroactively be general revenue funded which would
8 have the effect of reducing employer taxes .2 percent in the
9 1980's, about five years earlier than otherwise would
10 occur.

11 The Chairman. Let me ask this question and get this
12 straight in my own mind.

13 Would that make any difference in the tax they are paying
14 this year?

15 Mr. Stern. It would make no difference for at least
16 three or four years because there already is an outstanding
17 advance for extended benefits of something more than \$3
18 billion. It would take ~~three or~~ four years to pay that
19 back.

20 The effect of this would not be felt for four or five
21 years.

22 The Chairman. Let me just say that my thought about
23 this is that I might be persuaded to vote for it, but I
24 would like to know more about it.

25 At this time, I feel that if this is something we ought

1 to have a chance to vote for it later on. As of now, it
2 would not make any immediate difference, I do not think. You
3 would still have the same tax.

4 I would like to know a lot more about it. I would like
5 to study the figures -- not just see them, but study them, as
6 to how it will work out. There is a lot of merit to it.
7 I am not in a position to vote for it now.

8 I would like to make it clear to the Senator that at
9 a future point, I would vote for it.

10 Senator Moynihan. That is a very generous way to put
11 it. If that is the case, if we can have an understanding
12 that we will raise this question at an appropriate time,
13 then I would like to withdraw the amendment.

14 The Chairman. Fine. Suppose we do that, then.

15 I might very well be able to support this, but I could
16 not vote for it at this point.

17 Senator Ribicoff. Mr. Chairman, my apologies for being
18 late. I have been trying to juggle the energy bill and this
19 at the same time. I had to get someone to come in and
20 relieve me up there.

21 I just want to record myself voting "no" on the
22 needs test, and also, Mr. Chairman I understand there was a
23 voice vote on extending the emergency program to September
24 1st with a tail-out to December 31st.

25 I would like to reopen that and just ask for a roll call

1 vote on a substitute to extend the emergency benefit
2 program through to December 31st, 1977 with a three-month
3 tail out until March 31st, 1978.

4 I understand the Administration is for it, and thirty
5 administrators in the country are for that program. I would
6 like a roll call vote on my substitute.

7 Senator Talmadge. Is there any discussion?

8 Senator Curtis. I would like an explanation of this.

9 Mr. Stern. What you tentatively agreed to was a nine
10 month extension of the program. During the last three months,
11 you would not take any new applications.

12 What Senator Ribicoff is proposing is a twelve month
13 extension and during the last three months you would not take
14 any new applications.

15 The difference in cost is about \$120 million. The
16 reason for the staff recommendation was that September 31st
17 is just about the low point in the unemployment cycle. If
18 you really had in mind phasing out the program, this would
19 phase it out at a time when the least number of states would
20 be already in the program.

21 If you do it at the end of December, as the Administra-
22 tion proposed, you will have more states in the program.

23 Senator Ribicoff. I think the objective of the leader-
24 ship is to adjourn by October 8th. It was reiterated by
25 the White House last Tuesday that this was the objective and

1 President Carter said he would like to see Congress adjourn
2 by October 8th, too.

3 If you are going to end this on September 1st, you
4 are really in a tough position of what do you do in the last
5 month if this runs out and you still have heavy unemploy-
6 ment.

7 I think it does not make any sense if unemployment
8 continues to remain as high as it is. The states ought to
9 have this assurance and so should the people unemployed.
10 It is a question of another three months.

11 Senator Talmadge. Is there any discussion?

12 Senator Moynihan. I would like to support Senator
13 Ribicoff on that, and as I said earlier, Senator Ribicoff,
14 there are whole economic regions of this country where the
15 recession has not ended, it just has not ended. That is
16 why the needs test was such an attractive thought. There
17 are other Senators who share this view.

18 Senator Curtis. Mr. Chairman?

19 Senator Talmadge. Senator Curtis?

20 Senator Curtis. We were told here that there would
21 be changes in recommendations . . . and so on. That
22 was advanced as an argument for not imposing a tighter
23 restriction right now. If we vote for a year instead of
24 a nine-month extension, we would just delay that much longer
25 any basic, corrective action in the program.

1 As much as I respect my colleague from Connecticut,
2 I cannot support him.

3 Senator Hansen. Let us vote.

4 The Chairman. Call the roll.

5 Senator Byrd. State the issue. Are we voting on an
6 amendment by Senator Ribicoff?

7 Senator Ribicoff. A substitute.

8 Mr. Stern. It would make it a twelve-month extension
9 instead of a nine-month extension, the last three months
10 being phased out.

