HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

H. R. 12065

AN ACT TO PROVIDE FOR TEMPORARY ADDITIONAL UNEMPLOYMENT COMPENSATION, AND FOR OTHER PURPOSES

MAY 13, 14, 15, AND 16, 1958

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UNEMPLOYMENT COMPENSATION

TUESDAY, MAY 13, 1958

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

The committee met, pursuant to call, at 10:10 a. m., in room 312 Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Frear, Douglas, Gore, Martin, Williams, Flanders, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk; and Colin F. Stam, chief of staff, Joint Committee on Internal Revenue Taxation.

The CHAIRMAN. The committee will come to order. The hearing today is on the unemployment compensation bill, H. R. 12065. I place in the record a copy of the bill as referred to the Committee on Finance. Also, I submit for the record staff data relating to H. R. 12065 compiled from material submitted by the Department of Labor.

(The bill and staff data follow:)

[H. R. 12065, 85th Cong., 2d sess.]

AN ACT To provide for temporary additional unemployment compensation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "Temporary Unemployment Compensation Act of 1958".

TITLE I—INDIVIDUALS WHO HAVE EXHAUSTED THEIR RIGHTS

PAYMENT OF COMPENSATION

ELIGIBILITY

SEC. 101. (a) (1) Payment of temporary unemployment compensation under this Act sshall be made, for any week of unemployment which begins on or after the fifteenth day after the date of the enactment of this Act and before April 1, 1959, to individuals who have, after June 30, 1957 (or after such later date as may be specified pursuant to section 102 (b)), exhausted (within the meaning prescribed by the Secretary by regulations) all rights under the unemployment compensation laws referred to in paragraph (3) and who have no rights to unemployment compensation with respect to such week under any such law or under any other Federal or State unemployment compensation law.

(2) Except as provided in section 103, payment of temporary unemployment compensation under this Act shall be made only pursuant to an agreement entered into under section 102 and only for weeks of unemployment beginning after the date on which the agreement is entered into.

(3) The unemployment compensation laws referred to in this paragraph are:
(A) Any unemployment compensation law of a State.
(B) Title XV of the Social Security Act, as amended (42 U. S. C. 1361 et seq.).
(C) Title IV of the Veterans' Readjustment Assistance Act of 1952, as amended (38 U. S. C. 901 et seq.).

MAXIMUM AGGREGATE AMOUNT PAYABLE

(b) The maximum aggregate amount of temporary unemployment compensation payable to any individual under this Act shall be an amount equal to 50 per centum of the total amount (including allowances for dependents, but excluding any temporary additional unemployment benefits) which was payable to him, under the unemployment compensation law or laws referred to in subsection (a) (3) under which he last exhausted his rights before making his first claim under this Act, for the benefit year with respect to which this last exhaustion occurred: *Provided, however*, That the amount so payable shall be reduced by the amount of any temporary additional unemployment compensation payable to him under the unemployment compensation law of any State. The term "benefit year" means the benefit year as defined in the applicable State unemployment compensation law; except that, if such law does not define a benefit year, then such term means the period prescribed by the Secretary.

WEEKLY BENEFIT AMOUNT

(c) The temporary unemployment compensation payable to an individual under this Act for a week of total unemployment shall be the weekly benefit amount (including allowances for dependents) for total unemployment which was payable to him pursuant to the unemployment compensation law or laws referred to in subsection (a) (3) under which he most recently exhausted his rights. The temporary unemployment compensation payable to an individual under this Act for a week of less than total unemployment shall be computed on the basis of such weekly benefit amount.

APPLICATION OF STATE LAWS

(d) Except where inconsistent with the provisions of this title, the terms and conditions of the unemployment compensation law or laws referred to in subsection (a) (3) under which an individual most recently exhausted his rights shall be applicable to his claims for temporary unemployment compensation under this Act and to the payment thereof.

Agreements With States

IN GENERAL

SEC. 102. (a) The Secretary is authorized on behalf of the United States to enter into an agreement with a State, or with the agency administering the unemployment compensation law of such State, under which such State agency—
(1) will make, as agent of the United States, payments of temporary unemployment compensation to the individuals referred to in section 101 on the basis provided in this Act; and
(2) will otherwise cooperate with the Secretary and with other State agencies in making payments of temporary unemployment compensation under this Act.

STATE MAY SELECT LATER DATE FOR EXHAUSTIONS UNDER STATE LAW WHICH QUALIFY UNDER THIS ACT

(b) 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. In any such case, 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.

AMENDMENT, SUSPENSION OR TERMINATION OF AGREEMENT

(c) Each agreement under this Act shall provide the terms and conditions upon which the agreement may be amended, suspended, or terminated.

NO DENIAL OR REDUCTION OF STATE BENEFITS

(d) Any agreement under this Act shall provide that unemployment compensation otherwise payable to any individual under the State's unemployment compensation law will not be denied or reduced for any week by reason of any right to temporary unemployment compensation under this Act. This subsection shall not apply 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.

VETERANS AND FEDERAL EMPLOYEES

IN STATES WHICH DO NOT HAVE AGREEMENTS, AND SO FORTH

SEC. 103. (a) For the purpose of paying the temporary unemployment compensation provided in this Act to individuals—

(1) who have, after June 30, 1957, exhausted their rights to unemployment compensation under title XV of the Social Security Act or title IV of the Veterans' Readjustment Assistance Act of 1952, and

(2) in a State, if there is no agreement entered into under section 102 which applies with respect to the weeks of unemployment concerned,

the Secretary is authorized to extend any existing agreement with such State. Any such extension shall apply only to weeks of unemployment beginning after such extension is made. For the purposes of this Act, any such extension shall be treated as an agreement entered into under this Act.

IN PUERTO RICO AND THE VIRGIN ISLANDS

(b) For the purpose of paying the temporary unemployment compensation provided in this Act to individuals—

(1) who have, after June 30, 1957, exhausted their rights to unemployment compensation under title XV of the Social Security Act or title IV of the Veterans' Readjustment Assistance Act of 1952, and

(2) in Puerto Rico or the Virgin Islands,

the Secretary is authorized to utilize the personnel and facilities of the agencies in Puerto Rico and the Virgin Islands cooperating with the United States Employment Service under the Act of June 6, 1933 (29 U. S. C. 49 et seq.), and may delegate to officials of such agencies any authority granted to him by this Act whenever the Secretary determines such delegation to be necessary in carrying out the purposes of this Act; and may allocate or transfer funds or otherwise pay or reimburse such agencies for the total costs of the temporary unemployment compensation paid under this Act and for expenses incurred in carrying out the purposes of this Act.

REVIEW

(c) Any individual referred to in subsection (b) whose claim for temporary unemployment compensation under this Act has been denied shall be entitled to a fair hearing and review as provided in section 1503 (c) of the Social Security Act (42 U. S. C. 1363 (c)).

REPAYMENT

IN GENERAL

SEC. 104. (a) The total credits allowed under section 3302 (c) of the Federal Unemployment Tax Act (26 U. S. C. 3302 (c)) 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, as amended (42 U. S. C. 1321 et seq.), 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 and title IV of the Veterans' Readjustment Assistance Act of 1952 prior to their making their first claims under this Act), 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.

REPAYMENTS IN EXCESS OF AMOUNT OWED

(b) Whenever the amount of additional tax paid, received, and covered into the Treasury under subsection (a) with respect to wages which are attributable to a State exceeds the sum of the amounts described in subsection (a), there is hereby appropriated to the Unemployment Trust Fund for crediting to the account of such State an amount equal to such excess. The amount so credited shall be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

TITLE II—GENERAL PROVISIONS

DEFINITIONS

SEC. 201. For the purposes of this Act—

(1) The term "Secretary" means the Secretary of Labor.

(2) The term "State" includes the District of Columbia, Alaska, and Hawaii.

(3) The term "first claim" means the first request for determination of benefit status under this Act on the basis of which a weekly benefit amount under this Act is established, without regard to whether or not any benefits are paid.

REVIEW

SEC. 202. Any determination by a State agency with respect to entitlement to temporary unemployment compensation pursuant to an agreement under this Act shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in such manner and to such extent.

PENALTIES

FALSE STATEMENTS, AND SO FORTH

SEC. 203. (a) Whoever makes a false statement or representation of a material fact knowing it to be false, or knowingly fails to disclose a material fact, to obtain or increase for himself or for any other individual any payment under this Act shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

RECOVERY OF OVERPAYMENTS

(b) (1) If a State agency or the Secretary, as the case may be, or a court of competent jurisdiction, finds that any person—

(A) has made, or has caused to be made by another, a false statement or representation of a material fact knowing it to be false, or has knowingly failed, or caused another to fail, to disclose a material fact, and

(B) as a result of such action has received any payment under this Act to which he was not entitled,

such person shall be liable to repay such amount to the State agency or the Secretary, as the case may be. In lieu of requiring the repayment of any amount under this paragraph, the State agency or the Secretary, as the case may be, may recover such amount by deductions from any compensation payable to such person under this Act. Any such finding by a State agency or the Secretary, as the case may be, may be made only after an opportunity for a fair hearing, subject to such further review as may be appropriate under sections 103 (c) and 202 of this Act.

(2) Any amount repaid to a State agency under paragraph (1) shall be deposited into the fund which payment was made. Any amount repaid to the Secretary under paragraph (1) shall be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

INFORMATION

SEC. 204. 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.

PAYMENTS TO STATES

PAYMENT ON CALENDAR MONTH BASIS

SEC. 205. (a) There shall be paid to each State which has an agreement under this Act, either in advance or by way of reimbursement, as may be determined

by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this Act for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

CERTIFICATION

(b) The Secretary shall from time to time certify to the Secretary of the Treasury for payment—

(1) to each State which has an agreement under this Act sums payable to such State under subsection (a), and

(2) to each State such amounts as the Secretary determines to be necessary for the proper and efficient administration of this Act in such State.

The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the funds appropriated for carrying out the purposes of this Act.

MONEY TO BE USED ONLY FOR PURPOSES FOR WHICH PAID

(c) All money paid a State under this Act shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned, at the time specified in the agreement under this Act, to the Treasury and credited to current applicable appropriations, funds, or accounts from which payments to States under this Act may be made.

SURETY BONDS

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

LIABILITY OF CERTIFYING OFFICERS

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

LIABILITY OF DISBURSING OFFICERS

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

DENIAL OF BENEFITS TO ALIENS EMPLOYED BY COMMUNIST GOVERNMENTS OR ORGANIZATIONS

SEC. 206. No person who is an alien shall be entitled to any benefits under this Act for any week of unemployment if, at any time or or after the first day of his applicable base period and before the beginning of such week, he was at any time employed by—

(1) a foreign government which, at the time of such employment, was Communist or under Communist control, or any agency or instrumentality of any such foreign government, or

(2) any organization if, at the time of such employment (A) such organization was registered under section 7 of the Subversive Activities Control Act of 1950 (50 U. S. C. 786), or (B) there was in effect a final order of the Subversive Activities Control Board requiring such organization to register under section 7 of such Act or determining that it is a Communist-infiltrated organization.

REGULATIONS

SEC. 207. The Secretary is hereby authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act.

AUTHORIZATION OF APPROPRIATIONS

SEC. 208. There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the purposes of this Act.

Passed the House of Representatives May 1, 1958.

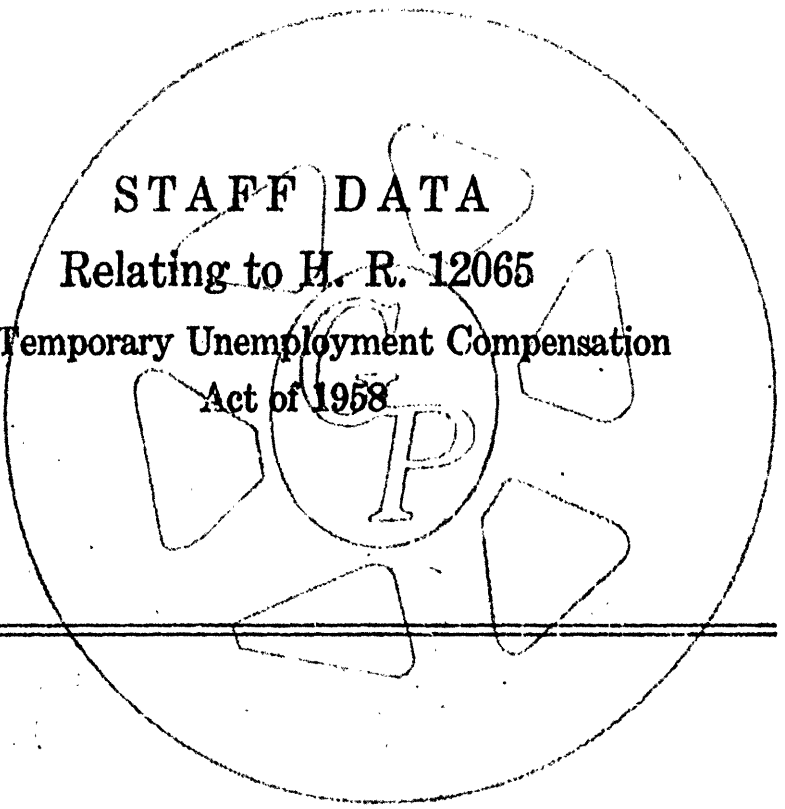
Attest:

RALPH R. ROBERTS, *Clerk.*

STAFF DATA

Relating to H. R. 12065

The Temporary Unemployment Compensation Act of 1958



PART I

THE PRESENT UNEMPLOYMENT INSURANCE PROGRAM

Unemployment insurance is a Federal-State system designed to provide temporary assistance to workers against the economic hazards of unemployment. It builds up funds by taxes on wages during periods of employment so that benefits can be paid to covered workers during periods of unemployment. At the same time that the unemployed worker is assisted financially while he is looking for work, the benefit payments help maintain purchasing power and cushion the shock of unemployment in the neighborhood, town, or region where workers have been laid off. For purposes of this tax, the term "State" includes the District of Columbia, Hawaii, and Alaska.

THE STATUTES

The unemployment insurance system in this country is the product of Federal and State legislation. Approximately 80 percent of all nonfarm workers are covered by the Federal-State system established by the Social Security Act in 1935, and consequent State legislation in all States, including Alaska, Hawaii, and the District of Columbia. The Federal taxing provisions are in the Federal Unemployment Tax Act, chapter 23 of the Internal Revenue Code of 1954. Railroad workers are covered by a separate Federal program and are not discussed. Veterans with service in the Armed Forces between June 27, 1950, and January 31, 1955, are covered by title IV of the Veterans' Readjustment Assistance Act of 1952. Benefits under this title will end January 1960. Federal civilian workers are covered by title XV of the Social Security Act.

The Federal provisions in the Social Security Act and the Federal Unemployment Tax Act establish the framework of the system. If a State has a law which meets certain minimum Federal requirements, employers may credit against their Federal tax the amounts they have paid to the State for benefits to the unemployed, and the State is entitled to Federal grants to cover all the necessary costs of administering the program.

The Federal requirements are designed to ensure the use of funds solely for unemployment benefits, to safeguard the investment of the fund, to prevent the depression of labor standards, to offer an opportunity for fair hearing to all persons whose claims are denied, and to ensure prompt payment of benefits.

FINANCING THE PROGRAMS

All employers covered by the Federal Unemployment Tax Act pay a tax of 3.0 percent up to the first $3,000 of each worker's wages. Employers who are also subject to an approved State law may offset 90 percent of this Federal tax by taxes under the State law. Since all States have approved laws, the remaining 10 percent of the tax, or 0.3 percent of taxable wages, is paid to the Federal Government. This tax is used to pay the administrative expenses of Federal and State unemployment insurance and employment service agencies. It is also used to set up a loan fund to make interest-free loans for benefit payments to a State whose trust fund is in difficulty.

All States levy taxes on employers within the State. Three States also collect contributions from employees. These taxes are deposited promptly by the State to its account in an unemployment trust fund in the Federal Treasury, and withdrawn as needed to pay benefits. On December 31, 1957, the total reserve of all States was $8,662 million.

The standard tax rate in every State is 2.7 percent which represents the maximum amount that can be offset against the Federal tax. The Federal law permits an employer to credit against his Federal tax not only amounts he has paid to the State but also additional amounts he has been excused from paying under a system for varying an employer's tax rate in accordance with experience with a factor or factors related to the risk of unemployment. All the laws contain provisions for experience rating although the operation of such provisions may be suspended in periods of high benefit costs. Rates may go as low as zero for some employers in some States; under some laws employers with unfavorable experience may be required to pay more than 2.7 percent. In 1957, the estimated average State tax rate was 1.3 percent. In 2 States, all employers were paying 2.7 percent, while in 10 States the average State unemployment tax rate was less than 1.0 percent.

Data, 1957

	Million
Noncovered groups, total	15.3
State and local government employees	4.7
Domestic employees	2.4
Small firm employees	1.8
Agricultural employees	1.7
Agricultural processing employees	.2
Nonprofit institutions	1.3
Armed Forces	2.9
Miscellaneous groups	.3
Covered by programs	42.9

Federal coverage: Employers of 4 or more in 20 weeks.	*States*
Employers of 4 or more are covered in	28
Employers of 3 or more are covered in	3
Employers of 2 or more are covered in	2
Employers of 1 or more are covered in	18

ELIGIBILITY REQUIREMENTS

All States pay unemployment insurance only to those unemployed workers who meet two types of eligibility requirements: past employment experience which indicates a history of attachment to the labor market; and actions during the course of the claim which indicate a current attachment to the labor market. The past attachment is measured by the amount of earnings or number of weeks of employment the worker has received during a 12-month "base period" preceding his first claim for benefits. The present attachment of the worker to the labor market is measured by evidence of his ability to work and his availability for work, his registration for work, the regularity of his reporting to the employment service in search for work, and generally, by whether he acts as a reasonable man who wanted work would act. Although the worker may meet the eligibility requirements, benefits may still be denied if he is disqualified for an act which would indicate that he is substantially responsible for his own unemployment.

DISQUALIFICATIONS

The disqualifications vary considerably in detail from State to State. Nevertheless, all States will disqualify workers at least for the following reasons: A voluntary quit of work without good cause, a discharge for misconduct connected with work, a refusal of suitable work, and unemployment attributable to a labor dispute in which the worker is involved. The extent of disqualification

varies from State to State as indicated below. Some States will postpone the payment of benefits for periods varying from 5 to 13 weeks; others will cancel or reduce the worker's benefit rights. In other States, postponement extends for the duration of unemployment and, often, until the worker has met requirements concerning additional earnings.

Number of States whose maximum disqualification involves—	
Postponement of benefit rights for 5–13 weeks	16
For duration of unemployment	13
Cancellation or reduction of benefit rights in addition to postponement	22

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BENEFITS PAYABLE

A basic concept in the unemployment-insurance program is that the weekly benefit should bear a reasonable relationship to the worker's regular wage. One commonly mentioned relationship is 50 percent of the regular wage, within limits set by minimum and maximum benefit amounts. Various methods are used to establish the amount of the regular wage, and the relationship of benefits to it; there is also a wide range in the maximum weekly benefit amounts paid. Most commonly, the weekly benefit amount represents a specified fraction of the individual's wages during that quarter of the base period in which he earned the most. Since there are 13 weeks in a quarter, a weekly benefit of one twenty-sixth of a quarter's earnings would represent half of weekly wages for workers who experienced no unemployment during the quarter. A larger fraction allows for some unemployment during the quarter.

Maximum weekly benefits vary from $25 to $45. Although the maximums are generally higher now than a few years ago, the increase in maximums has not kept pace with the rise in wages. As a result, a worker receiving the average weekly wage, or more, does not receive a benefit equal to half of his wages.

The number of weeks of total unemployment in a year for which a worker may be paid is also established by law. In 14 States, all workers who qualify for benefits are entitled to the same duration—20 to 30 weeks. The other 37 States will not pay total benefits which exceed a prescribed proportion of the individual's base period earnings; they also have an overriding maximum—16 to 26 weeks. Some workers, however, may receive only 5 or 6 weeks' benefits.

In 11 States, unemployed workers with certain dependents may receive small additional benefits. See Part V for details.

PART II

SECTION-BY-SECTION ANALYSIS OF H. R. 12065, THE TEMPORARY UNEMPLOYMENT COMPENSATION ACT OF 1958

ELIGIBILITY

Section 101 (a) authorizes payment of temporary unemployment compensation (1) to individuals who have exhausted their rights under State unemployment-compensation laws, and under Federal laws applying to Federal civilian employees and veterans; (2) if the exhaustion has occurred since June 30, 1957, or such later date as a State may elect under section 102 (b); (3) for weeks of unemployment beginning 15 days after enactment and before April 1, 1959; (4) only pursuant to an agreement with a State, except that for the purpose of paying benefits under the Federal programs, the Secretary of Labor is authorized by section 103 (a) to extend existing agreements; and (5) only for weeks of unemployment beginning after the date of such agreement or extension.

MAXIMUM AMOUNT PAYABLE

Section 101 (b) provides that the maximum aggregate amount of temporary unemployment compensation payable to any individual will be 50 percent of the total amount (including allowances for dependents but excluding any State temporary unemployment compensation benefits) that was payable to him under the unemployment compensation law under which he last exhausted his rights before making his first claim under this act.

WEEKLY BENEFIT AMOUNT

Section 101 (c) provides that the weekly benefit amount of temporary unemployment compensation will be the weekly benefit amount (including allowances for dependents) payable under

the unemployment compensation law under which the most recent exhaustion occurred with partial weekly benefits computed on such basis.

APPLICATION OF STATE LAWS

Section 101 (d) provides that, except where inconsistent, the terms and conditions of law under which the most recent exhaustion occurred will apply to claims under this act.

AGREEMENTS WITH STATES

Section 102 (a) authorizes Secretary of Labor to enter into agreements with States or State agencies for payment of temporary unemployment compensation as agent of the United States.

LATER DATE FOR EXHAUSTIONS

Section 102 (b) allows a State to specify an exhaustion date later than June 30, 1957.

AMENDMENT, SUSPENSION OR TERMINATION OF AGREEMENT

Section 102 (c) requires State agreements to contain provisions for amendment, suspension, or termination.

NO DENIAL OR REDUCTION OF STATE BENEFITS

Section 102 (d) requires that the agreement provide that regular unemployment compensation benefits will not be denied or reduced for any week by reason of rights to temporary benefits, except that this provision does not apply to temporary State benefits which expire by reason of this act.

PAYMENTS IN STATES WITH NO AGREEMENTS

No provision is made for payment of benefits in absence of agreement. Section 103 (a), however, permits the extension of an existing agreement with a State to provide payments to veterans and Federal employees.

PAYMENTS IN PUERTO RICO AND VIRGIN ISLANDS

Section 103 (b) authorizes the Secretary to utilize the personnel and facilities of agencies in Puerto Rico and the Virgin Islands which cooperate with the United States Employment Service to make the payments to Federal civilian employees and Korean veterans in those places. It also provides for necessary delegation of authority and transfer of funds.

REVIEW

Section 103 (c) provides the same review for claims of Federal employees and Korean veterans in Puerto Rico and the Virgin Islands as provided for claims in such places under the regular Federal employees program.

REPAYMENT IN GENERAL

Section 104 (a) provides that credits allowed under section 3302 (c) of the Federal Unemployment Tax Act will be reduced for each taxable year beginning on or after January 1, 1963, unless or until the Secretary of the Treasury finds (by December 1 of the taxable year) that there has been restored to the Treasury—

(1) The temporary compensation paid in the State under the bill (excluding amounts paid to Korean veterans and Federal employees);

(2) The amount of costs incurred in the administration of the bill with respect to the State; and

(3) The amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of the bill.

REPAYMENTS IN EXCESS OF AMOUNT OWED

Section 104 (b) provides for crediting excess taxes collected over costs of program in a State to account of such State in the unemployment trust fund.

DEFINITIONS

Section 201 defines "Secretary" as Secretary of Labor, "State" to include Alaska, Hawaii, and the District of Columbia; "first claim" as first request for determination of benefit status under the bill.

REVIEW

Section 202 provides the same right of review as under the pertinent State law.

PENALTIES

Section 203 provides penalties for fraudulent claims and also for recovery of overpayments.

INFORMATION

Section 204 provides State agency must furnish necessary information to Secretary on a reimbursable basis.

PAYMENTS TO STATES

Section 205 contains provisions for determination and certification of amounts to be paid States, money to be used only for purpose for which paid, surety bonds, etc.

DENIAL OF BENEFITS TO ALIENS EMPLOYED BY COMMUNIST GOVERNMENTS OR ORGANIZATIONS

Section 206 prohibits payments to such aliens.

REGULATIONS

Section 207 authorizes Secretary to make such rules and regulations as are necessary.

AUTHORIZATION OF APPROPRIATIONS

Section 208 authorizes the Treasury to make necessary appropriations.

PART III

COMPARISON OF THE HOUSE BILL H. R. 12065 AND THE ADMINISTRATION BILL H. R. 11679

ELIGIBILITY

House-passed bill

Authorizes payment of temporary unemployment compensation to individuals who have exhausted their rights under State unemployment compensation laws, and under those for Federal civilian employees and veterans if the exhaustion has occurred since June 30, 1957, or such later date as a State may elect for weeks of unemployment beginning 15 days after enactment and before April 1, 1959, but only pursuant to an agreement with a State, except that for the purpose of paying benefits under the Federal programs, the Secretary of Labor is authorized to extend existing agreements but only for weeks of unemployment beginning after the date of such agreement or extension.

Administration bill

Section 101 contains an authorization of appropriations for the payments which the bill authorizes. Section 102 (a) authorizes payments of temporary benefits under the same conditions as the House bill except that it applies to weeks of unemployment beginning 30 days instead of 15 days after enactment (until April 1, 1959, as the House bill provides) and to individuals who have exhausted their benefits since December 31, 1957, instead of June 30, 1957.

NONCOVERED EMPLOYMENT

Neither the House passed bill nor the Administration bill provides benefits to noncovered workers.

MAXIMUM AMOUNT PAYABLE

House-passed bill

Section 101 (b) provides that the maximum aggregate amount of temporary compensation payable to any individual will be 50 percent of the total amount (including allowances for dependents but excluding any State temporary unemployment compensation benefits) that was payable to him under the unemployment compensation law under which he last exhausted his rights before making his first claim under this act.

Administration bill

Section 102 (b), same as House passed bill but without the provision with respect to dependents and State temporary benefits.

WEEKLY BENEFIT AMOUNT

House-passed bill

Section 101 (c) provides that the weekly benefit amount of temporary compensation will be the weekly benefit amount (including allowances for dependents) payable under the unemployment compensation law under which most recent exhaustion occurred with partial weekly benefits computed on such basis.

Administration bill

Section 102 (c), same provisions, but without the provision with respect to allowances for dependents.

APPLICATION OF STATE LAWS

House-passed bill

Section 101 (d) provides that, except where inconsistent, the terms and conditions of law under which the most recent exhaustion occurred will apply to claims under the Act.

Administration bill

Section 109 is different in that it provides that terms and conditions of law under which last exhaustion before first claim occurred will control.

AGREEMENTS WITH STATES

House-passed bill

Section 102 (a) authorizes Secretary of Labor to enter into agreements with States or State agency for payment of temporary unemployment compensation as agent of the United States.

Administration bill

Section 103 (a), same provisions.

PAYMENTS IN STATES WITH NO AGREEMENTS

House-passed bill

No provision is made for payment of benefits in absence of agreement. Section 103 (a), however, permits the extension of an existing agreement with a State to provide payments to veterans and Federal employees.

Administration bill

Section 106 authorizes Secretary to make other arrangements for payment of benefits to all eligible individuals where there is no State agreement.

PAYMENTS IN PUERTO RICO AND VIRGIN ISLANDS

House-passed bill

Section 103 (b) authorizes the Secretary to utilize the personnel and facilities of agencies in Puerto Rico and the Virgin Islands to make the payments to Federal civilian employees and veterans in those places. It also provides for necessary delegation of authority and transfer of funds.

Administration bill

Section 107 has similar provisions.

LATER DATE FOR EXHAUSTIONS

House-passed bill

Section 102 (b) allows a State to specify exhaustion date later than June 30, 1957.

Administration bill

No comparable provision. Exhaustion date, December 31, 1957.

AMENDMENT, SUSPENSION OR TERMINATION OF AGREEMENT

House-passed bill

Section 102 (c) requires State agreements to contain provisions for amendment, suspension, or termination.

Administration bill

No comparable provision.

NO DENIAL OR REDUCTION OF STATE BENEFITS

House-passed bill

Section 102 (d) requires agreement to provide that regular unemployment compensation benefits will not be denied or reduced for any week by reason of rights to temporary benefits, except that this provision does not apply to temporary State benefits which expire by reason of this act.

Administration bill

Section 103 (b) likewise protects regular State law benefits but with no exclusionary language for temporary State benefits.

REVIEW

House-passed bill

Section 202 provides the same right of review as under the pertinent State law. Section 103 (c) provides same review for claims of Federal employees and veterans in Puerto Rico and the Virgin Islands as provided claims in such places under the regular Federal employees program.

Administration bill

Section 104 provides the same right of review as section 202 of the House-passed bill. Section 108 provides same review as section 103 (c) of House-passed bill.

REPAYMENT

House-passed bill

Section 104 provides that credits allowed under section 3302 (c) of the Federal Unemployment Tax Act will be reduced for each taxable year beginning on or after January 1, 1963, unless or until the Secretary of the Treasury finds (by December 1 of the taxable year) that there has been restored to the Treasury—

(1) The temporary compensation paid in the State under the bill (excluding amounts paid to veterans and Federal employees);

(2) The amount of costs incurred in the administration of the bill with respect to the State; and

(3) The amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of the bill.

Administration bill

Section 111 (a) has same provisions as House-passed bill.

