Calendar No. 1655

85TH CONGRESS, 2d Session | SENATE | REPORT No. 1625

TEMPORARY UNEMPLOYMENT COMPENSATION ACT OF 1958

MAY 22, 1958.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 12065]

The Committee on Finance, to whom was referred the bill (H. R. 12065) to provide for temporary additional unemployment compensation, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Your committee's bill is identical to the bill passed by the House of Representatives by an overwhelming majority on May 1, 1958, and has the full approval of the administration.

GENERAL DISCUSSION

Your committee is of the opinion that there is an immediate need to provide legislation to permit the temporary continuation of unemployment compensation benefits to covered employees who have exhausted their benefits under State and specified Federal laws.

In April 1958 it was estimated that 5.1 million American wage earners are unemployed. The unemployment compensation laws now provided by the 48 States, the District of Columbia, Alaska, and Hawaii, are presently designed to take care of the unemployed during limited periods of unemployment. The benefit durations provided by these laws average around 24 weeks. Generally it is possible for an unemployed person who has been fully attached to the labor force and who is seeking a job to secure reemployment or new employment before exhausting his State benefits. However, in a time when, as now, unemployment becomes a serious and widespread problem, it is frequently not possible for an unemployed individual to obtain new employment or reemployment at his old job until long after he has exhausted his benefit entitlement under State law.

In April 1958 about 230,000 workers exhausted their benefits as compared with about 292,000 in January and February combined. The total for the first 4 months of this year was 713,000. The Secretary of Labor estimates that 2.6 million workers will exhaust their benefits in 1958. It appears that unemployment benefits represented

practically all the income of these exhaustees. For example, a study conducted in Pittsburgh, Pa., in 1954 by the Duquesne University found that 75 percent of the single claimants and 40 percent of the family claimants had no source of income while unemployed, other than their unemployment insurance benefits.

The following table shows, by State, the number of claimants who have exhausted their unemployment compensation benefits in recent months and the percentage change from the corresponding period last year.

Number of claimants exhausting benefit rights [1] [2] April 1958 and January–April 1958

State	April 1958			January–April 1958		Exhaustion ratio [3] 12 months ending Apr. 30, 1958
	Number	Percentage change from—		Number	Percentage change from January to April 1957	
		March 1958	April 1957			
Total, 51 States	228,835	+19.6	+98.8	712,645	+66.0	24.3
Alabama	5,271	+15.0	+137.1	16,836	+99.2	43.2
Alaska	616	+57.1	+28.1	1,482	+112.6	30.7
Arizona	757	+28.1	+137.3	2,291	+96.5	21.6
Arkansas	2,522	+24.1	+35.6	7,586	+32.2	37.8
California	13,000	+25.7	+168.0	40,469	+106.3	15.0
Colorado	1,408	+37.4	+255.6	3,705	+121.5	28.9
Connecticut	5,200	+28.8	+158.7	15,597	+116.0	28.6
Delaware	568	−24.3	+.9	2,337	+33.9	29.4
District of Columbia	932	+17.8	+62.9	3,101	+44.4	38.2
Florida	3,678	+29.0	+170.0	11,314	+129.3	43.7
Georgia	4,438	+5.9	+81.3	15,800	+90.5	36.0
Hawaii	233	−2.1	+42.9	843	+15.0	17.5
Idaho	1,395	−3.0	+72.6	4,573	+63.4	29.6
Illinois	13,143	+32.7	+110.0	37,109	+53.3	25.5
Indiana	11,800	+3.3	+96.1	36,830	+60.2	41.8
Iowa	2,197	−21.0	+40.7	7,786	+31.0	35.4
Kansas	2,395	+21.6	+78.3	6,781	+48.8	29.5
Kentucky	3,176	+50.5	+72.5	10,255	+29.5	26.4
Louisiana	2,371	−12.0	+38.9	7,672	+38.4	39.5
Maine	[4] 104	([5])	([5])	4,910	+52.8	16.6
Maryland	3,533	+34.0	+377.4	9,740	+47.1	13.4
Massachusetts	9,400	+25.8	+99.4	27,859	+66.9	22.5
Michigan	19,716	+22.2	+127.3	56,747	+108.5	27.1
Minnesota	2,719	+42.9	+87.5	8,312	+60.8	22.1
Mississippi	2,094	+30.1	+31.9	6,782	+43.9	32.3
Missouri	3,712	+27.5	+57.0	11,776	+27.8	20.2
Montana	1,440	+27.7	+469.2	4,341	+225.7	26.7
Nebraska	1,304	+36.3	+1.6	3,633	+2.4	34.1
Nevada	679	+40.3	+133.3	1,947	+85.4	22.8
New Hampshire	[4] 154	([5])	([5])	1,439	+18.4	12.1
New Jersey	14,094	+24.0	+72.2	43,586	+55.1	29.5
New Mexico	568	+48.7	+107.3	1,672	+74.5	25.2
New York	15,022	+41.0	+139.7	44,756	+86.1	13.1
North Carolina	3,829	+9.6	+70.6	14,080	+37.1	19.2
North Dakota	401	+105.8	+20.7	1,153	+25.6	23.0
Ohio	9,695	+30.6	+214.9	27,138	+160.6	18.0
Oklahoma	2,273	+5.5	+37.8	7,650	+20.5	38.9
Oregon	5,409	+18.8	+72.9	16,473	+95.3	26.0
Pennsylvania	13,155	+18.7	+90.5	44,366	+46.5	18.1
Rhode Island	3,376	+26.3	+55.9	10,681	+45.8	33.0
South Carolina	2,400	+12.3	+37.8	8,427	+30.3	36.8
South Dakota	649	+21.3	+4.8	1,744	+1.8	37.0
Tennessee	4,865	−7.2	+54.2	19,015	+41.5	41.3
Texas	8,936	+27.0	+97.3	26,274	+63.3	38.7
Utah	730	+73.0	+100.0	1,805	+48.6	20.7
Vermont	391	+5.7	+287.1	1,264	+188.6	21.3
Virginia	6,237	+33.2	+140.5	16,254	+100.2	39.6
Washington	6,619	+26.9	+92.3	21,319	+55.8	22.9
West Virginia	2,286	+27.0	+208.5	6,781	+144.7	17.7
Wisconsin [6]	7,484	−2.5	+68.0	27,253	+46.8	42.7
Wyoming	401	+36.9	−10.7	1,101	−22.0	25.9

[1] Preliminary data for April 1958.
[2] Includes exhaustions under UCFE program.
[3] Exhaustions during 12 months ending Apr. 30, 1958, as percent of 1st payments for 12 months ending Jan. 31, 1958.
[4] Uniform benefit year begins Apr. 1, number shown are exhaustees who received their final payments in April for weeks of unemployment in uniform benefit year ending Mar. 31 and therefore no percent changes are shown for April 1958.
[5] Wisconsin data are on a "per employer" basis and therefore are not strictly comparable.

Source: U. S. Department of Labor, Bureau of Employment Security.

Your committee bill recognizes the principle of keeping the duration of benefit payments on a basis in accordance with the standards provided by the respective States. This is accomplished in your committee bill by providing that the amount of additional temporary unemployment compensation payable to an unemployed individual shall be equal to 50 percent of the total amount payable to him under the State law pursuant to which he exhausted his benefits. Thus, the approach of the bill is in accordance with the views expressed by the Committee on Finance in its report on S. 2051, which became Public Law 458 in the 78th Congress. In that report the committee said:

> This bill was introduced to effectuate the recommendations of the Special Committee on Postwar Economic Policy and Planning as contained in the report of that committee dated June 23, 1944 (Rept. No. 539, pt. 5, 78th Cong., 2d sess.). A copy of that report is printed herewith as an appendix.
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> There has been much controversy as to whether the unemployment-compensation system should be federalized or whether the prevailing system of State administration should continue. The Special Committee on Postwar Economic Policy and Planning held extensive hearings and had before it numerous proponents of both plans. Those hearings culminated in the report above mentioned. The testimony adduced was made available to this committee.
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> The committee concurs in the conclusions of the Postwar Committee that the administration of unemployment compensation laws should remain with the States and that the Congress should not interfere with State standards and State procedures.

Your committee is of the opinion that the views expressed in this report are sound and should be adhered to in the present bill.

Your committee bill does not impose Federal benefits or eligibility standards upon the States nor does it compel the States to accept its provisions. The States are given an option to accept or reject the provisions of the bill. Testimony before your committee has convinced us that unemployment is not serious enough in some States to make it necessary for them to participate in the temporary program provided by this bill. Others which are experiencing heavy exhaustions, mostly in industrial areas, may enter into an agreement to pay the benefits provided by this bill. The important feature about this bill is that it will fit in with existing State unemployment insurance systems without problems of adjustment. It merely provides Federal funds which the States would expend as agents of the Federal Government to pay benefits to the unemployed workers who meet the requirements of State law, except that they have exhausted all of the regular benefits for the year to which the State law has entitled them. To give a fixed number of additional weeks of benefits to all claimants in all States, as has been proposed, would ignore the standards prescribed by the various State legislatures set forth in their respective laws.

As stated by a witness appearing before our committee:

> This bill recognizes the principle of keeping the duration of benefit payments on a variable basis in accordance with the tests set forth by the respective States by requiring

that the amount of additional temporary unemployment compensation payable to an unemployed individual shall be equal to 50 percent of the total amount payable to him under the State law pursuant to which he exhausted his benefit rights. Acting apparently on the principle that some additional benefit payments should be made to assist needy individuals, H. R. 12065 does not attempt to impose Federal benefit or eligibility standards upon the States.