11 Mr. Talmadge?

12 Senator Talmadge. No.

13 Mr. Stern. Mr. Ribicoff?

14 Senator Ribicoff. Aye.

15 Mr. Stern. Mr. Byrd?

16 Senator Byrd. No.

17 Mr. Stern. Mr. Nelson?

18 Senator Moynihan. Aye.

19 Mr. Stern. Mr. Gravel?

20 (No response)

21 Mr. Stern. Mr. Bentsen?

22 (No response)

23 Mr. Stern. Mr. Hathaway?

24 Senator Moynihan. Aye.

25 Mr. Stern. Mr. Haskell?

1 Senator Moynihan. Aye.
2 Mr. Stern. Mr. Matsunaga?
3 Senator Matsunaga. Aye.
4 Mr. Stern. Mr. Moynihan?
5 Senator Moynihan. Aye.
6 Mr. Stern. Mr. Curtis?
7 Senator Curtis. No.
8 Mr. Stern. Mr. Hansen?
9 Senator Hansen. No.
10 Mr. Stern. Mr. Dole?
11 Senator Curtis. No.
12 Mr. Stern. Mr. Packwood?
13 Senator Curtis. No.
14 Mr. Stern. Mr. Roth?
15 Senator Curtis. No.
16 Mr. Stern. Mr. Laxalt?
17 Senator Laxalt. No.
18 Mr. Stern. Mr. Danforth?
19 Senator Danforth. No.
20 Mr. Stern. Mr. Chairman?
21 The Chairman. No.
22 Six yeas, ten nays.
23 What is the next point?
24 Mr. Stern. In the general revenue financing we have
25 a 1.2 raise. The House bill authorizes an appropriation. We

1 believe that you could draft this so as not to require a new
2 appropriation. Money is appropriated in the first instance,
3 when the money is against the trust fund, so there is an
4 appropriations process.

5 If you do not make this change, you would be out of
6 order under the Budget Act, because you would have a new
7 entitlement program beginning before October of this year.

8 I would suggest this change, which is essentially a
9 change so as not to be in violation of the Budget Act.

10 The Chairman. All in favor, say aye?

11 (A chorus of ayes)

12 The Chairman. Opposed, no?

13 (No response)

14 The Chairman. The ayes have it.

15 Mr. Stern. The next matter relates to the question of
16 suitable work requirement. If you look at this document
17 that was put in front of you, the long mimeograph sheet,
18 if you look at page 7 of that you will see a comparison of
19 the way the House bill --

20 Senator Hansen. Let me interrupt. Are you talking
21 about the one dated March 18th, extension of the emergency
22 unemployment?

23 Mr. Stern. That is correct. If you look at page 7
24 of that document, you will see a comparison between the
25 suitable work requirement in the House bill as it came over

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1 and the Senate bill in 1975, that particular provision was
2 dropped in conference. Basically, the 1975 Senate bill
3 said that after you have been unemployed for nine months you
4 could not refuse a job as unsuitable on the grounds of the
5 amount that the job paid or your prior training or work
6 experience.

7 You could refuse it if it involved joining a company
8 union or refraining from joining a labor union or if the job
9 was too far away, if it was a risk to health, safety or
10 morals or if you were already in a training program. But
11 you could not refuse it on the grounds of the amount of
12 pay or your prior work experience.

13 The House bill is rather more complicated procedurally.
14 The job offer would have to be in writing, offered through
15 the State Employment Service. They do have a standard that
16 if the job paid less than 120 percent of unemployment benefits
17 plus any supplemental benefits from the union or employer
18 it could be refused.

19 It could be refused if the individual did not have
20 training or experience for a particular job, unless the
21 employer provided the training.

22 Any job involving lower pay or lesser skill than the
23 person's usual employment could not be refused unless the
24 state determined the individual had poor prospects --

25 Senator Hansen. How do you determine that? On the

1 length of time he has been unemployed?

2 Mr. Stern. There is no standard in the bill. Our
3 suggestion would be that you use the suitable work test that
4 you approved and the Senate approved in 1975 instead of the
5 House procedure.

6 The House procedure may, in fact, be a test that makes
7 it easier to refuse a job than some states already do.

8 Senator Curtis. I think we did a good job in working this
9 out. I would like to see us retain the '75 work requirements.
10 I think they are reasonable.

11 There is one point that the House enacted, that we could
12 well add. There is a provision that the applicant must
13 actively seek work.

14 You are aware of that, are you not?

15 Mr. Stern. I am sorry?

16 Senator Curtis. The House has an additional provision
17 that the applicant must actively seek employment.

18 Mr. Stern. That is correct.

19 Senator Curtis. You find no fault with that, do you?

20 Senator Laxalt. Is that any more restrictive than the
21 Senate language?

22 Mr. Stern. I do not think so.

23 Senator Laxalt. The '75 Act, the language is just about
24 the same.

25 Senator Curtis. I had David Swope do some work on this

1 and you recommended the 1975 standards action plus the
2 one provision that the House has. What is that one provision
3 and why do you favor it?

4 Mr. Swope. Yes, sir.

5 The House provision in H.R. 4800 does have a requirement
6 for an active job search which it is my understanding that
7 there is no comparable provision to that in the 1975 Senate
8 passed bill, and therefore you may wish to consider picking
9 up that one provision in the House bill.

10 Senator Curtis. Does it reach this point that the
11 longer unemployment persists there is maybe in some instances
12 a lesser chance that that employer would call him back?

13 This would add a provision that within reason they should
14 look around and see if there is something else.

15 Mr. Swope. Yes, sir.

16 Senator Curtis. Is that a fair statement?

17 Mr. Swope. Yes, sir.

18 Senator Curtis. I am glad to see us do what we did
19 in '75, plus that one point.

20 The Chairman. We had some debate on these '75 require-
21 ments in the Senate bill but the Senate sustained this as
22 I recall.

23 Is that right?

24 Mr. Stern. That is right.

25 The amount that some people were unhappy with it and

1 wanted to make some slight changes in some of the
2 provisions.