REPAYMENTS IN EXCESS OF AMOUNT OWED

House-passed bill

Section 104 (b) provides for crediting excess taxes collected over costs of program in a State to account of such State in the unemployment trust fund.

Administration bill

Section 111 (b) likewise provides for crediting of excess to State account.

DEFINITIONS

House-passed bill

Section 201 defines "Secretary" as Secretary of Labor, "State" to include Alaska, Hawaii, and the District of Columbia; "first claim" as first request for determination of benefit status under the bill.

Administration bill

"State" and "Secretary" are similarly defined parenthetically in sections 101 and 103 (a).

PENALTIES

House-passed bill

Section 203 provides penalties for fraudulent claims and also for recovery of overpayments.

Administration bill

Section 112 contains similar provisions but inadvertently makes no provision for return of recovered funds to account from which paid.

INFORMATION

House-passed bill

Section 204 provides State agency must furnish necessary information to Secretary on a reimbursable basis.

Administration bill

Section 105 provides for furnishing of information by State agencies to Secretary which shall be considered reports required by title III of the Social Security Act.

PAYMENTS TO STATES

House-passed bill

Section 205 contains provisions for determination and certification of amounts to be paid States, money to be used only for purpose for which paid, surety bonds, etc.

Administration bill

Section 110 contains same provisions for States with agreements by incorporating the provisions of subsections (d), (e), (f), and (g) of section 1506 of the Social Security Act.

DENIAL OF BENEFITS TO ALIENS EMPLOYED BY COMMUNIST GOVERNMENTS OR ORGANIZATIONS

House-passed bill

Section 206 prohibits payments to such aliens.

Administration bill

No provision.

REGULATIONS

House-passed bill

Section 207 authorizes Secretary to make such rules and regulations as are necessary.

Administration bill

Section 113 makes provision for regulations by the Secretary of Labor for title I coverage.

AUTHORIZATION OF APPROPRIATIONS

House-passed bill

Section 208 authorizes necessary appropriations.

Administration bill

Section 101 contains same provision for title I coverage.

EMPLOYEES COVERED BY THE RAILROAD UNEMPLOYMENT INSURANCE ACT

House-passed bill

No provisions.

Administration bill

Title II provides for payments of temporary additional benefits from the railroad unemployment insurance account to railroad workers who exhaust their benefits under the Railroad Unemployment Insurance Act.

NOTE.—It was apparently agreed in the House that temporary benefits for railroad workers would be handled in a separate bill.

ESTIMATED NUMBER OF PERSONS BENEFITED BY, AND COSTS OF BENEFITS AND ADMINISTRATION OF TEMPORARY ADDITIONAL UNEMPLOYMENT COMPENSATION PROVISIONS OF H. R. 11679 (ADMINISTRATION BILL) AND H. R. 12065 (HOUSE PASSED BILL)

[In millions]

H. R. 12065:	
(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	2.65
(b) Benefit cost for the entire period June 1, 1958 to Apr. 4, 1959	$640.000
(c) Administrative costs	30.367
Total estimated costs	670.667
H. R. 11679:	
(a) Number of persons who exhausted benefits after Dec. 31, 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	2.60
(b) Benefit cost for the entire period June 1, 1958 to Apr. 4, 1959	$625.00
(c) Administrative costs	28.85
Total estimated costs	653.85

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 review in the event of a substantial change in the level of unemployment.

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

PART IV

ANALYSIS OF H. R. 12065 AS REPORTED TO THE HOUSE OF REPRESENTATIVES BY THE COMMITTEE ON WAYS AND MEANS

ELIGIBILITY

Title I authorizes payments of temporary benefits (1) to the same types of individuals as the House-passed bill (title II authorizes payments to noncovered workers—see below); (2) after a fixed exhaustion date of June 30, 1957; (3) for weeks of unemployment beginning as late as November 1, 1959, if a first claim is filed before July 1, 1959; and (4) and (5) only pursuant to and for weeks of unemployment occurring after, a State agreement. No provision is made for extending existing agreements.

MAXIMUM AMOUNT PAYABLE

The committee bill provides an amount equal to 16 times the last weekly benefit amount (including allowances for dependents) payable under the unemployment compensation law under which last exhaustion occurred before first claim under title I.

WEEKLY BENEFIT AMOUNT

The committee bill, like the House-passed bill, provides that the weekly benefit amount will be the amount payable under the unemployment compensation law under which most recent exhaustion occurred.

APPLICATION OF STATES' LAWS

The committee bill, like the House-passed bill, provides that the terms and conditions of law under which most recent exhaustion occurred would apply to claims under the act.

AGREEMENTS WITH STATES

The committee bill, like the House-passed bill, authorizes the Secretary to enter into agreements with States for payment of temporary unemployment compensation as agent of the United States.

PAYMENTS IN STATES WITH NO AGREEMENTS

The committee bill had no provision.

PAYMENTS IN PUERTO RICO AND VIRGIN ISLANDS

The committee bill, like the House-passed bill, authorizes the Secretary to utilize the personnel and facilities of agencies in Puerto Rico and Virgin Islands to make the payments to Federal and civilians employees and veterans in those places.

EXHAUSTION DATE

The exhaustion date under the committee bill is June 30, 1957.

NO DENIAL OR REDUCTION OF STATE BENEFITS

The committee bill, like the House-passed bill, requires agreements to provide that regular unemployment compensation benefits will not be denied or reduced for any week by reason of rights to temporary benefits. Unlike the House-passed bill, there is no exception in the committee bill with respect to temporary State benefits (the Sadlak amendment).

REVIEW

The committee bill provides the same right of review as the House-passed bill to workers covered by both title I and title II.

REPAYMENT

Unlike the House-passed bill, the committee bill contained no provision for repayment of the temporary unemployment compensation paid in the States under the bill.

NONCOVERED EMPLOYMENT

Title II of the committee bill provides payment of the temporary benefits to employees not covered under the Federal Unemployment Tax Act.

DEFINITIONS

The committee bill contains definitions similar to those in the House-passed bill.

PENALTIES

The committee bill contains similar penalties to those found in the House-passed bill.

INFORMATION

The committee bill, like the House-passed bill, provides that State agencies must furnish necessary information to the Secretary on a reimbursable basis.

PENALTIES TO STATES

The committee bill, like the House-passed bill, contains provisions for determination and certification of amounts to be paid States, money to be used only for the purpose for which paid.

DENIAL OF BENEFITS TO ALIENS EMPLOYED BY COMMUNIST GOVERNMENTS OR ORGANIZATIONS

The committee bill, like the House-passed bill, prohibits payments to such aliens.

PART V

SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, MAY 1, 1958

Prepared for ready reference and comparative purposes. Because of the impossibility of giving qualifications and alternatives in brief summary form, the State law and State employment security agency should be consulted for authoritative information. In general, the State laws cover employment in most types of business and industry, except employment for railroads which is covered by a separate Federal law]

State	Size of firm (minimum number of employees and/or size of payroll)	Wage or employment qualification (number times weekly benefit amount unless otherwise indicated) [1]	Initial waiting period (weeks) [14]		Computation of weekly benefit amount (fraction of high-quarter wages unless otherwise indicated) [2]	Weekly benefit amount [1] for total unemployment (in dollars)		Earnings disregarded in computing weekly benefit for partial unemployment [4]	Duration in 52-week period		
			Total unemployment	Partial unemployment		Minimum [3]	Maximum [3]		Proportion of wages in base period [5]	Weeks of benefits for total unemployment	
										Minimum [6]	Maximum
Alabama	4 in 20 weeks	35; and $112.01 in 1 quarter	1	2	1/26	6	28	$6	1/3	11+	20
Alaska	1 at any time	1¼ times high-quarter wages but not less than $500.	1	1	1.8 to 1.1 percent of annual wages, plus $5 for each dependent up to lesser of wba or $25.	[3] 10–15	[3] 45–70	Greater of $10 or ½ basic wba.	30 to 29 percent. [5]	15	26
Arizona [7]	3 in 20 weeks	30; and wages in 2 quarters	1	1	1/25	10	35	$10	1/3	10	26
Arkansas	1 in 10 days	30	1	1	1/21 to 1/27	7	26	$5	1/3	10	18
California	1 and over $100 in any quarter.	30; but not less than $600 nor more than $750.	1	1	1/17 to 1/28	10	40	$3	½	[8] 26	26
Colorado	4 in 20 weeks	30	1	1	1/25	14	[3] 35–44	$3	1/3	[3] 10–26	26
Connecticut	3 in 13 weeks	$300; and wages in 2 quarters	1	1	1/26, plus $4 for each dependent up to ½ wba.	10–14	40–60	$3	1/3	[6] 12	26
Delaware	1 in 20 weeks	30	1	1	1/25	7	40	$2	29%	[6] 11	26
District of Columbia	1 at any time	1½ times high-quarter wages but not less than $276; and $130 in 1 quarter.	1	1	1/23, plus $1 for each dependent up to $3. [3]	8–9	[3] 30	3/5 wba	1/3	11+	26
Florida	4 in 20 weeks or 4 in 8 weeks and over $6,000 in any quarter.	1¼ times high-quarter wages but not less than $200.	1	1	1/22 to 1/26	10	30	$5	¼	5	16
Georgia	4 in 20 weeks	40 to 45; and $150 in 1 quarter	1	1	1/25	7	30	$5	Uniform	[3] 20–22	[3] 20–22
Hawaii	1 at any time	30	1	1	1/25	5	35	$2	do	20	20
Idaho	1 and $150 in any quarter.	31+ to 38+; $300 in 1 quarter and wages in 2 quarters.	1	1	1/22 to 1/26	15	40	½ wba	32 to 29 percent. [5]	10	26
Illinois	4 in 20 weeks	$600; and $150 outside high quarter	1	1	1/20, plus $0.50 to $15 allowance for claimants with high-quarter wages of more than $639 and 1 to 4 dependents.	10	30–45	$7	38 to 32 percent [5]	23+	26
Indiana	do	$250; and $150 in last 2 quarters	1	1	1/25	10	33	$3 from other than base-period	¼	6+	20

					lesser of wba or $25.				wba.			
Arizona [7]	3 in 20 weeks	30; and wages in 2 quarters	1	1	1/25	10	35	$10	1/3	10	26
Arkansas	1 in 10 days	30	1	1	1/21 to 1/27	7	26	$5	1/3	10	18
California	1 and over $100 in any quarter.	30; but not less than $600 nor more than $750.	1	1	1/17 to 1/28	10	40	$3	1/2	[8] 26	26
Colorado	4 in 20 weeks	30	1	1	1/25	14	[3] 35–44	$3	1/3	[3] 10–26	26
Connecticut	3 in 13 weeks	$300; and wages in 2 quarters	1	1	1/26, plus $4 for each dependent up to 1/2 wba.	10–14	40–60	$3	1/3	[6] 12	26
Delaware	1 in 20 weeks	30	1	1	1/25	7	40	$2	29%	[6] 11	26
District of Columbia	1 at any time	1½ times high-quarter wages but not less than $276; and $130 in 1 quarter.	1	1	1/23, plus $1 for each dependent up to $3.[2]	8–9	[3] 30	1/2 wba	1/3	11+	26
Florida	4 in 20 weeks or 4 in 8 weeks and over $6,000 in any quarter.	1¼ times high-quarter wages but not less than $200.	1	1	1/22 to 1/26	10	30	$5	[4]	5	16
Georgia	4 in 20 weeks	40 to 45; and $150 in 1 quarter	1	1	1/25	7	30	$5	Uniform	[3] 20–22	[3] 20–22
Hawaii	1 at any time	30	1	1	1/25	5	35	$2	do	20	20
Idaho	1 and $150 in any quarter.	31+ to 38+; $300 in 1 quarter and wages in 2 quarters.	1	1	1/22 to 1/26	15	40	1/2 wba	32 to 29 percent.[5]	10	26
Illinois	4 in 20 weeks	$600; and $150 outside high quarter	1	1	1/20, plus $0.50 to $15 allowance for claimants with high-quarter wages of more than $639 and 1 to 4 dependents.	10	30–45	$7	38 to 32 percent [5].	23+	26
Indiana	do	$250; and $150 in last 2 quarters	1	1	1/25	10	33	$3 from other than base-period employer.	1/4	6+	20
Iowa	do	20	1	2	1/20	5	30	$3	1/3	6+	24
Kansas	4 in 20 weeks or 25 in 1 week.	$400, or $200 in 2 quarters	1	1	1/25 up to 1/2 of State average weekly wage but not more than $34.	5	34	$8	1/3	[6] 13+	20
Kentucky	4 in 20 weeks or 4 in 3 quarters of preceding year, with wages of $50 each in each quarter.	1⅜ times high-quarter wages with 8 times wba in last 2 quarters and $250 in high quarter.	1	1	1/25	10	34	1/3 wages	1/3	15	26
Louisiana	4 in 20 weeks	30	1	1	1/20	5	25	$3	1/3	10	20
Maine	do	$300	1	1	2.2 to 1.1 percent of annual wages	7	33	$5	Uniform	26	26
Maryland	1 at any time	36; and $192.01 in 1 quarter and wages in 2 quarters.	0	0	1/24, plus $2 for each dependent up to $8.	10–12	35–43	$7	do	26	26

See footnotes at end of table, p. 3.

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Significant provisions of State unemployment insurance laws, May 1, 1958—Continued

[Prepared for ready reference and comparative purposes. Because of the impossibility of giving qualifications and alternatives in brief summary form, the State law and State employment security agency should be consulted for authoritative information. In general, the State laws cover employment in most types of business and industry, except employment for railroads which is covered by a separate Federal law]

State	Size of firm (minimum number of employees and/or size of payroll)	Wage or employment qualification (number times weekly benefit amount unless otherwise indicated) [1]	Initial waiting period (weeks) [14]		Computation of weekly benefit amount (fraction of high-quarter wages unless otherwise indicated) [2]	Weekly benefit amount [1] for total unemployment (in dollars)		Earnings disregarded in computing weekly benefit for partial unemployment [4]	Duration in 52-week period	
			Total unemployment	Partial unemployment		Minimum [3]	Maximum [3]		Proportion of wages in base period [5]	Weeks of benefits for total unemployment: Minimum [6]
Massachusetts	1 in 13 weeks	$500	1	1	1/19 to 1/30, plus $4 for each dependent but total may not exceed average weekly wage.	10–14	35–([3])	$10	34 percent	[6] 17
Michigan	4 in 20 weeks	14 weeks of employment at more than $15.	[9] 1	[9] 1	63 to 41 percent of average weekly wage, plus allowance of $1 to $25 depending on average weekly wage and number of dependents.	[8] 10–12	30–55	Up to ½ wba [4]	3⅓ weeks of employment.	9½
Minnesota	1 in 20 weeks or 4 in 20 weeks.[10]	$520	1	1	2.2 to 1.3 percent of annual wages	12	38	$6	42 to 33 percent	18
Mississippi	4 in 20 weeks	30	1	1	1/26	3	30	$2	Uniform	20
Missouri	do	1½ times high-quarter wages; and $200 in 1 quarter.	1	1	1/25	8	33	$4	1/3	12+
Montana	1 in 20 weeks or over $500 in a year.	1½ times high-quarter wages; and $170 in 1 quarter.	0	([11])	1/18 to 1/22	10	32	([11])	Uniform	22
Nebraska	4 in 20 weeks or $10,000 in any quarter.	$400 in 2 quarters with at least $100 in each of such quarters; and $200 in high quarter.	1	1	1/21 to 1/23	10	32	Up to ½ wba [4]	1/3	13½
Nevada	1 and $225 in any quarter.	30	0	0	1/25, plus $5 for each dependent up to $20 but total may not exceed 6 percent of high-quarter wages.	8–12	37.50–57.50	$5	1/3	10
New Hampshire	4 in 20 weeks	$400	1	2	2.0 to 1.2 percent of annual wages	9	32	$3	Uniform	26
New Jersey	do	17 weeks of employment at $15 or more.	[9] 1	[9] 1	2/3 of average weekly wage up to $45 and 3/5 of average weekly wage above $45.	10	35	Up to ½ wba [4]	3/4 weeks of employment.	13
New Mexico	1 and $450 in any quarter or 2 in 13 weeks.	30; and $156 in 1 quarter	1	1	1/26	10	30	$3	2/5	12
New York [13]	2 at any time	20 weeks of employment at average of $15 or more.[12]	1	[13] 2–4	67 to 50 percent of average weekly wage.	10	45	([12])	Uniform	26
North Carolina	4 in 20 weeks	$500	0	0	2.0 to 1.1 percent of annual wages	11	32	$2	do	26
North Dakota	do	36; and wages in 2 quarters	1	1	1/24, plus $1 to $3 per dependent, by schedule $3 to $9.	7–10	26–35	$3	do	20
Ohio	3 at any time	20 weeks of employment and $240	1	1	1/17 to 1/25, plus $3 for each dependent	10–13	33–39	$2	1/3	[6] 12

		than $15.			wage, plus allowance of $1 to $25 depending on average weekly wage and number of dependents.				employment.		
Minnesota	1 in 20 weeks or 4 in 20 weeks.[10]	$520	1	1	2.2 to 1.3 percent of annual wages	12	38	$6	42 to 33 percent	18	26
Mississippi	4 in 20 weeks	30	1	1	1/26	3	30	$2	Uniform	20	20
Missouri	do	1½ times high-quarter wages; and $200 in 1 quarter.	1	1	1/25	8	33	$4	1/3	12+	26
Montana	1 in 20 weeks or over $500 in a year.	1½ times high-quarter wages; and $170 in 1 quarter.	0	(11)	1/18 to 1/22	10	32	(11)	Uniform	22	22
Nebraska	4 in 20 weeks or $10,000 in any quarter.	$400 in 2 quarters with at least $100 in each of such quarters; and $200 in high quarter.	1	1	1/21 to 1/23	10	32	Up to ½ wba [4]	1/3	13½	20
Nevada	1 and $225 in any quarter.	30	0	0	1/25, plus $5 for each dependent up to $20 but total may not exceed 6 percent of high-quarter wages.	8–12	37.50–57.50	$5	1/3	10	26
New Hampshire	4 in 20 weeks	$400	1	2	2.0 to 1.2 percent of annual wages	9	32	$3	Uniform	26	26
New Jersey	do	17 weeks of employment at $15 or more.	[9] 1	[9] 1	⅔ of average weekly wage up to $45 and ⅜ of average weekly wage above $45.	10	35	Up to ½ wba [4]	¾ weeks of employment.	13	26
New Mexico	1 and $450 in any quarter or 2 in 13 weeks.	30; and $156 in 1 quarter	1	1	1/26	10	30	$3	3/26	12	24
New York [13]	2 at any time	20 weeks of employment at average of $15 or more.[12]	1	[13] 2–4	67 to 50 percent of average weekly wage.	10	45	(13)	Uniform	26	26
North Carolina	4 in 20 weeks	$500	0	0	2.0 to 1.1 percent of annual wages	11	32	$2	do	26	26
North Dakota	do	36; and wages in 2 quarters	1	1	1/24, plus $1 to $3 per dependent, by schedule $3 to $9.	7–10	26–35	$3	do	20	20
Ohio	3 at any time	20 weeks of employment and $240	1	1	1/17 to 1/25, plus $3 for each dependent up to $6.	10–13	33–39	$2	½	[9] 12	26
Oklahoma	4 in 20 weeks	20; and wages in 2 quarters	1	1	1/20	10	28	$7	1/3	6+	26
Oregon	2 in 6 weeks in any quarter and $1,800 in a year.	37; but not less than $700	1	1	1/26	15	40	1/3 wba	1/3	[9] 15+	20
Pennsylvania	1 at any time	32 to 42; and $120 in 1 quarter	1	1	1/25 or ½ of full-time weekly wage, if greater.	10	35	$6	Uniform	30	30
Rhode Island	do	30	1	1	1/30	10	30	$5	35 to 27 percent	10+	26
South Carolina	4 in 20 weeks	1½ times high-quarter wages but not less than $240; and $120 in 1 quarter.	1	1	1/21 to 1/26	8	26	¼ wba	1/3	10	22
South Dakota	4 in 20 weeks or $24,000 in a year.	$600 and $250 in 1 quarter; and wages in 2 quarters.	1	1	1/22 to 1/24	12	28	$3	27 to 22 percent	[9] 13+	20
Tennessee	4 in 20 weeks	40, 50, and 60; and $182 in 1 quarter	1	1	1/24 to 1/26	8	30	$5	Uniform	22	22

See footnotes at end of table, p. 3.

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Significant provisions of State unemployment insurance laws, May 1, 1958—Continued

Prepared for ready reference and comparative purposes. Because of the impossibility of giving qualifications and alternatives in brief summary form, the State law and State employment security agency should be consulted for authoritative information. In general, the State laws cover employment in most types of business and industry, except employment for railroads which is covered by a separate Federal law]

State	Size of firm (minimum number of employees and/or size of payroll)	Wage or employment qualification (number times weekly benefit amount unless otherwise indicated) [1]	Initial waiting period (weeks)[14]		Computation of weekly benefit amount (fraction of high-quarter wages unless otherwise indicated) [2]	Weekly benefit amount [1] for total unemployment (in dollars)		Earnings disregarded in computing weekly benefit for partial unemployment [4]	Duration in 52-week period		
			Total unemployment	Partial unemployment		Minimum [3]	Maximum [3]		Proportion of wages in base period [5]	Weeks of benefits for total unemployment	
										Minimum [6]	Maximum
Texas	4 in 20 weeks	$375 with $250 in 1 quarter and $125 in another or $450 with $50 in each of 3 quarters or $1,000 in 1 quarter.	0	0	1/26	7	28	Greater of $5 or ¼ wba.	¼	[6] 16+	24
Utah	1 and $140 in any quarter.	19 weeks of employment and $400	1	1	1/26 up to ½ of State average weekly wage.	10	37	$6 from other than regular employer.	Weighted schedule of base-period wages in relation to high-quarter wages.	[6] 15	26
Vermont	4 in 20 weeks	30 with 1/3 of wages in last 2 quarters; and $200 in 1 quarter.	1	1	1/22 to 1/26	10	28	$3	Uniform	26	26
Virginia	do	30 ($250 for minimum wba)	1	1	1/25	8	28	$2	¼	8	18
Washington	1 at any time	$800	1	1	2.0 to 1.1 percent of annual wages	17	35	$8	26 to 29 percent.[5]	12	26
West Virginia	4 in 20 weeks	$500	1	0	1.8 to 1.0 percent of annual wages	10	30	$6	Uniform	24	24
Wisconsin	4 in 20 weeks or $10,000 in any quarter or $6,000 in any year.	14 weeks of employment at average of $16 or more.	1	1	63 to 51 percent of average weekly wage.	11	38	Up to ⅓ wba [7]	7/10 weeks of employment.	10	26½
Wyoming	1 and $500 in any year.	1½ times high-quarter wages; and $250 in 1 quarter.	1	1	1/25 up to 55 percent of State average weekly wage, plus $3 for each dependent up to $6.	10–13	41–47	½ wba	3/10	12	26

[1] Weekly benefit amount abbreviated in columns as wba.

[2] When States use a weighted-high-quarter formula, annual-wage formula, or average-weekly-wage formula, approximate fractions or percentages are figured at midpoint of lowest and highest normal wage brackets. When dependents' allowances are provided, the fraction applies to the basic benefit amount.

[3] When 2 amounts are given, higher includes dependents' allowance except in Colorado and Georgia. In Colorado higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received; duration for all such claimants is increased to 26 weeks; in Georgia higher figure noted, if qualifying wages are concentrated largely or wholly in high quarter, weekly benefit for claimants with minimum qualifying wages may be above minimum weekly amount and consequently weeks of benefits may be less than the minimum duration shown.

[7] Effective July 1, 1958.

[8] Because of high qualifying wages, minimum duration is high for claimants with low benefit amounts; minimum duration for claimants at other levels is 15 weeks in California and 10 (by statute) in Illinois.

[14] Waiting period becomes compensable if claimant, following layoff by most recent employer for indefinite [illegible] or for a defin[illegible] [illegible]re than [illegible]

	quarter.				wage.			than regular employer.	ulo of base-period wages in relation to high-quarter wages.		
Vermont	4 in 20 weeks	30 with ⅓ of wages in last 2 quarters; and $200 in 1 quarter.	1	1	1/22 to 1/20	10	28	$3	Uniform	26	26
Virginia	do	30 ($250 for minimum wba)	1	1	1/25	8	28	$2	¼	8	18
Washington	1 at any time	$800	1	1	2.0 to 1.1 percent of annual wages	17	35	$8	26 to 29 percent.[5]	12	26
West Virginia	4 in 20 weeks	$500	1	0	1.8 to 1.0 percent of annual wages	10	30	$6	Uniform	24	24
Wisconsin	4 in 20 weeks or $10,000 in any quarter or $6,000 in any year.	14 weeks of employment at average of $16 or more.	1	1	63 to 51 percent of average weekly wage.	11	38	Up to ½ wba [4]	7/10 weeks of employment.	10	26½
Wyoming	1 and $500 in any year.	1½ times high-quarter wages; and $250 in 1 quartor.	1	1	1/25 up to 55 percent of State average weekly wage, plus $3 for each dependent up to $6.	10–13	41–47	½ wba	3/10	12	26

[1] Weekly benefit amount abbreviated in columns as wba.

[2] When States use a weighted-high-quarter formula, annual-wage formula, or average-weekly-wage formula, approximate fractions or percentages are figured at midpoint of lowest and highest normal wage brackets. When dependents' allowances are provided, the fraction applies to the basic benefit amount.

[3] When 2 amounts are given, higher includes dependents' allowance except in Colorado and Georgia. In Colorado higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received; duration for all such claimants is increased to 26 weeks; in Georgia higher figure applies to claimants whose base-period wages are equal to 4 times minimum high-quarter wages for each wage bracket. Higher for minimum weekly benefit amount includes maximum allowance for 1 dependent; in Michigan, for 1 dependent child or 2 dependents other than a child. In the District of Columbia same maximum with or without dependents. Maximum augmented payment in Massachusetts not shown since any figure presented would be based on an assumed maximum number of dependent children at $4 each, up to average weekly wage. In Alaska the maximum for interstate claimants is $25 and no dependents' allowances paid.

[4] In States noted, full weekly benefit is paid if earnings are less than ½ weekly benefit and ½ weekly benefit amount if wages are ½ weekly benefit but less than weekly benefit.

[5] In States with weighted schedules the percent of benefits is figured at the bottom of the lowest and of the highest wage brackets; in States noted, the percentages at other brackets are higher and/or lower than the percentage shown.

[6] Figure shown applies to claimants with minimum weekly benefit and minimum qualifying wages. In Delaware and Utah, statutory minimum. In Texas, alternative qualifying wages of $250 in high quarter and $125 in another quarter may yield benefits of $10 per week for 9+ weeks. In other States noted, if qualifying wages are concentrated largely or wholly in high quarter, weekly benefit for claimants with minimum qualifying wages may be above minimum weekly amount and consequently weeks of benefits may be less than the minimum duration shown.

[7] Effective July 1, 1958.

[8] Because of high qualifying wages, minimum duration is high for claimants with low benefit amounts: minimum duration for claimants at other levels is 15 weeks in California and 10 (by statute) in Illinois.

[9] Waiting period becomes compensable if claimant, following layoff by most recent employer for indefinite period or for a definite period of more than 4 weeks, has commenced suitable full-time work with another employer within 4 weeks (Michigan); when benefits become payable for the 3d consecutive week following the waiting period (New Jersey).

[10] Employers of fewer than 4 (not subject to the Federal Unemployment Tax Act) outside the corporate limits of 22 cities of 10,000 population or more are not liable for contributions.

[11] No partial benefits paid, but earnings not exceeding the greater of $15 or 1 day's work of 8 hours plus any overtime immediately following such 8 hours are disregarded for total unemployment.

[12] Alternative qualification added, effective June 30, 1958, for claimants ineligible under normal requirement: 15 weeks at average of $15 or more in preceding 52 weeks and 40 weeks at average of $15 or more in preceding 104 weeks.

[13] Waiting period is 4 effective days accumulated in 1 to 4 weeks. Partial benefits are ¼ of weekly benefit amount for each of 1 to 3 effective days. An effective day is the 4th and each subsequent day of total unemployment in a week for which not more than $45 is paid.

[14] Generally, the first week of unemployment in the benefit year, for which no benefits are payable.

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

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REGULATIONS

The committee bill, like the House-passed bill, authorizes the Secretary to make such rules and regulations as are necessary.

AUTHORIZATION OF APPROPRIATIONS

The committee bill, like the House-passed bill, authorizes necessary appropriations.

ESTIMATED COST OF THIS BILL

The cost of the program provided by this bill would depend, of course, upon the level of unemployment during the next 15 months. The Department of Labor has estimated that under the assumption of a decline in the levels of unemployment between now and the middle of 1959, the total cost of the bill will be $1.47 billion. This calculation assumes that 3.1 million persons will become eligible for benefits under title I as exhaustees under present State and Federal unemployment insurance systems. The total amount of benefits paid to these groups at this level would be $950 million, and the administrative cost of handling this portion of the program is estimated at $35 million. On the same assumptions about unemployment levels, it is estimated that 1.73 million persons will become eligible for benefits under title II as noncovered unemployed persons meeting the wage requirements of the State laws. At this level the amount of benefits paid to this group would be $460 million and the administrative cost of handling this portion of the program would be $25 million. It is assumed that the average duration of benefits under both title I and title II would be 10.6 weeks. It is also assumed that the average weekly benefit paid under title I would be $29 and the average weekly benefit paid under title II would be $25.