Your committee is of the opinion that the payments made under this bill should not be regarded as a loan to the States. The bill authorizes appropriation of the money for these Federal benefits out of the general funds of the Treasury. Although provision is made in the legislation for ultimate restoration to the Treasury of the amount so used, this restoration is accomplished not by requiring repayment by the States but through the exercise of the Federal taxing power wholly separate from the terms of any agreement with a State to carry out the program for paying temporary additional compensation.

Although the funds obtained under title XII of the Social Security Act as amended by the Reed Act in 1954 are used by the States to pay benefits provided by their State laws and the funds obtained under your committee bill would be used to pay Federal benefits as agents of the United States, the restoration provisions under both are essentially the same. This is the same procedure which was adopted in the Reed bill, which provides that—

Section 3302 (c) of the Internal Revenue Code of 1954 reads as follows:

"(c) Limit on Total Credits.—

"(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

"(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

"(A) in the case of a taxable year beginning with the fourth consecutive January 1 on which such a balance of unreturned advances existed, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

"(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which was attributable to such State.

> For purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State."

Under the above-quoted section the 90-percent credit against the 3 percent Federal unemployment tax is required to be reduced by 5 percent of the tax beginning on the fourth January 1 on which the amount advanced to the State remains unpaid and by another 5 percent of the tax for each year until the amount outstanding is restored. This reduction in the allowable credit has the effect of increasing the Federal unemployment tax in the first year of its operation from three-tenths of 1 percent to forty-five hundredths of 1 percent. In the second year the tax would be increased to six-tenths of 1 percent by the second consecutive reduction of the allowable credit, etc. This increased Federal tax, however, under your committee's bill would not go into effect until January 1, 1963, nor would it go into effect even then if the amount expended from the general funds of the Treasury has been otherwise restored.

Section 3302 (c) has been in operation since 1954 and has met with no opposition from the States. It was actually recommended by State employment security administrators as stated in the Finance Committee report on H. R. 5173, 83d Congress, the so-called Reed Act:

> The conference of State officials administering State operations of this program recommended the strengthening of the repayable loan provision by the method of reducing the allowable offset against the Federal tax, as is provided in H. R. 5173.

Estimated number of persons benefited by, and costs of benefits and administration of temporary additional unemployment compensation provisions of the bill

(a) Number of persons who exhausted benefits after June 30, 1957, and who would be eligible for temporary additional unemployment compensation if they are unemployed and seeking work at any time between June 1, 1958, and Apr. 4, 1959	2,650,000
(b) Benefit cost for the entire period, June 1, 1958, to Apr. 4, 1959 millions	$640
(c) Administrative cost do	31
Total estimated costs do	671

Source: U. S. Department of Labor, Bureau of Employment Security.

The foregoing estimates are premised on the assumption that all States will enter into agreements with the Secretary of Labor to pay temporary additional benefits during the entire period specified. Estimates are subject to revision in the event of a substantial change in the level of unemployment.

SECTION-BY-SECTION ANALYSIS

SECTION 101. PAYMENT OF COMPENSATION

Subsection (a).—Paragraph (1) of this subsection establishes the period during which payments may be made under the bill. Subject to paragraph (2) of this subsection, payments are authorized for weeks of unemployment beginning on or after the 15th day after the date of the enactment of the bill and before April 1, 1959. Because this is stated in terms of "weeks of unemployment" State agencies will be able to make payments at the beginning and end of the program for full weeks of unemployment in accordance with the provisions of their State laws, whether they pay on a calendar week, flexible week, or other basis.

Paragraph (1) also provides that payments will be made only to persons who have exhausted, after June 30, 1957 (or such later date as the State may elect pursuant to section 102 (b) of the bill) all rights to unemployment compensation under any State unemployment compensation law, title XV of the Social Security Act (relating to Federal employees), and title IV of the Veterans' Readjustment Assistance Act of 1952.

The meaning of the term "exhausted" is to be prescribed by the Secretary of Labor by regulation. Most commonly, a person has exhausted his rights to unemployment compensation under a State law when he has received the maximum benefits allowable to him before his benefit year expires, or his benefit year expires before he has drawn all such benefits.

Paragraph (1) of subsection (a) limits the payments of temporary unemployment compensation under the bill to those persons who have no rights to unemployment compensation with respect to the particular week under any Federal or State unemployment compensation law. This eliminates the possibility of a person's continuing to draw compensation under this bill during any week with respect to which he is eligible (whether or not claim has been filed) to draw benefits under any other Federal or State unemployment compensation law. A person who has exhausted his regular unemployment benefits will have his temporary unemployment compensation under the bill interrupted at any time at which he acquires new rights to regular unemployment benefits.

Exhaustions under the railroad unemployment insurance program are not to be considered exhaustions for purposes of the bill. Furthermore, persons having rights to benefits under the railroad unemployment insurance program for any period may not qualify under the provisions of this bill for payment with respect to such period.

Paragraph (2) of subsection (a) provides that (except as provided in section 103 of the bill) payments will be made only pursuant to an agreement under section 102 of the bill and only for weeks of unemployment beginning after the date on which such agreement was entered into. Thus, payments with respect to exhaustions in a particular State will begin for weeks beginning on the 15th day after the date of enactment of the bill only if an agreement between the Secretary of Labor and the appropriate State officials so providing has been entered into before that date.

Subsection (b).—This subsection provides that the maximum amount of temporary unemployment compensation payable to an

individual under the bill shall be an amount equal to 50 percent of the total amount which was payable to him under the unemployment compensation law (any State law, title XV of the Social Security Act, or title IV of the Veterans' Readjustment Assistance Act of 1952) under which he last exhausted his rights before making his first claim under the bill, for the benefit year with respect to which this last exhaustion occurred. In computing this amount, there will be taken into account any allowances for dependents which was payable to the individual under the State law, but there will be excluded any temporary additional unemployment benefits which were payable to him under the unemployment compensation law of any State.

The maximum total amount of compensation payable under the bill to any person is established at the time his first claim is filed under the bill. If, for the benefit year with respect to which his last exhaustion occurred before filing his first claim under the bill, there was payable to him a total of $600, his maximum total amount under the bill would be 50 percent thereof, or $300.

Subsection (b) contains a proviso under which, in computing the maximum amount payable under the bill, the amount payable under the regular compensation law under which he last exhausted his rights is to be reduced by the amount of any temporary additional unemployment compensation payable to him under the unemployment compensation law of any State. The subsection also contains a definition of the term "benefit year." This term is to have the meaning specified in the applicable State unemployment compensation law; except that if such law does not define a benefit year, then the term is to mean the period prescribed by the Secretary of Labor by regulations.

Subsection (c).—This subsection provides that the weekly benefit amount for a week of total unemployment will be the weekly benefit amount (including allowances for dependents) for total unemployment which was payable under the unemployment compensation law or laws under which the individual most recently exhausted his rights before the beginning of such week. An exhaustion may occur under two unemployment compensation laws where the person is drawing benefits jointly under such laws (such as the State law and the unemployment compensation for Federal employees law), and where he simultaneously exhausts his rights under both such laws.

The maximum total amount payable under the bill is fixed by the first claim under the bill, but the weekly rate may change if an individual who has established eligibility under the bill subsequently requalified under an unemployment compensation law listed in section 101 (a) (3) and again exhausts such benefits. Payments after such second exhaustion will be at the weekly rate which was applicable at the time of that exhaustion.

Subsection (c) of the bill also provides for payment of temporary unemployment compensation for weeks of less than total unemployment. State law for paying individuals partially unemployed will be applicable. The maximum total amount payable under the bill will not be affected, but the payment of partial benefits may extend the number of weeks for which temporary unemployment compensation may be drawn.

Subsection (d).—Subsection (d) provides that except where inconsistent with the provisions of the bill, the terms and conditions of the

unemployment compensation law under which the individual most recently exhausted his rights to unemployment compensation will be applicable to claims and payments of temporary unemployment compensation. For example, under some State laws a person who exhausts his benefits in a benefit year may not, unless he thereafter obtains work for a specified period, draw benefits in a subsequent benefit year. A claimant for benefits under this bill, however, if otherwise eligible, would not be precluded from obtaining the full benefits of this bill even though he had not met such a requalification requirement, since such requirement is inconsistent with the provisions of this bill.

SECTION 102. AGREEMENTS WITH STATES

Subsection (a).—This subsection authorizes the Secretary of Labor to enter into agreements with State agencies administering the unemployment compensation laws of such States or with other authorized officials under which the State agencies would make payments of temporary unemployment compensation under the bill as agents of the United States.

The agreement will provide that the State agencies will cooperate with the Secretary of Labor and with other State agencies in making payments under this act.

Subsection (b).—Subsection (b) provides that if the State so requests the agreement entered into under this section shall specify in lieu of June 30, 1957, such later date as the State may request. If the State selects a date later than June 30, 1957, an exhaustion under the unemployment compensation law of such State shall not be taken into account for the purposes of this act unless it occurred after such later date.

Subsection (c).—This subsection provides that each agreement shall specify the terms and conditions for its amendment, suspension, or termination.

Subsection (d).—Subsection (d) provides that agreements under this act shall provide that unemployment compensation otherwise payable to an individual under the State's unemployment compensation law will not be denied or reduced for any week by reason of any right to temporary unemployment compensation under this act. Subsection (d) shall not apply, however, to a State law which temporarily extended the duration of unemployment compensation benefits, if such State law provides for its expiration by reason of the enactment of this act.

SECTION 103. VETERANS AND FEDERAL EMPLOYEES IN STATES WHICH DO NOT HAVE AGREEMENTS, AND SO FORTH

Subsection (a).—Subsection (a) provides that for the purpose of paying the temporary unemployment compensation provided by this act to individuals who have exhausted their rights to unemployment compensation under title XV of the Social Security Act relating to Federal civilian employees or title IV of the Veterans' Readjustment Assistance Act of 1952 relating to Korean veterans in a State in which there is no agreement under section 102, the Secretary of Labor is authorized to extend any existing agreement with such State. Subsection (a) further provides that any such extension shall apply only

to weeks of unemployment beginning after such extension is made. Subsection (a) also provides that such extension shall be treated as an agreement entered into under this act.