3 The Chairman. What it said, for the emergency benefits,
4 by that time you ought to be able to reduce your sights and
5 accept any job, with these exceptions. If the individual
6 would have to join a company union or refrain from joining
7 any bona fide union, you could turn it down. That gives
8 you both sides of the union issue.

9 If the job is located at an unusual distance or the
10 job involves risk to health, safety or morals, or the
11 applicant is in an approved training program or any job
12 involving wages or other conditions that are substantially
13 less favorable than those provisions for similar work in the
14 locality.

15 Explain that, if you would.

16 Mr. Stern. That was kind of a protection that you could
17 not force somebody to take a job that would simply exploit
18 the fact that the person was required to take a job.

19 The Chairman. Say that again?

20 Mr. Stern. The idea was that it had to be a job that
21 paid -- it could not pay substantially less than that kind
22 of job paid in that locality. You could not simply exploit
23 the fact that the person was required to take a job and
24 pay completely substandard wages for that job.

25 That was a protection.

1 Senator Hansen. Say a bricklayer earns \$10 an hour
2 and that is sort of the going wage in the area, someone
3 would not be forced to take a job of \$7 an hour of laying
4 bricks next to someone -- even though it would be above
5 the minimum wage?

6 Mr. Stern. That is correct.

7 Senator Curtis. That was in the '75 Act?

8 Mr. Stern. Yes.

9 This 1975 Senate bill was the bill that was worked out
10 after some changes were made for some concerns that Senators
11 had. What you see here is a version that everybody agreed
12 on. It was not challenged in the Senate.

13 The Chairman. In other words, you say for similar
14 work, if a man had a job where he had been previously employed
15 as a machinist and he was making \$7 an hour and if he was
16 offered a job at much less than that, \$4 an hour, whether
17 he would be required to take the \$4 an hour job would sort
18 of depend, for that type of work was \$4 a fair price to
19 pay.

20 Mr. Stern. If this was a \$4 an hour job in that area,
21 he would have to take the job; if it was locally a \$7 an
22 hour job, he would not have to take it paying \$4.

23 If it is a different job, if he cannot get a \$7 job
24 and they have a \$4 job, after he has been unemployed for nine
25 months he would have to take the \$4 job if that is what the

1 going wage was for that job.

2 We see no problem with Senator Curtis' suggestion that
3 he must actively engage in seeking work, if you wanted to
4 add that.

5 Senator Curtis. I would so move.

6 The Chairman. Without objection, we can add that to it.
7 I suggest we add that to it.

8 That does not make any real difference.

9 Mr. Stern. I do not think so. That is what we had
10 in mind.

11 The Chairman. All in favor?

12 (A chorus of ayes)

13 The Chairman. Opposed, no?

14 (No response)

15 Senator Matsunaga. How is actively engaged defined?

16 Mr. Stern. In the bill, it says, the individual has engaged
17 in a systematic and sustained effort to obtain work during
18 such week, and the individual provides tangible evidence.

19 The House Committee reports that the tangible evidence
20 required some reliable and satisfactory evidence other than
21 merely the statement of the claimant.

22 Senator Matsunaga. If he goes to a prospective employer
23 once a week, is that sufficient?

24 We have had some difficulty defining that back in
25 Hawaii.

1 Mr. Stern. Maybe Mr. Weatherford would comment.

2 Mr. Weatherford. If an individual only went to one
3 employer, the same employer each week, that would not
4 constitute an active search for work. It would not under
5 the current law that we have in the United States that
6 requires them to actively seek work.

7 The best way to say it is what a normal individual
8 would do to find a job; going to one point or one firm every
9 week would not constitute it. Most states would deny
10 benefits.

11 Senator Matsunaga. Do you have guidelines laid down
12 by past experience?

13 Mr. Weatherford. The Federal government -- there is no
14 Federal requirement in this area. The states do that.

15 Senator Matsunaga. The Federal government generally
16 sets the minimum standards. Have you set the minimum
17 standards?

18 Mr. Weatherford. Not in this area, sir. We have
19 issued, as I indicated to Senator Long, after the '75
20 amendments that did not come through the House, we issued
21 instructions to the states that parallels the bill that
22 you are talking about, that did not go quite that far as
23 you were talking about here.

24 We do not have standards.

25 Senator Matsunaga. I can foresee some problems, because

1 the standards are going to differ from agent to agent in
2 the Unemployment Office.

3 Senator Danforth. May I inquire, are these requirements
4 administratively practical?

5 Mr. Weatherford. Senator, we are concerned about them.
6 We worked with the House to try to get their bill in. That
7 is one of the reasons we tried to get some indication in the
8 legislation that would say that the employer would have to
9 give us some indication about the job offer. We found
10 ourselves in a local employment office. The claims taker
11 finds himself in the position of having to make a judgment
12 whether the refusal of that job is reasonable or not, or
13 whether he had reason to refuse that job.

14 In order to do that, he has to have a wage.

15 As you indicated a while ago, you have to find out
16 whether it is the prevailing wage in the state.

17 We worked with the House. It also required -- you would
18 not require him to refuse a job less than the unemployment
19 amount.

20 The Chairman. Let me make one suggestion here. We
21 can make it more definite in the Committee Report.

22 Where we talk about if the job is located at an
23 unreasonable distance, it seems to me it is not so much
24 the distance that should be the determination but the time
25 it takes you to get there. My thought would be if you think

1 in terms of how long it is going to take the average man
2 in the community to get to his place of work, if it is
3 construction labor, for example, how long does it take
4 a worker to get to a construction project going on in that
5 area?