PART VI

STATISTICAL DATA

TABLE 1.—*Employment and unemployment indicators*

	1958				1957		
	April	March	February	January	December	November	October
Labor force figures (census): [1]							
Total labor force, including Armed Forces	70, 681, 000	70, 158, 000	69, 804, 000	69, 379, 000	70, 458, 000	70, 790, 000	71, 299, 000
Civilian labor force	68, 027, 000	67, 510, 000	67, 160, 000	66, 732, 000	67, 770, 000	68, 061, 000	68, 513, 000
Employed, total	62, 907, 000	62, 311, 000	61, 988, 000	62, 238, 000	64, 396, 000	64, 873, 000	66, 005, 000
In agriculture	5, 558, 000	5, 072, 000	4, 830, 000	4, 998, 000	5, 385, 000	5, 817, 000	6, 837, 000
In nonagricultural industries	57, 349, 000	59, 239, 000	57, 158, 000	57, 240, 000	59, 012, 000	59, 057, 000	59, 168, 000
Worked 35 hours or more during week	44, 165, 000	44, 205, 000	43, 212, 000	44, 767, 000	46, 579, 000	42, 170, 000	47, 051, 000
Worked less than 35 hours during week	11, 030, 000	11, 135, 000	11, 469, 000	10, 465, 000	10, 532, 000	14, 647, 000	9, 719, 000
Usually worked full time at present job	4, 258, 000	4, 278, 000	4, 931, 000	4, 021, 000	3, 723, 000	7, 993, 000	3, 330, 000
Worked part time for economic reasons	2, 131, 000	2, 290, 000	2, 084, 000	1, 953, 000	1, 306, 000	1, 153, 000	1, 058, 000
Worked part time for other reasons	2, 127, 000	1, 988, 000	2, 847, 000	2, 068, 000	2, 417, 000	6, 840, 000	2, 272, 000
Usually work part time at present job	6, 773, 000	6, 856, 000	6, 539, 000	6, 444, 000	6, 808, 000	6, 656, 000	6, 389, 000
Worked part time for economic reasons	1, 293, 000	1, 227, 000	1, 111, 000	1, 116, 000	1, 026, 000	1, 056, 000	934, 000
Worked part time for other reasons	5, 480, 000	5, 629, 000	5, 428, 000	5, 328, 000	5, 782, 000	5, 600, 000	5, 455, 000
With a job but absent from work entire week	2, 154, 000	1, 899, 000	2, 476, 000	2, 008, 000	1, 901, 000	2, 240, 000	2, 398, 000

Unemployed, total	5, 120, 000	5, 198, 000	5, 173, 000	4, 494, 000	3, 374, 000	3, 188, 000	2, 508, 000
Seasonally adjusted unemployment rate	7. 5	7. 0	6. 7	5. 8	5. 0	NA	NA
Unemployed 15 weeks or longer	1, 866, 000	1, 446, 000	1, 148, 000	865, 000	626, 000	523, 000	523, 000
Not in labor force	50, 975, 000	51, 397, 000	51, 627, 000	51, 947, 000	50, 763, 000	50, 318, 000	49, 684, 000
Payroll employment statistics (BLS): [2]							
Total employees in nonagricultural establishments	50, 232, 000	50, 176, 000	50, 202, 000	50, 965, 000	53, 025, 000	52, 753, 000	52, 059, 000
Manufacturing	15, 095, 000	15, 366, 000	15, 598, 000	15, 880, 000	16, 325, 000	16, 555, 000	16, 787, 000
Durable goods	8, 528, 000	8, 712, 000	8, 870, 000	9, 113, 000	9, 414, 000	9, 569, 000	9, 691, 000
Nondurable goods	6, 567, 000	6, 654, 000	6, 728, 000	6, 767, 000	6, 911, 000	6, 986, 000	7, 096, 000
Mining	766, 000	771, 000	782, 000	813, 000	826, 000	834, 000	837, 000
Contract construction	2, 748, 000	2, 538, 000	2, 365, 000	2, 570, 000	2, 838, 000	3, 037, 000	3, 220, 000
Transportation and public utilities	3, 895, 000	3, 919, 000	3, 951, 000	4, 002, 000	4, 100, 000	4, 116, 000	4, 158, 000
Wholesale and retail trade	11, 222, 000	11, 230, 000	11, 245, 000	11, 497, 000	12, 354, 000	11, 839, 000	11, 673, 000
Finance, insurance, and real estate	2, 355, 000	2, 345, 000	2, 339, 000	2, 338, 000	2, 348, 000	2, 353, 000	2, 353, 000
Service and miscellaneous	6, 572, 000	6, 444, 000	6, 395, 000	6, 400, 000	6, 474, 000	6, 523, 000	6, 553, 000
Government	7, 579, 000	7, 563, 000	7, 527, 000	7, 465, 000	7, 760, 000	7, 496, 000	7, 478, 000
Average weekly hours of production workers in manfacturing industries	38. 3	38. 6	38. 4	38. 7	39. 4	39. 2	39. 5
Durable goods	38. 8	39. 0	38. 6	39. 0	39. 7	39. 6	39. 9
Nondurable goods	37. 6	38. 1	38. 1	38. 4	39. 0	38. 7	39. 1
Unemployment insurance statistics (BES):							
Initial claims (State), calendar week ending nearest 15th of month	461, 800	410, 500	425, 300	523, 200	413, 100	301, 500	247, 600
Insured unemployment (State), calendar week ending nearest 15th of month	3, 363, 300	3, 264, 100	3, 130, 200	2, 850, 000	1, 976, 000	1, 493, 700	1, 214, 600

[1] Calendar week ending nearest 15th of month. Figures based on new definitions adopted in 1957.
[2] Payroll period ending nearest 15th of month. March figures revised.

Source: U. S. Department of Commerce and U. S. Department of Labor.

Explanatory Notes for Table I

Changes in employment and unemployment result from a variety of economic and social forces. Genuine understanding of what is happening in the labor market requires the collection of many different kinds of information. Current statistics on the employment situation are available from three principal sources: (1) Sample surveys of the population, (2) payroll reports from employers, and (3) administrative statistics of unemployment insurance systems. Although there is some inevitable overlap in coverage, the statistics from these separate sources provide information on basically different aspects of employment and unemployment and largely supplement each other.

A sample survey of the population provides the only comprehensive measure of the entire labor force, both employed and unemployed. It also provides information on the characteristics of employed and unemployed persons, such as age, sex, and color, which cannot be readily obtained except from direct enumerations of the population. Other unique information obtained are distributions of the employed by hours worked and by broad occupational attachment and of the unemployed by duration of unemployment. *A sample of employers*, on the other hand, can report the number of people on establishment payrolls, the hours worked, and the wages paid in nonagricultural industries. Statistics on employment, hours of work, and earnings are provided from this source for a large number of specific industries and areas on a current basis. Not included on these payrolls are several million people who are self-employed, who are hired as domestics, or who work at unpaid jobs. Most nonfarm workers, however, are employed in establishments and these are the basic figures on employment levels and trends for a wide range of specific industries. Finally, *administrative statistics of unemployment insurance systems* furnish a complete count of new and insured unemployment among the two-thirds of the working population covered by unemployment insurance programs Although these administrative reports do not cover all of the unemployed, they are valuable as current indicators because the figures are available weekly, are given separately for each State, and show both emerging new unemployment and continued unemployment.

These three series reflect the same underlying economic situation yet measure different aspects of the labor market. It is therefore expected that the numbers will not move in complete harmony from month to month. Some discrepancies may also arise because of sampling variability and response or reporting errors, and administrative factors. The principal purpose of the combined report is to provide a rounded picture of the employment situation based on all of the available information and to promote a better understanding of the different types of data and of differences which may arise from time to time between the various series.

Following is a brief description of each series. For more detail, the publications of the bureaus compiling the series may be consulted.

Sample surveys of the population—Labor force statistics

Bureau of the Census.—This Bureau prepares monthly estimates of the population of the working age (14 years and over) showing the total number employed, the total unemployed, and the number not in the labor force. The information is obtained from a scientifically selected sample of about 35,000 interviewed households in 330 areas throughout the country and is based on the reported activity or status of the surveyed persons during the calendar week ending nearest the 15th day of the month. The employed total—which is divided between agricultural and nonagricultural pursuits—includes all wage and salary workers and self-employed persons who worked at all during

the survey week or who had jobs or businesses from which they were temporarily absent that week because of illness, vacation, or various other reasons; it also includes unpaid workers in family-operated enterprises who worked 15 hours or more during the survey week. The unemployed total includes all jobless persons who were looking for work, regardless of whether or not they were eligible for unemployment insurance. Also counted as unemployed, effective January 1957, are persons on temporary (less than 30-day) layoff and those scheduled to start new wage and salary jobs within 30 days, formerly classified as employed "with a job but not at work."

Sample surveys of employers—Payroll employment statistics

Bureau of Labor Statistics.—This Bureau issues monthly statistics of the number of employees on the payrolls of nonagricultural establishments, by industry. The figures are based on reports from a sample of 155,000 employers covering more than 20 million workers. The employment of production and related workers is also shown separately by industry, together with average weekly hours and average hourly and weekly earnings. The employee figures include all persons who worked or received pay from nonagricultural establishments during the payroll period ending nearest the 15th of the month. Persons on paid sick leave, paid holiday, or paid vacation, etc., are included, but not those on leave without pay for the entire payroll period. Persons on the payroll of more than one establishment during the period are counted each time reported.

Unemployment insurance statistics

Bureau of Employment Security.—This Bureau issues weekly reports, by State, on the number of initial claims and the volume and rate of insured unemployment under State unemployment insurance programs, including the program of unemployment compensation for Federal employees. Figures are also issued by State on the volume of unemployment compensation for veterans, and nationally for the Railroad Retirement Board program. Week-to-week changes may be affected by holidays and other administrative factors. The count of insured unemployment represents the number of persons reporting a week of unemployment under programs which currently cover about two-thirds of the Nation's labor force. Included are some persons who are only partially unemployed, and excluded are persons such as those who have exhausted their benefit rights, new workers who have not earned rights to unemployment insurance and persons losing jobs not covered by unemployment insurance systems (agriculture, State and local government, domestic service, self-employment, unpaid family work, nonprofit organizations, firms below a minimum size). State initial claims are notices given by those losing jobs covered by State and Federal Employee programs that they are starting periods of unemployment. A claimant who continues to be unemployed a full week is then counted in the insured unemployment figure. Initial claim counts are of value as the first indication of emerging new unemployment.

TABLE 2.—*Initial claims filed during week ended May 3, 1958, and insured unemployment for week ended Apr. 26, 1958, continental United States*

State	Initial claims				Insured unemployment					
	State and UCFE				State and UCFE					
	Number	Change from—		Veterans[1]	Number	Rate (percent)[2]	Change from—		Veterans[1]	Total (excluding railroad)
		Last week	Year ago				Last week	Year ago		
Total	403,253	−19,778	+156,034	5,649	3,265,729	7.8	−66,873	+1,806,870	78,633	3,344,362
Alabama	4,523	−49	+1,485	110	45,217	7.9	−1,239	+23,952	2,112	47,329
Arizona	1,628	−114	+737	64	11,904	6.0	−1,249	+6,492	534	12,438
Arkansas	4,424	+1,407	+1,552	74	27,938	10.6	+1,361	+9,604	1,023	28,961
California	35,040	+3,227	+12,859	586	291,493	7.8	−11,115	+172,622	6,940	298,433
Colorado	1,265	−25	+347	49	12,684	3.9	−886	+7,480	722	13,406
Connecticut	6,755	−476	+3,737	6	66,481	8.5	+4,100	+45,024	760	67,241
Delaware	718	+63	+288	22	6,551	4.9	−40	+3,651	146	6,697
District of Columbia	822	+8	+152	35	8,571	1.8	−446	+3,725	516	9,087
Florida	6,479	−686	+3,170	216	36,293	4.6	+292	+23,376	1,282	37,575
Georgia	5,891	−786	+2,130	157	53,026	6.9	−772	+26,538	2,055	55,081
Idaho	580	−15	+261	39	5,701	5.1	−1,696	+1,541	278	5,979
Illinois	26,575	+5,759	+12,086	209	176,656	6.3	−4,278	+106,468	2,812	179,468
Indiana	14,126	−160	+8,452	243	91,214	8.0	+1,180	+57,782	2,978	94,192
Iowa	1,401	−509	+246	11	15,021	3.4	−367	+6,224	562	15,583
Kansas	1,649	−43	+276	54	15,568	4.2	−1,696	+6,361	485	16,053
Kentucky	5,194	+502	+1,586	125	66,416	13.8	−1,229	+27,790	2,332	68,748
Louisiana	4,192	+101	+1,681	74	29,832	5.2	−1,043	+14,105	974	30,806
Maine	3,282	−353	+1,380	19	29,434	14.2	−757	+15,821	533	29,967
Maryland	7,496	+2,000	+4,379	88	45,858	6.2	−1,527	+28,463	1,063	46,921
Massachusetts	15,214	−1,792	+2,646	89	120,622	7.6	−512	+60,500	1,892	122,514
Michigan	34,041	−7,510	+19,854	421	302,305	15.4	+97	+220,476	8,330	310,635
Minnesota	2,720	−451	+1,086	62	51,126	7.8	−2,800	+22,282	1,460	52,586
Mississippi	3,365	+38	+1,400	92	24,519	9.5	+329	+9,778	896	25,415

Missouri	11,427	−1,573	+4,202	50	64,377	6.5	−555	+29,625	1,649	66,026
Montana	767	−115	+366	17	10,726	8.7	−937	+3,867	239	10,965
Nebraska	694	+67	+184	9	7,062	3.1	−1,149	+1,744	238	7,300
Nevada	715	+51	+329	19	5,624	7.9	−394	+3,444	82	5,706
New Hampshire	1,668	−200	+266	33	14,864	10.2	−1,042	+7,597	178	15,042
New Jersey	15,887	+610	+4,490	126	149,232	9.5	−2,505	+61,084	1,750	150,982
New Mexico	986	+25	+357	37	6,988	4.5	−689	+2,907	353	7,341
New York	53,214	−5,722	+14,818	421	387,645	7.6	−5,111	+188,024	4,037	391,682
North Carolina	11,880	−165	+1,837	162	67,503	7.8	−1,058	+21,766	1,938	69,441
North Dakota	155	−34	+85	8	3,068	4.5	−1,558	+485	158	3,226
Ohio	24,634	−2,261	+14,837	295	225,222	8.5	−1,599	+163,819	5,505	230,727
Oklahoma	2,618	−343	−227	51	26,932	6.6	−1,005	+13,955	923	27,855
Oregon	3,249	−1,027	+686	73	28,771	7.7	−2,496	+11,739	1,242	30,013
Pennsylvania	42,857	−4,300	+17,995	437	341,446	10.4	−6,311	+195,288	3,870	345,316
Rhode Island	3,633	−368	+60	44	26,749	10.4	−315	+8,016	594	27,343
South Carolina	3,048	−346	+743	98	23,900	5.7	−244	+9,313	1,332	25,232
South Dakota	154	−24	+55	5	2,092	2.8	−387	+570	200	2,292
Tennessee	4,867	−1,929	+981	148	58,932	8.8	−12,678	+14,241	2,517	61,449
Texas	10,318	+434	+4,010	222	80,863	4.4	+321	+47,570	3,028	83,891
Utah	837	−149	+275	26	9,412	4.9	−550	+4,698	314	9,726
Vermont	1,127	+461	+644	11	5,467	7.3	−289	+2,944	211	5,678
Virginia	4,544	+54	−596	88	31,314	4.3	−618	+21,196	1,540	32,854
Washington	5,512	−1,258	+1,945	164	45,881	7.1	−767	+21,793	1,933	47,814
West Virginia	4,452	−416	+2,790	133	53,014	13.9	+336	+40,610	1,983	54,997
Wisconsin	6,168	−1,637	+2,932	122	50,587	5.9	−938	+28,687	2,006	52,593
Wyoming	462	+161	+170	5	3,628	5.6	−42	+1,833	128	3,756

[1] Veterans' Readjustment Assistance Act of 1952. To avoid duplication excludes claims filed jointly with other programs.
[2] Based on average covered employment for 12 months, March 1957.

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

NOTE.—This table shows the number of initial claims filed during the week ended May 3, 1958, and insured unemployment for the week ended Apr. 26, 1958. For example: A total of 4,523 initial claims were filed in Alabama during the week ended May 3, 1958. This is 49 less than the number filed during the previous week but 1,485 more than the number filed during the comparable week a year ago.

TABLE 3.—*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	(4)	(4)	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	461	+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	+[illegible].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	+27.6	+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 January 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.

TABLE 4.—*Number of claimants exhausting benefit rights*[1] *by month, October 1957 to March 1958*

	October 1957	November 1957	December 1957	October to December 1957	January 1958	February 1958	March 1958	January–March 1958
Total	94,479	84,386	110,575	289,440	147,050	145,474	191,402	423,926
Region I:								
Connecticut	2,057	1,609	1,999	5,665	3,102	3,259	4,036	10,397
Maine	1,505	587	776	2,868	1,271	1,522	2,013	4,806
Massachusetts	3,946	3,744	4,420	12,110	5,589	5,397	7,473	18,459
New Hampshire	1,075	283	352	1,710	349	377	559	1,285
Rhode Island	1,491	1,446	1,923	4,860	2,410	2,222	2,673	7,305
Vermont	138	186	181	505	289	214	370	873
Region II:								
New Jersey	6,329	5,473	7,641	19,443	9,546	8,577	11,369	29,492
New York	7,338	6,785	7,788	21,911	10,228	8,851	10,655	29,734
Puerto Rico	19	19	26	64	55	33	27	115
Virgin Islands	0	0	0	0	0	0	1	1
Region III:								
Delaware	356	311	466	1,133	488	531	750	1,769
District of Columbia	480	505	547	1,542	713	665	791	2,169
Maryland	3,518	1,023	1,219	5,760	1,707	1,864	2,636	6,207
North Carolina	2,334	2,528	2,956	7,818	3,853	2,903	3,495	10,251
Pennsylvania	7,808	7,617	9,399	24,824	9,156	10,975	11,080	31,211
Virginia	2,136	1,588	2,037	5,761	2,260	3,075	4,682	10,017
West Virginia	648	729	950	2,327	1,317	1,386	1,792	4,495
Region IV:								
Alabama	2,149	2,114	2,923	7,186	3,382	3,598	4,585	11,565
Florida	4,831	2,691	1,967	9,489	2,537	2,247	2,852	7,636
Georgia	2,879	2,586	3,471	8,936	3,723	3,448	4,191	11,362
Mississippi	1,026	1,013	1,166	3,205	1,633	1,446	1,609	4,688
South Carolina	1,596	1,428	1,513	4,537	2,067	1,822	2,138	6,027
Tennessee	3,979	1,781	4,412	10,172	4,783	4,122	5,245	14,150
Region V:								
Kentucky	2,118	1,958	1,946	6,022	2,795	2,174	2,110	7,079
Michigan	5,075	4,796	5,778	15,649	9,102	11,796	16,133	37,031
Ohio	3,009	3,254	4,135	10,398	4,683	5,336	7,424	17,443

Region VI:								
Illinois	3,451	3,137	4,105	10,693	6,883	7,177	9,906	23,966
Indiana	3,440	3,323	5,264	12,027	7,213	6,391	11,426	25,030
Minnesota	936	1,179	2,065	4,180	2,063	1,627	1,903	5,593
Wisconsin[2]	2,424	2,596	3,408	8,428	5,646	6,442	7,681	19,769
Region VII:								
Iowa	579	540	905	2,024	1,366	1,442	2,781	5,589
Kansas	589	527	958	2,074	1,181	1,236	1,969	4,386
Missouri	1,647	1,632	1,742	5,021	2,806	2,347	2,911	8,064
Nebraska	315	328	545	1,188	685	687	957	2,329
North Dakota	45	82	352	479	353	115	224	692
South Dakota	68	88	232	388	292	268	535	1,095
Region VIII:								
Arkansas	864	1,133	1,413	3,410	1,535	1,496	2,033	5,064
Louisiana	1,014	853	1,076	2,943	1,473	1,134	2,694	5,301
Oklahoma	1,023	1,079	1,029	3,131	1,627	1,595	2,155	5,377
Texas	3,369	3,175	4,199	10,743	5,079	5,224	7,035	17,338
Region IX:								
Colorado	288	292	442	1,022	557	715	1,025	2,297
Montana	315	360	722	1,397	989	784	1,128	2,901
New Mexico	156	206	269	631	375	347	382	1,104
Utah	148	201	288	637	329	324	422	1,075
Wyoming	43	96	194	333	209	198	293	700
Region X:								
Arizona	276	269	335	880	490	453	591	1,534
California	4,219	4,915	7,855	16,989	8,895	8,231	10,343	27,469
Hawaii	153	753	172	478	191	181	238	610
Nevada	161	180	252	593	367	417	484	1,268
Region XI:								
Alaska	185	205	254	644	248	226	392	866
Idaho	143	173	291	607	698	1,041	1,439	3,178
Oregon	297	691	1,199	2,187	3,266	3,246	4,552	11,064
Washington	487	919	1,018	2,418	5,196	4,290	5,214	14,700

[1] Includes exhaustion under UCFE program.
[2] Wisconsin data are on a "per employee basis and therefore are not strictly comparable."
Source: U. S. Department of Labor; Bureau of Employment Security.

TABLE 5.—*Number of claimants exhausting benefit rights, average actual duration of benefits of exhaustees, and exhaustions as percent of 1st payments [1] by State, calendar years 1956 and 1957*

State	1956			1957		
	Number exhausting [2]	Average weeks of benefits	Exhaustion ratio	Number exhausting [2]	Average weeks of benefits	Exhaustion ratio
Total [3]	[4] 1,020,334	20.0	22.1	[4] 1,191,260	20.5	23.5
Alabama	20,135	17.5	35.4	27,297	17.6	41.2
Alaska	2,108	24.2	19.7	3,277	24.6	27.5
Arizona	3,126	18.3	20.0	3,491	18.7	19.8
Arkansas	11,583	16.2	32.6	16,334	16.4	35.9
California	41,467	21.7	12.2	60,179	22.5	14.8
Colorado	3,148	15.8	22.5	4,466	16.9	23.8
Connecticut	13,216	20.2	19.1	21,563	20.4	26.4
Delaware	2,481	16.8	26.3	4,898	18.1	28.0
District of Columbia	5,490	18.9	35.4	6,273	19.3	36.2
Florida	25,502	12.8	41.1	27,506	13.1	41.0
Georgia	26,238	18.8	34.5	33,304	18.9	35.6
Hawaii	2,535	20.0	19.5	1,980	20.0	17.5
Idaho	3,557	16.1	23.4	4,708	16.0	25.9
Illinois	46,590	18.4	19.9	59,913	19.1	25.5
Indiana	52,428	13.0	34.7	57,833	13.5	39.9
Iowa	10,918	12.8	34.4	12,349	12.7	33.8
Kansas	10,502	16.1	29.5	10,473	16.3	26.3
Kentucky	20,454	26.0	26.4	23,353	26.0	26.9
Louisiana	16,376	15.8	41.3	15,414	15.8	39.7
Maine	6,389	22.3	18.8	6,097	23.8	15.7
Maryland	15,041	15.7	19.2	12,420	20.4	13.5
Massachusetts	38,346	16.9	23.0	47,990	19.7	21.4
Michigan	88,010	19.4	25.3	73,921	18.9	23.7
Minnesota	14,149	22.1	21.1	15,865	22.1	22.4
Mississippi	10,969	17.4	28.5	14,393	20.0	29.8
Missouri	22,867	17.5	20.4	24,103	17.6	20.7
Montana	3,186	20.0	22.7	4,543	21.5	20.9

Nebraska	6,945	17.1	33.1	7,513	17.1	33.7
Nevada	2,700	18.9	20.6	2,503	19.6	20.6
New Hampshire	3,234	26.0	12.8	2,972	26.0	13.5
New Jersey	62,535	21.3	24.5	79,406	21.3	28.5
New Mexico	2,535	18.4	23.5	2,841	18.4	23.0
New York	70,174	26.0	11.2	80,057	26.0	12.1
North Carolina	23,818	25.2	17.7	32,787	25.2	19.2
North Dakota	1,910	20.0	25.2	1,870	20.0	21.5
Ohio	26,476	23.2	14.8	35,375	23.4	17.1
Oklahoma	13,543	15.8	39.9	15,861	16.3	38.1
Oregon	9,134	21.4	14.3	14,977	19.2	19.4
Pennsylvania	85,084	29.4	18.5	90,537	30.0	19.4
Rhode Island	15,353	14.6	31.0	20,483	15.5	32.2
South Carolina	15,575	18.4	34.9	18,655	18.7	35.7
South Dakota	2,263	13.4	35.9	2,634	13.4	37.1
Tennessee	37,699	21.4	35.6	42,596	21.4	37.6
Texas	33,694	15.5	35.7	46,040	15.5	39.1
Utah	2,865	20.5	18.2	3,368	20.6	21.4
Vermont	1,201	25.3	19.4	1,707	25.6	20.5
Virginia	21,216	11.8	34.3	22,187	13.3	35.7
Washington	22,725	21.4	21.7	22,271	20.9	19.6
West Virginia	6,907	22.9	13.9	8,318	23.2	16.1
Wisconsin [3]	33,659	(3)	40.3	39,497	(3)	40.6
Wyoming	1,949	13.0	26.3	2,371	13.2	30.7

[1] Exhaustions for calendar year as percent of 1st payments for 12-month period ending in September.
[2] Includes Federal employees (claimants exhausting benefits under the unemployment compensation program for Federal employees).
[3] Wisconsin data are based on a "per employer" basis and therefore are not strictly comparable.
[4] Includes 327 for Puerto Rico, calendar 1956, and 280 for calendar 1957; also includes 2 for Virgin Islands, calendar 1956 and 1 for calendar 1957 (Federal employees only).

NOTE.—This table shows the number of claimants who used up all their wage credits under State unemployment insurance laws during the calendar years 1956 and 1957. In addition, the table shows the average number of weeks of benefits received during the benefit year by these claimants during 1956 and 1957. Finally, the table shows the percentage that claimants exhausted wage credits represented of first payments. The latter figure approximates the proportion of beneficiaries who exhausted their wage credits during each of these years. For example: In Alabama a total of 20,135 claimants exhausted their wage credits in 1956. On the average, these claimants drew benefits for 17.5 weeks during the year. The 20,135 exhaustees represented approximately 35 percent of the total number of people who drew any benefits during the year.