Subsection (b).—Subsection (b) provides that for the purpose of paying the temporary unemployment compensation provided in this act to individuals in Puerto Rico or the Virgin Islands who have after June 30, 1957, exhausted their rights to unemployment compensation under title XV of the Social Security Act relating to Federal civilian employees or title IV of the Veterans' Readjustment Assistance Act of 1952 relating to Korean veterans, the Secretary of Labor is authorized to utilize the agency in Puerto Rico or the Virgin Islands cooperating with the United States Employment Service under the act of June 6, 1933 (the Wagner-Peyser Act). Subsection (b) also provides that the Secretary may delegate to officials of such agencies any authority granted to him by this act whenever he determines such delegation is necessary in carrying out the purpose of this act. Subsection (b) further provides that the Secretary may allocate or transfer funds or otherwise pay or reimburse such agencies for the total cost (including administrative expenses) of the temporary unemployment compensation paid under this act. Temporary unemployment compensation in Puerto Rico or the Virgin Islands will be paid under the terms and conditions of the District of Columbia unemployment compensation law except where inconsistent with the provisions of the bill.

Subsection (c).—Subsection (c) provides that any individual referred to in subsection (b) whose claim for temporary unemployment compensation has been denied shall be entitled to a fair hearing and review as provided in section 1503 (c) of the Social Security Act.

SECTION 104. REPAYMENT

Subsection (a).—Subsection (a) provides that the total credits allowed under section 3302 (c) of the Federal Unemployment Tax Act to taxpayers with respect to wages attributable to a State for the taxable year beginning on January 1, 1963, and for each taxable year thereafter, shall be reduced in the same manner as that provided by section 3302 (c) (2) of the Federal Unemployment Tax Act for the repayment of advances made under title XII of the Social Security Act unless or until the Secretary of the Treasury finds that by December 1 of the taxable year there have been restored to the Treasury the amounts of temporary unemployment compensation paid in the State under this act (except amounts paid to individuals who exhausted their unemployment compensation under title XV of the Social Security Act relating to Federal civilian employees and title IV of the Veterans' Readjustment Assistance Act of 1952 relating to Korean veterans), the amount of costs incurred in the administration of this act with respect to the State and the amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of this act.

Subsection (b) provides for crediting excess taxes collected with respect to a State to the account of such State in the unemployment trust fund.

SECTION 201. DEFINITIONS

This section defines three terms used in the bill. The term "Secretary" is defined as the Secretary of Labor. The term "State" includes the District of Columbia, Alaska, and Hawaii. A "first claim" is defined as the first request for determination of benefit status on the basis of which a weekly benefit amount is established pursuant to the act, whether or not any benefits are paid on the claim.

SECTION 202. REVIEW

Under this section, determinations by a State agency as to entitlement to temporary unemployment compensation pursuant to an agreement under the act are subject to review in the same manner and to the same extent as are determinations made under the State unemployment compensation law.

SECTION 203. PENALTIES

Subsection (a).—This subsection prescribes a fine of not more than $1,000 or imprisonment for not more than 1 year, or both, for knowingly making a false statement of a material fact or failing to disclose such a fact to obtain or increase benefits under the bill for one-self or for another.

Subsection (b).—This subsection provides that the State agency, or the Secretary of Labor in the case of Puerto Rico and the Virgin Islands, may recover benefits fraudulently received by requiring repayment or by deductions from future temporary benefits. Recovery by repayment or recoupment can be required only after the claimant has been given an opportunity for a fair hearing, with any right to further appeal which is appropriate under the appeal provisions of section 103 (c) or section 202 of the bill.

Amounts repaid to a State agency shall be deposited into the fund from which the payment was made. Amounts repaid to the Secretary will be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

SECTION 204. INFORMATION

This section provides that the agency administering the unemployment compensation law of any State shall furnish to the Secretary (on a reimbursable basis) such information as he may find necessary or appropriate in carrying out the provisions of this act.

SECTION 205. PAYMENTS TO STATES

Subsection (a).—This subsection provides that the United States will pay to each State which has an agreement with the Secretary such sum as he estimates the State will be entitled to receive for the payment of temporary unemployment compensation under the bill. Payments to the States may be either advances or reimbursements.

Subsection (b).—This subsection provides that the Secretary of Labor shall certify periodically to the Secretary of the Treasury for payment (1) to each State which has an agreement under the bill sums necessary for the payment of temporary unemployment com-

pensation, and (2) to each State the amount found by the Secretary to be necessary for proper and efficient administration of the bill in such State.

Subsection (*c*).—This subsection requires the States to use the money received under the bill only for the purpose for which it is paid. It provides further that any money not so used must be returned to the Treasury to be credited to current applicable appropriations, funds, or accounts from which payments to States under the bill are made.

Subsections (*d*), (*e*), *and* (*f*).—These subsections relate to the furnishing of surety bonds, and the relieving of certifying and disbursing officials of liability except in cases of gross negligence or fraud.

SECTION 206. DENIAL OF BENEFITS TO ALIENS EMPLOYED BY COMMUNIST GOVERNMENTS OR ORGANIZATIONS

This section provides in effect that an alien will be denied benefits under this bill for a week of unemployment if he has been employed by—

(1) A Communist government (or a Communist-controlled government), or any agency or instrumentality of such a government, or

(2) A Communist organization denied tax-exempt status, for purposes of the Federal income tax laws, under the Subversive Activities Control Act of 1950, as amended,

if such employment occurred on or after the first day of the base period used for computing his maximum aggregate benefits under the bill and before the beginning of such week of unemployment.

SECTION 207. REGULATIONS

This section authorizes the Secretary of Labor to make such rules and regulations as are necessary to carry out the provisions of this act.

SECTION 208. APPROPRIATIONS

This section authorizes appropriations to carry out the purposes of this act.

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85TH CONGRESS } SENATE { Report No. 1625
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TEMPORARY UNEMPLOYMENT COMPENSATION ACT OF 1958

MAY 26, 1958.—Ordered to be printed
Filed under authority of the order of the Senate of May 22, 1958

Mr. DOUGLAS and Mr. KERR, as members of the Committee on Finance, submitted the following

MINORITY VIEWS

[To accompany H. R. 12065]

We need to improve our unemployment insurance laws to protect from disaster the hundreds of thousands of the unemployed who have already exhausted their claims to benefits under State laws and the still greater numbers who will shortly do so.

At the same time that Congress provides emergency benefits for the immediate period of heavy unemployment, we should take this occasion to raise the level of protection which is now afforded the unemployed by providing certain minimum standards for these State systems. This is necessary in order that the Federal-State unemployment compensation system will be able to meet future emergency periods of unemployment and that we may avoid the necessity for new congressional action on each such occasion.

The present H. R. 12065 will meet neither the immediate nor the long-run needs. Amendments were proposed in committee and will be offered on the Senate floor to do both.

I. THE NEED FOR FEDERAL ACTION

The present recession has shown up several crucial weaknesses in our unemployment insurance system.

One is the relatively short duration of benefits which are provided. Only one State—Pennsylvania—has as long a duration as 30 weeks for all eligible claimants; only 6 more, including New York, provide a uniform duration of 26 weeks. But there are a dozen States where the duration is 20 weeks or less.

What is more, in over two-thirds of the States, these durations are not uniform but are merely top limits beyond which no unemployed

worker can draw benefits. In these cases, benefits are correspondingly scaled down in duration if a worker has been unlucky enough to have lost time during the preceding year because of illness or irregular unemployment.

During the first 4 months of this year, from January to April, no less than 700,000 unemployed exhausted their claims to benefits. The figures by months were as follows:

Month:	*Number exhausting their claims to unemployment benefits*
January	147,050
February	145,474
March	191,402
April	228,835

The average duration of these benefits was not 26 weeks—as is is often believed—but in 1957 was instead 20.5 weeks. It is probably no higher now. Moreover, in a quarter of the cases, the benefits lasted for less than 15 weeks.

There is every indication that the number of these unfortunate men and women will increase materially during the rest of the year. The large numbers who were laid off during December and January are already beginning to come to the end of their benefits. It has been estimated that these exhaustions will run at a rate of approximately 200,000 to 250,000 a month for the rest of the year. If this is true, we should have from 1,600,000 to 2,000,000 more men and women workers who will have exhausted their claims to benefits by the end of 1958, or a total of from 2,350,000 to 2,750,000 for the year as a whole.

How many of these who have thus gone off the unemployment insurance rolls have been able to find jobs after they have been thus dropped? No one knows precisely. But since these last months have been a shrinking labor market with job opportunities declining, the probabilities are that only a minor fraction of these people have found reemployment of any permanent nature. This judgment is borne out by a survey which has been made in Pennsylvania.

What then happens to those who have exhausted their claims to benefits? As we shall see, these benefits have in themselves been all too scanty—in amount as well as duration. But when these stop and no further job is found, then virtually all income ceases. In some cases, past savings can be drawn upon. In others, no such reserve exists.

A very large proportion have installment payments to meet on one or more of such durable consumers goods as radio and television sets, refrigerators, washing machines, and automobiles. A large fraction are making payments on their homes. The unemployed generally try at all costs to keep up on these payments, lest they lose possessions of goods they dearly prize and for which they have long striven and forfeit substantial payments that represent the family's effort to "get ahead." This means that they vigorously curtail their spending for food, clothing, health, education, and recreation. They and their families suffer.