6 Ordinarily I would think about 20 or 22 minutes is
7 the normal time it would take -- no, maybe 15 minutes is
8 the average time. It would seem to me if he is asked to
9 go a greater distance, I think perhaps an additional one-
10 half hour travelling time back and forth would be justified
11 after he had been out of work for a solid year drawing
12 benefits.

13 In other words, where 45 minutes would not be an
14 unreasonable travel time for going back and forth to work
15 if the man had been out of work for awhile. You need some
16 kind of standard to go by and that is one that would appear
17 logical to me.

18 I think an hour travelling down the road, an hour going
19 to work is too much, but I do not think forty-five minutes
20 would be too unreasonable.

21 Senator Talmadge. In my state we have many people
22 spending more than an hour going each way daily. Take
23 Lockheed Aircraft in Marieta, Georgia. We have people
24 travelling distances round trip of over 150 miles a day
25 to work there.

1 The Chairman. That is a guy who really wants to
2 work.

3 Senator Talmadge. That is right; that is correct.

4 The Chairman. We are not talking about those who
5 really want to work; we are talking about those who want to
6 work, period.

7 Senator Talmadge. Those are good jobs; up in the rural
8 mountain areas of north Georgia we do not have many good
9 industrial jobs.

10 Those people, many of them have driven from the
11 Tennessee line to Marieta to work.

12 The Chairman. Senator Moynihan?

13 Senator Moynihan. I think the Department of Labor keeps
14 a tab on what the average time it takes to get to work is
15 and I believe it is a case that the time has not changed in
16 this century. It is about the same today as it was in 1900.

17 I would like to note Mr. Weatherford's point that
18 the Administration of which he is Director would never require
19 someone to take a job at wages lower than they would receive
20 as unemployment benefits.

21 That is your view? That would continue under this
22 arrangement?

23 Mr. Weatherford. I believe so.

24 The Chairman. Under this amendment, would that be the
25 case?

1 Mr. Stern. That is not the standard that was in the
2 '75 Senate bill.

3 The Chairman. I think we ought to consider that.
4 That does become crucial. How close to those wages do we
5 get when we are talking about what a person would be able
6 to get from unemployment benefits and what he could get
7 otherwise.

8 What would that be?

9 Mr. Stern. It would depend on what kind of allowance
10 you are willing to make for taking off taxes.

11 The Chairman. We are not talking about taxes. We
12 are not talking about taxes. That is one point, the
13 unemployment benefit -- I know it is not taxable. I do not
14 think Senator Moynihan has that in mind, either.

15 For example, we are talking about if a man is drawing
16 a benefit, how high do the benefits go, for example?

17 Mr. Stern. For example, average benefits --

18 Senator Hansen. What page?

19 Mr. Stern. This is the blue book, "Emergency Unemploy-
20 ment Compensation Act," page 28.

21 The Chairman. All right.

22 Mr. Stern. The maximum weekly benefit amount per
23 state shows in the second column -- for example, in
24 Alabama it is \$90; Louisiana, \$90; Wyoming, \$95 and so
25 on. The average benefit in fiscal year 1976 is shown in the

1 following column.

2 In New York State, the maximum benefit is \$95.

3 The Chairman. I think that is reasonable, frankly. I
4 do not have anything to quarrel about that.

5 Mind you, he might be making -- when you take taxes
6 into consideration, he might be making less, but if we say --
7 I think maybe we should put it into the Committee Report.
8 We do not expect him to take a job that pays less than he
9 would draw in unemployment benefits, but we are not consider-
10 ing taxes on that, because the unemployment benefit is not
11 taxable.

12 You are just saying you would not expect him to take a
13 job paying less than he would make on unemployment benefits.

14 Mr. Stern. Comparing the unemployment benefits with
15 the gross wages, Mr. Chairman? Not making a deduction for
16 taxes?

17 The Chairman. Looking at the two gross figures. That
18 is what you are looking for.

19 All in favor, say aye.

20 (A chorus of ayes.)

21 The Chairman. Opposed, no?

22 (No response)

23 The Chairman. The ayes have it.

24 I would suggest then, travel time, that you might check
25 into it. It seems to me if he can get to the job in one

1 hour from where he is by the way the average person would
2 go there, that he could get there in an hour, that would
3 not be regarded as too far away.

4 Mr. Stern. Maybe you could put something in the
5 Committee Report that looks at travel time in the same
6 way as you look at wages for a particular type of job.
7 Look at what is typical in the community. If you are in
8 an area like New York City where travel time might be
9 expected to be higher, you have a higher threshold than in
10 a place where travel time is low.

11 The Chairman. In those terms you could add a half an
12 hour to it. What a person could be expected to do in that
13 area, plus a half hour.

14 Mr. Stern. We will put that in the Committee Report.

15 Senator Curtis. Mr. Chairman, when the other amend-
16 ments are through, I have two brief ones I would like to
17 call up at the request of Senator Griffin from Michigan.

18 Mr. Stern. We have three more amendments we want to
19 bring up. They are fairly brief.

20 The first one relates to the duration of the emergency
21 benefit period. Under the present law where the benefits
22 last for twenty-six weeks, once the state triggers into the
23 emergency benefit program, an emergency benefit period has
24 to be for at least twenty-six weeks.