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

TABLE 6.—*Number of claimants exhausting benefit rights by calendar quarter, 1949-January-March 1958*

Year	Total	January to March	April to June	July to September	October to December
1949	1, 934, 759	370, 998	438, 515	533, 991	591, 255
1950	1, 853, 336	730, 140	527, 984	342, 086	253, 125
1951	810, 580	272, 699	191, 869	174, 822	171, 190
1952	931, 362	300, 563	254, 377	210, 282	166, 140
1953	764, 420	214, 804	193, 290	165, 007	191, 319
1954	1, 768, 927	351, 104	469, 287	504, 966	443, 570
1955	1, 294, 272	473, 330	351, 882	268, 620	200, 440
1956	1, 020, 334	280, 707	273, 984	248, 209	217, 434
1957	1, 191, 260	314, 375	314, 128	273, 317	289, 440
1958	----------	483. 926	----------	----------	----------

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

TABLE 7

NUMBER OF CLAIMANTS EXHAUSTING BENEFIT RIGHTS

by calendar quarter

1949 - 1958

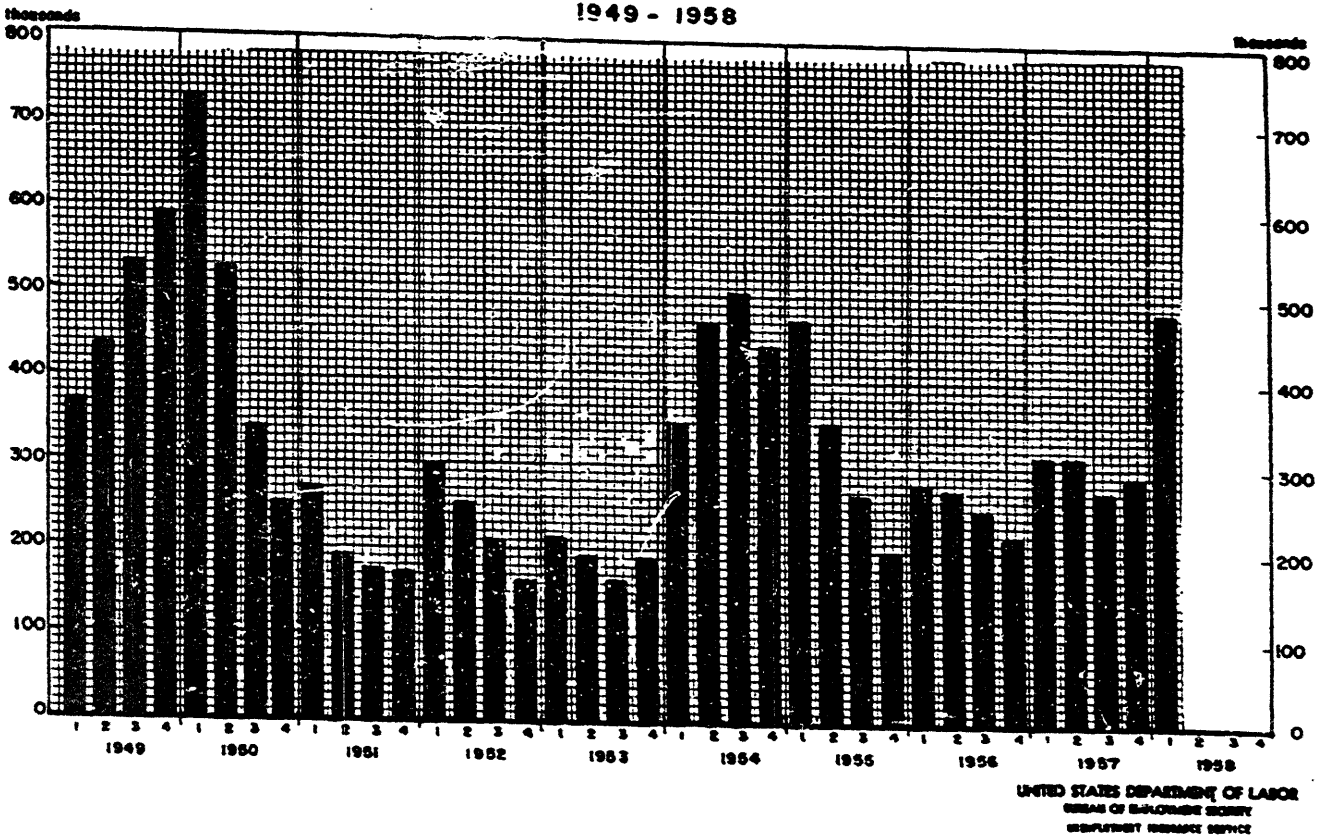

TABLE 8.—*Percentage distribution of exhaustees by weeks of benefits received October–December 1957—Variable duration States* [1]

State	Total		Less than 11 weeks	11 to 14 weeks	15 to 19 weeks	20 to 21 weeks	22 to 23 weeks	24 to 25 weeks	26 weeks and over
	Number	Percent							
Total, 35 States	182,522	100.0	7.9	17.7	24.8	12.3	7.2	5.1	25.0
Alabama	7,186	100.0	4.8	13.8	21.5	59.9			
Alaska	644	100.0			3.4	3.0	3.9	1.7	88.0
Arizona	880	100.0	3.9	27.0	24.0	6.6	11.9	4.3	22.3
Arkansas	3,410	100.0		18.9	81.1				
California	16,989	100.0		4.6	18.2	7.2	6.8	6.7	56.5
Colorado	1,022	100.0	13.2	16.0	24.3	5.3	6.9	3.9	30.4
Connecticut	5,665	100.0	4.3	11.6	16.8	8.3	4.7	4.7	49.6
Delaware	1,133	100.0		32.3	20.9	7.9	8.4	9.2	21.3
District of Columbia	1,542	100.0	2.4	20.9	19.8	17.3	4.7	3.1	31.8
Florida	9,489	100.0	18.0	37.6	44.4				
Idaho	607	100.0	25.7	40.1	21.9	6.4	3.8	2.1	
Illinois	10,693	100.0	5.8	30.2	28.7	9.1	7.6	6.0	12.6
Indiana	12,027	100.0	27.8	21.9	16.5	33.8			
Iowa	2,009	100.0	30.1	21.9	17.1	6.9	3.8	20.2	
Kansas	2,074	100.0	11.0	15.6	19.9	53.5			
Louisiana	2,943	100.0	6.6	26.9	23.8	42.7			
Massachusetts	12,110	100.0	4.2	13.6	23.4	7.9	6.8	6.8	37.3
Michigan	15,649	100.0	6.9	18.5	23.2	7.7	5.5	4.0	34.2
Minnesota	4,181	100.0			18.8	21.5	18.5	14.9	26.3
Missouri	5,021	100.0	11.6	19.7	20.8	6.0	4.7	37.1	.1
Nebraska	1,188	100.0	2.9	15.4	20.0	61.7			
Nevada	593	100.0		21.1	24.6	6.9	6.1	4.9	36.4
New Jersey	19,443	100.0		12.0	21.8	6.2	7.4	5.2	47.4
New Mexico	631	100.0	3.2	17.1	28.5	9.7	6.3	35.2	
Ohio	10,398	100.0	4.7	1.5	4.3	4.3	5.1	4.7	75.4
Oklahoma	3,131	100.0	15.6	21.6	19.3	6.0	5.7	5.7	26.1
Oregon	2,187	100.0		17.8	61.0	11.5	7.7	2.0	
Rhode Island	4,860	100.0	16.5	25.5	25.3	7.1	4.3	3.6	17.7

South Carolina	4,537	100.0	1.1	19.3	20.5	6.0	53.1		
South Dakota	388	100.0	19.1	21.6	30.9	28.4			
Texas	10,743	100.0	12.6	23.6	25.9	9.8	24.2	3.9	
Utah	637	100.0			34.6	19.9	12.1	9.1	24.3
Virginia	5,761	100.0	20.4	23.2	56.4				
Washington	2,418	100.0		50.0	41.5	4.8	2.4	1.2	.1
Wyoming	333	100.0	21.9	22.5	24.1	5.4	8.4	7.2	10.5

[1] Excludes Wisconsin, comparable data not available; excludes 15 other States which provided the same number of weeks of benefits for all claimants (uniform duration). See Part V.

NOTE.—In some States all eligible claimants are entitled to the same number of weeks benefits. In the larger number of States, however, each claimant's entitlement depends upon his own base period, employment or wages, experience i. e., those who have worked longer or who have earned more wages are entitled to longer weeks of benefits when they are unemployed. This table shows for those States where the duration is variable, the distribution of claimants who have exhausted their wage credits by the number of weeks of benefits actually received. For example: In Alabama a total of 7,186 claimants exhausted their wage credits during October–December 1957. Of this number, 4.8 percent received benefits for less than 11 weeks, 13.5 percent received benefits for 11 to 14 weeks, while almost 60 percent received benefits for 20 to 21 weeks.

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

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TABLE 9.—*Minimum and maximum weekly benefit amount and maximum annual benefits payable under State unemployment insurance laws, as of May 1, 1958*

State	Weekly benefit amount, total unemployment [1]		Maximum annual benefits		
	Minimum	Maximum	Basic	Including dependents' allowances	Extended duration
Alabama	$6	$28	$560		
Alaska	$10– 15	$45– 70	1,170	$1,820	
Arizona [2]	10	35	910		
Arkansas	7	26	468		
California	10	40	1,040		
Colorado	14	[3] 35– 44	910		[3] $1,144
Connecticut	10– 14	40– 60	1,040	1,560	[4] $1,560– 2,340
Delaware	7	40	1,040		
District of Columbia	8– 9	30	780	780	
Florida	10	30	480		
Georgia	7	30	600		[5] 660
Hawaii	5	35	700		
Idaho	15	40	1,040		
Illinois	10	30– 45	780	1,170	
Indiana	10	33	660		
Iowa	5	30	720		
Kansas	5	34	680		
Kentucky	10	34	884		
Louisiana	5	25	500		
Maine	7	33	858		
Maryland	10– 12	35– 43	910	1,118	
Massachusetts	10– 14	35– [6]	910	[6]	
Michigan	10– 12	30– 55	780	1,430	
Minnesota	12	38	988		
Mississippi	3	30	600		
Missouri	8	33	858		
Montana	10	32	704		
Nebraska	10	32	640		
Nevada	8– 12	37.50– 57.50	975	1,495	

New Hampshire	9	32	832		
New Jersey	10	35	910		
New Mexico	10	30	720		
New York	10	45	1, 170		
North Carolina	11	32	832		
North Dakota	7– 10	26– 35	520	700	
Ohio	10– 13	33– 39	858	1, 014	
Oklahoma	10	28	728		
Oregon	15	40	1, 040		
Pennsylvania	10	35	1, 050		
Rhode Island	10	30	780		
South Carolina	8	26	572		
South Dakota	12	28	560		
Tennessee	8	30	660		
Texas	7	28	762		
Utah	10	37	962		
Vermont	10	28	728		
Virginia	8	28	504		
Washington	17	35	910		
West Virginia	10	30	720		
Wisconsin	11	38	1, 007		
Wyoming	10– 13	41– 47	1, 066	1, 222	

[1] When 2 figures are given, the higher amount shown includes dependents' allowances except in Colorado and Georgia.
[2] Effective July 1, 1958.
[3] Includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received; duration for all such claimants is increased to 26 weeks.
[4] Includes maximum temporary extended benefits, without dependents and with maximum number of dependents, for claimants who did not receive benefits during preceding year.
[5] Applicable only to claimants whose base-period wages are equal to approximately 4 times their high-quarter wages.
[6] Maximum benefit including maximum dependents' allowances not shown since any figure presented would have to be based on an assumed maximum number of dependent children. A $4 allowance is added for each child up to a maximum which must not exceed the claimant's average weekly wage.

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

TABLE 10.—*Maximum basic weekly benefit amount as of December 1957 as percent of average weekly wages in covered employment in 1956 and average weekly benefit amount,[1] January–March 1958*

	Maximum basic [2] weekly benefit amount as of December 1957	Average weekly wages, 1956	Maximum basic weekly benefit amount as percent of weekly wages	Average weekly benefit amount, January–March 1958
Total	----------	$81.16	----------	$30.38
Alabama	$28.00	65.07	43.0	23.06
Alaska	[3] 45.00	137.90	32.6	36.99
Arizona	[4] 30.00	81.32	[4] 36.9	27.11
Arkansas	26.00	55.27	47.0	20.57
California	40.00	89.54	44.7	33.08
Colorado	35.00	79.62	44.0	31.84
Connecticut	40.00	85.71	46.7	35.25
Delaware	[4] 35.00	90.37	[4] 38.7	30.42
District of Columbia	30.00	77.41	38.8	26.59
Florida	30.00	67.42	44.5	24.37
Georgia	30.00	62.77	47.8	23.71
Hawaii	35.00	61.58	56.8	27.01
Idaho	40.00	72.83	54.9	35.28
Illinois	30.00	90.32	33.2	31.52
Indiana	33.00	84.90	38.9	29.34
Iowa	30.00	74.03	40.5	26.75
Kansas	34.00	76.05	44.7	28.85
Kentucky	[4] 32.00	71.34	[4] 44.9	25.10
Louisiana	25.00	71.75	34.8	23.21
Maine	33.00	66.39	49.7	23.24
Maryland	35.00	73.99	47.3	31.42
Massachusetts	35.00	74.57	46.9	32.12
Michigan	30.00	97.26	30.8	36.43
Minnesota	38.00	79.28	47.9	29.08
Mississippi	30.00	55.16	54.4	21.31
Missouri	33.00	77.86	42.4	27.13
Montana	32.00	75.33	42.5	27.87
Nebraska	32.00	70.48	45.4	28.17

Nevada	37.50	86.15	43.5	38.78
New Hampshire	32.00	66.87	47.9	24.78
New Jersey	35.00	87.24	40.1	32.66
New Mexico	30.00	73.78	40.7	25.84
New York	[4] 36.00	88.50	[4] 40.7	[5] 31.45
North Carolina	32.00	59.65	53.6	20.13
North Dakota	26.00	68.16	38.1	27.71
Ohio	33.00	88.92	37.1	33.34
Oklahoma	28.00	75.74	37.0	25.27
Oregon	40.00	83.54	47.9	34.86
Pennsylvania	35.00	78.32	44.7	30.24
Rhode Island	30.00	69.65	43.1	27.75
South Carolina	26.00	58.14	44.7	21.82
South Dakota	28.00	66.98	41.8	25.90
Tennessee	30.00	66.29	45.3	23.81
Texas	28.00	75.32	37.2	24.33
Utah	[6] 37.00	73.89	50.1	31.64
Vermont	28.00	68.09	41.1	24.70
Virginia	28.00	66.22	42.3	23.46
Washington	35.00	84.08	41.6	30.41
West Virginia	30.00	81.75	36.7	24.29
Wisconsin	38.00	83.37	45.6	32.77
Wyoming	[6] 41.00	74.27	55.2	35.26

[1] Average weekly benefit for weeks of total unemployment (includes payments made under unemployment compensation program for Federal employees).

[2] Excludes dependents' allowances.

[3] $25 for interstate claimants.

[4] Higher maximums enacted since December 1957 are $35 in Arizona, $40 in Delaware, $34 in Kentucky, and $45 in New York equaling a percent of average weekly wages in these States of 42.0, 41.3, 47.7, and 50.8, respectively.

[5] Average does not reflect increase in New York's maximum weekly benefit amount effective retroactively with benefit years which began after June 30, 1957.

[6] Maximum weekly benefit determined annually on July 1 at a specified percentage of the average weekly wage of covered workers in preceding year.

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

NOTE.—This table shows the maximum weekly benefit amount (excluding allowance for dependents) as of December 1957 and the ratio of these maximums to the average weekly wages in covered employment in each State. In Alabama, for example, the maximum weekly benefit amount is $28. This amount is equal to 43 percent of the average weekly wages in covered employment in that State. The table also shows the average weekly benefit amount during the first calendar quarter of 1958. Thus, in Alabama benefits paid during that quarter averaged $23.06.

TABLE 11.—*Percentage of insured claimants[1] eligible for the maximum basic weekly benefit amount,[2] 4th quarters 1956 and 1957*

State	Percent eligible for maximum		Maximum weekly benefit amount[2]	
	4th quarter, 1956	4th quarter, 1957	4th quarter, 1956	4th quarter, 1957
Average, 50 States[3]	50.6	54.4		
Alabama	43.0	57.2	$25	$28.00
Alaska	49.7	58.5	45	45.00
Arizona	66.2	71.6	30	[4] 30.00
Arkansas	31.8	37.1	26	26.00
California	61.4	45.2	33	40.00
Colorado	69.7	66.1	28	35.00
Connecticut	40.2	42.4	35	40.00
Delaware	62.2	57.0	35	[4] 35.00
District of Columbia	55.4	59.3	30	30.00
Florida	43.2	47.0	26	30.00
Georgia	32.8	43.7	30	30.00
Hawaii	27.3	30.7	35	35.00
Idaho	75.9	59.3	30	40.00
Illinois	86.7	84.4	28	30.00
Indiana	67.6	66.9	30	33.00
Iowa	71.0	75.7	30	30.00
Kansas	59.8	58.5	32	34.00
Kentucky	36.3	41.0	32	[4] 32.00
Louisiana	72.6	80.4	25	25.00
Maine	26.9	32.9	30	33.00
Maryland	47.9	56.7	30	35.00
Massachusetts	23.0	28.0	35	35.00
Michigan	[5]	[5]	30	30.00
Minnesota	40.1	50.3	33	38.00
Mississippi	18.4	21.4	30	30.00
Missouri	63.0	56.5	25	33.00
Montana	64.0	58.8	26	32.00
Nebraska	69.0	59.9	28	32.00

Nevada	74.4	66.9	30	37.50
New Hampshire	44.5	48.1	32	32.00
New Jersey	58.0	67.4	35	35.00
New Mexico	49.1	59.3	30	30.00
New York	42.6	[5] 48.1	36	[4] 36.00
North Carolina	12.2	13.7	30	32.00
North Dakota	70.2	74.9	26	26.00
Ohio	65.6	78.6	33	33.00
Oklahoma	68.3	71.5	28	28.00
Oregon	72.4	61.8	35	40.00
Pennsylvania	41.2	56.4	35	35.00
Rhode Island	68.6	74.9	30	30.00
South Carolina	49.6	36.7	26	26.00
South Dakota	73.2	71.7	25	28.00
Tennessee	29.4	41.6	30	30.00
Texas	47.0	61.8	28	28.00
Utah	53.6	61.1	35	37.00
Vermont	43.1	55.1	28	28.00
Virginia	43.2	49.1	28	28.00
Washington	47.2	51.6	35	35.00
West Virginia	39.9	56.1	30	30.00
Wisconsin	[6] 48.5	[6] 46.7	36	38.00
Wyoming	61.5	46.7	30	41.00

[1] Includes Federal employees (claimants filing for benefits under the unemployment compensation program for Federal employees).
[2] Excludes dependents' allowances.
[3] Excludes Michigan, comparable data not available.
[4] Higher maximums enacted since Dec. 31, 1957, are $35 in Arizona, $40 in Delaware, $34 in Kentucky, and $45 in New York.
[5] Data do not reflect the higher maximum of $45 which became effective retroactively with benefit years begun after June 30, 1957.
[6] Represents data on a "per employer" basis and is not strictly comparable.

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

TABLE 12.—*Unemployment insurance tax base and tax rate provisions under State laws as of Jan. 1, 1958, and actual tax rates in 1957*

	Tax base	Employer tax rates (in percent of tax base)					1957 employee tax rates (in percent of tax base)
		Current statutory		1957 actual			
		Minimum	Maximum	Minimum	Maximum	Average	
Alabama	$3,000	0.5	2.7	0.5	2.7	1.1	0.3
Alaska	[1] 4,200	2.7	2.7	2.7	2.7	2.7	.5
Arizona	3,000	.25	2.7	.45	2.7	1.3	None
Arkansas	3,000	.1	2.7	.1	2.7	1.1	None
California	3,000	0	2.7	0	2.7	1.4	None
Colorado	3,000	0	2.7	0	2.7	.5	None
Connecticut	3,000	.25	2.7	.5	2.7	1.2	None
Delaware	[1] 3,600	.1	3.0	.1	3.0	.8	None
District of Columbia	3,000	.1	2.7	.1	2.7	.7	None
Florida	3,000	0	2.9	0	2.7	.7	None
Georgia	3,000	.25	2.7	.25	2.7	1.2	None
Hawaii	3,000	0	2.7	0	2.7	1.0	None
Idaho	3,000	.3	2.7	.3	2.7	1.3	None
Illinois	3,000	.25	3.25	.25	3.25	1.0	None
Indiana	3,000	.1	2.7	.1	2.7	1.0	None
Iowa	3,000	0	2.7	0	2.7	.5	None
Kansas	3,000	0	2.7	0	2.7	1.0	None
Kentucky	3,000	0	3.7	0	3.7	2.0	None
Louisiana	3,000	.1	2.7	.3	2.7	1.4	None
Maine	3,000	.5	2.7	.5	2.7	1.6	None
Maryland	3,000	.2	2.7	.3	2.7	1.0	None
Massachusetts	3,000	.5	2.7	.5	2.7	1.6	None
Michigan	3,000	0	4.5	1.0	4.5	2.0	None
Minnesota	3,000	.1	3.0	.1	2.7	1.0	None
Mississippi	3,000	.9	2.7	1.5	2.7	1.7	None
Missouri	3,000	0	3.2	0	3.6	1.0	None
Montana	3,000	.5	2.7	.5	2.7	1.3	None
Nebraska	3,000	.1	2.7	.1	2.7	.9	None

Nevada	[1] 3,600	.1	2.7	.1	2.7	2.0	None
New Hampshire	3,000	.5	2.7	.5	2.7	1.6	None
New Jersey	3,000	.3	3.6	.3	3.0	1.7	.25
New Mexico	3,000	.1	2.7	.1	2.7	1.2	None
New York	3,000	0	3.7	.8	3.0	1.7	None
North Carolina	3,000	.1	3.7	.2	2.7	1.4	None
North Dakota	3,000	.1	2.7	.1	2.7	1.4	None
Ohio	3,000	.1	3.2	.1	2.7	.7	None
Oklahoma	3,000	.2	2.7	.2	2.7	1.0	None
Oregon	[1] 3,600	.6	2.7	.3	3.0	1.4	None
Pennsylvania	3,000	.5	2.7	.8	2.7	1.5	None
Rhode Island	[1] 3,600	1.3	2.7	2.7	2.7	2.7	None
South Carolina	3,000	.25	2.7	.25	2.7	1.1	None
South Dakota	3,000	0	2.7	0	2.7	.9	None
Tennessee	3,000	.5	3.0	.75	3.0	1.7	None
Texas	3,000	.1	2.7	.1	2.7	.7	None
Utah	3,000	[2]	2.7	1.0	2.7	1.3	None
Vermont	3,000	.2	2.7	.6	2.7	1.3	None
Virginia	3,000	.1	2.7	.1	2.7	.5	None
Washington	3,000	[3]	2.7	1.94	2.7	2.3	None
West Virginia	3,000	0	2.7	0	2.7	1.0	None
Wisconsin	3,000	0	4.0	0	4.0	1.1	None
Wyoming	3,000	0	2.7	.1	2.7	1.1	None

[1] Effective Jan. 1, 1955, in Nevada; Jan. 1, 1955, in Delaware; Jan. 1, 1956, in Rhode Island and Oregon; and Jan. 1, 1957, in Alaska. Alaska had a $3,600 base in 1955–56.

[2] No rate schedules in law; rates determined by distribution of surplus, in specified proportions, to employers in the 1st 9 of the 10 experience classes set forth in law.

[3] No rate classes; contributions are reduced by credit certificate. If the credit certificate equals or exceeds an employer's contribution for the next year he has, in effect, a zero rate.

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

TABLE 13.—*Unemployment insurance income, outgo, and reserves, calendar year 1957*

[Amounts in thousands]

State	Reserves Jan. 1, 1957	Contributions collected [1]	Interest credited	Benefits paid	Reserves Dec. 31, 1957 [2]
United States	$8,573,571	$1,544,338	$220,398	$1,733,874	$8,662,101
Alabama	83,820	19,214	2,231	17,742	88,368
Alaska	698	4,908	1	6,785	[3] 1,550
Arizona	54,099	7,737	1,449	4,729	58,718
Arkansas	46,012	6,797	1,147	9,567	44,727
California	964,449	155,247	25,165	151,903	998,922
Colorado	74,230	6,308	1,933	6,088	76,903
Connecticut	245,840	27,151	6,356	32,250	248,478
Delaware	17,169	2,713	404	5,470	15,088
District of Columbia	56,939	4,508	1,480	4,611	58,698
Florida	88,491	15,462	2,378	13,860	93,621
Georgia	149,407	22,307	3,869	24,691	151,888
Hawaii	22,496	2,852	585	2,774	23,077
Idaho	37,676	4,004	939	5,948	36,570
Illinois	480,265	83,048	12,491	80,307	500,574
Indiana	212,784	33,977	5,453	39,027	212,176
Iowa	111,189	8,580	2,857	9,412	113,948
Kansas	83,143	10,959	2,150	10,782	86,088
Kentucky	124,393	24,964	3,117	30,994	121,045
Louisiana	138,145	21,750	3,714	11,624	152,871
Maine	45,826	8,464	1,185	9,784	45,537
Maryland	117,973	19,035	3,039	24,486	116,642
Massachusetts	316,958	65,297	8,071	75,132	317,790
Michigan	300,023	115,914	7,756	132,317	295,025
Minnesota	119,103	16,227	2,948	24,638	113,438
Mississippi	36,077	9,086	889	11,808	34,602
Missouri	217,618	26,345	5,696	24,753	226,562
Montana	46,184	4,042	1,144	7,665	43,816
Nebraska	39,480	5,169	995	6,219	39,766
Nevada	19,335	4,628	499	4,870	19,720

New Hampshire	23,281	6,151	613	5,265	24,999
New Jersey	459,766	89,151	11,436	123,410	439,803
New Mexico	38,100	4,731	1,006	3,430	40,643
New York	1,305,825	254,626	33,885	246,947	1,355,730
North Carolina	179,134	30,519	4,613	33,390	182,207
North Dakota	10,107	2,662	243	2,893	10,223
Ohio	629,758	55,651	16,015	85,365	618,636
Oklahoma	53,714	9,939	1,362	11,790	53,868
Oregon	54,663	16,975	1,197	31,712	41,894
Pennsylvania	383,862	143,779	9,315	195,392	346,771
Rhode Island	31,199	18,603	788	19,647	31,390
South Carolina	73,530	11,890	1,900	12,908	75,013
South Dakota	13,615	1,723	350	1,619	14,179
Tennessee	95,004	28,925	2,265	35,286	91,572
Texas	293,835	31,922	7,682	31,189	301,247
Utah	38,424	5,884	1,000	5,009	40,420
Vermont	16,612	2,591	433	2,829	16,928
Virginia	91,332	10,215	2,368	12,038	92,894
Washington	198,350	39,775	5,215	40,077	204,348
West Virginia	64,533	12,648	1,701	11,925	67,625
Wisconsin	252,981	27,425	6,566	29,300	259,172
Wyoming	16,125	1,861	406	2,219	16,276

[1] Includes contributions and penalties from employers, and both employer and employee contributions in 3 States (Alabama, New Jersey, and Alaska which tax workers.

[2] Includes funds credited to State accounts on July 1, 1957, under provisions of Employment Security Administration Financing Act of 1954.

[3] Includes $2,630,000 loan received in January 1957.

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

TABLE 14.—*Unemployment insurance benefits paid by States, January–March 1958 and January–March 1957* [1]

	1st quarter 1958 [1]	1st quarter 1957
United States	$983, 983, 142	$500, 272, 728
Alabama	9, 525, 688	4, 375, 369
Alaska	3, 673, 351	2, 635, 772
Arizona	2, 508, 717	1, 285, 982
Arkansas	4, 152, 680	3, 377, 698
California	101, 943, 057	42, 994, 249
Colorado	4, 446, 877	1, 768, 486
Connecticut	24, 380, 094	8, 440, 676
Delaware	2, 404, 396	1, 726, 970
District of Columbia	1, 949, 209	1, 366, 240
Florida	5, 012, 404	1, 894, 457
Georgia	10, 381, 072	6, 087, 945
Hawaii	1, 104, 040	901, 976
Idaho	4, 493, 350	2, 605, 363
Illinois	53, 748, 204	23, 824, 145
Indiana	25, 370, 895	11, 897, 402
Iowa	5, 603, 851	3, 822, 138
Kansas	6, 044, 863	3, 941, 306
Kentucky	12, 623, 602	8, 840, 527
Louisiana	5, 817, 747	3, 599, 562
Maine	5, 723, 478	2, 410, 040
Maryland	18, 031, 548	4, 914, 200
Massachusetts	39, 596, 535	23, 572, 265
Michigan	82, 692, 372	28, 623, 345
Minnesota	16, 807, 252	9, 839, 254
Mississippi	4, 827, 044	3, 524, 443
Missouri	$15, 312, 696	$7, 582, 739
Montana	5, 735, 730	2, 579, 159
Nebraska	3, 449, 266	2, 804, 039
Nevada	3, 233, 465	1, 568, 806
New Hampshire	2, 678, 389	1, 541, 255
New Jersey	56. 825. 868	34, 617, 219
New Mexico	1. 620. 771	1, 126. 913
New York	123. 904. 253	74. 146. 102
North Carolina	14. 720. 060	8. 980. 061
North Dakota	2. 688. 510	1, 705, 695
Ohio	66, 646. 516	22. 415. 278
Oklahoma	5, 536. 943	3, 687, 206
Oregon	18. 270. 547	12, 107. 945
Pennsylvania	101. 981, 959	53, 044. 038
Rhode Island	8. 233. 275	5. 667. 329
South Carolina	4. 711. 174	3. 351. 181
South Dakota	1, 032, 616	941. 314
Tennessee	15. 221. 740	10. 446. 619
Texas	16. 737. 902	8. 408. 216
Utah	3. 632. 117	2, 156. 394
Vermont	1. 851. 260	713, 679
Virginia	7. 291. 460	3. 162. 580
Washington	21. 586. 855	15. 878. 934
West Virginia	9. 941. 206	3. 056. 529
Wisconsin	17. 334. 509	9. 230. 513
Wyoming	1. 541. 729	1. 083. 175

[1] A State eligible for an advance from the Federal unemployment account (for conditions of eligibility see footnote 1 on table 15) may borrow an amount not in excess of the amount of benefits paid in that one quarter out of the last 4 completed calendar quarters in which this cost was the highest.

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

TABLE 15.—*Unemployment insurance reserves in dollars and as multiples of benefits paid during 12-month period ended on date shown (Jan. 31, Feb. 28, Mar. 31, 1958, and Mar. 31, 1957)* [1]

	Jan. 31, 1958		Feb. 28, 1958		Mar. 31, 1958		Mar. 31, 1957	
	Amount	Multiple	Amount	Multiple	Amount	Multiple [2]	Amount	Multiple [2]
United States	*Thousands* $8,433,804	4.5	*Thousands* $8,261,195	4.1	*Thousands* $7,955,205	3.6	*Thousands* $8,573,271	5.7
Alabama	86,513	4.5	84,979	4.1	82,094	3.6	83,444	6.0
Alaska	562	.1	2,429	.3	1,188	.2	1,397	.3
Arizona	58,389	11.5	58,465	10.8	57,680	9.7	54,426	14.9
Arkansas	44,096	4.5	43,388	4.3	42,271	4.1	44,318	5.7
California	970,638	5.7	956,629	5.1	925,852	4.4	953,631	8.1
Colorado	76,029	11.2	75,251	9.7	74,197	8.5	74,167	19.5
Connecticut	243,775	6.8	236,490	5.7	228,855	4.8	242,520	10.9
Delaware	14,619	2.6	14,016	2.4	13,212	2.1	16,074	4.1
District of Columbia	58,402	12.3	58,288	11.8	57,943	11.2	56,746	14.5
Florida	92,779	6.3	92,964	5.9	91,723	5.4	90,616	7.9
Georgia	150,119	5.8	149,153	5.5	146,520	5.1	148,505	7.8
Hawaii	23,032	8.4	22,838	8.2	22,676	7.6	22,179	7.7
Idaho	35,263	5.2	34,073	4.6	32,943	4.2	35,982	8.0
Illinois	487,528	5.6	478,379	4.9	461,016	4.2	472,620	6.9
Indiana	206,946	4.9	201,445	4.4	192,830	3.7	207,534	5.3
Iowa	112,821	11.6	111,509	10.7	110,507	9.9	109,667	13.0
Kansas	85,350	7.6	84,020	7.1	82,240	6.4	81,481	8.6
Kentucky	119,042	3.7	116,670	3.5	112,933	3.2	119,881	4.5
Louisiana	152,449	12.5	153,674	12.4	152,044	11.0	138,926	13.0
Maine	44,510	4.1	43,049	3.6	41,376	3.2	45,191	6.7
Maryland	111,516	3.9	107,426	3.3	101,989	2.7	116,780	6.2
Massachusetts	306,793	3.8	300,739	3.5	289,624	3.2	306,391	5.6
Michigan	278,058	1.9	257,779	1.6	225,812	1.2	283,680	1.9
Minnesota	109,838	4.2	108,787	3.9	103,089	3.3	115,482	5.4
Mississippi	33,952	2.8	33,364	2.7	31,885	2.4	34,102	3.7
Missouri	225,448	8.4	221,063	7.6	216,973	6.7	215,956	9.7

See footnotes at end of table.