The last resort is public assistance. This is humiliating, inadequate, and uncertain. It is humiliating because it involves a means test and causes them and their children to be looked down upon by the community. It is inadequate because the average payments per case in March amounted to only $61.23 a month, and this included

provision for dependents as well as heads of families. The average allowance per person probably did not exceed $22 a month.

It is imperative, therefore, that we extend these unemployment compensation benefits for a substantial period of time so that these men and their families may be given a more adequate degree of protection while they look for work in this period of economic recession or—for them—depression.

Yet the numbers on relief have been rapidly increasing during this recession. There were 344,000 "cases" receiving general assistance last December. This number rose to 392,000 in January, to 422,000 in February, and to 450,000 in March. This was an increase of 106,000 in 3 months, or an average increase per month of about 35,000. The number of persons—as distinguished from "cases"—receiving this type of relief increased from 1,090,000 in January to 1,310,000 in March, or a rise of 220,000 in 2 months. There is every indication that this will increase markedly during the months ahead.

But vital as it is to meet the present emergency, it is also important to improve the rules under which most of the State unemployment insurance systems fail to furnish adequate benefits to the persons who are unemployed through no fault of their own.

We have already referred to the inadequate duration of these benefits. In 1 State, this fluctuates between a minimum of 5 and a maximum of 16 weeks. In another, between 8 and 18 weeks. And, in still another, between 10 and 18 weeks. In many other States, the minimum duration may run as low as 10 to 12 weeks.

The average dollar level of benefits in relation to wages is also shockingly low. When the system of unemployment insurance was started slightly over 20 years ago, it was intended that the benefits were to be equal to approximately half the unemployed man's normal earnings. To prevent the high wage and higher salaried workers from receiving excessive amounts, however, this percentage was made subject to given dollar maxima which were sensible for their time and which were generally approximately equal to two-thirds or more of the average wage in the covered employments in the given State.

As wages moved upwards, however, the statutory top limits in the States did not keep pace, but instead lagged behind. The result is that the median of the *maximum* benefits by States in Januray of this year was only 44 percent of the State average weekly wages. The result has been a steady decrease in the ratio which actual benefits bear to wages. For the country as a whole, the average benefit during the first quarter of the year was only $30.38 a week. This was but 37.4 percent of the average weekly wage of $81.16. It is therefore a great error to conclude—as so many have done—that benefits are normally half of wages.

Thus, the great majority of unemployed workers are not receiving 50 percent of their weekly wage, as originally recommended and later urged by this administration. Furthermore, in the fourth quarter of 1957, about 55 percent of the claimants received the maximum benefit allowable under their State laws, even though such amount was less than 50 percent of their weekly wage. What was intended as a system of sliding scale benefits, dependent on the individual's former wage level, has thus become in large measure a system of flat-rate benefits at a low level. The complex computations based on prior wages have largely lost their value as they bump into the low ceilings of maximum benefits set by the States.

A third glaring weakness in our unemployment compensation system is the failure of State and Federal tax laws to cover firms with less than four employees. There are other serious flaws in the State systems, such as excessive severity in the eligibility requirements. These deserve further study, but because comprehensive analysis would require undue space, we shall not discuss them at this time.

A fourth and very fundamental defect in our compensation system for the unemployed is the isolation of the unemployment reserves for each State in a separate fund. Thus, we have the anomaly of unemployment reserves from all the States aggregating nearly $8 billion, but not being available to meet the pressing, immediate needs of the areas of greatest unemployment. Some States have reserves enough to cover over 10 years of benefit payments at last year's levels. Others, although they tax their employers at a higher average rate, have dwindling reserves, barely enough to cover 12 months of benefits.

The hazard of unemployment against which this system aims to provide sound protection is not caused within the State. Its unemployment is not the fault of the State. The causes of the recession are national. Yet the insurance or compensation funds to meet this hazard, which falls unevenly from State to State, are placed in separate compartments and all advantages of national pooling are lost.

Indeed, the adequacy of the reserves in some States of relatively low unemployment—for which those States deserve no special credit—become an excuse for doing nothing to relieve the emergency elsewhere, despite the fact that the effects of constructive action for the areas of high unemployment would bring national benefit.

Despite the inadequacy of our unemployment insurance system and despite pleas from groups within the States and from the President of the United States himself, the State legislatures have been very reluctant to act. The basic reason for this relative failure to act has been that to raise standards in one State would increase costs, and to increase costs would mean that the employers of that State would have to pay more into the unemployment reserve funds. The assessments upon the employers within each State are not unifrom, but are instead graduated according to the benefits paid to the workmen of a given firm and the size of the reserve fund. But any increases in amounts or length of benefit payments would require a higher average assessment upon the employers of that State. For a State to raise benefits, therefore, exposes its employers to the danger of interstate competition of firms in other States with lower tax rates, and this is constantly used to hold down benefits.

In other words, the same fear of placing the employers of a given State at a competitive disadvantage with rival employers in other States, which prevented any State from putting unemployment insurance into effect prior to the passage of the Federal tax offset law in 1935, still operates to hold down standards below those originally designed.

This is the consideration which primarily requires Federal action. To take that action is only to carry out the intent of the original act and to deal with a problem which 20 years ago was thought by most to have been solved, but which has once again arisen to plague us.

II. The Nature of H. R. 12065

H. R. 12065, as passed by the House of Representatives and now reported to the Senate by the Finance Committee by a vote of 10 to 4, provides that States *may* enter into an agreement with the Federal Government for the payment of temporary emergency benefits to those unemployed within their respective States who have exhausted their claims to unemployment benefits under the following general conditions:

(1) The sums necessary to pay the benefits will be advanced temporarily by the Federal Government to the States.

(2) The benefits are extended for a maximum added period equal to one-half the duration to which the individual was previously entitled. Assuming the States agreed to pay for the maximum periods, there would thus be no uniformity in these extended benefits. Their length would vary not only from State to State, but in over two-thirds of the States, from individual to individual within a State, depending on his previous work experience. In certain States this might go as low as only an additional 3, 4, or 5 weeks. And if the States chose to pay for a lesser period than the permitted maximum, the additional duration of benefits could be much less.

(3) The benefits will be paid at the weekly rate to which the unemployed worker was entitled under State law.

(4) The States also have the option to determine any date later than June 30, 1957, after which exhaustions of benefits under the State laws make a person eligible for these extended benefits. Such emergency benefits will, however, only be paid for the added weeks of unemployment occurring after the date upon which an agreement between the Federal Government and a given State is concluded.

(5) The advances by the Federal Government to each of the separate States which enter into such an agreement are to be repaid beginning after 1963 by the employers of each State. Since the amounts repaid are those which have been advanced to each State, the sum thus repaid will similarly vary unless the debt is canceled in whole or in part by the Federal Government or repaid by the States out of other revenues. The vehicle through which repayment is to be effected is an additional tax on the covered payrolls. This is to be at the rate of 0.15 percent in 1963, 0.30 percent in 1964, and 0.45 percent in 1965, and this process is to be continued until the full amount charged against that State is returned. Since the amount of the repayments will differ from State to State, so will the duration of these assessments. If a State does not accept, its employers will not have to be burdened later with any added tax.

These facts clearly show that in essence what H. R. 12065 does is to provide a loan to the States, the capital amount of which is to be advanced by the Federal Government to a given State and which, if accepted, is to be repaid later by the employers of that State in the form of a higher Federal tax which will be different from the added rates imposed by the Federal Government on employers of other States which accept.

III. The Crucial Weaknesses of H. R. 12065

The bill now before us, H. R. 12065, is relatively hollow and false. It will not give aid to those who have exhausted their claim to benefit except possibly in a handful of States. All it does is in reality to permit the States to borrow money from the Federal Government to provide extended benefits upon the promise that their employers will begin paying the money back after 5 years.

But the States which are in trouble can already do this under the terms of the so-called Reed Act (Public Law 567, 83d Cong.), which set up a fund of $200 million for just such purposes. Only 1 State, Oregon, has taken advantage of this latter statute to make a comparatively small loan (i. e., $14 million), and Alaska has made 3 loans, on which the balance due was $5,265,000 on April 30, 1958.

There are two basic questions involved in whether or not the States will make such agreements and accept such loans:

(1) The first is whether, as the administration contends, the Governors can accept these loans which it persists in calling grants and make these agreements without prior approval from their legislatures and in some cases from the people. It is obvious that this involves the question as to whether this act can be quickly put into effect or whether, at best, there will be long delays.

(2) The second question is whether in practice many of the States will accept the loans to provide extended benefits, or whether the fear of later putting their employers at a competitive disadvantage compared with those of other States will not in effect prevent them from accepting the advance.

Let us deal with the first question. Secretary of Labor Mitchell in his testimony before our committee insisted that Governors and State administrations could accept these moneys from the Federal Government without prior legislative sanction, just as they have accepted moneys from the Federal Government for the payment of unemployment compensation to veterans and Federal employees. Having had no trouble in getting the Governors to accept these last two sets of funds, Secretary Mitchell confidently asserted that there would be no greater difficulty in getting their agreement to accept these moneys. (See hearings, p. 88.)

This, however, is a very shallow and ill-taken position. The moneys for unemployment benefits to veterans and Federal employees are outright grants from the Federal Government which do not have to be repaid either by the States or by any employer or persons within the States. The moneys to finance extended benefits under this bill, on the contrary, would have to be repaid 5 years later by the employers in any given State—unless in the meantime the State by legislative action had paid the money back out of other funds. Therefore, acceptance by a governor would have the legal effect of either (*a*) causing the State to repay the money, which he obviously could not do without legislation, or (*b*) causing an added Federal tax to be imposed upon the employers of his State.