25 Under the House bill, the period of emergency benefits

1 is reduced to thirteen weeks, but the minimum duration in
2 the states stays at twenty-six weeks. We would suggest that
3 you conform one to the other and also say that once the
4 state triggers in, the emergency benefit period would be
5 only thirteen weeks, the same as the length of the benefits.

6 That would be comparable.

7 Senator Curtis. That is your recommendation?

8 Mr. Stern. Yes, sir.

9 The Chairman. All in favor, say aye?

10 (A chorus of ayes)

11 The Chairman. Opposed, no?

12 (No response)

13 The Chairman. The ayes have it.

14 Mr. Stern. I will let Mr. Humphreys explain the last
15 two.

16 Mr. Humphreys. When the emergency program was enacted
17 in 1974, it was expected to be a temporary program. No
18 provision was made in there as to how long from the time a
19 person worked he could still continue drawing benefits if
20 he had interruptions in there.

21 For example, if someone became unemployed and drew
22 benefits for a couple of weeks and then went to school
23 or something like that when he was not even claiming the
24 benefit, he can then subsequently come back and draw his
25 benefits.

1 This is sort of an unusual situation. It requires
2 the states to keep their records open for an indefinite
3 period of time as long as this program is in operation.

4 What we are suggesting is that you insert a rule that
5 says, no benefits will be payable under this program to any
6 individual beyond a point which is two years after the
7 end of the period in which he could get regular benefits
8 under the state law.

9 The state law has a benefit year and you work, you
10 become unemployed, you draw benefits, but not beyond the
11 end of a specified benefit year.

12 What we are suggesting for this emergency benefit program
13 is that you cannot go around two years from that point, even
14 if you are in and out of the labor force.

15 The Chairman. Is there any discussion?

16 All in favor, say aye.

17 (A chorus of ayes)

18 The Chairman. Opposed, no?

19 (No response)

20 The Chairman. The ayes have it.

21 Mr. Humphreys. The next point, the general unemployment
22 amendments enacted last year included a provision --

23 The Chairman. What page?

24 Mr. Humphreys. Page 8 under the heading "Illegal
25 Aliens."

1 Last year's general unemployment amendments included
2 a provision that intended to deny benefits to illegal
3 aliens. It was phrased in terms of requiring people to
4 be permanent residents, legal permanent residents in order
5 to get benefits.

6 There was a problem because of certain agreements,
7 particularly with Canada, where people are not permanent
8 residents but legally do come in and work and under agreements,
9 cooperative agreements, could draw unemployment benefits.
10 The House made a technical amendment to correct that, but
11 we think that there is a technical problem with their
12 technical amendment in that it relates to whether the person
13 was permitted to be in this country for working purposes
14 at the time he was drawing benefits.

15 We think that it should be amended to say that it is
16 all right to pay benefits if he were permitted to be working
17 here at the time that he was working here.

18 Senator Bentsen. Do you mean he was legally here
19 when he developed his eligibility?

20 Mr. Humphreys. That is what we are suggesting. It is
21 essentially a technical change.

22 Senator Hansen. What are you suggesting?

23 Mr. Humphreys. The suggestion is to make this House
24 provision read so that it allows for benefits to be paid
25 if the individual was legally present for working purposes in

1 this country at the time that he was working here rather
2 than at the time that he was drawing benefits.

3 Senator Curtis. In other words, it has to be based on
4 legal work?

5 Mr. Humphreys. That is right.

6 Senator Ribicoff. What happens if that person could
7 get a job by going back to Canada or Mexico? He does not
8 have to do that?

9 Mr. Humphreys. He would still be subject to all the
10 other rules of having to be seeking work and available for
11 work.

12 Senator Ribicoff. How do you work it? Say somebody
13 crosses over and is working in Michigan. Then they go back
14 and work in Toronto in an automobile plant across the river,
15 across the lake.

16 How do they check? It is hard enough to check in this
17 country. How do you check about whether there was a job
18 available in Canada or Mexico for them?

19 Mr. Humphreys. There are some cooperative agreements.
20 I do not know the details.

21 Mr. Ruben, can you explain how that works where we are
22 paying benefits to Canadian nationals, how they guarantee
23 that they are seeking employment?

24 Mr. Ruben. We have a reciprocal agreement with Canada
25 for which Canada, for the purposes of unemployment insurance

1 is treated in effect the same way we would treat claimants
2 with respect to a state.

3 An individual may not be denied by reason for filing
4 a claim for Canada or for residing in Canada. It is to
5 ease the movement between the borders that this was estab-
6 lished.

7 Senator Bentsen. By that, you mean if we had a United
8 States citizen on that side and he is out of work, he can
9 apply for Canadian unemployment compensation? It is a
10 reciprocal deal?

11 Mr. Ruben. Yes.

12 Senator Bentsen. If you have a green card carrier on
13 either side?

14 Mr. Ruben. That is my understanding.

15 Senator Ribicoff. Are there any statistics of how
16 many Americans work in Canada or Mexico legally or how
17 many Mexicans and Canadians work in the United States? Any
18 figures on that?

19 Mr. Ruben. I do not have detailed figures with me.
20 There are many more Canadians who work in the United States
21 than Americans who work in Canada.