TABLE 15.—*Unemployment insurance reserves in dollars and as multiples of benefits paid during 12-month period ended on date shown (Jan. 31, Feb. 28, Mar. 31, 1958, and Mar. 31, 1957)*[1]—Continued

	Jan. 31, 1958		Feb. 28, 1958		Mar. 31, 1958		Mar. 31, 1957	
	Amount	Multiple	Amount	Multiple	Amount	Multiple	Amount	Multiple
	Thousands		*Thousands*		*Thousands*		*Thousands*	
Montana	$42,250	4.8	$40,684	4.2	$38,789	3.6	$44,601	10.5
Nebraska	39,167	6.2	38,750	6.0	37,666	5.5	37,897	6.5
Nevada	19,026	3.5	18,343	3.1	17,359	2.7	18,607	4.2
New Hampshire	24,488	4.4	24,255	4.1	23,463	3.7	22,948	4.0
New Jersey	423,493	3.3	414,131	3.0	397,853	2.7	442,495	4.3
New Mexico	40,573	11.2	40,501	10.8	40,202	10.2	38,068	14.2
New York	1,325,783	5.1	1,313,975	4.8	1,277,743	4.3	1,273,897	5.8
North Carolina	179,268	5.1	178,293	4.8	174,571	4.5	177,105	6.4
North Dakota	9,871	3.3	9,386	3.0	8,687	2.7	8,953	3.2
Ohio	601,841	6.2	584,920	5.3	563,118	4.3	619,592	9.6
Oklahoma	53,102	4.4	52,328	4.1	50,455	3.7	52,240	5.4
Oregon	36,393	1.1	31,799	.9	26,465	.7	45,723	2.0
Pennsylvania	317,747	1.5	298,032	1.3	263,340	1.1	358,608	2.2
Rhode Island	30,148	1.5	29,137	1.4	26,599	1.2	29,213	1.9
South Carolina	74,394	5.6	74,077	5.4	73,067	5.1	73,183	6.4
South Dakota	14,078	8.5	13,882	8.3	13,584	7.9	13,134	8.7
Tennessee	88,451	2.4	86,790	2.3	81,587	2.0	90,186	2.9
Texas	297,238	9.0	294,769	8.2	290,567	7.4	292,945	12.0
Utah	40,231	7.5	38,985	6.6	37,967	5.9	37,311	8.8
Vermont	16,548	5.1	16,093	4.5	15,578	3.9	16,445	9.1
Virginia	91,398	7.0	90,167	6.2	88,097	5.4	91,294	9.9
Washington	200,375	4.7	193,567	4.4	188,274	4.1	189,524	5.5
West Virginia	65,633	4.8	63,547	4.0	60,029	3.2	63,964	7.1
Wisconsin	257,771	8.2	252,234	7.4	245,632	6.6	250,152	9.7
Wyoming	16,071	6.9	15,682	6.3	15,200	5.7	15,492	8.1

[1] A State whose unemployment insurance reserve at the end of any calendar quarter falls below the sum total of benefit costs for the 12-month period ended on that day becomes eligible for an advance from the Federal unemployment account.
[2] A multiple of 1.0 or less indicates eligibility for an advance from the Federal unemployment account.

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

TABLE 16.—*Unemployment insurance benefit and reserve measures, calendar year 1957*

State	Amount of benefits paid for each $1 collected	Ratio of—	
		Benefits to taxable wages [1]	Reserves to taxable wages [1]
		Percent	*Percent*
United States	$1.12	1.5	7.6
Alabama	.92	1.3	6.4
Alaska	1.38	4.4	[2] 1.0
Arizona	.61	.8	10.5
Arkansas	1.41	1.6	7.7
California	.98	1.4	8.9
Colorado	.97	.7	8.8
Connecticut	1.19	1.4	10.9
Delaware	2.02	1.3	3.6
District of Columbia	1.02	.8	9.6
Florida	.90	.7	4.5
Georgia	1.11	1.4	8.4
Hawaii	.97	1.0	8.4
Idaho	1.49	2.0	12.3
Illinois	.97	1.0	6.2
Indiana	1.15	1.2	6.5
Iowa	1.10	.8	9.8
Kansas	.98	1.1	8.8
Kentucky	1.24	2.6	10.0
Louisiana	.53	.8	10.0
Maine	1.16	1.8	8.6
Maryland	1.29	1.3	6.2
Massachusetts	1.15	1.8	7.7
Michigan	1.14	2.2	5.0
Minnesota	1.52	1.4	6.3
Mississippi	1.30	2.1	6.0
Missouri	$0.94	0.9	8.6
Montana	1.90	2.3	13.4
Nebraska	1.20	1.1	7.2
Nevada	1.05	2.1	8.5
New Hampshire	.86	1.4	6.5
New Jersey	1.38	2.7	9.6
New Mexico	.73	.9	10.3
New York	.97	1.7	9.4
North Carolina	1.09	1.6	8.7
North Dakota	1.09	1.8	6.3
Ohio	1.53	1.1	8.1
Oklahoma	1.19	1.2	5.4
Oregon	1.87	2.7	3.5
Pennsylvania	1.36	2.2	3.9
Rhode Island	1.06	2.8	4.5
South Carolina	1.09	1.3	7.7
South Dakota	.94	.9	8.2
Tennessee	1.22	2.2	5.6
Texas	.98	.7	6.3
Utah	.85	1.1	8.9
Vermont	1.09	1.4	8.7
Virginia	1.18	.7	5.3
Washington	1.01	2.2	11.4
West Virginia	.94	1.1	6.2
Wisconsin	1.07	1.2	10.8
Wyoming	1.19	1.3	9.7

[1] Based on taxable wages for 12 months ended June 30, 1957.
[2] The reserve on which this ratio is based includes the amount borrowed and not repaid.

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

TABLE 17.—*Significant unemployment insurance financial measures for the period 1948–57*

State	Costs in percent of taxable payrolls		Reserve ratio (ratio of benefits to taxable wages) as a multiple of		Average annual employer tax rate 1948–57 (State unemployment insurance tax as percent of taxable payrolls)
	Average annual cost rate 1948–57	Highest annual cost rate [1] 1948–57	Average annual cost rate during 1948–57	Highest annual cost rate since 1948	
United States	1.4	*2.3	5.4	3.3	1.3
Alabama	1.3	*2.3	5.0	2.7	1.1
Alaska	3.5	6.5	[2].3	[2].2	2.4
Arizona	.8	*1.5	13.3	6.9	1.4
Arkansas	1.3	1.8	5.8	4.3	1.3
California	1.7	*4.0	5.1	2.2	1.8
Colorado	.5	.9	18.0	10.4	.7
Connecticut	1.2	*3.2	8.7	3.4	1.2
Delaware	.7	****1.3	5.1	2.8	.6
District of Columbia	.6	.8	15.7	12.0	.6
Florida	.8	*1.4	5.7	3.3	.8
Georgia	1.0	1.7	8.4	5.0	1.2
Hawaii	1.2	*2.2	6.8	3.9	1.0
Idaho	1.4	2.1	8.8	6.0	1.8
Illinois	1.1	1.9	5.4	3.2	.9
Indiana	1.0	2.2	6.8	2.9	.9
Iowa	.6	1.0	16.1	10.3	.7
Kansas	.9	1.4	9.7	6.2	1.1
Kentucky	1.9	3.8	5.3	2.6	1.7
Louisiana	1.2	**2.0	8.3	5.0	1.5
Maine	1.8	*3.1	4.9	2.8	1.6
Maryland	1.2	*2.5	5.2	2.5	1.0
Massachusetts	1.8	*3.7	4.3	2.1	2.0
Michigan	1.6	2.8	3.2	1.8	1.5
Minnesota	1.1	1.7	6.0	3.7	.9
Mississippi	1.6	2.5	3.6	2.4	1.4
Missouri	.9	1.6	9.1	5.3	1.0

Montana	1.2	****2.3	11.6	5.8	1.5
Nebraska	.7	****1.1	10.1	6.5	.7
Nevada	1.6	**2.4	5.3	3.5	1.8
New Hampshire	2.0	*4.0	3.2	1.6	1.7
New Jersey	2.0	2.9	4.8	3.3	1.5
New Mexico	.8	1.6	13.0	6.6	1.5
New York	1.9	*3.4	4.8	2.8	1.9
North Carolina	1.3	2.3	6.5	3.8	1.4
North Dakota	1.5	***2.4	4.3	2.6	1.6
Ohio	.9	1.9	8.6	4.4	.9
Oklahoma	1.0	1.5	5.2	3.7	1.0
Oregon	1.9	****2.7	1.8	1.3	1.4
Pennsylvania	1.7	3.3	2.3	1.2	1.2
Rhode Island	3.0	*6.2	1.5	.7	2.5
South Carolina	1.2	*2.0	6.4	3.8	1.3
South Dakota	.7	.9	11.9	8.8	.9
Tennessee	1.8	2.8	3.2	2.0	1.5
Texas	.4	****.7	15.4	9.0	.6
Utah	1.2	*1.8	7.7	4.9	1.1
Vermont	1.5	*3.0	5.7	2.9	1.4
Virginia	.8	*1.4	7.1	3.9	.7
Washington	1.9	*2.7	5.9	4.3	2.1
West Virginia	1.5	4.0	4.1	1.6	1.1
Wisconsin	.9	1.9	12.0	5.7	.9
Wyoming	.9	1.7	10.3	5.7	1.1

[1] Except where indicated by one or more asterisks, the high-cost year was 1954. 1 asterisk denotes 1949 as the highest-cost year; 2 asterisks denote 1950; 3 asterisks denote 1955; 4 asterisks denote 1957.

[2] Reserve ratios shown are based on Alaska's reserve including amount borrowed and not repaid.

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

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TABLE 18.—*Financial status of the Federal unemployment account in the unemployment trust fund and financial transactions through Apr. 30, 1958*

Fiscal year	Amount credited	Interest credited	Loans made during fiscal year	Balance at end of fiscal year
1955 [2]	$64,287,507.00	$775,882.79	None	$65,063,389.79
1956	86,776,696.96	3,505,050.09	[1] $3,000,000	152,345,136.84
1956 [3]	47,654,863.16			200,000,000.00
1957		5,137,799.64	[4] 2,630,000	205,507,799.64
1958	(5)	(5)	[6] 16,635,000	[7] 200,000,000.00

[1] Loan to Alaska, July 1, 1955, repaid December 28, 1956.

[2] The 1st credit, made in fiscal year 1955 and credited on Dec. 23, 1954, represents excess of Federal unemployment tax collections over employment security expenses during fiscal year 1954.

[3] The first credit in fiscal year 1956, made July 1, 1955, represents excess during fiscal year 1955. The second credit, made at the end of fiscal year 1956, represents the excess during fiscal year 1956 needed to bring the balance to statutory limit of $200,000,000.

[4] 2d loan to Alaska, Jan. 3, 1957.

[5] Amount of surplus and interest to be determined as of June 30, 1958, and credited on July 1, 1958. The combined amount will be such as to bring the balance in the account to $200,000,000. On Apr. 30, 1958, the balance in the account was $188,174,345.18.

[6] 3d loan to Alaska made, Feb. 12, 1958, in the amount of $2,635,000 (total outstanding on Apr. 30, 1958, $5,265,000) and a loan to Oregon made on Apr. 4, 1958, in the amount of $14,000,000.

[7] It is estimated that after raising the balance in the Federal unemployment account from the present $188,000,000 to the statutory $200,000,000, the remaining balance of surplus Federal unemployment taxes collected in 1957 over employment security administrative expenditures for that year will yield approximately $25,000,000 for distribution to the States. Each State's approximate share of this total is indicated in table 19.

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

TABLE 19.—*Estimated total amount to be distributed on July 1, 1958 and distribution by State of surplus Federal unemployment tax collections in 1957 over employment security administrative expenditures* [1]

[In thousands of dollars]

Total	$25,000
Alabama	297
Alaska	34
Arizona	118
Arkansas	131
California	2,408
Colorado	189
Connecticut	490
Delaware	96
District of Columbia	135
Florida	433
Georgia	398
Hawaii	59
Idaho	65
Illinois	1,782
Indiana	729
Iowa	258
Kansas	219
Kentucky	270
Louisiana	325
Maine	118
Maryland	412
Massachusetts	912
Michigan	1,319
Minnesota	400
Mississippi	126
Missouri	$582
Montana	74
Nebraska	125
Nevada	51
New Hampshire	85
New Jersey	1,005
New Mexico	83
New York	3,136
North Carolina	468
North Dakota	37
Ohio	1,684
Oklahoma	226
Oregon	271
Pennsylvania	1,928
Rhode Island	157
South Carolina	211
South Dakota	39
Tennessee	362
Texas	1,034
Utah	99
Vermont	44
Virginia	377
Washington	390
West Virginia	235
Wisconsin	537
Wyoming	37

[1] The total available amount is distributed among the States in the proportion of payrolls taxed under State law during the preceding year to total payrolls subject to tax under all State laws.

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

TABLE 21.—*Fund requirements for any reduction from standard 2.7 percent rate and for most favorable schedule, 50 States* [1]

State	Requirements for any reduction in rates					Requirement for most favorable schedule [2]
	Millions of dollars (11 States)	Multiple of benefits paid (7 States)		Percent of payrolls (17 States)		
		Multiple	Years	Percent	Years	
Alabama						(3).
Arizona [4]				4	Last 1	13 percent of payrolls.
Arkansas		1	Last 1			2 times benefits.
California [5]		1.5	Last 1			7.1 percent of payroll.
Colorado	10					$65,000,000.
Connecticut				1.25	Last 3	4.25 percent of payrolls. [2 7]
Delaware		1	Highest previous 1.			$5,000,000.
District of Columbia				2.4	Last 1	5 percent of payrolls.
Florida [6]						
Georgia [5]	75	3	Highest of last 5.			
Hawaii				5	Average last 10.	
Idaho	7.5			7.5	Last 1	11.5 percent of payrolls.
Illinois						(3).
Indiana	75					

Iowa		1	Last 1			$110,000,000.
Kansas [4]				4	Last 1	11 percent of payrolls.
Kentucky [8]						
Louisiana				6	Last 1	12.5 percent of payrolls.
Maine [5]	20					Over $35,000,000.
Maryland				5	Last 1	10 percent of payrolls.
Massachusetts [5]				4.5	Last 1	7 percent of payrolls.
Michigan						8.5 percent of payrolls.
Minnesota						$100,000,000.
Mississippi	20			4	Last 1	8 percent of payrolls.
Missouri						7.5 percent of payrolls.
Montana [5]	28					
Nebraska [9]						
Nevada				1.5	Last 5	
New Hampshire [5]	12					$20,000,000.
New Jersey				2.5	Last 1	12.5 percent of payrolls.
New Mexico				2.5	Average last 3.	5 percent of payrolls.[2]
New York						12.5 percent of payrolls.[2]
North Carolina						10.5 percent of payrolls.
North Dakota		1	Last 1			10 percent of payrolls.
Ohio						Over 7.5 percent of payrolls.[2]
Oklahoma						([3]).
Oregon [5]				3	Average last 5.	7.5 percent of payrolls.[2]
Pennsylvania	300					$450,000,000
Rhode Island				8	Last 1	9 percent of payrolls.
South Carolina						7 percent of payrolls.
South Dakota [5]	5					

See footnotes at end of table.

TABLE 21.—*Fund requirements for any reduction from standard 2.7 percent rate and for most favorable schedule, 50 States* [1]

State	Requirements for any reduction in rates					Requirement for most favorable schedule [2]
	Millions of dollars (11 States)	Multiple of benefits paid (7 States)		Percent of payrolls (17 States)		
		Multiple	Years	Percent	Years	
Alabama						[3].
Arizona [4]						[3].
Arkansas		1	Last 1	4	Last 1	13 percent of payrolls.
California [5]		1.5	Last 1			2 times benefits.
Colorado	10					7.1 percent of payroll.
Connecticut						$65,000,000.
Delaware		1	Highest previous 1.	1.25	Last 3	4.25 percent of payrolls.[2 7]
District of Columbia						$5,000,000.
Florida [6]				2.4	Last 1	5 percent of payrolls.
Georgia [5]	75	3	Highest of last 5.			
Hawaii				5	Average last 10.	
Idaho	7.5			7.5	Last 1	11.5 percent of payrolls.
Illinois						[3].
Indiana	75					

Iowa		1	Last 1			$110,000,000.
Kansas [4]				4	Last 1	11 percent of payrolls.
Kentucky [3]						
Louisiana				6	Last 1	12.5 percent of payrolls.
Maine [5]	20					Over $35,000,000.
Maryland				5	Last 1	10 percent of payrolls.
Massachusetts [5]				4.5	Last 1	7 percent of payrolls.
Michigan						8.5 percent of payrolls.
Minnesota						$100,000,000.
Mississippi	20			4	Last 1	8 percent of payrolls.
Missouri						7.5 percent of payrolls.
Montana [5]	28					
Nebraska [3]						
Nevada				1.5	Last 5	
New Hampshire [5]	12					$20,000,000.
New Jersey				2.5	Last 1	12.5 percent of payrolls.
New Mexico				2.5	Average last 3.	5 percent of payrolls.[2]
New York						12.5 percent of payrolls.[2]
North Carolina						10.5 percent of payrolls.
North Dakota		1	Last 1			10 percent of payrolls.
Ohio						Over 7.5 percent of payrolls.[2]
Oklahoma						(3).
Oregon [5]				3	Average last 5.	7.5 percent of payrolls.[2]
Pennsylvania	300					$450,000,000
Rhode Island				8	Last 1	9 percent of payrolls.
South Carolina						7 percent of payrolls.
South Dakota [5]	5					

See footnotes at end of table.

TABLE 21.—*Fund requirements for any reduction from standard 2.7 percent rate and for most favorable schedule, 50 States* [1]—Continued

State	Requirements for any reduction in rates					Requirement for most favorable schedule [2]
	Millions of dollars (11 States)	Multiple of benefits paid (7 States)		Percent of payrolls (17 States)		
		Multiple	Years	Percent	Years	
Tennessee						$100,000,000.
Texas [4]						Over $200,000,000 and 8 percent of payrolls.[4]
Utah				6	Last 1	10 percent of payrolls.
Vermont						12 percent of payrolls.
Virginia						5 percent of payrolls.[3 7]
Washington [10]						
West Virginia [5]	50	1	Last 1			$115,000,000.
Wisconsin						([11]).
Wyoming				3.5	Last 1	1.5 percent of payrolls.[3]

[1] Excludes Alaska which has no experience-rating provision. When alternatives are given, the greater applies. See also table 13.

[2] Payroll used is that for last year except as indicated; last 3 years (Connecticut); average 3 years (New Mexico, Ohio, and Virginia); last year or 3-year average, whichever is more (New York); average 5 years (Oregon); 5 years (Wyoming).

[3] One rate schedule but many schedules of different requirements for specified rates applicable with different "State experience factors" under benefit-wage-ratio formula. Alabama and Illinois have special solvency factors; see text.

[4] Indeterminate number of schedules (see table 7).

[5] Suspension of reduced rates is discretionary (California and South Dakota); 2.7 is effective until next quarter after required balance is restored (California); for 12-month period (Georgia); until fund equals 5.5 percent if reserve falls below 4.5 percent (Massachusetts); for remainder of year if benefits for first 6 months equal 4.5 percent of taxable wages (Maine); until fund is $32 million (Montana); as long as the condition persists (Oregon); until next January 1 on which fund equals $55 million (West Virginia); in case commission decides that emergency exists. 2.7 rate effective (Maine and New Hampshire).

[6] Fund requirement only 1 of 3 adjustment factors used to determine rates other than the standard rate. Such factor is either added or deducted from an employer's benefit ratio. See text for details.

[7] Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by $500,000 (Connecticut); when fund reaches 7 percent and 7.25 percent of average taxable payrolls in last 3 years (Virginia).

[8] Reserve account system; no requirement for total fund balance; individual employer's account must be at least 5 times the largest amount of benefits charged in last 3 years.

[9] No requirement for fund balance in law; rates set by Commissioner in accordance with authorization in law.

[10] Rates are reduced by distribution of surplus; surplus is lesser of (1) the excess of the fund over 4 times last year's contributions and (2) 40 percent of such contributions.

[11] Four schedules of reduced rates. Rates reduced when gross wages have decreased 5, 10, and 15 percent below the preceding year and fund's balancing account is at least $25 million.

TABLE 22.—*Estimated Federal unemployment tax receipts and Federal funds allocated to States for administration during fiscal year 1957*

[Dollar amounts in thousands]

State	Federal unemployment tax collections	Federal funds allocated to States	Ratio of funds allocated to tax collections (percent)
United States—Total 51 States [2]	$327,261	[1] $249,789	76.3
	327,261	248,762	76.0
Alabama	3,840	3,553	92.5
Alaska	406	957	235.7
Arizona	1,478	2,624	177.5
Arkansas	1,585	2,490	157.1
California	30,407	26,205	86.2
Colorado	2,515	2,145	85.3
Connecticut	6,422	3,748	58.4
Delaware	1,196	583	48.7
District of Columbia	1,727	1,854	107.2
Florida	5,607	4,555	81.2
Georgia	5,280	3,656	69.2
Hawaii	785	825	105.1
Idaho	797	1,393	174.8
Illinois	23,630	10,808	45.7
Indiana	9,755	4,566	46.8
Iowa	3,488	2,192	62.8
Kansas	3,015	2,053	68.1
Kentucky	3,602	2,987	82.9
Louisiana	4,335	3,104	71.6
Maine	1,564	1,304	83.4
Maryland	5,317	4,399	82.7
Massachusetts	11,785	10,053	85.3
Michigan	17,793	12,778	71.8
Minnesota	5,175	3,359	64.9
Mississippi	1,678	2,488	148.3
Missouri	$7,713	$4,492	58.2
Montana	869	1,258	144.8
Nebraska	1,654	1,176	71.1
Nevada	627	875	139.6
New Hampshire	1,155	1,024	88.7
New Jersey	13,349	10,559	79.1
New Mexico	1,032	1,487	144.1
New York	41,142	36,123	87.8
North Carolina	6,203	4,546	73.3
North Dakota	488	902	184.8
Ohio	22,372	10,231	45.7
Oklahoma	2,994	2,865	95.7
Oregon	3,375	3,199	94.8
Pennsylvania	24,756	19,874	80.3
Rhode Island	1,956	2,008	102.7
South Carolina	2,825	2,786	98.6
South Dakota	521	666	127.8
Tennessee	5,075	3,787	74.6
Texas	13,692	9,975	72.9
Utah	1,197	1,880	157.1
Vermont	578	822	142.2
Virginia	4,998	2,353	47.1
Washington	4,821	4,999	103.7
West Virginia	3,113	1,969	63.3
Wisconsin	7,120	3,514	49.4
Wyoming	454	713	157.0
Puerto Rico	----------	980	----------
Virgin Islands	----------	47	----------

[1] Includes unencumbered balance of $1.9 million from fiscal year 1956 reallocated to the States in 1957.
[2] Excludes Puerto Rico and Virgin Islands.

TABLE 23.—*Amounts credited to States' accounts in the unemployment trust fund on July 1, 1957, under the Employment Security Administrative Financing Act of 1954*

State	Amount	Percent of total [1]	State	Amount	Percent of total [1]
United States	$71, 195, 220. 32	100. 00			
Alabama	845, 105. 16	1. 19	Missouri	$1, 655, 872. 34	2. 33
Alaska	97, 707. 28	. 14	Montana	210, 569. 75	. 30
Arizona	335, 560. 79	. 47	Nebraska	355, 163. 04	. 50
Arkansas	371, 787. 89	. 52	Nevada	144, 452. 99	. 20
California	6, 856, 561. 32	9. 63	New Hampshire	240, 843. 82	. 34
Colorado	537, 743. 65	. 75	New Jersey	2, 859, 285. 94	4. 02
Connecticut	1, 395, 052. 32	1. 96	New Mexico	237, 403. 61	. 33
Delaware	272, 298. 02	. 38	New York	8, 928, 247. 36	12. 54
District of Columbia	382, 862. 60	. 54	North Carolina	1, 331, 621. 16	1. 87
Florida	1, 231, 156. 28	1. 73	North Dakota	104, 844. 05	. 15
Georgia	1, 133, 447. 01	1. 59	Ohio	4, 792, 266. 38	6. 73
Hawaii	168, 878. 01	. 24	Oklahoma	642, 701. 66	. 90
Idaho	186, 315. 95	. 26	Oregon	770, 800. 68	1. 08
Illinois	5, 073, 065. 45	7. 13	Pennsylvania	5, 486, 515. 57	7. 71
Indiana	2, 075, 959. 15	2. 92	Rhode Island	446, 194. 44	. 63
Iowa	733, 702. 73	1. 03	South Carolina	601, 023. 17	. 84
Kansas	624, 733. 43	. 88	South Dakota	109, 688. 67	. 15
Kentucky	768, 952. 50	1. 08	Tennessee	1, 069, 324. 67	1. 50
Louisiana	924, 122. 69	1. 30	Texas	2, 943, 640. 64	4. 13
Maine	335, 802. 04	. 47	Utah	280, 548. 98	. 39
Maryland	1, 173, 129. 56	1. 65	Vermont	124, 037. 15	. 17
Massachusetts	2, 596, 731. 43	3. 65	Virginia	1, 072, 934. 81	1. 51
Michigan	3, 755, 559. 72	5. 27	Washington	1, 109, 991. 98	1. 56
Minnesota	1, 139, 927. 07	1. 60	West Virginia	668, 220. 78	. 94
Mississippi	358, 088. 53	. 50	Wisconsin	1, 528, 703. 03	2. 15
			Wyoming	106, 073. 07	. 15

[1] These percentages have been rounded to 2 decimal places. In the actual determination of the amounts credited to States' accounts, the percentages, expressed as decimals, were computed to 12 digits. Consequently, the percentages shown in this column will not produce the exact dollar amount credited.

TABLE 24.—*Amounts credited to States' accounts in the unemployment trust fund on July 1, 1956, under the Employment Security Administrative Financing Act of 1954 (adjusted as of Sept. 30, 1956)*

State	Amount	Percent of total [1]	State	Amount	Percent of total [1]
United States	$33,376,030.98	100.00			
Alabama	363,917.03	1.09	Missouri	$768,936.87	2.30
Alaska	43,344.78	.13	Montana	99,893.57	.30
Arizona	151,031.60	.45	Nebraska	162,275.28	.49
Arkansas	176,351.63	.53	Nevada	75,686.76	.23
California	3,206,479.17	9.61	New Hampshire	118,140.80	.35
Colorado	230,101.38	.69	New Jersey	1,380,440.15	4.14
Connecticut	657,714.45	1.97	New Mexico	109,565.85	.33
Delaware	119,561.65	.36	New York	4,244,089.48	12.72
District of Columbia	186,092.48	.56	North Carolina	595,802.33	1.79
Florida	490,993.50	1.47	North Dakota	43,740.87	.13
Georgia	503,928.55	1.51	Ohio	2,340,669.22	7.01
Hawaii	81,925.36	.25	Oklahoma	291,234.71	.87
Idaho	87,633.81	.26	Oregon	321,589.94	.96
Illinois	2,386,449.29	7.15	Pennsylvania	2,675,381.81	8.02
Indiana	974,221.47	2.92	Rhode Island	193,763.19	.58
Iowa	332,160.94	1.00	South Carolina	285,873.33	.86
Kansas	289,064.37	.87	South Dakota	47,633.91	.14
Kentucky	369,689.77	1.11	Tennessee	466,434.87	1.40
Louisiana	426,159.44	1.28	Texas	1,295,317.76	3.88
Maine	152,664.44	.46	Utah	132,358.82	.40
Maryland	555,412.60	1.66	Vermont	54,690.20	.16
Massachusetts	1,256,930.65	3.77	Virginia	477,481.60	1.43
Michigan	1,847,064.47	5.53	Washington	545,202.10	1.63
Minnesota	532,977.94	1.60	West Virginia	300,254.71	.90
Mississippi	153,861.19	.46	Wisconsin	722,623.22	2.17
			Wyoming	51,307.67	.15

[1] These percentages have been rounded to 2 decimal places. In the actual determination of the amounts credited to States' accounts, the percentages, expressed as decimals, were computed to 12 digits. Consequently, the percentages shown in this column will not produce the exact dollar amount credited and the sum of the percentages will not add exactly to the total.