The fact that this tax would be levied by the Federal Government as a collecting agency would not alter the fact that the employers of a State would later have to pay for the action of their governor. And they would have to pay at a rate different from those paid by employers of other States, because of the great variations in the incidence of

unemployment between different States, the inherent differences in the State standards of benefits, and the varying additional periods of benefits to which their governors might decide to agree.

1. DELAYS AND DOUBTS ABOUT STATE ACTION UNDER H. R. 12065

When a bill was first brought forward by the administration to meet the growing emergency arising from persons exhausting their unemployment benefit rights, that bill, H. R. 11679, included all States. It contained no provision giving States an option not to allow their workers to receive the extended benefits.

Congressman Baker asked Secretary Mitchell what his objection was to making the plan optional. The Secretary candidly replied:

> If this program were to be made optional, it seemed to us that this might well require individual State legislative action in order to decide whether or not the State wished to take the option * * *. It would seem to me that this would delay the implementation of the program (House hearings, p. 41).

Before the Senate Finance Committee, however, Secretary Mitchell surprisingly endorsed H. R. 12065, despite the State option provision written into the bill in the House, and stated that he thought it avoided the necessity that the State legislatures should meet (Senate hearings, pp. 94–95). He readily conceded, on the other hand, that neither he nor his solicitor had analyzed the State laws in this respect, or sought information from governors or other State officials as to whether they could accept the terms of H. R. 12065 without new State legislation (Senate hearings, pp. 111–112).

But this is a crucial question, largely determining the promptness, the likelihood, the scope, and the fairness of the proposed aid to the unemployed who have exhausted their rights to benefits.

To secure definitive answers from the States as to what they could do under H. R. 12065, the Senator from Illinois addressed an inquiry to the Governors of all States and of Alaska and Hawaii. He asked whether the Governor or State agency administering unemployment compensation has authority without action by the State legislature to enter into the agreements contemplated by H. R. 12065. If specific legislation authority is required, he asked if State law now grants it, or if additional legislative action is needed. He also sent copies of H. R. 12065 as passed by the House to the Governors. (For full text of inquiry, see p. 113 of the Senate hearings.)

The replies from the Governors and other State officials offer conclusive proof, in our opinion, that the majority of the States probably cannot, without new legislative action (and in some cases constitutional changes), take the action provided for in H. R. 12065 to extend benefits for their unemployed. Brief excerpts from their replies make this quite clear. (Location of full texts of replies in Senate hearings is noted after each.)

A. States probably requiring legislative action

California:

> Doubt exists whether the Governor or director of the California Department of Employment * * * have the authority without action by the California Legislature to

enter into an agreement under H. R. 12065 to pay benefits to individuals who have exhausted their unemployment compensation rights under the California unemployment compensation law.

Act of entering into such an agreement would constitute a consent by a State officer to the application at a future date of an increased Federal tax upon certain California employers to restore to the Federal Government those Federal funds used by the State in the payment of benefits under the Federal provisions * * *. In absence of such agreement and consent no increased Federal tax would apply * * *.

In view of these consequences, the act of agreement and consent would appear to require legislative authorization and is not purely executive in character. Under the California constitution, neither the Governor nor the director of employment can exercise such legislative power * * *.

Accordingly California legislation would be required before an agreement and consent could be entered into pursuant to H. R. 12065.

GOODWIN J. KNIGHT, *Governor.*
(Senate hearings, pp. 129–130.)

Colorado:

Colorado would be unable to make additional payments or extend duration thereof without amendatory State legislation * * *.

STEVE MCNICHOLS,
Governor of Colorado.
(Senate hearings, p. 130.)

Connecticut:

Attorney General John J. Bracken, State's chief legal officer, advises * * * "the administrator has no present authority to enter into an agreement for the payment of benefits provided under H. R. 12065 * * *. Neither you as Governor nor the administrator of the State unemployment compensation fund have authority to request Federal funds in the nature of a loan in accordance with the provisions of H. R. 12065."

ABE RIBICOFF,
Governor of Connecticut.
(Senate hearings, p. 155.)

Indiana:

I am advised by the Attorney General * * * that legislation would be necessary in any event, and it is very possible that a constitutional amendment would be required.

HAROLD W. HANDLEY,
Governor of Indiana.
(Senate hearings, p. 131.)

Kansas:

Employment security agency has grave doubts that such authority (to enter agreements to pay benefits if State fund is reimbursed) extends to the agreement as provided in H. R. 12065 in view of repayable features.

GEORGE DOCKING,
Governor of Kansas.
(Senate hearings, p. 128.)

Louisiana:

Specific Louisiana legislation would be required for Louisiana to obligate itself to the repayment to the Federal Government of temporary unemployment benefits contemplated by H. R. 12065.

EARL K. LONG,
Governor of Louisiana.

Maine:

I do not have the authority, without action by the Maine Legislature, to request the new Federal funds and to enter the agreement authorized by H. R. 12065.

Accordingly I presented the problem to the Maine Legislature, which had been convened in special session on May 7, 1958 * * *. The legislature refused to enact the suggested legislation and has adjourned. As a result, the State of Maine is not in a position to take advantage of the provisions of H. R. 12065 in the event it should become law.

EDMUND S. MUSKIE,
Governor of Maine.
(Senate hearings, pp. 156–157.)

Maryland:

This extension in the benefit period will require legislative action, and the Governor is ready to call a special session of the Maryland General Assembly for this specific purpose at the proper time.

ALBERT W. QUINN,
Assistant to the Governor.
(Senate hearings, p. 134.)

Massachusetts:

Specific additional legislation may therefore be necessary.

CHARLES D. SLOAN,
Legal Counsel and Chief Secretary to Governor Furcolo of Massachusetts.
(Senate hearings, pp. 131–132.)

Missouri:

I have no such authority as Governor * * *. Additional action by the State legislature would be necessary.

JAMES T. BLAIR Jr.,
Governor of Missouri.
(Senate hearings, p. 157.)

New Hampshire:

Am advised by attorney general's office that specific legislative authority would be required to implement H. R. 12065 in New Hampshire.

LANE DWINELL, *Governor.*
(Senate hearings, p. 157.)

North Dakota:

The legal department of our State is of the opinion that it would not be possible, under present State legislation, to enter into such an agreement with the Federal Government. It is their opinion that new legislation would be necessary.

JOHN E. DAVIS, *Governor.*
(Senate hearings, p. 132.)

Oklahoma:

* * * this bill is completely useless in giving aid to the unemployed of Oklahoma who have exceeded our benefits under the law. It would take action by our State legislature which meets in January of next year * * *.

RAYMOND GARY,
Governor of Oklahoma.
(Senate hearings, p. 299.)

Oregon:

* * * Additional legislative action would be required to permit Oregon to operate under the terms of H. R. 12065 as it is now pending. * * *

ROBERT D. HOLMES,
Governor of Oregon.
(Senate hearings, pp. 132–133.)

Rhode Island:

* * * this bill in its present form could compound Rhode Island's difficulties, rather than solving them. Rhode Island's unemployment reserves are not in a strong enough position to permit repayment of loans necessitated by the present unemployment needs. Moreover, Rhode Island employers are already paying the maximum tax rate of 2.7 percent, and additional employer taxes to repay a loan would place Rhode Island industry at a competitive disadvantage. This would be grossly unfair in view of the fact that these additional costs are created by national economic conditions * * *.

Thus special legislation and approval by referendum would be needed to permit Rhode Island to accept a loan such as that provided for in H. R. 12065.

Fortunately, the Rhode Island General Assembly is now in session * * *. However, I cannot say at this time what the prospects are for passage of this legislation * * *.

DENNIS J. ROBERTS,
Governor.
(Senate hearings, pp. 296–297.)

South Carolina:

> * * * Mr. Bush (general counsel for unemployment security commission) is of the opinion that neither the Governor nor the commission would have the authority, without action by the legislature, to request these funds or to obligate the State to repay such funds either directly or through the collection of an additional tax on employers.
>
> M. T. PITTS,
> *Acting Legal Assistant to Governor.*
> (Senate hearings, pp. 157–158.)

South Dakota:

> * * * it would require action by State legislature to request new Federal funds provided in H. R. 12065.
>
> Gov. JOE FOSS.
> (Senate hearings, p. 133.)

Tennessee:

> * * * this State could not enter into the agreement extending State benefits contemplated by H. R. 12065 under authority granted by present statutes either to the governor or to the commissioner of the Tennessee Department of EMM. Accordingly additional legislation would be required by the Tennessee General Assembly. * * *
>
> FRANK G. CLEMENT,
> *Governor of Tennessee.*
> (Senate hearings, p. 129.)

Virginia:

> At the present time I have no intention of asking for the repayable advance of Federal funds proposed by H. R. 12065 for temporary extension of State unemployment benefits. If such an advance were necessary or desirable I am of the opinion that specific legislative authority would have to be provided * * *.
>
> J. LINDSAY ALMOND, Jr.,
> *Governor of Virginia.*
> (Senate hearings, p. 126.)

Washington:

> * * * Governor and the State employment security department lack the power to enter into agreement to receive moneys under terms of H. R. 12065 without legislative action * * *.
>
> ALBERT D. ROSELLINI,
> *Governor,*
> By PETER R. GIOVINE,
> *Commissioner, Employment Security Department.*
> (Senate hearings, p. 133.)

Wisconsin:

* * * The probable need for a brief legislative session is under active consideration here, pending Senate action on H. R. 12065.

VERNON W. THOMSON,
Governor, State of Wisconsin.
(Senate hearings, p. 155.)

Wyoming:

"* * * Wyoming's unemployment compensation law is not presently amenable to advancement of moneys to the State by the Federal Government for benefit payments to unemployed persons who are covered by the State law but who have exhausted the benefits to which they are entitled. Legislative action would be necessary for Wyoming to request such Federal funds * * *.