22 Senator Ribicoff. Many more Canadians?

23 Senator Bentsen. The same would be true on the
24 Mexican border. Many more Mexicans would be working legally
25 in this country than U.S. Citizens would be working in

1 Mexico.

2 The Chairman. It seems to me that we are going to
3 pay them, these illegal aliens,, unemployment benefits, we
4 ought to make a condition that they go back and receive it
5 in the country where they came from. They do not have
6 jobs here.

7 Senator Moynihan?

8 Senator Moynihan. One of the important aspects of the
9 Canadian-American border, it is quite porous economically.
10 The economic regions across the border, and people move back
11 and forth in a way that I think is important to our rela-
12 tions and is good for everybody involved.

13 There is no suggestion, I think, that the Canadians
14 have ever sought to abuse this arrangement. Their unemploy-
15 ment benefits are good; they are comparable to ours. They
16 talk the same language.

17 The Chairman. Does this involve the situation down in
18 Mexico? It seems to me that if they are going to be drawing
19 the benefits, they should go back to Mexico where they came
20 from and draw the benefits. Whether it serves our purpose
21 where we have a tight labor market to encourage the people
22 to stay here, illegal ~~aliens~~ ^{aliens} competing for jobs.

23 Senator Bentsen. We are talking about legal aliens.

24 The Chairman. I see.

25 Senator Hansen. Do I understand, Mr. Ruben, the test

1 that is applied is to ask the legal alien if his country,
2 say Canada, reciprocates -- and I gather from what you say
3 that Canada and the United States have rather reciprocal
4 laws -- this would not be true vis-a-vis of the U.S. and
5 Mexico.

6 Would I be right about that?

7 Mr. Ruben. An individual, a Mexican national who
8 worked in the United States, could not file a claim in
9 Mexico because we do not have the same reciprocity with
10 Mexico that we have with Canada.

11 Senator Hansen. My next question is, would an illegal
12 alien from Canada, in so far as unemployment compensation
13 goes, be treated differently than a legal alien from
14 Mexico?

15 Mr. Ruben. To the extent that the Canadian may file
16 a claim in Canada on the basis of his work in the United
17 States and collect benefits, a Mexican may not file a claim
18 in Mexico on the basis of his work in the United States.

19 If he files a claim in Texas, he resides in Texas, he
20 would be eligible and traditionally Texas has paid Mexican
21 citizens who have worked elsewhere in the country as well
22 as in Texas.

23 Senator Bentsen. I do not see the equity. We do not
24 have the same agreement with Mexico?

25 Mr. Ruben. No, sir.

1 Senator Bentsen. Yet, if we have a green card carrier
2 in Texas who is a legal alien working in our country and
3 we have the kind of unemployment rate we have in our country
4 today, if he happens to get out of work, who would be paying
5 the compensation?

6 Mr. Ruben. If he is residing in the United States,
7 not Mexico.

8 Senator Bentsen. I understand. A green card carrier --

9 Mr. Ruben. He would be eligible.

10 Senator Bentsen. I do not see the justice in that.
11 We have unemployment in this country -- I know they have
12 it in Mexico today. We have no reciprocal agreement,
13 then we turn around and we have this green card carrier in
14 this country and then he gets out of work and we pay him
15 unemployment compensation.

16 The Chairman. Do we do that now?

17 Senator Bentsen. That is what we are doing.

18 Mr. Ruben. If he is residing in Mexico, no. He could
19 not be eligible for benefits.

20 The Chairman. If he were in Mexico, he could not be?

21 Mr. Ruben. He could not file a claim in Mexico against
22 the United States.

23 The Chairman. If he is residing here, he would be?
24 Is that correct?

25 Mr. Ruben. Yes, sir.

1 The Chairman. It seems to me it ought to be, if he
2 is not legally in the United States.

3 Senator Bentsen. He is a legal alien.

4 The Chairman. He is legally in the United States.

5 Senator Talmadge. With a permit to work in the
6 United States. You have to have two of them.

7 Senator Curtis. What are the civil rights of a legal,
8 resident alien? The same as a citizen?

9 Senator Danforth. Yes.

10 The Chairman. It seems to me, if he is legally in the
11 United States and out of work, we really should not get
12 involved in trying to do something about that, before we
13 do something about all of those who are illegally in here
14 looking for jobs.

15 It seems to me, by way of taking first things first,
16 I would think we would be well-advised to see what we can
17 do about the illegal ones first, which my point of view
18 would be to say to try to solve that problem, I think we
19 are going to need some way to help find some jobs down
20 there, frankly, to put those people to work back in their
21 own country.

22 If you are going to move them out, how about those
23 who are legally here? Is that what you are talking about?

24 Mr. Humphreys. Legal aliens. The House bill said
25 it was okay if they were legally here at the time they are

1 claiming benefits. They really meant to say, if the work
2 that qualified them for benefits was done while they were
3 legally permitted to do the work. We are just suggesting
4 that you make that change, to say that the thing to be
5 looked at is whether they were legally here at the time that
6 they were doing the work, because they may be back in Canada
7 getting these benefits through these reciprocal agreements
8 at the time the benefits are paid.