TABLE 25.—*Unemployment insurance cost rate (benefits to taxable wages) by State, by year, 1951–57*

	1951	1952	1953	1954	1955	1956	1957 [1]
United States	0.9	1.1	1.0	2.1	1.33	1.26	1.5
Alabama	.8	1.1	1.0	1.8	1.02	.95	1.3
Alaska	1.1	2.7	4.1	6.5	5.33	3.32	4.4
Arizona	.4	.4	.6	1.1	.76	.73	.8
Arkansas	.9	1.1	1.1	1.8	1.21	1.19	1.6
California	1.2	1.2	1.1	1.6	1.05	.93	1.4
Colorado	.2	.2	.3	.9	.44	.41	.7
Connecticut	.6	.6	.4	1.8	1.28	.90	1.4
Delaware	.4	.3	.4	1.2	.58	.71	1.3
District of Columbia	.3	.3	.4	.8	.79	.64	.8
Florida	.6	.7	.6	.9	.74	.61	.7
Georgia	.7	.7	.7	1.7	1.04	.96	1.4
Hawaii	.8	1.0	1.2	1.7	1.10	1.14	1.0
Idaho	.8	1.1	1.4	2.1	1.63	1.41	2.0
Illinois	.9	.8	.7	1.9	1.08	.78	1.0
Indiana	.5	.7	.6	2.2	.82	1.13	1.2
Iowa	.3	.5	.5	1.0	.61	.70	.8
Kansas	.5	.5	.8	1.4	1.21	.99	1.1
Kentucky	1.1	1.4	1.6	3.8	2.50	2.05	2.6
Louisiana	1.2	1.1	.8	1.5	1.16	.75	.8
Maine	1.3	1.2	1.3	2.2	1.76	1.28	1.8
Maryland	.6	.7	.7	2.1	1.07	.75	1.3
Massachusetts	1.3	1.6	1.1	2.0	1.34	1.11	1.8
Michigan	1.0	1.2	.7	2.8	1.19	2.61	2.2
Minnesota	.6	.8	.7	1.7	1.35	1.19	1.4
Mississippi	1.1	1.4	1.5	2.5	1.61	1.45	2.1
Missouri	.6	.6	.7	1.6	1.00	.85	.9
Montana	.9	.8	.8	1.1	1.14	1.15	2.3
Nebraska	.4	.5	.5	1.0	.90	1.03	1.1
Nevada	1.1	.8	.9	1.7	1.31	2.05	2.1
New Hampshire	1.7	1.8	1.8	2.5	1.45	1.54	1.4
New Jersey	1.2	1.3	1.4	2.9	2.26	2.27	2.7

New Mexico	.4	.5	.8	1.6	1.02	.72	.9
New York	1.6	1.5	1.4	2.3	1.72	1.54	1.7
North Carolina	1.1	1.2	1.2	2.3	1.34	1.23	1.6
North Dakota	1.1	1.3	1.5	1.9	2.41	1.67	1.8
Ohio	.4	.5	.5	1.9	.85	.83	1.1
Oklahoma	.8	.8	.9	1.5	1.05	.91	1.2
Oregon	1.1	1.6	2.0	2.6	1.72	1.67	2.7
Pennsylvania	.8	1.3	1.2	3.3	2.21	1.88	2.2
Rhode Island	2.9	2.7	2.0	4.0	2.08	1.99	2.8
South Carolina	.8	.8	1.0	1.9	1.09	1.13	1.3
South Dakota	.6	.5	.5	.9	.90	.87	.9
Tennessee	1.2	1.4	1.2	2.8	2.05	1.75	2.2
Texas	.2	.2	.3	.6	.44	.49	.7
Utah	.7	.9	.9	1.7	1.00	.89	1.1
Vermont	.9	1.5	.8	2.1	1.87	.90	1.4
Virginia	.5	.5	.6	1.2	.68	.53	.7
Washington	1.0	1.5	1.8	2.4	2.01	2.03	2.2
West Virginia	.8	1.4	1.4	4.0	1.68	.83	1.1
Wisconsin	.4	.7	.8	1.9	1.01	1.02	1.2
Wyoming	.6	.5	.5	1.7	1.40	1.11	1.3

[1] Based on taxable wages for 12 months ended June 30, 1957.

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

TABLE 26.—*Unemployment insurance average employer tax rate (in percent of taxable wages), by State, by year, 1951–57*

	1951	1952	1953	1954	1955	1956	1957 [1]
United States	1.58	1.45	1.30	1.12	1.18	1.32	1.3
Alabama	1.20	1.15	1.00	.90	.97	1.12	1.1
Alaska	2.70	2.70	2.70	2.70	2.70	2.70	2.7
Arizona	1.68	1.54	1.23	1.26	1.27	1.33	1.3
Arkansas	1.56	1.52	1.32	1.19	1.15	1.15	1.1
California	2.37	2.09	1.36	1.38	1.51	1.50	1.4
Colorado	.96	.97	.39	.38	.34	.57	.5
Connecticut	1.84	1.85	1.23	1.19	1.19	1.18	1.2
Delaware	.69	.63	.52	.49	.63	.74	.8
District of Columbia	.81	.68	.51	.44	.52	.69	.7
Florida	.89	.84	.71	.69	.54	.74	.7
Georgia	1.23	1.22	1.22	1.22	1.17	1.29	1.2
Hawaii	1.15	.84	.89	.90	.93	1.04	1.0
Idaho	1.94	1.76	1.75	1.74	1.75	1.36	1.3
Illinois	1.09	1.10	.90	.61	.72	1.10	1.0
Indiana	1.03	.74	.72	.76	.96	1.09	1.0
Iowa	.42	.49	.56	.38	.42	.60	.5
Kansas	1.00	1.03	.99	1.02	1.09	1.15	1.0
Kentucky	1.74	1.68	1.68	1.56	1.76	1.91	2.0
Louisiana	1.87	1.82	1.39	1.09	1.13	1.26	1.4
Maine	1.67	1.63	1.59	1.58	1.55	1.61	1.6
Maryland	1.02	.96	.80	.63	.85	1.00	1.0
Massachusetts	2.70	2.70	2.70	2.00	1.80	1.71	1.6
Michigan	1.56	1.52	1.56	1.28	.91	1.28	2.0
Minnesota	.95	.77	.78	.73	.90	.95	1.0
Mississippi	1.28	1.26	1.23	1.16	1.15	1.14	1.7
Missouri	1.31	.56	.60	.67	.82	1.00	1.0
Montana	1.92	1.91	1.27	1.22	1.21	1.26	1.3
Nebraska	.95	.53	.52	.61	.65	.75	.9
Nevada	1.74	1.83	1.87	1.83	1.88	1.94	2.0
New Hampshire	1.91	1.87	1.74	1.69	1.90	1.64	1.6
New Jersey	1.44	1.49	1.59	1.52	1.54	1.64	1.7

New Mexico	1.91	1.30	1.35	1.05	1.17	1.19	1.2
New York	2.70	2.35	2.06	1.57	1.49	1.49	1.7
North Carolina	1.49	1.22	1.22	1.54	1.13	1.32	1.4
North Dakota	1.60	1.53	1.49	1.57	1.43	1.50	1.4
Ohio	1.17	1.14	1.05	.61	.67	.74	.7
Oklahoma	1.10	1.13	1.00	.84	.85	.98	1.0
Oregon	1.38	1.17	1.16	1.18	1.23	1.42	1.4
Pennsylvania	1.01	1.04	1.08	1.09	1.63	2.24	1.5
Rhode Island	2.70	2.70	2.70	2.70	2.70	2.70	2.7
South Carolina	1.57	1.55	1.44	1.24	1.14	1.15	1.1
South Dakota	1.18	.98	.80	.54	.62	.91	.9
Tennessee	1.56	1.51	1.51	1.48	1.52	1.71	1.7
Texas	.62	.57	.49	.38	.48	.65	.7
Utah	1.03	1.09	1.09	1.10	1.14	1.12	1.3
Vermont	1.56	1.48	1.26	1.06	1.14	1.28	1.3
Virginia	1.01	.60	.56	.41	.51	.63	.5
Washington	1.90	1.74	1.72	2.00	1.99	2.24	2.3
West Virginia	1.32	1.24	.98	.69	1.03	1.23	1.0
Wisconsin	.87	.90	.88	.84	1.01	1.07	1.1
Wyoming	1.38	1.41	1.06	.88	.95	1.07	1.1

[1] Based on taxable wages for 12 months ended June 30, 1957.

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

TABLE 27.—*State coverage resulting from coverage under the Federal Unemployment Tax Act*

State	Employer includes any employing unit subject to Federal unemployment tax	Employment includes any service covered by Federal unemployment tax	Wages includes remuneration over $3,000 if subject to Federal unemployment tax [1]
Alabama	X	X	
Alaska	(2)	X	
Arizona	X		
Arkansas	(2)	[4] X	X
California	(2)	[5] X	X
Colorado			
Connecticut	X		
Delaware	X	X	
District of Columbia	(2)	X	X
Florida	X	X	X
Georgia	X	[6] X	X
Hawaii	(2)	X	
Idaho	(2)	X	X
Illinois	X	X	X
Indiana	X	X	X
Iowa	X		
Kansas	X		
Kentucky	X		X
Louisiana	X	X	
Maine	X	X	X
Maryland	[7] X		
Massachusetts	[8] X	(3)	
Michigan	(4)	(4)	
Minnesota	X	X	X
Mississippi			
Missouri	X	X	X
Montana	(2)		
Nebraska	X	X	X
Nevada	X	[9] X	X
New Hampshire	X	X	X
New Jersey			
New Mexico	(2)		
New York	X		
North Carolina	X	X	
North Dakota	X		X
Ohio			
Oklahoma	X		X
Oregon			
Pennsylvania	(2)	X	X
Rhode Island	(2)		X
South Carolina			
South Dakota	X	X	X
Tennessee	X	X	X
Texas	X		
Utah	[7] X	X	X
Vermont	X	X	X
Virginia	X		
Washington	[7] X	X	
West Virginia	X	[10] X	X
Wisconsin	X	X	X
Wyoming	(2)		

[1] See p. 72.
[2] No such provision: none needed since State law covers employers of 1 or more workers at any time.
[3] No such provision: since State law covers 1 or more workers for short period or with small payroll requirement, provision would have little effect.
[4] Applicable only to employing units and services subject to Federal Unemployment Tax Act at the time of State law enactment (Arkansas); in Michigan, by court decision (*Livonse* v. *Michigan Unemployment Compensation Commission*, October 1952).
[5] Applies to certain specified services only, now excluded under Federal Unemployment Tax Act.
[6] Remuneration for services performed in the State and subject to Federal Unemployment Tax Act defined as wages for employment.
[7] Provision has little if any effect since State law covers employers of 1 or more workers at any time or with small payroll requirements.
[8] Not applicable to classes of employers whose inclusion would adversely affect efficient administration or impair fund.
[9] Limited to insurance agents and insurance solicitors (Massachusetts); to nonprofit organizations (Nevada).
[10] Not applicable to agricultural labor and domestic service.

TABLE 28.—*Wage and employment qualifications for minimum benefits* [1]

State	Weeks of employment	Minimum wages in—		Wages in at least—
		Base year	High quarter	
Alabama		$210.00	$112.01	
Alaska		500.00		2 quarters.
Arizona		300.00		Do.
Arkansas		210.00		
California		600.00		
Colorado		420.00		
Connecticut		300.00		Do.
Delaware		210.00		
District of Columbia		276.00	130.00	Do.
Florida		200.00		Do.
Georgia		280.00	150.00	
Hawaii		150.00		
Idaho		472.00	300.00	Do.
Illinois		600.00		$150 in quarters other than high quarter.
Indiana		250.00		$150 in last 2 quarters.
Iowa		100.00		
Kansas		200.00		2 quarters or $400 in 1 quarter.
Kentucky		343.75	250.00	8×w. b. a. in last 2 quarters.
Louisiana		150.00		
Maine		300.00		
Maryland		360.00	192.01	2 quarters.
Massachusetts		500.00		
Michigan	[2] 14	210.14		Do.
Minnesota		520.00		
Mississippi		90.00		
Missouri		300.00	200.00	Do.
Montana		255.00	170.00	Do.
Nebraska		400.00	200.00	$100 in each of 2 such quarters.
Nevada		240.00		
New Hampshire		400.00		

New Jersey	[2] 17	255.00		2 quarters.
New Mexico		300.00	156.00	
New York	[2] 20	300.00		Do.
North Carolina		500.00		
North Dakota		252.00		Do.
Ohio	20	240.00		Do.
Oklahoma		200.00		Do.
Oregon		700.00		
Pennsylvania		320.00	120.00	
Rhode Island		300.00		
South Carolina		240.00	120.00	Do.
South Dakota		600.00	250.00	Do.
Tennessee		320.00	182.00	
Texas		375.00	250.00	$125 in other than high quarter.
Utah	[2] 19	400.00		2 quarters.
Vermont		300.00	200.00	⅓ of base-period wages in last 2 quarters.
Virginia		250.00		
Washington		800.00		
West Virginia		500.00		
Wisconsin	[2] 14	224.00		2 quarters.
Wyoming		375.00	250.00	Do.

[1] Based on wages or employment in a specified 1-year period in all States. Weekly benefit amount abbreviated as w. b. a. Some States have additional wage or employment requirements to assure recent employment and to prevent payment of benefits in a second benefit year without intervening employment.

[2] Weeks of employment at $15.01 or more (Michigan); $15 or more (New Jersey); with average wage of at least $15 (New York) and $16 or more (Wisconsin); of at least 16 hours or 2 full days (Utah).

TABLE 29.—*Change in State benefits, 1953–58*

States	Maximum amount		Maximum duration	
	1953	1958	1953	1958
Alabama	$22.00	$28.00	20	20
Alaska	20.00–26.00	45.00–70.00	26	26
Arizona	22.00	35.00	20	26
Arkansas	22.00	26.00	16	18
California	25.00	40.00	26	26
Colorado	28.00–35.00	35.00–44.00	20–26	26
Connecticut	30.00–45.00	40.00–60.00	26	[1] 26
Delaware	25.00	40.00	26	26
District of Columbia	20.00	30.00	20	26
Florida	20.00	30.00	16	16
Georgia	26.00	30.00	[2] 20U	[2] 20–22U
Hawaii	25.00	35.00	20U	20U
Idaho	25.00	40.00	26	26
Illinois	27.00	30.00–45.00	26	26
Indiana	27.00	33.00	20	20
Iowa	26.00	30.00	20	24
Kansas	28.00	34.00	20	20
Kentucky	28.00	34.00	26U	26
Louisiana	25.00	25.00	20	20
Maine	27.00	35.00–43.00	20U	26U
Maryland	30.00–38.00	35.00–43.00	26	26U
Massachusetts	25.00–(3)	35.00–(3)	26	26
Michigan	27.00–35.00	30.00–55.00	20	26
Minnesota	30.00	38.00	26	26
Mississippi	30.00	30.00	16U	20U
Missouri	25.00	33.00	24	26
Montana	23.00	32.00	20U	22U
Nebraska	26.00	32.00	20	20
Nevada	30.00–50.00	37.50–57.50	26	26
New Hampshire	30.00	32.00	26U	26U
New Jersey		35.00	26	26

New Mexico	30.00	30.00	24	24
New York	----------	45.00	26U	26U
North Carolina	30.00	32.00	26U	26U
North Dakota	26.00–32.00	26.00–35.00	20	20U
Ohio	30.00–35.00	33.00–39.00	26	26
Oklahoma	28.00	28.00	22	26
Oregon	25.00	40.00	26	26
Pennsylvania	30.00	35.00	26	30U
Rhode Island	25.00	30.00	26	26
South Carolina	20.00	26.00	18	22
Tennessee	26.00	30.00	22U	22U
Texas	20.00	28.00	24	24
Utah	27.50	37.00	26	26
Vermont	25.00	28.00	20U	26U
Virginia	20.00	28.00	16	18
Washington	30.00	35.00	26	26
West Virginia	25.00	30.00	24U	24U
Wisconsin	33.00	38.00	26½	26½
Wyoming	30.00–36.00	41.00–47.00	26	26

[1] 39 weeks temporary.
[2] Uniform.
[3] Maximum with dependents; 100 percent wage.

TABLE 30.—*Federal unemployment tax collections and estimated expenditures for Employment Security Administration, by fiscal year, 1936–53*

[In millions]

Item	Total, 1936–1953	1936–1937	1938	1939	1940	1941	1942	1943	1944
1. Federal unemployment tax collections	$2,827.8	$35.6	$61.3	$95.8	$104.5	$97.7	$119.9	$158.4	$179.9
Expenditures for—									
2. State unemployment insurance administration	968.1	8.1	27.9	40.1	38.0	41.3	42.5	36.0	34.0
3. State employment-service administration excluding Federal operation	651.6	31.9	23.9	28.0	27.5	28.8	17.1	-------	-------
4. Federal operation of State employment-service functions	294.4	------	------	------	------	------	18.2	49.4	61.3
5. Federal administration, national and regional, excluding War Manpower Commission	92.0	3.3	3.0	3.5	4.1	3.6	3.3	6.3	5.7
6. War Manpower Commission, national and regional offices	41.8	------	------	------	------	------	------	12.4	10.5
7. Treasury administration, unemployment tax	19.4	.8	.9	.9	.9	.9	1.0	1.0	1.0
8. Farm-labor programs, fiscal years 1943–48	120.8	------	------	------	------	------	------	6.3	20.2
Excess of Federal tax collections over—									
9. Item 2	1,859.7	27.5	33.4	55.7	66.5	56.4	77.4	122.4	145.9
10. Items 2 and 3	1,208.1	−4.4	9.5	27.7	39.0	27.6	60.3	122.4	145.9
11. Items 2 through 4	913.7	−4.4	9.5	27.7	39.0	27.6	42.1	73.0	84.6
12. Items 2 through 5	821.7	−7.7	6.5	24.2	34.9	24.0	38.8	66.7	78.9
13. Items 2 through 6	779.9	−7.7	6.5	24.2	34.9	24.0	38.8	54.3	68.4
14. Items 2 through 7	760.5	−8.5	5.6	23.3	34.0	23.1	37.8	53.3	67.4
15. Items 2 through 8	639.7	−8.5	5.6	23.3	34.0	23.1	37.8	47.0	47.2
16. Items 2, 3, 4, 5, and 7	802.3	−8.5	5.6	23.3	34.0	23.1	37.8	65.7	77.9

Explanatory notes by item number:

Item 1.—Collections received in those fiscal years. Adjusted through fiscal 1940 to exclude $40,562,000 refunded to States and $18,452,000 transferred to railroad retirement.

Item 2.—Split between unemployment insurance and employment service estimated. Includes postage, and estimated share of postage charges. Excludes servicemen's readjustment allowance costs.

Item 3.—Split between unemployment insurance and employment service estimated. Includes $66.5 million in Federal and State funds spent for employment offices under National Reemployment Service and Wagner-Peyser programs through Dec. 31, 1941. Includes expenditures of the District of Columbia employment service, which is federally operated, in all years, except that those District of Columbia costs for Jan. 1, 1942–Nov. 15, 1946, are shifted to item 4. No postage charges included through July 1, 1939, while franking privileges applied. Share of later postage charges estimated. Excludes Federal operation Jan. 1, 1942, through Nov. 14, 1946. Excludes farm-labor programs, fiscal years 1943–48. Includes Puerto Rico expenditures in fiscal years 1948–53; Virgin Islands, in fiscal years 1951–53.

Item 4.—Expenditures for direct Federal operation of State employment service functions, Jan. 1, 1942, through Nov. 15, 1946.

Item 5.—Expenditures for Federal operation of national and regional offices of the Bureau of Employment Security and U. S. Employment Service, including overhead costs of the parent organization (Social Security Board, Federal Security Agency, Department of Labor). Data for 1952 and 1953 include expenditures for administration of the Mexican farm-labor program, under Public Law 78.

Item 6.—Represents rough estimates of administrative expenditures of national and regional offices of the War Manpower Commission.

Item 7.—Estimates prepared by the U. S. Treasury Department. Includes direct collection costs and overhead costs of parent organization.

Item 8.—Based on records of the U. S. Department of Agriculture. Represents expenditures of the extension farm-labor program and the foreign labor program and includes such costs as were involved in the transportation, subsistence, housing, and medical care of foreign and interstate migratory workers.

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

TABLE 30.—*Federal unemployment tax collections and estimated expenditures for Employment Security Administration, by fiscal year, 1936–53*—Continued

[In millions]

Item	1945	1946	1947	1948	1949	1950	1951	1952	1953
1. Federal unemployment tax collections	$184.5	$179.9	$184.8	$207.9	$222.8	$226.3	$233.5	$258.9	$275.8
Expenditures for—									
2. State unemployment insurance administration	30.5	56.7	59.4	67.1	81.8	109.9	87.0	97.0	110.7
3. State employment-service administration excluding Federal operation	------	------	41.6	67.4	60.0	64.4	85.1	90.2	85.7
4. Federal operation of State employment-service functions	72.3	67.5	25.7	------	------	------	------	------	------
5. Federal administration, national and regional excluding War Manpower Commission	5.6	6.6	7.7	5.8	6.0	5.5	5.7	8.1	8.2
6. War Manpower Commission, national and regional offices	12.1	6.9	------	------	------	------	------	------	------
7. Treasury administration, unemployment tax	.9	1.1	1.3	1.2	1.4	1.4	1.5	1.6	1.6
8. Farm-labor programs, fiscal years 1943–48	33.2	27.6	24.8	8.7	------	------	------	------	------
Excess of Federal tax collections over—									
9. Item 2	154.0	123.2	125.4	140.8	141.0	116.4	146.5	161.9	165.1
10. Items 2 and 3	154.0	123.2	83.8	73.4	81.0	52.0	61.4	71.7	79.4
11. Items 2 through 4	81.7	55.7	58.1	73.4	81.0	52.0	61.4	71.7	79.4
12. Items 2 through 5	76.1	49.1	50.4	67.6	75.0	46.5	55.7	63.6	71.2
13. Items 2 through 6	64.0	42.2	50.4	67.6	75.0	46.5	55.7	63.6	71.2
14. Items 2 through 7	63.1	41.1	49.1	66.4	73.6	45.1	54.2	62.0	69.6
15. Items 2 through 8	29.9	13.5	24.3	57.7	73.6	45.1	54.2	62.0	69.6
16. Items 2, 3, 4, 5, and 7	75.2	48.0	49.1	66.4	73.6	45.1	54.2	62.0	69.6

For explanatory notes on item numbers see p. 80.

TABLE 31.—*Federal unemployment tax collections and estimated expenditures for Employment Security Administration, by fiscal years, 1954–57*

Item	For fiscal year 1954	For fiscal year 1955	For fiscal year 1956	For fiscal year 1957
FUTA receipts	$272,949,996	$284,779,129	$321,728,000	$327,159,126
Total deductions	208,662,489	198,002,432	240,697,106	255,963,906
State grants	202,091,441	191,293,247	233,438,254	247,050,093
Federal expenditures	6,571,048	6,709,185	7,258,852	8,913,813
Department of Labor	4,944,774	5,000,984	5,415,927	5,479,586
Treasury Department	1,626,274	1,708,201	1,842,925	3,434,227
Surplus FUTA receipts	64,287,507	86,776,697	81,030,894	71,195,220
Credited to—				
Federal unemployment accounts	64,287,507	86,776,697	47,644,826	----------
State accounts [1]	----------	----------	33,386,068	71,195,220

[1] For each State's share of the amount distributed, see attached tables.

TABLE 32.—*Estimated expenditures for State Employment Security Administration as a percent of Federal unemployment tax collections, by State, fiscal years 1936–53*

[Amounts in thousands]

State	Federal unemployment tax collections [1]	Administrative expenditures for—			Total expenditures	
		State unemployment insurance [2]	State employment services excluding Federal operation [3]	Federal operation of State employment services [4]	Amount [5]	Percent of tax collections
Total [6]	$2,827,802	$968,078	$651,550	$294,430	$1,914,058	67.7
Alabama	31,396	11,790	11,639	4,781	28,210	89.9
Alaska	2,989	2,282	1,305	541	4,128	138.1
Arizona	8,249	4,790	5,593	1,733	12,115	146.9
Arkansas	12,204	7,637	6,635	2,920	17,192	140.9
California	221,265	107,727	50,866	24,838	183,431	82.9
Colorado	16,957	4,254	7,079	2,681	14,014	82.6
Connecticut	61,838	17,565	10,417	4,560	32,542	52.6
Delaware	7,578	2,640	1,666	663	4,969	65.6
District of Columbia	16,190	6,899	4,849	1,920	13,668	84.4
Florida	29,242	10,168	11,603	4,455	26,226	89.7
Georgia	36,585	11,509	11,835	5,099	28,443	77.7
Hawaii	6,974	2,905	1,353	779	5,036	72.2
Idaho	6,040	3,977	3,596	1,158	8,730	144.5
Illinois	222,672	53,084	32,308	18,282	103,674	46.6
Indiana	85,421	20,116	13,669	7,999	41,784	48.9
Iowa	27,985	6,506	7,884	4,143	18,533	66.2
Kansas	22,268	6,225	6,768	3,227	16,220	72.8
Kentucky	28,381	11,428	6,959	4,104	22,491	79.2
Louisiana	31,493	12,616	9,471	3,628	25,715	81.7
Maine	15,050	6,108	4,029	1,827	11,964	79.5
Maryland	45,549	15,769	9,816	4,534	30,119	66.1
Massachusetts	117,234	50,522	21,605	9,828	81,954	69.9
Michigan	168,018	48,651	30,701	15,770	95,123	56.6
Minnesota	40,352	15,294	12,902	6,144	34,340	85.1
Mississippi	11,450	6,386	8,347	3,501	18,235	159.3

Missouri	66,409	16,474	14,429	8,248	39,150	59.0
Montana	6,481	3,991	3,550	1,090	8,631	133.2
Nebraska	13,046	3,480	5,224	2,645	11,349	87.0
Nevada	3,147	2,643	2,172	769	5,584	177.4
New Hampshire	9,663	5,048	3,055	1,407	9,511	98.4
New Jersey	124,285	48,770	19,252	9,910	77,932	62.7
New Mexico	5,431	3,363	3,578	959	7,900	145.5
New York	395,736	152,596	79,938	23,980	261,514	66.1
North Carolina	44,160	15,847	13,391	5,653	34,892	79.0
North Dakota	3,167	1,680	3,317	1,156	6,153	194.3
Ohio	197,463	44,981	30,633	17,940	93,554	47.4
Oklahoma	23,450	4,364	10,018	3,737	21,118	90.1
Oregon	28,461	12,273	8,019	4,078	24,370	85.6
Pennsylvania	255,271	85,101	49,945	21,551	156,597	61.3
Rhode Island	20,829	10,018	4,702	2,648	17,369	83.4
South Carolina	20,666	8,116	8,407	3,179	19,703	95.3
South Dakota	3,712	1,786	2,508	1,207	5,501	148.2
Tennessee	37,353	13,804	11,617	5,005	30,426	81.5
Texas	93,662	21,482	33,982	12,604	68,068	72.7
Utah	9,148	4,972	4,548	1,882	11,402	124.6
Vermont	5,248	3,048	2,299	936	6,284	119.7
Virginia	38,708	9,246	9,094	4,955	23,295	60.2
Washington	45,671	18,887	12,576	6,067	37,531	82.2
West Virginia	35,126	11,068	5,055	2,857	18,980	54.0
Wisconsin	64,513	12,629	13,624	4,989	31,241	48.4
Wyoming	3,613	2,563	2,019	703	5,285	146.3
Puerto Rico			1,654	158	1,812	
Virgin Islands			46		46	

[1] State distribution estimated according to State in which taxable wages were earned.

[2] Split between unemployment insurance and employment service estimated. Includes postage costs, with apportionment among States estimated. Excludes servicemen's readjustment allowance costs.

[3] Split between unemployment insurance and employment service estimated. Includes $66,500,000 in Federal and State funds spent for employment offices under national reemployment service and Wagner-Peyser programs through Dec. 31, 1941. Includes expenditures of the federally operated District of Columbia employment service, except that those District of Columbia costs for Jan. 1, 1942–Nov. 15, 1946, are included in next column. No postage charges included through July 1, 1939, while franking privileges applied. Apportionment among States of postage charges for subsequent periods estimated. Excludes Federal operation Jan. 1, 1942, through Nov. 15, 1946. Excludes farm labor programs, fiscal years 1943–48.

[4] Expenditures for direct Federal operation of State employment service functions, Jan. 1, 1942, through Nov. 15, 1946.

[5] Excludes various Federal expenditures, shown in items 5 through 8 of table 1.

[6] Figures will not necessarily add to totals because of rounding.

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

The CHAIRMAN. Mr. Secretary, we are very much pleased to have you with us today. You may proceed in your own way.

STATEMENT OF HON. JAMES P. MITCHELL, SECRETARY OF LABOR

Secretary MITCHELL. Mr. Chairman and gentlemen, I have a brief statement here which I would like to read.

I appreciate this opportunity to discuss with the committee the administration's views with respect to legislative proposals for the temporary extension of unemployment compensation benefits.

On March 25, 1958, President Eisenhower transmitted a message to the Congress recommending—

> the enactment of legislation to provide for the temporary continuation of unemployment compensation benefits to otherwise eligible individuals who have exhausted their benefits under State and Federal laws.

He stated that—

> these workers and their families should be enabled temporarily to receive weekly benefits for a longer period than is now in effect so that in the current economic situation they and their families can obtain a greater measure of security.

The President's recommendation for this temporary legislation was based on the fact not only that unemployment increased sharply after the first of the year and rose to heights far above normal but also that the rate at which unemployed workers were exhausting their unemployment insurance benefits and still remained unemployed was sharply increasing in many areas.

These facts are just as valid today. In fact, since I testified in the House the rate of benefit exhaustions has exceeded our estimates by 10 percent. In April about 230,000 workers exhausted their benefits, as compared with a figure of about 292,000 for January and February combined.

The total for the first 4 months of this year is about 713,000. We now estimate, therefore, that 2.6 millions may exhaust their benefits in 1958 as compared with an estimate of 2.3 millions when I testified before the House committee on March 28. Important to remember in this connection is the fact that even after employment improves, exhaustions continue to occur since those most recently laid off from work are usually the first ones to be called back to work.

I think we have to look behind these figures at what they mean in human and financial terms to the men and women who are going through this experience. A study, published in 1955, was made by Duquesne University under the auspices of the United States Department of Labor in cooperation with the Pennsylvania Employment Security Agency.

The study found, for example, that (1) three-fourths of the single claimants, and 40 percent of those who were the family wage earners, had no other source of income while unemployed except their unemployment insurance benefits, and (2) that an additional 20 percent of both groups had additional income amounting to less that 25 percent of their benefit amount.

The original administration bill provided a program consisting of a temporary extension of unemployment insurance benefits to unemployed workers who exhaust their rights to such benefits under State laws and under the Federal unemployment compensation laws for

Federal civilian employees, Korean veterans, and railroad workers.