MILWARD L. SIMPSON,
Governor of Wyoming.
(Senate hearings, pp. 133–34.)

Alaska:

* * * Neither I nor the Alaska Employment Security Commission have the authority, without action by our legislature, to request funds under proposed Temporary Employment Compensation Act of 1958, H. R. 12065 * * *.

MIKE STEPOVICH,
Governor of Alaska.
(Senate hearings, p. 129.)

Hawaii:

* * * such agreement may be entered into only if provisions are made for the reimbursement to the Territorial unemployment compensation fund of benefits paid under the law of another State or of the Federal Government.

The effect of an agreement whereby the Territory would be obligated to repay the Federal Government either directly or indirectly through the collection of an additional Federal tax for benefits paid to persons not entitled thereto under the Hawaii employment security law would be to enlarge the territorial statute by administrative action and would be illegal. Such action may only be taken by the legislature * * *.

FARRANT L. TURNER,
Acting Governor of Hawaii.
(Senate hearings, p. 130.)

B. States in which constitutional changes might be required

Indiana (also listed in A):

I am advised by the attorney general * * * that legislation would be necessary in any event, and it is very possible that a constitutional amendment would be required.

HAROLD W. HANDLEY,
Governor of Indiana.
(Senate hearings, p. 131.)

Kentucky:

* * * The State has no authority with or without legislative action to create an obligation to repay funds that have been advanced under H. R. 12065 by the Federal Government to pay unemployment insurance. Nor can I enter into an agreement to that effect * * *.

V. E. BARNES,
Commissioner, Department of Economic Security and Executive Director, Bureau of Employment Security.

(Senate hearings, p. 131.)

Nebraska:

* * * Attorney General advises that neither the Governor nor the legislature could create an obligation to repay funds advanced to the State by the Federal Government since constitution of Nebraska prohibits contracting debt in excess of $100,000.

VICTOR E. ANDERSON,
Governor of Nebraska.
(Senate hearings, p. 132.)

C. States in which possibility of agreement without legislation is doubtful

Iowa:

It is our positive opinion that it would require action by the Iowa Legislature before an agency of this State could enter an agreement to pay benefits not now provided by the State law and thereby create an obligation to repay such funds by the State directly.

With respect to the repayment of such funds indirectly through the Federal collection of the additional tax on employers, it is our opinion that considerable doubt exists * * * we do not feel able to give an opinion that this State can agree to these supplementary payments with a provision for repayment, unless authorizing action is taken by the State legislature.

IOWA EMPLOYMENT SECURITY COMMISSION,
DON O. ALLEN, *General Counsel,*
N. C. QUIETT, *Assistant General Counsel.*

* * * Quite frankly, Iowa has quite adequate funds for the payment of unemployment compensation, but the obstacle arises from limitations imposed by State law. In my opinion, there is not the slightest chance that the predominantly rural, Republican legislature would alter this law * * *.

HERSCHEL C. LOVELESS, *Governor.*
(Senate hearings, p. 156.)

Michigan:

* * * The staff of the Michigan Employment Security Commission is of the opinion that existing Michigan law empowers them to enter into a contract with the Federal Government, without further State legislative action.

However, because of a specific provision in Michigan law, there is some doubt as to their ability to enter a contract

requiring them to pay benefits beyond the duration limit of 26 weeks now specified in Michigan law. There is a definite possibility that legislative sanction would be necessary before they could enter into such an agreement.

G. MENNEN WILLIAMS, *Governor.*
(Senate hearings, p. 298.)

Minnesota:

* * * it is doubtful whether the provision of that bill could be of benefit in Minnesota without State legislative action, which would necessitate a special session of the legislature, a procedure that is both costly and uncertain as to the results * * *.

ORVILLE L. FREEMAN,
Governor of Minnesota.
(Senate hearings, p. 299.)

Nevada:

* * * if money considered obligation of State would not have power to enter agreement without legislative session. If money is a grant to State to disburse Federal funds, this can be done without legislative session. Question arises, however, of the legality of taxing employers after 1963 for money paid in 1958 at which time presumably many employers were not participating.

CHARLES H. RUSSELL,
Governor of Nevada.
(Senate hearings, p. 132.)

Pennsylvania:

* * * We are now having this bill studied to determine whether we can implement it without legislation. It is our view, however, that litigation will be a certain result of the passage of the bill, unless it is amended by the Senate to make it mandatory by grant * * *.

GEORGE M. LEADER,
Governor of Pennsylvania.
(Senate hearings, p. 157.)

Utah:

Your inquiry poses possible constitutional questions which will require study.

GEORGE D. CLYDE,
Governor of Utah.
(Senate hearings, p. 133.)

D. States which could act under H. R. 12065 without new legislation

Illinois:

* * * although the Governor may not obligate the State to repay such funds which would be received under H. R. 12065, he may accept such funds and cause them to be administered for the purposes contemplated subject to the condition contained in H. R. 12065, that if the General Assembly of Illinois does not appropriate for repayment, the Federal authority is to secure reimbursement through the

decrease of credit to employers in the tax offset provisions of the Federal act * * *.

WILLIAM G. STRATTON, *Governor.*
(Senate hearings, pp. 130–131.)

New York:

* * * on April 19 of this year I approved legislation amending the New York State unemployment insurance law * * * to give specific authority to the industrial commissioner to enter into an agreement with any agency of the United States for the purpose of paying unemployment insurance benefits "for an additional period in excess" of the maximum potential duration normally provided. This was done in anticipation of the passage of Federal legislation and was intended to give the industrial commissioner power to enter into the agreement contemplated by H. R. 12065. * * *

* * * in the absence of future State legislation, any funds received from the United States under provisions as contained in section 104 of H. R. 12065 will necessarily be repaid automatically through an increase in the Federal unemployment insurance tax on employers. This would place 150,000 New York State employers at a distinct competitive disadvantage with comparable industries in States which have not extended unemployment benefits. Inasmuch as the extension of benefits under the proposed legislation is optional with the several States, whereas it was mandatory under both the legislation originally proposed by the President and the Kennedy-McCarthy bill, it is probable that certain States will not enter into an agreement to do so. This would only further aggravate the ugly consequences of unequal standards of social insurance among competing States. * * *

AVERELL HARRIMAN.
(Senate hearings, pp. 125–126.)

Since the completion of committee action, the Senator from Illinois received one more message—from Hon. Paul Cannon, acting Governor of Montana—reporting that—

none of our State laws or constitutional provisions will prevent us from taking advantage of this Federal legislation if it is passed.

But the press (New York Times, May 18, 1958) reports that Gov. Joseph Johnson, of Vermont, has declared that a special legislative session would be required in his State before the unemployed could benefit under H. R. 12065. And the witness for Georgia—Mr. Marion Williamson, director of Georgia's Employment Security Agency—clearly indicated to the Senate Finance Committee that he would not take action that would result in boosting the tax on Georgia employers without legislative action.

In summary, then, for H. R. 12065 to be of any use to workers who exhaust their benefits, in 26 States and Territories new State legislation will probably be required. In one of those—one of the hardest hit, Rhode Island—a popular referendum would also be necessary. In

three States—including one of the above—constitutional changes are probably essential. In six more States, it is at least doubtful whether the governor or other State official can act without a new law.

In only 3 States out of 37 thus reported is it clearly reported that there is authority under existing law to act under the provisions of H. R. 12065.

The view that State legislation would generally be necessary is further supported by one of the business newsletters which has been plugging for H. R. 12065. The Advisor, published by the Employment Benefit Advisors, in its issue of May 2, 1958, in an article signed by Stanley Rector, reported:

> * * * It is our opinion that such action (legislative action) would be required. It is rather difficult for us to conceive that a State governor might come to town for a bale of Federal greenbacks to pay benefits not provided under the law of his State and thereby impose a tax on the employers of his State.

Since only 4 of the above-listed States (Louisiana, Massachusetts, Michigan and Rhode Island) and 3 others have their legislatures in session now or later this year, many special sessions would be necessary to adopt the required State enabling legislation.

The consequences of the State option provisions of H. R. 12065, therefore, are:

(*a*) *Delay.*—For the large majority of legislatures to meet and act in the face of heavy negative pressures will greatly slow the intended assistance to those who are unemployed and have exhausted their benefits. The promptness of relief advocated by the administration will therefore be a will-of-the-wisp.

(*b*) *Uncertainty of any assistance.*—Some governors—as they have indicated—will not even call their legislatures into session.

But even where the legislatures did convene, if past experience is a guide, they would be more than reluctant to act. It would be well known that some States would not act and that others would at the very least delay. The replies of some of the governors to Senator Douglas' telegram and the statements which a number have made to the press are a rather clear indication that this would occur.

This knowledge would make the other States fearful that they would put their employers at a competitive disadvantage by accepting the plan under H. R. 12065. For in 5 years, the employers would be burdened with an additional payroll tax which their competitors in other States would not share. Legislatures would be fearful, therefore, that this would tip the scales in many cases to discourage new industry from entering their States, and to encourage established plants to leave. Employer witnesses at the Senate hearings freely conceded that their groups generally opposed extension of benefits by the States (Senate hearings, pp. 225–226, 242).

As we have stated, just such fears of competitive disadvantage were what prevented the States from separately enacting unemployment insurance laws in the early 1930's. It was not until the Federal act of 1935 levied a compulsory payroll tax upon employers which would be rebated or offset if States passed such laws with certain bare standards, that the States really began to act. That was what broke

the log jam, and when the act was declared constitutional by the Supreme Court, the States rushed to pass qualifying acts.

The States went through a similar experience in connection with child labor, minimum wages for men and women, and a basic 40-hour workweek. It was very difficult, and in some cases impossible to get the States to act because of the fear that to do so would place their employers at a competitive disadvantage. Only Federal legislation by establishing a minimum standard for the market as a whole was able to cope successfully with the problem.