9 The Chairman. All in favor, say aye?

10 (A chorus of ayes)

11 The Chairman. Opposed, no?

12 Senator Bentsen. No.

13 The Chairman. The ayes have it.

14 Senator Curtis. I have a couple of small amendments
15 from Senator Griffin. One pertains to Alabama, Connecticut,
16 Delaware, Kentucky, Maryland, Nevada, and New Hampshire.

17 Last year when we extended unemployment compensa-
18 tion, local and state officials -- it included school
19 employees. We specifically took out summertime, that they
20 did not draw unemployment during the summer.

21 We failed to have that language included customary
22 vacation periods and holiday recesses. That is the one
23 amendment.

24 I am told that that cost Michigan \$15 million last year.
25 There are eight states involved. We have already taken action

1 that the teachers cannot draw unemployment compensation
2 in the summer months and this would apply the same rule to
3 customary vacation periods and holiday recesses.

4 Senator Moynihan. With great respect to Senator
5 Griffin and to the ranking Minority Senator, I would like
6 to say that this is not a technical change. We feel that
7 this is a substantive change and one for which there ought
8 to be hearings, or it might be referred to the National
9 Commission on Unemployment Compensation; if it is the wish
10 of the Committee to go ahead and do so, but to do so to the
11 great distress of the National Education Association, the
12 American Federation of Teachers that asked for a hearing
13 on the matter.

14 Senator Curtis. Mr. Pritts, have I stated it correctly?
15 Is there anything you would like to add?

16 Mr. Pritts. You stated it correctly.

17 Senator Curtis. It seems to me that if we make a policy
18 decision that they were not to get it for summer recesses,
19 that it would follow that their contention that this was
20 an oversight, we did not include customary periods or
21 holiday recesses --

22 The Chairman. I would be glad to hear them. This seems
23 to me like a lot of other things. When it is offered on
24 the Floor we have to vote for it one way or the other,
25 whether you like it or not.

1 I do not believe I will change my view, but I will
2 be happy to hear them. It might change my view.

3 Senator Ribicoff. Is not the difference in this thing,
4 Senator Moynihan -- this is my first impression -- if a
5 teacher is legitimately out of work so that it is not like
6 a teacher who has her pay from September until Christmas
7 and then she does not get paid for the Christmas period --
8 or they do. I guess they get paid for the Christmas
9 period or the Easter recess or the spring recess.

10 A person who is out of work has nothing to go back on,
11 so they need that money during the continuation of the
12 normal year. I would go along with Senator Moynihan.

13 The Chairman. Let me explain the way I look at it.
14 We in Louisiana go before these schoolteachers and make
15 speeches hoping that we will pick up a few votes. I want
16 you to know I am in favor of paying the teachers on a year-
17 round basis; they ought to have a year's salary. If they
18 want to, they can go out and get some work during the
19 summertime; that is not required.

20 They make a salary on an annual basis where they can
21 devote themselves exclusively to being a school teacher.

22 You cannot fault the ambitious, industrious up and
23 coming types who insist on working through the summer or
24 take courses during the summer to improve their skills.

25 More power to them.

1 But on the other hand, the job was such that they
2 have a vacation as a part of it. You can either pay them
3 a salary month by month that takes care of it, or you can
4 pay them on an annual basis. But we had solved this problem,
5 I thought, in last year's bill by saying that if a teacher
6 teachers for nine months and they are out for three months
7 vacation with the reasonable expectation they will be
8 working on that job again come the fall, then they are
9 not out of work.

10 Now you are talking about the same problem with regard
11 to, let us say, a lengthy Christmas recess or lengthy
12 Easter recess or between two semesters, or something of
13 that sort. I do not think that makes any difference in
14 Louisiana, but I would think that if the states take the
15 view that they are paying them a salary adequate for the
16 whole year that the vacation, which is basically sort of
17 like a vacation with pay, the pay is adequate to take care
18 of the year.

19 I do not think the program should require unemployment
20 insurance during a long recess.

21 Senator Ribicoff. I do not think that is the problem
22 involved. I will say that the problem involved, seeing
23 New York's financial difficulties, they have had to cut
24 back on the number of teachers that they have so it is not
25 a question of a teacher being out from June to September.

1 The teacher has no job beginning in September.

2 Normally I think the Griffin Amendment will prevent
3 that teacher for getting on Unemployment Compensation from
4 December 15th to January 6th -- is that not what the Griffin
5 Amendment would do?

6 Mr. Stern. The Griffin Amendment would not do that,
7 where a teacher really does not have a job. I believe it
8 arises from a situation where the teacher's contract reads
9 in terms of teaching a certain number of days a year, so the
10 teacher takes a position that during the Christmas vacation
11 that not being a day that he is hired for, he is out of work
12 for that day and therefore during the Christmas vacation, he
13 has no work for that week.

14 This is the kind of situation that the Griffin Amend-
15 ment is dealing with.

16 The Chairman. Mr. Pritts?

17 Mr. Pritts. The Griffin Amendment is identical to the
18 situation in the summer if a teacher has an expectation of
19 teaching in the fall -- the same with the Christmas recess --
20 if he has an expectation of teaching in January, the Griffin
21 Amendment would cover that situation.

22 If he is unemployed in December, he would be entitled
23 to the unemployment compensation.

24 The Chairman. It seems to me that we in Louisiana
25 are not asking the Federal government to help us pay for

1 Christmas recesses for our teachers. I would be willing
2 to agree that any state, if they want to, could pay their
3 teachers unemployment for the Christmas recess, but they
4 ought to pay for it.