The administration presented this as a complete program. It is my understanding, however, that by mutual agreement of the House Committee on Ways and Means and the House Interstate Commerce Committee, a temporary extension of benefits to railroad workers under the Railroad Unemployment Insurance Act is being handled separately.

The House Ways and Means Committee therefore did not deal with the problem of a temporary extension of benefits for railroad workers, nor does H. R. 12065 as passed by the House.

Except for the railroad workers who have been excluded, the program incorporated in H. R. 12065 as passed by the House on May 1, when accepted by a State, has all of the major substantive features of the program recommended by the administration to meet this temporary situation.

Both bills provide for operation of the program through the State employment security agencies acting as agents of the Federal Government under agreements to be entered into with the Secretary of Labor.

H. R. 12065 does not, as did the administration bill, provide for operation of the program in any State which does not enter into an agreement to carry it out as agent of the Federal Government.

Since the House by a clear majority favored the administration bill as modified by H. R. 12065, and since the House bill, as passed, substantially embodies the administration proposals as to the nature of the program itself, it is acceptable to the administration.

Under both proposals the temporary benefits would be provided to any worker otherwise eligible under the applicable State and Federal laws who has exhausted his regular benefits at any time after a specified date and only for weeks of unemployment occurring during a specified period.

The administration bill begins the exhaustion date on December 31, 1957, H. R. 12065 on June 30, 1957, or such later date as the State may elect. We believe it is the intent of H. R. 12065 to move back the exhaustion date from December 31, 1957, toward June 30, 1957. On this assumption, the modification is acceptable to the administration.

Both bills apply to weeks of unemployment beginning before April 1, 1959. H. R. 12065 would begin paying benefits for weeks of unemployment beginning 15 days after enactment, the administration bill, for weeks beginning 30 days after enactment.

We believe that it is preferable to provide a date commencing 15 days after Federal funds for the program are made available.

Under both proposals the duration of the temporary benefits is fitted into the pattern of the State in which they are paid. Eligible claimants would receive the temporary benefits for a period equal to one-half of the period during which they received benefits under the permanent system.

A worker, for example, who is eligible for 26 weeks of regular benefits at $30 a week under a State law would be eligible for 13 additional weeks of temporary benefits at $30.

Under both proposals the program is to be financed by Federal funds and is to be administered by the States as agents of the Federal

Government. In order to facilitate speedy effectuation of the program, the cost during the period of actual operation would be paid out of general funds of the Treasury.

Both proposals provide for ultimate Federal financing of the program in a State through a temporary increase in the Federal unemployment insurance tax on employers in that State. This increased Federal tax, however, would not go into effect until 1968, nor would it go into effect if the amount expended from the general funds of the Treasury has been otherwise restored.

Both the administration program and H. R. 12065 are designed to fit in with existing State unemployment insurance systems without problems of adjustment. They would not disturb these systems in any way. They would merely provide Federal funds which the States would expend as agents of the Federal Government to pay benefits to unemployed workers who meet all the requirements of State law except that they have exhausted all the regular benefits for that year to which the State law entitles them.

Both proposals gear the number of weeks of additional benefits to the number of weeks of regular benefits received by claimants rather than giving a fixed number of additional weeks of benefits to all claimants in all States. There is a valid reason for this. In some States duration of benefits is tied directly to the State's wage qualifying requirements.

In States with low wage qualifying requirements, providing additional benefits for a flat number of weeks could result in some workers getting more in benefits than they earned when employed.

I would like also to comment on the fact that much of the publicity with respect to the administration's proposal and H. R. 12065 as passed by the House characterizes the initial Federal payment of the cost of the program out of the general funds of the Treasury as a loan to the States.

Neither the administration's proposal nor H. R. 12065, as passed by the House, provides for loans to the States. Both provide for the payment of Federal benefits out of Federal funds by States which agree to act as agents of the Federal Government for this purpose.

The legislation would authorize appropriation of the money for these benefits from the general funds of the United States Treasury. Although provision is made in the legislation for ultimate restoration to the Treasury of the amounts so used, this provision is an 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 unemployment compensation.

No State would agree to assume an obligation to repay the funds; the legislation merely provides that the moneys used to carry out the program in each State shall ultimately be restored to the Treasury from future Federal taxes on employers in the State if not restored in some other manner.

These facts about the program proposed in the bill should, I believe, place in somewhat different perspective the questions that have been raised about the authority of State officials to agree to State participation and about the need for legislative action by the States as a prerequisite to any State agreement. Such questions are, of course, matters of State law for determination by the competent authorities of the respective States.

In answering them, the State authorities will undoubtedly look to the Federal statute to find out what it is that must be actually agreed to by the State in order to put the program into effect.

They may also be expected to consider existing provision of State law which, I am informed, now provide authority in every State to enter into agreements with other States and with the Federal Government for the payment of unemployment compensation.

It is under such authority that States have in the past entered into agreements to act as agent of the Federal Government in the payment of other Federal unemployment benefits.

The States would act as agents of the United States in carrying out the proposed program for paying unemployment benefits from Federal funds in the same way that they do now under other programs. This is the arrangement used in the operation of the Federal unemployment-insurance programs for Federal civilian employees and for veterans.

In all cases the States without any difficulty entered into agreements to act as agents of the United States to operate the programs and pay the benefits in accordance with their unemployment-insurance laws, just as it is proposed that they would do under this temporary program.

I think it is reasonable to assume that if this legislation is enacted the States desiring to take advantage of this program could and would act promptly to enter into similar agreements.

I do believe that prompt action is important to make this program available in every State where the need exists. The temporary program I have outlined is a simple proposal essentially; it would neither make nor require any change in State laws; it would not legally obligate the participating States to do anything other than act as agents of the Federal Government to distribute the benefits, using their already well-established procedures to do so.

I therefore urge, Mr. Chairman, early action on a temporary unemployment compensation measure such as I have outlined.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I would like to read for the record a letter dated May 12, 1958, which has been received by the committee from the Acting Assistant Director of the Bureau of the Budget for Legislative Reference.

It is as follows:

DEAR MR. CHAIRMAN: This is in reply to your request of May 6, 1958, for a report from this office on H. R. 12065, a bill to provide for temporary additional unemployment compensation, and for other purposes.

This bill is the administration's proposal as modified by the House of Representatives. It will provide additional unemployment compensation payments for individuals who have exhausted their benefits under existing State laws.

We urge enactment of such legislation for the reasons which the Secretary of Labor will outline in detail to your committee.

In addition to that the Chair would like to state——

Senator GORE. Who was the letter from, Mr. Chairman?

The CHAIRMAN. It is from the Bureau of the Budget, the Executive Office of the President, dated May 12, 1958, and signed by Phillip S. Hughes, Acting Assistant Director for Legislative Reference.

Under customary procedure the bill was referred to the Budget Bureau and this is in response to the committee's request for the views of the administration on this bill. In addition to that, a message from the President has been conveyed to the chairman by one of the

White House aids saying the President favors this bill as passed by the House.

I want to make that clear, because the original recommendation of the administration did not provide for an optional provision on the part of the States.

I want to ask you, Mr. Secretary, if I have stated the situation correctly.

Secretary MITCHELL. That is right, sir, you have.

The CHAIRMAN. You favor now the bill with the optional provision that States can either take advantage of it or not take advantage of it in their own discretion?

Secretary MITCHELL. That is right, sir, as I have stated in my statement.

The CHAIRMAN. Now, Mr. Secretary, I was governor of a State, as you know, and I understand our present unemployment insurance program, the funds originate completely within the States, coming from the employers.

There is no subsidizing by either the Federal Government or the State government.

The money sent to Washington for deposit, in a trust fund, and to the extent that the fund is invested in Federal bonds it draws interest.

That is correct, is it not?

Secretary MITCHELL. That is correct, sir.

The CHAIRMAN. The money comes to Washington. But each State acts as a separate unit, and controls use of its own funds. By State law it can deplete the fund if it chooses to do so. It can fix the duration of the payments and can fix the rate of payments without Federal control in any way, isn't that correct?

Secretary MITCHELL. It can fix the duration of payments and the rate of payments on its own unilateral initiative without any Federal standards in that connection; yes, sir.

The CHAIRMAN. Can the Federal Government in any way control this fund?

Secretary MITCHELL. You are referring now to the funds in the unemployment trust fund?

The CHAIRMAN. That is right.

Secretary MITCHELL. Which are earmarked for each individual State?

The CHAIRMAN. That is correct.

Secretary MITCHELL. There is no Federal standard which gives the Federal Government any control of the funds.

The CHAIRMAN. There is complete freedom on the part of each individual State?

Secretary MITCHELL. That is right, sir.

The CHAIRMAN. To use the fund?

Secretary MITCHELL. That is right, sir, for benefits.

The CHAIRMAN. In any fashion they desire to use it?

Secretary MITCHELL. That is correct.

Senator FREAR. May I ask the chairman a question at this time?

I do not want to interrupt your questioning.

The CHAIRMAN. Senator Frear.

Senator FREAR. Is it a fact or not that this agreement must be entered into by both the Federal Government and the State?

Secretary MITCHELL. Senator Frear, I am not sure what agreement you are talking about.

The CHAIRMAN. I am speaking of the State funds.

Senator FREAR. Yes; but isn't there an agreement between the several States as individual States and the Federal Government as to the control of the fund and other things in the agreement?

You have something in writing between the Federal Government and the States regarding the unemployment compensation fund, do you not?

Secretary MITCHELL. Yes, sir. There are certain Federal standards that are set up by Federal law, but they do not go to the point of the level of benefits or the duration of benefits which are completely within the purview of the State.

Senator FREAR. There is no veto power by the Federal Government on any plan a State may put into practice?

Secretary MITCHELL. No, sir; except that the implications of the law are that the State—the Federal law directs that the taxes collected from employers for the payment of benefits may be used by a State only for the payment of benefits.

There is that restriction.

Senator FREAR. Yes.

The CHAIRMAN. That of course is in the State law also?

Secretary MITCHELL. It is also in the Federal law, sir.

The CHAIRMAN. This money does not come from the Treasury of the States, and not from general taxation; it comes from a specific tax on the employers of labor?

Secretary MITCHELL. That is right, sir, on the employers.

The CHAIRMAN. It is a segregated fund for a specific purpose?

Senator BENNETT. Mr. Chairman, isn't there a limit in the amount of the tax that can be applied against any employer in that part of the law?

Secretary MITCHELL. Yes, Senator Bennett.

The maximum creditable amount that an employer may be taxed for benefits is 2.7 of his payroll and there is a 0.3 percent tax, which goes into the Federal fund as distinguished from State funds, which is to be used for administration.

(Data subsequently submitted by Labor Department:)

Secretary Mitchell was here referring, as the context shows, to the maximum of State taxes for benefits which *can be credited* against the 3 percent Federal tax. The statement as reported would be inaccurate unless the word "creditable" is inserted. States can and do tax more than the 2.7 but only that amount is creditable against the 3 percent Federal tax.

Senator BENNETT. So the total is three points?

Secretary MITCHELL. Three points, the maximum.

Senator BENNETT. Yes.

The CHAIRMAN. The average rate as I understand it now is 1 percent.

Secretary MITCHELL. It is 1.3 percent.

Senator FREAR. But the States have no control over this three-tenths of 1 percent that goes into the Federal Treasury?

Secretary MITCHELL. No——

Senator FREAR. That they collect the 3 percent or whatever credit they may have for merit rating?

Secretary MITCHELL. The 0.3 percent, Senator Frear, is the result of a Federal tax, and goes in earmarked for administrative purposes into the Federal—three-tenths of 1 percent.

Senator FREAR. That is collected once a year at the end of the year?

Secretary MITCHELL. Yes.

Senator FREAR. Thank you.

Senator MARTIN. Mr. Chairman, in order to clarify it: If the 3 percent is increased or decreased what authority does that?

Secretary MITCHELL. The 2.7 is collected for a maximum of 0.3 for administration. The 2.7 is a maximum and may be reduced and is reduced in most States.

Senator MARTIN. What I am getting at is who does that?

Secretary MITCHELL. The State.

Senator FLANDERS. May I inquire whether there is to your knowledge any State which would have to increase beyond the 2.7 in order to meet that.

The CHAIRMAN. If the Senator would permit me, I was coming to that.

I am trying to bring those points out and I would like to have the privilege of completing my questions.

Mr. Secretary, we have for each Senator a statement prepared by the Treasury Department showing funds available, by States, and by months since June 30, 1957.

On December 31, 1957, the total amount in the unemployment insurance trust fund, exclusive of the loan fund, was $8.6 billion.

On March 31, it was $7.9 billion, a reduction of approximately $700 million or little more than $200 million a month.

Assuming it were possible to continue at that rate this fund would last for something like 20 months without the additional taxes that come in, or the interest.

In the month of March, $54 million was collected in interest.

I want to take just a few States for illustration and ask you about them.

New York, on December 31, had $1,353 million. New York today has $1,278 million, a reduction of $75 million in the New York balance.

As I understand, New York may not be one of the critical areas.

Why is it necessary for New York to get any assistance from any source, Federal Government, loans or otherwise, when they have $1,278 million on hand they can use as they please by the action of the Legislature of New York State?

Secretary MITCHELL. Senator Byrd, it is true, of course, that a State like New York or any other State could amend their laws to provide additional benefits, but in our opinion this would require action by State legislatures, usually at this point in special session.

Also——

The CHAIRMAN. One minute.

Has not the Legislature of New York been in special session just recently?

Secretary MITCHELL. I believe it has; yes, sir.

The CHAIRMAN. If this is the emergency it is said to be, and it probably is in some areas, would it not justify a meeting of the State legislatures?

Secretary MITCHELL. Well——

Senator GORE. Mr. Chairman, would you ask the witness to speak up a little. I am having great difficulty hearing him.

(Off the record.)

Secretary MITCHELL. May I go a little further, Senator, addressing myself to another part of your question: I think it can be said that most of the State reserves are based on the amounts estimated to be needed to pay for the benefits provided under the State laws.

If these reserves were drawn upon to finance these additional temporary benefits during the present recession, it could put a strain on these reserves and upset the long-range financing of the State system.

The CHAIRMAN. What is the rate now of New York State?

Secretary MITCHELL. We have it here in this table which was provided to the staff.

The average of New York State is 1.7.

The CHAIRMAN. 1.7, and you have a leeway of another 1 point, is that correct?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. How much money would 1 point bring in, in New York State?

Secretary MITCHELL. That will require some mathematics which I am not capable of doing right here, Senator.

The CHAIRMAN. Will one of the staff do it?

Secretary MITCHELL. We will get that for you.

(Secretary Mitchell later furnished the figure $150 million.)

The CHAIRMAN. So New York State not ony has a balance of $1,278 million but they are permitted under the law to add 1 percent to the unemployment tax; isn't that correct?

Secretary MITCHELL. That is correct, sir.

The CHAIRMAN. You think that New York then is in a position or should be in position or should ask for any Federal help of any character at all until the State uses the money and facilities it has on hand?

Secretary MITCHELL. Senator, this proposal of the administration and H. R. 12065, was designed to meet an emergency temporary problem.

It was our thinking that to do the least damage and the least disturbance to the Federal-State system of unemployment compensation, that any program of this kind should be on a temporary basis and should be separate and apart from the normal Federal-State system.

Certainly on the basis of what New York, and many other States, could do, if they wanted to deplete their reserves or if they wanted to increase their taxes, it could be said they might be able to take care of this problem.

But this is a national problem, and it was our intent, in proposing this legislation, that it be taken care of on a temporary basis without interfering with the present State laws.

The CHAIRMAN. Let's take Michigan.

In December, December 31, it had $295 million and now it has $221 million.

I suppose Michigan has been one of the States hardest hit, has it not?

Secretary MITCHELL. The unemployment rate in Michigan is very high; yes, sir.

The CHAIRMAN. I am speaking in terms of withdrawal from the fund?

Secretary MITCHELL. And in the exhaustions.

The CHAIRMAN. They have reduced the balance $74 million since December 31.

New Jersey had $439 million on December 31, and now has $397 million. They have reduced the balance $42 million in this 4-month period.

Now this proposal, if I understand it correctly, simply means that a State can affirmatively request to come under this bill, if they do not make this request they do not come under this bill, they use their own discretion about it.

Secretary MITCHELL. That is right, sir.

The CHAIRMAN. If they do come under the bill, they have a 50 percent duration?

Secretary MITCHELL. At the level of State benefits.

The CHAIRMAN. Then the money that is advanced to the States, if necessary, is paid by a Federal tax which is imposed at the end of 4 years?

Secretary MITCHELL. That is right, sir.

The CHAIRMAN. Or the State can use any balance it may have in this fund to pay that advance off?

Secretary MITCHELL. Well, the bill reads, Senator, that the Federal tax will become effective as of 1963 unless and until the money paid out is restored to the Treasury.

The bill does not specify how that money can be restored.

The CHAIRMAN. Now that would not be regarded as part of the debt of the State?

Secretary MITCHELL. No, sir. The State, under this bill, can agree to act as an agent of the Federal Government in the disbursing of funds which will be initially appropriated from the General Treasury and subsequently recovered by the imposition of the tax, a Federal tax, in 1963.

A State could, if it so desired, agree to act as an agent of the Federal Government, and do nothing in the meantime, and the Federal tax in 1963 becomes effective.

The CHAIRMAN. The point here is that certain States are not permitted to contract debt.

Now from a legal standpoint, as I understand it, these advances would not be regarded by the State as a debt of that State because they are to be paid back with funds derived from a Federal tax?

Secretary MITCHELL. It need not be regarded by the States; yes, sir.

The CHAIRMAN. In that way it would avoid any sessions of the legislature?

Secretary MITCHELL. We believe so; yes, sir.

The CHAIRMAN. You think this plan avoids the necessity of the meeting of the State legislatures of the States to provide for borrowing?

Secretary MITCHELL. We do, Senator.

Of course the interpretation of State laws is a matter for the State's attorney general, and I would not want to attempt to interpret the laws of each Sate. But it is our opinion that all that this bill requires

is an action by a State official to agree to act as an agent of the Federal Government in effectuating this program.

Senator WILLIAMS. In making that decision though this State official, by borrowing this money would be committing the State to levy this tax in future years to make the repayment; would he not?

Secretary MITCHELL. No, sir; it is not a State tax, it is a Federal tax.

Senator WILLIAMS. Well, he would be more or less making a commitment that such a Federal tax would be levied to repay it; would he not?

Secretary MITCHELL. Well, the tax is being imposed, sir, by the Federal Government.

Senator WILLIAMS. Do you think an official of a State can properly subscribe to that principle without the authority of the legislature, that is my question.

Secretary MITCHELL. Well, the officials of the States have, in two instances, subscribed to the principle of acting as agents of the Federal Government in disbursing funds which are gathered from Federal taxes in the case of the Federal employees unemployment compensation and in the case of the unemployment compensation for Korean veterans.

The States now, by agreement, act as agents of the Federal Government in disbursing this money.

The CHAIRMAN. But Senator Williams is raising a different question. The action of State officials will be followed by an imposition of a Federal tax from Washington, and which would not be placed upon the employers of that State unless the State by this action through the governor, or whoever the official may be, accepted the provisions of this bill.

Do you think a governor would have the right then to submit his State to the imposition of a Federal tax which would not be universal? The additional tax would be imposed only in the States which come under the bill?

Secretary MITCHELL. We think so, Senator, with this reservation: That I would not attempt nor would any of our legal advisers attempt, to interpret whatever the particular State law may be.

This is a matter for the States to determine for themselves.

We believe that they could accept this agency obligation without legislative approval.

The CHAIRMAN. What do you estimate will be the call upon the Federal Treasury which is not in the budget?

You are saying what is paid out here is not in the present budget deficit.

What do you think will be required by the States?

Secretary MITCHELL. Our estimate, assuming that every State took advantage of the provisions of H. R. 12065, would be $640 million.

The CHAIRMAN. $640 million?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. That assumes that all the States would extend the duration?

Secretary MITCHELL. Yes, sir; this is assuming that all of them do.

The CHAIRMAN. To that extent it would add to the present deficit until it was paid back in 4 years.

How long would it take to pay it back; what is the percent of the tax that would go on?

Secretary MITCHELL. At the end of 4 years under the provision of H. R. 12065, the 0.3 percent of the Federal tax now levied upon the employers would be increased by 0.15 making it 0.45 percent.

This is like a provision now in the Federal unemployment compensation law; it is an automatic increase.

The CHAIRMAN. It would take how many years?

Secretary MITCHELL. The first year, in 1963, this tax of 0.3 percent would go up to 0.45 percent, and the second year, if the money were not repaid as the result of the imposition of that tax, it would go up another 0.15 percent making the total tax 0.6 percent.

The CHAIRMAN. I know. But when would you get that six hundred-and-some-million dollars?

Secretary MITCHELL. That is when you would get it, sir.

The CHAIRMAN. How long would it take?

Secretary MITCHELL. Well, that would depend on the amount of money expended, but we figure that it would be between 2 and 2½ years.

The CHAIRMAN. Two or two and a half years?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. How many States are taxing up to the limit of the law, 2.7?

Secretary MITCHELL. 2.7; just a minute, sir; we have that information.

There was a staff paper that shows this, Senator.

Alaska, 2. ——

Senator BENNETT. Can you identify the table in the staff paper?

Secretary MITCHELL. Table 12.

You will note Alaska and Rhode Island are now taxing to the maximum, 2.7.

The CHAIRMAN. Are they the only two?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. And the average is 1.3?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. Now, should all of them go up to the maximum, how much additional revenue would that bring in?

Secretary MITCHELL. It would about double the current revenue.

The CHAIRMAN. What is your revenue now?

Secretary MITCHELL. We will have to figure that out.

The contributions now collected are $1,544,338,000, approximately doubling that, you would get over $3 billion.

The CHAIRMAN. $3 billion?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. And that would be far greater than the loss of $700 million that you have had in this total fund from December 31 until March 31; would it not?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. In other words, the States are not imposing the maximum tax allowed?

Secretary MITCHELL. As I pointed out, Senator, these State reserves are based on the amounts and estimated costs needed to pay for the benefits and the duration of benefits now provided under State laws.

There is a question——

The CHAIRMAN. But you have got another condition here. The States could temporarily increase the rate up to 2.7 without any need whatsoever for funds from outside sources?

In fact they could increase the surplus, increase the reserve fund considerably if they did that.

Secretary MITCHELL. Unquestionably the States could, if they desired, amend their laws increasing the employer tax whatever it may be now to the maximum of 2.7 or whatever it was in between.

The CHAIRMAN. Wasn't that the original conception of this whole program?

Secretary MITCHELL. No, sir. The original——

The CHAIRMAN. Has there been any variation of it since it was adopted, when was it, in 1935?

Secretary MITCHELL. No; 1935—and by 1938, most of the States had adopted it.

The CHAIRMAN. Don't you think the States have as much obligation to meet an emergency as the Federal Government has when we have got a deficit up here of around $10 billion?

Secretary MITCHELL. Senator, it seems to me that, first, there is a real need here in terms of speedy action.

I doubt that such action can be achieved through meetings of State legislatures as rapidly as it might be under a Federal program.

Also I have serious doubt as to whether it is desirable for a temporary program to completely revise the tax base and the whole financial structure in the long-range financing of a State's system.

The CHAIRMAN. I do not understand that the tax base would be completely revised if States simply increase the tax up to the maximum already allowed. They could be reduced again when the emergency was over.

It seems to me that this is a very fundamental question that confronts this country. I do not understand why the States cannot take care of themselves; why do they come to the Federal Government when every State in the Union has proportionately a far less debt than the Federal Government and much less deficit. They can take care of this matter on a temporary basis as well as the Federal Government can do it. It would automatically adjust itself, because when the need ceases to be there, the rates would be reduced.

I do not want to take all the time, but I do want to ask one more question about the loan fund.

Now the unemployment loan fund is financed by three-tenths of 1 percent Federal tax, the proceeds of which are used also for administrative costs. Is that correct?

Secretary MITCHELL. The three-tenths of 1 percent which is collected from the employers goes into an earmarked fund in the Federal Treasury, which is used for administration of the program, both at the Federal and State levels.

Any excess in that tax goes into a fund which, under the Reed act of 1954, is kept at $200 million.

The CHAIRMAN. How many loans have been made out of that fund to the States during the present emergency?

Secretary MITCHELL. During the present emergency, Oregon, I think, recently borrowed $14 million from the fund.

The CHAIRMAN. Didn't they borrow that $14 million to avoid increasing the State tax?

Secretary MITCHELL. I believe that was the reason given; yes, sir.

The CHAIRMAN. It was a question that they had to automatically increase the State tax in Oregon because they had reached a certain point in their reserves. They could have increased the tax and there would have been no need to borrow this 14—what was it, $14 million?

Secretary MITCHELL. I think it was, sir. And Alaska has borrowed 3 times, I believe, from the fund, once about 3 years ago, and once last year, and once this year. I think it was $5 million that they borrowed.

The CHAIRMAN. The record shows that through all this emergency there have been only 2 applications for loans, 1 from Alaska and 1 from Oregon.

Secretary MITCHELL. The Alaska loan, sir, was this year, last year, and 3 years ago.

The CHAIRMAN. Then there has been one during the emergency?

Secretary MITCHELL. Yes, sir; if you want to put it on that basis.

The CHAIRMAN. There has only been one request from a State that wanted to borrow from the fund which is already in existence for the purpose of loaning to the States; is that correct?

Secretary MITCHELL. That is correct, sir.

The CHAIRMAN. There is one more thing I want to ask you to do. I want you to take this table, beginning with December 31, and change the figures on the assumption that all the States raise their tax to 2.7 and give me the revised figures showing what the condition of this fund would be had they raised the tax to 2.7 which they are permitted to do under the law, and which it was reasonable to expect they would do, before they called on the Federal Government.

Secretary MITCHELL. I will be very happy to do that, Senator.

May I make one point with relation to this 2.7 which goes again to the point I tried to make that I question the wisdom of getting into the whole long-range financing of the State systems.

This 2.7 maximum has in it the elements of rewarding employers by reducing their tax for their turnover record.

In other words, this is a merit system in most of the States, and employers have incentive in normal times to keep their turnover at a low point, which automatically reduces their tax.

The CHAIRMAN. I understand that.

Secretary MITCHELL. And I think that should be considered.

The CHAIRMAN. We should keep that in the consideration.

I do not ask for this information overnight; but, if you can get it, it would be helpful to learn what the situation might be under existing law.

Secretary MITCHELL. Yes, sir.

May I ask which table you are referring to?

The CHAIRMAN. I am referring to this Treasury table, giving the balances of each State.

Secretary MITCHELL. All right.

(The material is as follows:)

Estimated State reserve funds[1] on Dec. 31, 1957, if all States had collected 2.7 percent of taxable wages during 1957

[Amounts in thousands of dollars]

State	Reserves Jan. 1, 1957	Actual contributions collected[2]	Contributions at 2.7 percent of taxable wages[3]	Additional revenue at tax rate of 2.7 percent	Actual reserves Dec. 31, 1957[4]	Reserves Dec. 31, 1957 with additional revenue[1]
United States	$8,573,571	$1,544,338	$3,085,439	$1,541,101	$8,662,101	$10,203,202
Alabama	83,820	19,214	41,546	22,332	88,368	110,700
Alaska	688	4,908	4,908		[5] 1,550	1,550
Arizona	54,099	7,737	15,277	7,540	58,718	66,258
Arkansas	46,012	6,797	15,768	8,971	44,727	53,698
California	904,449	155,247	302,152	146,905	908,922	1,145,827
Colorado	74,230	6,308	23,733	17,425	76,903	94,328
Connecticut	215,840	27,151	60,589	33,438	248,478	281,916
Delaware	17,169	2,713	10,995	8,282	15,088	23,370
District of Columbia	50,939	4,508	16,378	11,870	58,608	70,568
Florida	88,491	15,462	57,450	41,988	93,621	135,609
Georgia	149,407	22,307	49,040	26,733	151,888	178,621
Hawaii	22,496	2,852	7,512	4,660	23,077	27,737
Idaho	37,676	4,004	7,961	3,957	36,570	40,527
Illinois	480,265	83,018	216,437	133,389	500,574	633,963
Indiana	212,784	33,977	87,960	53,983	212,176	266,159
Iowa	111,189	8,580	31,137	22,557	113,948	136,505
Kansas	83,143	10,059	26,538	15,570	86,088	101,607
Kentucky	124,303	24,904	34,302	9,338	121,045	130,383
Louisiana	138,145	21,750	41,704	19,954	152,871	172,825
Maine	45,820	8,464	14,237	5,773	45,537	51,310
Maryland	117,973	19,035	50,036	31,001	116,642	148,643
Massachusetts	316,958	65,207	111,074	45,777	317,790	363,567
Michigan	300,023	115,914	151,725	35,811	295,025	330,836
Minnesota	119,103	16,227	49,062	32,835	113,488	146,323
Mississippi	36,077	9,086	15,653	6,567	34,602	41,169
Missouri	217,618	26,345	71,018	44,673	226,562	271,235
Montana	46,184	4,042	8,693	4,651	43,816	48,467
Nebraska	39,480	5,169	14,915	9,746	39,766	49,512
Nevada	19,335	4,628	6,347	1,719	19,720	21,439
New Hampshire	23,281	6,151	10,321	4,170	24,999	29,169
New Jersey	459,760	89,151	134,035	44,884	439,803	484,687
New Mexico	38,100	4,731	10,812	6,081	40,643	46,724
New York	1,305,825	254,626	391,069	136,443	1,355,730	1,492,173
North Carolina	179,134	30,519	56,641	26,122	182,207	208,329
North Dakota	10,107	2,662	4,524	1,862	10,223	12,085
Ohio	629,758	55,651	204,070	148,419	618,636	767,055
Oklahoma	53,714	9,939	27,124	17,185	53,868	71,053
Oregon	54,663	16,975	31,702	14,727	41,894	56,621
Pennsylvania	383,802	143,779	235,056	91,877	340,771	438,648
Rhode Island	31,199	18,603	18,603		31,390	31,390
South Carolina	73,530	11,890	26,420	14,530	75,013	89,543
South Dakota	13,615	1,723	4,654	2,931	14,179	17,110
Tennessee	95,004	28,925	44,059	15,134	91,572	106,706
Texas	293,835	31,022	128,854	96,932	301,247	398,179
Utah	38,424	5,884	12,203	6,409	40,420	46,829
Vermont	16,612	2,591	5,262	2,671	16,928	19,599
Virginia	91,332	10,215	47,218	37,003	92,894	129,897
Washington	198,350	39,775	48,538	8,763	204,348	213,111
West Virginia	64,533	12,648	20,312	16,664	67,625	84,289
Wisconsin	252,981	27,425	64,723	37,298	259,172	296,470
Wyoming	16,125	1,861	4,529	2,668	16,276	18,944

[1] Not including additional interest that would have been earned on additional revenue.
[2] Includes contributions and penalties from employers, and both employer and employee contributions in 3 States (Alabama, New Jersey, and Alaska) which tax workers.
[3] Includes employer and employee contributions in 3 States (Alabama, New Jersey, and Alaska) which tax workers.
[4] Includes funds credited to State accounts on July 1, 1957, under provisions of the Employment Security Administrative Financing Act of 1954.
[5] Includes $2,630,000 loan received in January 1957.