Similar fears have slowed to a glacial rate of speed the improvements in the permanent standards of unemployment compensation under the separate State programs.

The same principle is true in this case of legislation for emergency extension of benefits, and that is why the House bill is basically unsatisfactory. If passed, we predict it will be a cruel hoax upon the unemployed and upon the American people. They will be told that it will give them protection, when it will not do so. It will thus be only a little better than no legislation at all. For there is nothing as bad as raising high hopes on false measures which cannot come true.

(*c*) *Unfairness.*—Another result of the patchwork character of the assistance that will result from the State option provision, if a few States do accept it despite all these obstacles, is the basic unfairness of penalizing (with higher tax rates) those States and employers that acknowledge the need of extended benefits and act to make them available to their workers, and virtually rewarding those States and employers (with lower tax rates) that refuse to extend benefits.

This is especially apparent in the case of Rhode Island where, as Governor Roberts points out, the employers are already being taxed at the high rate of 2.7 percent—and have paid at that rate for over 6 years.

Thus, the States with high rates of unemployment, resulting from national economic trends and causes, can have their unemployed aided only at the expense of worsening the relative position of their industries in the national picture. It is hard to discover any equity in such a policy. Congress does not serve the interests of the employers or the employees of the industries or of our Nation in encouraging any such competition of niggardliness.

(*d*) *Constitutionality and litigation.*—With at least one governor reporting litigation a virtual certainty in his State, it is quite possible that with or without legislative action, the State option program contemplated by H. R. 12065 may lead to further delays and roadblocks in the courts. Does an increased Federal tax on employers in some States and not in others satisfy the constitutional requirement that Federal excise taxes be uniform?

Does the fact that the application and ultimate amount and duration of the tax in the various States is made contingent upon action of State officials in agreeing to distribute extended unemployment benefits strip this program of the required constitutional uniformity?

These and other perplexing legal questions added to the very practical legislative and economic difficulties mentioned above leave the State option provisions of H. R. 12065 with hardly a shred of justification.

2. H. R. 12065 DOES NOT IMPROVE PERMANENT STANDARDS OF UNEMPLOYMENT COMPENSATION

H. R. 12065 would not only fail to meet the emergency needs of many unemployed who have exhausted their claims to benefits. It also ignores the urgent need for permanent improvements in the level of benefits, duration of benefits, and coverage under the various State unemployment compensation systems.

The administration has recommended changes along these lines to the States year after year since 1954. Not one State has come up to the recommended benefit levels. For the reasons previously outlined, we cannot realistically expect the States to act separately.

Consequently, the failure of H. R. 12065 to include provisions for adequate minimum national standards means that Congress will in all probability be confronted with an even worse situation when the next economic emergency occurs. With our sense of the long-run needs quickened by the present emergency, there is no excuse for failing to act now to cushion the next one.

3. H. R. 12065 IGNORES THE NEEDS OF THE UNEMPLOYED NOT COVERED BY UNEMPLOYMENT COMPENSATION

The House committee sought to include a measure of relief for those who are jobless, but have no rights to unemployment compensation. We believe it unfortunate that the measure as it was finally passed, H. R. 12065, omits any assistance for this group. Welfare officials have pointed out the growing difficulties of these jobless persons. Many of them cannot qualify for other forms of assistance and lack the protection of unemployment compensation through no fault of their own. Had Congress earlier taken the recommended action to extend the coverage to employers of one or more, many would now be receiving unemployment compensation benefits.

H. R. 12065, therefore, is also defective, in our opinion, for failing to deal in any way with the problems of this group who have lost their economic lifeline and been excluded by past legislative inaction from the life preservers prepared for others.

IV. What Needs To Be Done

As we see it, there are four basic steps which we need to take now:

1. *We need to provide extended benefits for a temporary but adequate period of time to those who have exhausted their claims to benefits under the various State laws.*

A recession such as this is a national problem for which the Nation as a whole should feel some sense of responsibility.

The Nation generously came to the assistance of the people of the Southwest and West when they suffered from severe and prolonged droughts. It has repeatedly aided the victims of floods along our rivers and those on the Atlantic coast who were caught in the path of the successive hurricanes. The representatives of the industrial States and the great urban centers, which had not themselves suffered from these natural calamities, gladly voted for moneys to assist those who had. They recognized that these unfortunate areas had been hit by forces over which they had no control and for which they had

no responsibility. It was in the interest of the general welfare that these heavy burdens should be shared by a larger number of persons.

The present recession in the same manner has hit millions of Americans whose jobs have put them in the path of the economic hurricane. Among those who are suffering most severely are the men and women who have exhausted their all too brief claims for unemployment benefits. These men and women, like the victims of drought, flood, and hurricane, had nothing to do with the disaster which has swept upon them. They did not call into being the forces from which they are suffering, nor to any significant degree have their employers been responsible.

Economic recessions and depressions arise from general causes, as yet imperfectly understood, which sweep through industry. They register as decreases in demand, and hence in production and employment. They hit the capital and durable goods industries most severely. The latter suffers because the purchase of such items is more easily postponable. The former are affected for a variety of reasons, including the temporary overdevelopment of productive facilities relative to effective demand and to prices, and also due to the fact that slight fluctuations in the demend for consumer goods give rise to much larger fluctuations in the demand for capital goods.

In other words the incidence of where cyclical unemployment strikes bears little relation to the causes of the recession or depression itself.

The fact that the economic behavior of the sufferers may not always have been perfect in other matters is no more reason why they should be denied aid than it would be to bar cancer and tuberculosis patients from assistance because their previous health habits were faulty in some respects, or to prevent flood victims from getting relief because they had not previously erected high flood walls.

We believe, therefore, that the citizens of all States and their Representatives in Congress should take steps to aid these victims of a national catastrophe. Just as the States which were not directly affected shown concern for those who suffered from natural disasters, so should the States which are less affected by the present recession show a similar concern for the citizens of other States who are suffering.

2. *We should also take this occasion to improve the permanent provisions of the various State laws.*

This is necessary so that if and when other recession or depression sweeps upon us, we may not be caught as unprepared as we were this time. Indeed, as we have pointed out, effective action to improve State standards may now remove, and will certainly lessen, any need for Federal action in the future.

The requirement that States should observe certain minimum standards in order that their employers may qualify for tax offsets against the Federal payroll tax is nothing new. It is inherent in the present system. Certain such requirements were contained in the original act and are still operative. Thus the law requires the merit system to be observed in the administration of the act, and it also lays down certain standards governing the eligibility of claimants for benefits.

It is therefore in complete conformity with both the spirit and letter of the Social Security Act that we should prescribe certain minimum standards covering the duration and level of benefits which

States should observe in order that their employers may receive offset credits against the Federal tax.

Perhaps a final word on this point may be in order. It is being frequently said that we should now deal only with the present emergency and let the future take care of itself. But it was just such an attitude as this which has helped to get us into our present fix. In 1945 the Senate passed the Kilgore bill which provided such safeguards, but the House failed to take action. Had it done so, we would have been prepared for the present emergency. In 1954, the Pastore bill would have effected similar improvements. But again we failed to act.

If, therefore, we do not act now so that the State systems may better stand the shock of the next recession or depression, it is likely to burst upon us and again find us unprepared.

Just as the great floods of 1937 spurred us to action to protect our communities better in the future, so should this recession lead us to act so as to guard against another economic catastrophe in the future.

To do otherwise would be to imitate the backwoodsman with a leaky roof who refused to mend it during sunny weather because there was no need to do so, and who wouldn't act when it rained because it would not be in time to be of any immediate use.

3. *Another permanent improvement which should be provided is a more adequate reinsurance fund to help States whose reserves, after meeting minimum standards, have fallen to a low point.*

The funds of Rhode Island, Pennsylvania, Michigan, and Oregon are now in trouble. Others may shortly become so. The requirement of more adequate benefits will increase the future cost of many States systems.

A reinsurance system would help to meet unusually heavy drains upon these funds caused by industrial stresses and hence would aid in evening the burden. But as a condition of receiving this aid a State should be required to bear its share of the load. Such provisions and safeguards were included in the Pastore bill of 1954, and are provided in the current Kennedy bill. They should be included in any amendments to the present bill.

4. Finally we need to provide some protection for those unfortunate persons who are unemployed, but are not covered by unemployment insurance, and for those who are dependent upon them.

As we have repeatedly pointed out, these people should not be neglected merely because they have not been covered by unemployment insurance. That was not their fault. Indeed, they need aid more than those who received partial protection from unemployment benefits. For they have had no protection whatever of this type. Their loss of earnings has been absolute.

This group, therefore, should not be ignored, as they are by H. R. 12065. Because of administrative difficulties, they may have to be treated in a somewhat different fashion from those who have received benefits, but have exhausted them. In our positive proposals we provide such a separate administration of this assistance.

V. Methods by Which the Proper Goals May Be Achieved

To carry out these purposes, amendments to H. R. 12065 were proposed in committee and will be offered on the Senate floor to provide for the following:

1. Temporary extended benefits

The central change needed here is to remove the optional feature of H. R. 12065 so as to insure that the extended benefits will be paid to those qualified in all States.

In greater detail, these amendments should:

A. Eliminate the option now given the States in H. R. 12065 with respect to the agreement to pay extended benefits, by providing either that the extended benefits will be paid by grants, or that if the program is financed by an increased tax on employers, and if a State does not enter an agreement, the Secretary may make agreements with appropriate Federal agencies to pay such benefits directly.