5 If New York wants to pay them for the Christmas recess,
6 it seems to me that New York ought to pay for that.

7 Senator Ribicoff. That is different.

8 Do I understand from the staff that this is where a
9 teacher is working and has a job all year round. If they
10 do not work for a month's period when schools are closed
11 normally, Christmas, Easter recess, they put in for
12 unemployment compensation during the normal recess period?

13 Mr. Pritts. Yes.

14 Senator Ribicoff. That is different. I did not under-
15 stand it that way.

16 Senator Curtis. If the Committee wants to adopt it
17 and make any further inquiry on it?

18 Senator Hansen. I would like to vote on it.

19 The Chairman. I think we ought to agree on this.

20 Senator Curtis. It involves Alabama, Connecticut,
21 Kentucky, Michigan, Maryland, Nevada and New Hampshire.

22 The Chairman. It does not involve Louisiana.

23 All in favor, say aye.

24 (A chorus of ayes)

25 The Chairman. Opposed, no?

1 (No response)

2 The Chairman. The ayes have it.

3 What is the next point?

4 Senator Curtis. The next one is that they are asking
5 if they have a substitute teacher that the benefits not
6 be extended, but it has a limit there. If somebody is a
7 regular substitute teacher and they were out, they would not
8 be affected; for a substitute teacher who would qualify
9 for coverage, they would have to work forty-five days out
10 of the year.

11 Is that correct?

12 Mr. Pritts. Yes, sir.

13 Senator Curtis. Do you have any further explanation?

14 Mr. Pritts. It is intended to reach a substitute
15 teacher who teaches less than forty-five days a year. They
16 would not be entitled for unemployment compensation. Any
17 substitute teacher who was employed more than forty-five
18 days out of a 185-day school year would continue to be
19 entitled to compensation.

20 Senator Curtis. Someone teaching less than forty-five
21 days a year would have the same rules as casual employment,
22 would not have employee rights?

23 Mr. Pritts. That is true.

24 Senator Ribicoff. Would that be put definitely in
25 the report, because there are some substitute teachers who

1 are employed for practically the full year. They skip from
2 school to school. You are not affecting those teachers?

3 Mrs. Pritts: No.

4 Senator Curtis. I think the report should include it.
5 It is a narrow group, when they teach less than forty-five
6 days out of the year.

7 The Chairman. Without objection, agreed.

8 Are you ready to vote on the bill?

9 Those in favor of reporting the bill, say aye?

10 (A chorus of ayes)

11 The Chairman. Opposed, no?

12 (No response)

13 The Chairman. The bill is accepted.

14 Senator Curtis. I ask that the absentees be recorded.

15 The Chairman. Why do we not call the roll on reporting
16 the bill? Anyone we do not know about can record himself
17 subsequently.

18 Mr. Stern. Mr. Talmadge?

19 Senator Talmadge. Aye.

20 Mr. Stern. Mr. Ribicoff?

21 Senator Ribicoff. Aye.

22 Mr. Stern. Mr. Byrd?

23 Senator Byrd. Aye.

24 Mr. Stern. Mr. Nelson?

25 The Chairman. Aye.

1 Mr. Stern. Mr. Gravel?
2 (No response)
3 Mr. Stern. Mr. Bentsen?
4 (No response)
5 Mr. Stern. Mr. Hathaway?
6 Senator Moynihan. Aye.
7 Mr. Stern. Mr. Haskell?
8 Senator Moynihan. Aye.
9 Mr. Stern. Mr. Matsunaga?
10 Senator Moynihan. Aye.
11 Mr. Stern. Mr. Moynihan?
12 Senator Moynihan. Aye.
13 Mr. Stern. Mr. Curtis?
14 Senator Curtis. No.
15 Mr. Stern. Mr. Hansen?
16 Senator Hansen. No.
17 Mr. Stern. Mr. Dole?
18 ~~(No response) No response.~~
19 Mr. Stern. Mr. Packwood?
20 (No response)
21 Mr. Stern. Mr. Roth?
22 (No response)
23 Mr. Stern. Mr. Laxalt?
24 (No response)
25 Mr. Stern. Mr. Danforth?

1 Senator Danforth. Aye.

2 Mr. Stern. Mr. Chairman?

3 The Chairman. Aye.

4 The vote is ten ayes and two nays. I will ask that
5 the absentees be contacted and be put on the record.

6 Senator Danforth. Mr. Chairman, may I make one
7 thirty second comment for the record in case this transcript
8 is read by the members of the National Commission?

9 I hope they will address themselves as to what the
10 nature of this program is. Is it really an insurance
11 program? To what extent is it a transfer of payments?

12 I voted against the needs test; I would have voted
13 against Senator Moynihan's proposal for financing out of
14 general revenue on the theory that both of those would be
15 indicia of a transfer kind of payment program. I am not
16 willing to concede, at this point, that that is what
17 unemployment compensation should be.

18 Maybe it is what it should be, but I think that the
19 issue should be faced squarely.

20 Senator Moynihan. That is a fair point.

21 The Chairman. There being no further business, we
22 will stand in recess until the next scheduled meeting, or
23 at the call of the Chair.

24 (Thereupon, at 11:00 a.m. the Committee recessed to
25 reconvene at the call of the Chair.)

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