B. Provide temporary extended unemployment compensation payments for 16 weeks at the rates to which claimant was previously entitled under State law, or for an additional period aggregating, with the base period, a total of 39 weeks at the higher levels of benefits recommended in the Kennedy bill, S. 3244 (one-half the worker's weekly earnings, subject to a maximum of two-thirds of the average weekly wages in the State).

C. Authorize the necessary funds to be advanced by the Federal Government.

D. Provide for financing the extended benefits by grants, as proposed in the Kennedy bill, or that the Treasury of the United States is to be reimbursed for the amount of the advances by the Federal Government, by retaining 0.15 of 1 percent more of the payroll tax which is now levied upon covered employers. This would increase the Federal share from the present 0.3 to 0.45 percent. This added retention will continue until the Treasury has been entirely reimbursed for the amount of the advance to that State.[1]

If the latter plan of an increased tax on employers is adopted, it has been suggested that this might be rebated to the States in all cases where the States adopt the recommended permanent standards, or where their unemployment reserves fall below the level of 6 months of benefits.

It should be noted that these plans eliminate the crucial weaknesses which make H. R. 12065 so ineffective.

If the alternative of Federal grants for the extended benefits in the interim period, as proposed in the Kennedy bill, S. 3244, is adopted, there will be a direct economic incentive for every State to seek the benefits for its unemployed who have exhausted their right to benefits under existing State laws. It is hard to believe a State would spurn this offer of supplementary help to its jobless, at no cost.

If the alternative of a higher tax on employers is adopted, as in the amendments offered in committee, this should be coupled with the provisions in the administration bill, H. R. 11679, that in States refusing to sign agreements, the Secretary would distribute the

[1] Senator Kerr wishes to make it clear that while he subscribes to the minority report in other respects, he does not favor financing the advances to the States for extended benefits by means of grants, or by the precise tax formula proposed in the amendment submitted in committee. He would favor instead the repayment of the amount advanced to each State by the future increased payroll tax on the employers of that State.

extended benefits for the temporary period through appropriate Federal agencies. Thus acceptance by the governors would not involve the employers of their States in the payment of a tax not imposed on employers of other States. The ultimate tax will be imposed by the Federal Government under its taxing power (which has been upheld by the Supreme Court), whether or not a State accepts. This would make it possible for virtually all governors to accept without legislative action and should, therefore, greatly speed up and broaden the process of acceptance.

The fact that the ultimate repayment would take place by an increased tax on employers in all States would mean that the old deterrent of placing some employers at a competitive disadvantage for the added protection would be partially removed. The inducements for a Governor or State not to accept would therefore be swept away. States would be able to protect their unemployed more thoroughly and under their own administration, without heaping competitive burdens upon their employers.

We have estimated the cost of these temporary extended benefits up to 16 weeks, as proposed in the amendments presented to the committee, at somewhere between $850 million and $1 billion, and we give the details for this estimate in an appendix.

2. *Permanent improvement in standards of state systems*

This can be effected by an amendment which will require the States, effective July 1, 1959, to meet certain minimum standards as a condition for their employers being credited with offsets against the Federal unemployment tax. The basic minimum requirements should be two:

(*a*) Requiring States to provide benefits for a maximum of 39 weeks in a benefit year, and

(*b*) Establishing a level of benefits of not less than 50 percent of the worker's weekly wage up to a maximum of two-thirds of the State's average weekly wage. This would protect the individual by increasing the level of benefits and yet permit differentiation between States according the comparative average wages paid.

A slight variation of this last feature has been suggested whereby the maximum of two-thirds of the average would not go into effect immediately, but for the first year might instead be 50 percent and for the second 55 percent, and only reach two-thirds in the third year.

These basic standards are contained in the current Kennedy bill, S. 3244, and were in the Pastore bill of 1954. Experts for the A. F. of L.–CIO have estimated that they would probably increase the annual cost of the unemployment insurance benefits by approximately one-half. In view of the fact that the average rate of assessment upon payroll in 1957 was 1.3 percent, this would mean an increase to approximately 2 percent.

In view of the fact that the benefits provided by State law and their taxes on employers have been on the whole relatively restricted in comparison with the 3 percent Federal tax which was originally to be levied, this would seem to be a financially sound, as well as humane, proposal. There would still be a broad margin for safety and provision for differences betwen the States. But more adequate minimum standards of duration and levels of benefits would be effectively established, as we have shown they cannot be on the basis of State-by-State action.

(*c*) Another change in the basic law covered in the amendments which were submitted was to extend the coverage to firms with one or more employees.

3. Reinsurance fund

The basic amendment which was submitted in committee also provided for a reinsurance system under which Federal unemployment insurance tax collections above the administrative costs of the programs would be available for grants to States whose trust funds were in precarious conditions.

In order to qualify for this reinsurance, however, States would have to meet the following condition: (*a*) Their reserve must not be greater than 6 times the total amounts which they were paying out in unemployment benefits for the current month; and (*b*) their minimum rate of assessment upon covered employers was not to be less than 1.2 percent (such a requirement is necessary to prevent a State from having recourse to Federal reinsurance to keep assessments within the State unduly low). The amount of the reinsurance grant will be three-fourths of the amount by which the cost of benefits under the State law exceeds 2 percent of taxable payroll. This means that a State will have to assess an *average* rate in excess of 2 percent. These are all features of the Kennedy bill.

They would be a big improvement upon the present Reed fund and would take its place. The sums devoted to it would come from that part of the Federal Government's share in the unemployment tax (0.3 percent) not used for administration, and on the basis of past years this should normally amount to from $70 to $80 million a year.

All 3 of these objectives can be combined in 1 amendment or depending on the parliamentary situation may be considered separately.

4. Assistance for needy unemployed

To provide for the unemployed who have not been covered by unemployment insurance, such as farm and domestic workers and (in most States) employees in firms employing less than four persons, we propose for an emergency period of a year, a system of federally financed and State and locally administered public assistance.

This is especially designed to cover transients who are now ineligible for public assistance because of residence requirements, although it is not confined to them.

While we sympathize with the purposes of title II of the Mills bill, as it was approved by the House Ways and Means Committee, which provided for unemployment insurance benefits to the previously uncovered unemployed, we recognize that it would have been extremely difficult to administer. It would be hard, for example, to assemble the previous work and pay records upon which the computation of individual benefits would have to be made.

We dislike the idea of relief, but we believe that it is the best way to cope with the problem at once. The Federal Government assumes the responsibility for what is a national problem, but the administration is decentralized. State standards of eligibility and the determination of need are in the main followed, but with some of the rigors governing liens and repossessions modified.

The proposed amendment would authorize the Secretary of Health, Education, and Welfare to enter into agreements with States wishing

to do so for the provision of temporary unemployment assistance to needy unemployed citizens and their dependents. Such assistance would terminate by June 30, 1959. An unemployed individual is defined as one who is able and willing to work. Agreements with the States would specify tests of ability and willingness, including registration at an office of the State employment service. Dependents of an unemployed individual are defined as members of his household who have normally been dependent on him.

Assistance would be provided by State agencies, normally the same agencies administering other public assistance programs, on the basis of individual need. In determining need, States would consider necessary expenses of the applicant and his family and any income that he might receive, including unemployment compensation payments under State laws, or other benefits. The agreements would provide that there would be no liens or requirement of reimbursement for assistance properly granted, and that unemployed individuals would not be required to dispose of assets that they would need upon their return to employment, such as home, tools, an automobile for necessary transportation, or life insurance (excepting the loan value of insurance).

Federal funds would be provided for the full amount of the payments up to an average of $30 per month per recipient (including both unemployed workers and their dependents), but not more than $100 per month per family. Assistance would be available without regard to State residence.

Other provisions of the agreements would be similar to those now in effect in Federal-State public assistance programs, but in recognition of the short-time emergency character of the program, the Secretary of Health, Education, and Welfare would be authorized to modify them to the extent that he might find necessary to carry out the purposes of the amendment. There are also provisions to protect against any State making undue demands upon this program by deliberalizing its unemployment compensation law or by determining needs on a more liberal basis than under the old-age assistance program.

On the assumption that an average of 1 million persons (unemployed individuals and dependents) would receive an average payment of $30 monthly, the cost of the program to the Federal Government would be $360 million.

Since this amendment deals with a different group of persons from those referred to in previous sections of this chapter, that is primarily to the uncovered rather than the covered workers, and since it uses the relief rather than the insurance system, this should be offered separately from the other amendments and be judged on its own merits.

We have no doubt of the needs, and we submit that this is the best way to meet them.

VI. Conclusion

We cannot exaggerate the importance of the issue which is presented to the Senate. It is important that we deal with it humanely and in such a manner as to protect those who need protection and at the same time lay the foundations for a better system whereby we may cope with the next emergency.

Robert S. Kerr.
Paul H. Douglas.

APPENDIX

Estimated Costs of Temporary Additional Unemployment Benefits Under Amendment to H. R. 12065 Proposed in Committee

The House Ways and Means Committee, on the basis of data from the Department of Labor, estimated that the proposed extension of benefits up to 16 weeks would cost $950 million in total benefits, plus $35 million in administrative costs. This totals $985 million.

That estimate is based upon an assumption that 3.1 million persons will become eligible for benefits as exhaustees, that the average weekly benefit paid would be $29 and that the average duration of these benefits would be 10.6 weeks (House Rept. No. 1656, pp. 4–5).

In the Senate, however, Secretary Mitchell assumed a smaller number of claimants, or 2.65 million persons, in estimating the costs of extending benefits in all States. The Senate Finance Committee majority has accepted this assumption in submitting the estimate of cost in its report (Senate Rept. No. 1625, p. 5).

On the basis of an assumption of 2.65 million persons eligible as exhaustees, the total cost of benefits under the amendment for up to 16 weeks of extended benefits would be $815 million, and with estimated administrative costs of $35 million, the aggregate cost would be $850 million.