NOTE.—It is not possible to estimate with sufficient accuracy either the tax yield for January to March 1958—assuming that a 2.7 percent rate had been in effect during the 1st quarter of 1958—or the reserves which would have accumulated at the end of the quarter, since reports from the States on the tax rates actually in effect and the payrolls to which they apply are not due until later in the year.

The CHAIRMAN. What is the rate in Oregon now? It has a rate of 1.47 when they are allowed under the law to tax up to 2.7, yet they come here and borrow $14 million out of the loan fund.

Was that the rate?

Secretary MITCHELL. One point four as I read it here.

Senator FREAR. That is the average?

Secretary MITCHELL. Yes, the average.

The CHAIRMAN. What makes a State eligible to borrow from this $200 million fund?

Secretary MITCHELL. If a State's reserves at the end of any calendar quarter have fallen to an amount that is equal to or less than the benefits paid out in the last 4 calendar quarters, the State is eligible for a loan from the Federal unemployment account—this is the Reed Act, not to be confused with our present proposal, equal to the highest quarterly expenditure in the preceding 4 quarters.

The CHAIRMAN. That is the way that Oregon is capable of taxing.

Thank you.

Senator Frear?

Senator FREAR. In this fund, Mr. Secretary, on the Federal unemployment account, when it gets above the $200 million then where does the excess go of this three-tenths of 1 percent collected?

Secretary MITCHELL. It goes back to the States.

Senator FREAR. It goes back to the States to the State fund in proportion to their grants or taxes?

Secretary MITCHELL. In proportion to the income, the taxes.

Senator FREAR. From the several States?

Secretary MITCHELL. From the States, yes, sir.

The CHAIRMAN. Excuse me, Senator Frear. I am told the Federal Government does not use the entire three-tenths of 1 percent—it is three-tenths of 1 percent for the loan fund. Part of it is used for administrative purposes.

Secretary MITCHELL. Whatever money is used from that fund is used for administrative purposes, both at the State and Federal level. We have not used all of it, which is——

The CHAIRMAN. The balance goes into the Federal unemployment account; is that it?

Secretary MITCHELL. The balance not used for administrative purposes goes into this unemployment account up to the point of $200 million.

The CHAIRMAN. Yes.

Secretary MITCHELL. Anything above $200 million goes back to the States.

The CHAIRMAN. What is the administrative cost that comes out of this three-tenths of 1 percent?

Secretary MITCHELL. The cost of Bureau of Employment Security in the Department of Labor, the administration——

The CHAIRMAN. What are the figures?

Secretary MITCHELL. We will have it in a minute, sir.

First I would like to say that this finances the administration of the employment security program, which is the employment offices and the unemployment compensation offices in all of the States, and the total amount of that administration, plus the Bureau of Employment Security of the Department of Labor amounts to about $330 million.

The CHAIRMAN. $330 million?

Excuse me, Senator Frear.

Senator FREAR. That is all right.

About what percentage of the three-tents of 1 percent is normally used in administration?

Secretary MITCHELL. Mr. Brown tells me, Senator Frear, it has gone from an average of about 85 percent of the total income to, we anticipate in fiscal 1959, where it will be more than 100 percent because of the increased load, administrative load that is placed on all the States and the local offices, but this is a temporary condition.

Senator FREAR. You do not anticipate that it will go beyond the the three-tents of 1 percent?

Secretary MITCHELL. Oh, no, sir, not as a regular thing.

Senator FREAR. That you will be able to keep within that?

Secretary MITCHELL. Yes, sir.

Senator FREAR. I understood you to say, Mr. Secretary, that that does include the costs of administration in the States, in other words, the States make no contribution from their 2.7 percent or any fraction thereof toward the administration.

Secretary MITCHELL. No.

Senator FREAR. So it all comes out of the three-tenths of 1 percent?

Secretary MITCHELL. Yes, sir; the 2.7 or any fraction thereof is used for benefits solely.

Senator FREAR. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Martin?

Senator MARTIN. Mr. Chairman, may I ask that these tables be inserted in the record?

The CHAIRMAN. Without objection.

(The documents are as follows:)

Unemployment trust fund withdrawals by States by months

FIRST QUARTER 1958

States	Balances June 30, 1957	July 1957		
		Deposits	Withdrawals	Balances July 31, 1957
Alabama	$85,646,487.24	$1,915,105.16	$1,750,000.00	$85,811,592.40
Alaska	747,541.70	288,444.02	145,000.00	890,985.68
Arizona	56,022,827.36	844,560.70	370,000.00	56,491,388.16
Arkansas	43,597,100.10	1,144,734.76	450,000.00	44,291,840.92
California	969,825,315.12	13,599,497.89	7,700,000.00	975,724,813.01
Colorado	74,560,101.59	879,743.65	855,000.00	75,084,935.24
Connecticut	246,583,420.03	3,073,052.32	3,000,000.00	246,656,472.95
Delaware	15,807,445.88	272,293.02	348,000.00	15,731,743.90
District of Columbia	57,207,329.87	544,802.60	295,000.00	57,517,192.47
Florida	93,490,070.02	1,738,156.28	1,700,000.00	93,528,235.90
Georgia	149,747,190.84	2,838,447.01	2,500,000.00	150,085,637.85
Hawaii	22,004,284.04	315,111.05	150,000.00	22,769,395.09
Idaho	35,947,444.57	684,315.95	275,000.00	36,356,760.52
Illinois	482,204,283.31	7,658,065.45	7,175,000.00	482,687,348.76
Indiana	209,807,423.04	5,465,950.15	2,350,000.00	212,623,382.19
Iowa	110,288,080.33	1,158,702.73	500,000.00	110,947,689.00
Kansas	82,330,902.48	1,909,733.43	540,000.00	83,706,725.91
Kentucky	119,059,860.85	1,793,952.50	2,000,000.00	119,153,822.35
Louisiana	142,944,103.88	1,687,122.09	850,000.00	143,781,226.87
Maine	45,551,048.01	1,020,702.04	585,000.00	45,986,750.05
Maryland	117,839,030.03	2,008,129.56	1,725,000.00	118,122,769.24
Massachusetts	309,938,130.34	6,531,731.43	5,600,000.00	310,869,807.77
Michigan	208,944,500.28	22,875,458.49	9,025,000.00	311,895,048.77
Minnesota	112,200,160.84	2,304,927.07	1,105,000.00	113,400,087.91
Mississippi	33,066,828.43	1,228,088.53	1,125,000.00	33,709,916.96
Missouri	218,929,303.01	6,530,872.34	1,750,000.00	223,710,236.25
Montana	43,358,625.02	491,000.75	375,000.00	43,974,694.77
Nebraska	37,854,101.53	845,193.04	300,000.00	38,399,324.57
Nevada	19,030,603.58	714,452.99	250,000.00	19,504,110.57
New Hampshire	23,324,604.55	672,843.82	310,000.00	23,687,448.37
New Jersey	441,315,234.80	6,469,285.94	9,400,000.00	438,384,520.74
New Mexico	38,548,033.62	697,403.61	90,000.00	39,155,437.23
New York	1,805,056,213.08	19,536,545.56	22,300,000.00	1,803,192,759.24
North Carolina	177,242,211.36	3,461,021.16	3,500,000.00	177,203,832.52
North Dakota	8,889,873.59	369,844.05		9,259,717.64
Ohio	621,189,728.62	5,942,266.38	5,850,000.00	621,281,995.00
Oklahoma	51,025,090.05	1,317,701.66	765,000.00	52,477,791.71
Oregon	44,525,351.99	2,535,800.68	1,250,000.00	45,811,152.67
Pennsylvania	359,115,503.79	8,026,515.57	15,200,000.00	352,542,019.36
Rhode Island	29,295,020.49	2,075,194.44	1,900,000.00	29,470,214.93
South Carolina	73,236,208.30	1,525,023.17	800,000.00	73,961,291.47
South Dakota	13,212,332.14	386,688.67	20,000.00	13,579,020.81
Tennessee	90,527,564.38	3,096,324.67	3,500,000.00	90,123,889.05
Texas	295,941,635.47	6,335,640.64	1,900,000.00	300,377,276.11
Utah	38,199,112.16	1,135,517.35	340,000.00	38,994,629.51
Vermont	16,649,518.23	649,879.45	250,000.00	17,049,397.68
Virginia	91,679,699.46	1,682,934.81	1,400,000.00	91,962,634.27
Washington	200,380,769.49	5,309,991.98	1,050,000.00	204,040,761.47
West Virginia	65,574,277.16	1,847,220.78	800,000.00	66,321,497.94
Wisconsin	252,937,186.27	6,753,849.02	2,075,000.00	257,616,035.29
Wyoming	15,434,874.03	323,176.69	100,000.00	15,658,050.72
Subtotal	8,491,806,644.82	172,873,732.29	129,259,000.00	8,535,421,377.11
Railroad unemployment insurance account	294,155,471.58	688,380.06	−9,235,000.00	285,608,851.64
Federal unemployment account	205,507,709.64		−5,832,400.00	199,675,309.64
Undistributed appropriations	71,195,220.32	−71,195,220.32		
Grand total	9,062,665,136.36	102,366,892.03	144,326,400.00	9,020,705,628.39

FIRST QUARTER 1958

	August 1957		September 1957			
Deposits	Withdrawals	Balances Aug. 31, 1957	Deposits	Earnings	Withdrawals	Balances Sept. 30, 1957
$4,020,512.76	$1,050,000.00	$89,301,105.10	$100,000.00	$678,538.73	$1,500,000.00	$88,569,043.89
1,322,102.71	105,000.00	2,108,179.39	12,404.36		675,000.00	1,445,043.75
1,738,000.00	280,000.00	87,940,388.15	56,000.00	377,153.01	375,000.00	88,007,542.06
1,040,000.00	650,000.00	44,081,840.92	50,000.00	292,385.87	600,000.00	44,524,226.79
38,201,032.09	9,200,000.00	1,004,725,846.00	301,347.55	6,537,056.15	7,300,000.00	1,004,354,849.70
1,327,000.00	415,000.00	75,990,935.24	53,000.00	497,052.78	275,000.00	76,272,588.02
6,965,000.00	1,800,000.00	251,821,472.95	71,000.00	1,644,804.06	2,400,000.00	251,137,277.01
405,000.00	408,000.00	15,368,743.90	337,000.00	102,071.47	352,000.00	15,455,815.37
1,106,050.00	405,000.00	58,218,242.47	10,347.50	381,800.74	205,000.00	58,324,450.71
3,800,000.00	1,800,000.00	95,588,225.90	131,000.00	622,905.21	2,575,000.00	93,767,141.11
4,525,000.00	2,100,000.00	152,510,037.85	100,000.00	990,804.00	1,699,303.36	151,901,198.46
563,118.86	120,000.00	23,212,509.55	16,991.20	151,481.04	175,000.00	23,205,981.84
656,000.00	145,000.00	36,867,760.52	21,000.00	240,877.32	386,315.95	36,743,321.80
22,193,591.40	5,025,000.00	499,855,940.25	245,000.00	3,239,070.81	6,075,000.00	497,265,611.09
6,751,000.00	3,050,000.00	216,324,382.19	127,000.00	1,410,043.25	2,500,000.00	215,361,425.49
1,786,013.07	500,000.00	112,233,702.73	300,000.00	735,305.07	500,000.00	112,769,008.48
2,900,000.00	590,000.00	85,116,725.91	40,000.00	555,200.03	505,000.00	85,206,926.84
6,300,000.00	1,900,000.00	123,553,822.35	150,000.00	800,373.35	2,000,000.00	121,004,175.70
5,569,000.00	700,000.00	148,650,226.57	122,000.00	965,145.95	700,000.00	149,037,372.52
1,774,300.00	565,000.00	47,196,050.05	31,900.00	307,120.73	1,075,000.00	46,460,070.78
4,140,000.00	2,550,000.00	119,712,769.24	815,000.00	784,886.08	1,800,000.00	119,512,655.32
15,200,000.00	3,300,000.00	322,820,867.77	470,000.00	2,080,113.72	6,000,000.00	319,385,981.49
18,982,655.54	9,900,000.00	320,917,704.31	397,293.93	2,058,264.28	13,350,000.00	310,023,262.52
2,510,000.00	820,000.00	115,186,087.91	80,000.00	753,835.40	970,000.00	115,049,923.31
1,810,000.00	675,000.00	34,904,916.96	30,000.00	226,117.57	950,000.00	34,211,034.53
2,675,000.00	1,175,000.00	225,210,236.25	75,000.00	1,473,732.23	1,575,000.00	225,183,968.48
900,300.00	200,000.00	44,674,994.77	16,700.00	292,572.10	300,000.00	44,684,266.87
980,000.00	200,000.00	39,179,324.57	25,000.00	255,307.81	200,000.00	39,259,092.38
840,000.00	225,000.00	20,119,116.57	23,000.00	130,271.35	300,000.00	19,972,387.92
1,395,000.00	410,000.00	24,672,448.37	14,000.00	159,399.69	300,000.00	24,485,848.06
22,670,000.00	9,100,000.00	451,954,520.74	985,000.00	7,935,030.49	7,350,000.00	448,525,157.23
855,000.00	180,000.00	39,830,437.23	55,000.00	209,203.36	190,000.00	39,955,640.59
65,441,949.99	15,000,000.00	1,353,034,709.23	1,270,708.51	8,776,852.62	14,600,000.00	1,348,482,330.36
6,315,000.00	2,800,000.00	180,718,832.52	130,000.00	1,183,536.32	1,800,000.00	180,232,368.84
485,126.41		9,744,844.05	10,000.00	62,519.68	25,000.00	9,792,363.73
11,541,442.52	6,100,000.00	626,723,437.52	4,625,000.00	4,121,401.45	5,325,000.00	630,144,833.07
2,100,000.00	650,000.00	53,927,791.71	55,000.00	350,384.50	905,000.00	53,428,176.21
3,218,048.01	950,000.00	48,079,800.63	80,000.00	308,542.44	1,800,000.00	46,674,343.12
37,457,000.00	14,100,000.00	375,899,019.36	2,240,000.00	2,406,961.02	13,000,000.00	367,545,980.38
3,668,000.00	1,150,000.00	31,988,214.93	68,000.00	203,256.05	1,350,000.00	30,909,470.98
2,325,000.00	1,200,000.00	75,080,291.47	50,000.00	489,943.81	800,000.00	74,826,235.28
203,000.00	30,000.00	13,752,020.81	12,000.00	89,843.49	25,000.00	13,828,864.30
6,374,000.00	3,040,000.00	93,457,889.05	78,000.00	607,024.46	1,950,000.00	92,192,913.51
6,117,000.00	1,800,000.00	304,694,276.11	327,000.00	1,991,840.49	1,800,000.00	305,213,116.60
950,000.00	180,000.00	39,764,629.51	20,000.00	258,058.94	215,000.00	39,827,688.45
223,540.55	150,000.00	17,122,938.23	8,614.09	112,143.41	150,000.00	17,093,695.73
1,995,000.00	1,050,000.00	92,907,634.27	90,000.00	609,853.89	950,000.00	92,657,488.16
11,800,000.00	1,600,000.00	214,240,761.47	250,000.00	1,377,574.49	2,425,000.00	213,443,335.96
2,952,000.65	1,000,000.00	68,278,497.94	130,000.00	442,888.23	1,000,000.00	67,846,386.17
2,619,922.80	1,825,000.00	258,410,958.09	136,386.16	1,695,091.57	1,875,000.00	258,367,435.82
307,150.27	50,000.00	15,915,200.99	10,573.40	103,887.41	50,000.00	15,979,661.80
351,823,543.57	112,938,000.00	8,774,306,920.68	14,958,386.79	57,045,187.22	116,152,619.31	8,730,157,875.38
9,958,756.33	10,520,000.00	285,047,607.97	11,385,206.71	1,893,239.22	10,245,000.00	288,031,053.90
	+4,457,000.00	204,132,399.64		1,346,661.85		205,479,061.49
361,782,299.90	119,001,000.00	9,263,486,928.29	26,343,593.50	60,285,088.29	126,397,619.31	9,223,717,990.77

2D QUARTER 1958

States	Balances Sept. 30, 1957	October 1957		
		Deposits	Withdrawals	Balances Oct. 31, 1957
Alabama	$88,509,643.80	$481,894.84	$900,000.00	$88,551,538.73
Alaska	1,445,043.75	140,039.60	200,000.00	1,385,083.35
Arizona	58,007,842.06	325,000.00	448,000.00	57,884,842.06
Arkansas	44,524,226.70	625,773.21	450,000.00	44,700,000.00
California	1,004,354,849.70	5,274,830.88	10,000,000.00	999,629,680.58
Colorado	76,272,588.02	403,000.00	355,000.00	76,320,588.02
Connecticut	281,137,277.01	1,070,000.00	3,000,000.00	249,207,277.01
Delaware	15,455,815.37	5,000.00	449,000.00	15,011,815.37
District of Columbia	58,324,450.71	153,488.00	355,000.00	58,122,938.71
Florida	93,707,141.11	452,000.00	1,200,000.00	92,920,141.11
Georgia	151,008,198.40	1,150,000.00	2,050,000.00	150,078,198.40
Hawaii	23,205,081.88	152,155.28	185,000.00	23,172,137.16
Idaho	30,743,321.80	420,000.00	250,000.00	30,913,321.80
Illinois	497,205,611.00	2,520,000.00	4,450,000.00	495,335,611.00
Indiana	215,361,425.44	3,005,000.00	2,800,000.00	215,800,425.44
Iowa	112,760,008.40	201,207.27	400,000.00	112,660,395.67
Kansas	85,200,020.84	800,000.00	645,000.00	85,451,020.84
Kentucky	121,004,175.70	850,000.00	1,800,000.00	120,054,175.70
Louisiana	149,037,372.52	739,000.00	700,000.00	149,076,372.52
Maine	40,400,070.78	607,800.00	625,000.00	40,442,870.78
Maryland	119,512,655.32	705,000.00	2,425,000.00	117,792,655.32
Massachusetts	319,385,981.40	3,135,000.00	4,800,000.00	317,720,981.40
Michigan	310,023,202.52	8,074,741.66	14,075,000.00	304,323,004.18
Minnesota	118,040,923.31	1,200,000.00	800,000.00	118,440,923.31
Mississippi	34,211,034.53	770,000.00	400,000.00	34,581,034.53
Missouri	225,183,908.48	4,080,000.00	2,275,000.00	226,989,908.48
Montana	44,084,260.87	240,400.00	550,000.00	44,374,660.87
Nebraska	39,259,692.38	360,000.00	300,000.00	39,319,692.38
Nevada	19,972,387.02	438,000.00	325,000.00	20,085,387.02
New Hampshire	24,485,848.00	371,000.00	390,000.00	24,466,848.00
New Jersey	448,525,157.23	3,000,000.00	9,300,000.00	442,225,157.23
New Mexico	39,955,640.59	290,000.00	150,000.00	40,095,640.59
New York	1,348,482,330.30	8,908,566.24	15,300,000.00	1,342,090,896.60
North Carolina	180,232,368.84	1,600,000.00	2,000,000.00	179,832,368.84
North Dakota	9,792,303.73	232,696.27	0	10,025,000.00
Ohio	630,144,838.97	2,001,850.48	6,550,000.00	625,596,689.45
Oklahoma	53,428,176.21	960,000.00	575,000.00	53,813,176.21
Oregon	46,674,343.12	1,710,656.88	2,400,000.00	45,985,000.00
Pennsylvania	367,845,980.38	3,736,000.00	16,800,000.00	355,480,980.38
Rhode Island	30,909,470.98	1,388,000.00	1,000,000.00	31,297,470.98
South Carolina	74,826,235.28	408,000.00	1,200,000.00	74,034,235.28
South Dakota	13,828,864.30	240,000.00	10,000.00	14,058,864.30
Tennessee	92,102,913.51	1,799,000.00	2,500,000.00	91,491,913.51
Texas	305,213,116.60	2,054,000.00	2,850,000.00	304,417,116.60
Utah	39,827,688.45	610,000.00	120,000.00	40,317,688.45
Vermont	17,003,695.73	259,101.10	200,000.00	17,152,796.92
Virginia	92,657,488.16	475,000.00	800,000.00	92,332,488.16
Washington	213,443,335.06	675,000.00	2,250,000.00	211,868,335.06
West Virginia	67,846,380.17	525,000.00	800,000.00	67,571,380.17
Wisconsin	258,367,435.82	3,904,194.80	1,750,000.00	260,521,630.62
Wyoming	15,979,661.80	235,343.84	50,000.00	16,165,005.64
Subtotal	8,730,157,875.38	75,211,480.44	123,657,000.00	8,681,712,355.82
Railroad unemployment insurance account	288,081,053.90	729,187.24	13,140,000.00	275,670,211.14
Federal unemployment account	205,479,061.49		[1] 1,000,000.00	204,479,061.49
Undistributed appropriations				
Grand total	9,223,717,990.77	75,940,667.68	137,797,000.00	9,161,861,628.45

[1] Transfers to Bureau of Employment Security, Department of Labor.

2D QUARTER 1958

November 1957			December 1957			
Deposits	Withdrawals	Balances Nov. 30, 1957	Deposits	Earnings	Withdrawals	Balances Dec. 31, 1957
$3,216,000.00	$1,200,000.00	$90,507,538.73	$205,000.00	$588,022.46	$2,575,000.00	$88,846,161.19
1,200,253.73	600,000.00	2,021,937.08	223,047.42	None	825,000.00	1,420,584.50
1,257,000.00	320,000.00	58,821,542.06	40,000.00	383,824.29	550,000.00	58,695,366.35
1,000,000.00	700,000.00	45,200,000.00	70,000.00	294,982.40	1,100,000.00	44,464,982.40
20,842,227.10	13,700,000.00	1,012,771,007.08	420,040.35	6,611,092.81	25,800,000.00	994,003,040.24
1,170,000.00	525,000.00	70,905,588.02	90,000.00	503,951.23	735,000.00	76,824,539.25
4,244,000.00	3,000,000.00	260,451,277.91	60,000.00	1,643,220.04	5,000,000.00	247,103,498.85
586,000.00	401,000.00	15,195,815.37	25,000.00	99,783.09	426,000.00	14,894,598.46
740,000.00	325,000.00	58,537,938.71	120,000.00	384,302.12	415,000.00	58,633,240.83
1,777,000.00	1,075,000.00	93,631,141.11	111,000.00	613,848.27	1,285,000.00	93,070,989.38
3,840,000.00	2,000,000.00	152,818,198.40	100,000.00	999,457.79	2,300,000.00	151,617,656.28
551,278.77	230,000.00	23,404,410.93	27,518.00	153,206.89	520,000.00	23,155,105.32
623,000.00	400,000.00	37,136,321.89	20,000.00	242,613.40	1,150,000.00	36,248,935.29
14,112,501.43	5,075,000.00	503,473,112.49	305,000.00	3,281,000.05	9,000,000.00	498,119,172.54
3,304,000.00	3,000,000.00	215,330,425.44	1,188,000.00	1,413,635.40	4,300,000.00	213,632,060.84
1,339,604.33	400,000.00	113,000,000.00	425,000.00	744,389.07	900,000.00	113,869,389.07
1,545,000.00	600,000.00	85,390,926.86	40,000.00	564,036.03	1,245,000.00	85,756,503.47
4,400,000.00	2,400,000.00	122,054,175.70	100,000.00	799,378.04	2,000,000.00	121,553,551.34
4,230,000.00	700,000.00	152,000,372.52	84,000.00	993,768.27	1,025,000.00	152,052,140.79
1,440,000.00	900,000.00	46,989,770.78	19,800.00	300,488.17	1,650,000.00	45,660,058.95
3,085,000.00	1,000,000.00	118,977,055.32	215,000.00	778,353.75	3,000,000.00	116,071,009.07
10,420,000.00	4,800,000.00	323,340,981.49	340,000.00	2,102,612.56	9,000,000.00	316,783,594.05
11,809,881.22	9,150,000.00	300,092,385.40	395,081.88	2,004,215.67	13,800,000.00	295,582,282.85
2,040,000.00	1,520,000.00	118,009,923.81	80,000.00	758,490.00	3,740,000.00	113,008,413.81
1,525,000.00	710,000.00	35,396,034.53	50,000.00	228,879.34	1,125,000.00	34,549,913.87
1,745,000.00	2,100,000.00	226,033,918.48	85,000.00	1,488,365.24	2,700,000.00	225,507,332.72
720,500.00	650,000.00	44,451,160.87	20,300.00	201,805.47	1,400,000.00	43,366,272.34
805,000.00	300,000.00	39,884,092.38	50,000.00	260,182.76	550,000.00	39,644,875.14
688,000.00	700,000.00	20,073,387.92	15,000.00	131,085.00	900,000.00	19,320,072.92
1,050,000.00	370,000.00	25,155,848.06	21,000.00	163,154.00	470,000.00	24,870,002.06
10,205,000.00	8,800,000.00	449,720,157.23	505,000.00	2,920,052.14	13,800,000.00	439,412,109.37
775,000.00	240,000.00	40,630,610.59	45,000.00	265,602.36	375,000.00	40,566,242.95
44,630,463.23	17,900,000.00	1,368,821,355.83	1,057,605.51	8,001,515.73	25,800,000.00	1,353,206,541.07
5,500,000.00	2,100,000.00	183,202,368.84	220,000.00	1,194,037.19	3,500,000.00	181,207,304.33
520,000.00	175,000.00	10,370,000.00	10,000.00	66,901.51	330,000.00	10,116,901.51
6,010,000.00	7,450,000.00	624,156,399.45	3,575,000.00	4,106,255.17	13,050,000.00	618,187,654.62
1,330,000.00	825,000.00	54,318,176.21	40,000.00	353,708.80	1,300,000.00	53,351,885.01
2,603,000.00	2,000,000.00	45,748,000.00	133,000.00	297,799.25	5,400,000.00	40,778,799.25
22,770,000.00	15,100,000.00	363,150,980.38	1,805,000.00	2,355,358.04	23,600,000.00	343,771,338.42
2,870,000.00	1,350,000.00	32,826,470.98	48,000.00	209,511.91	2,175,000.00	30,908,982.89
2,235,000.00	800,000.00	75,489,235.28	72,000.00	491,587.39	1,600,000.00	74,452,822.67
211,000.00	72,000.00	14,197,804.30	13,000.00	92,670.29	160,000.00	14,143,534.59
4,523,000.00	2,575,000.00	93,439,913.51	130,000.00	606,872.20	3,300,000.00	90,870,785.71
3,612,000.00	2,300,000.00	305,729,116.60	167,000.00	2,000,328.42	3,800,000.00	304,102,445.02
715,000.00	240,000.00	40,792,688.45	16,000.00	265,655.28	730,000.00	40,344,343.73
358,392.55	300,000.00	17,211,189.47	14,044.78	112,676.95	500,000.00	16,837,911.20
1,099,000.00	750,000.00	93,281,488.16	67,500.00	610,099.13	1,100,000.00	92,849,087.29
1,315,000.00	3,100,000.00	210,083,335.96	55,000.00	1,384,097.81	5,750,000.00	205,772,433.77
2,100,000.00	1,000,000.00	68,077,380.17	49,000.00	447,090.20	1,825,000.00	67,348,476.37
1,042,843.99	2,050,000.00	290,114,473.71	128,446.47	1,706,938.06	4,700,000.00	287,249,858.24
280,584.67	100,000.00	16,351,500.31	14,231.67	100,749.35	200,000.00	16,272,571.33
233,701,925.12	131,478,000.00	8,783,936,280.94	13,376,476.08	57,347,367.59	213,741,000.00	8,640,919,124.61
9,155,990.78	13,985,000.00	270,841,201.92	12,447,292.41	1,806,365.71	22,825,000.00	262,269,860.04
		204,470,061.49		1,357,509.11	1,375,000.00	205,461,570.60
242,857,915.90	145,463,000.00	9,259,256,544.35	25,823,768.49	60,511,242.41	236,941,000.00	9,108,650,555.25

THIRD QUARTER 1958

States	Balances Dec. 31, 1957	January 1958		
		Deposits	Withdrawals	Balances Jan. 31, 1958
Alabama	$88,846,161.19	$968,461.27	$2,500,000.00	$87,014,622.46
Alaska	1,420,584.50	170,844.50	1,375,000.00	216,429.00
Arizona	58,695,366.35	212,000.00	1,000,000.00	57,907,366.35
Arkansas	44,404,982.40	515,017.60	1,050,000.00	43,930,000.00
California	904,003,640.84	3,517,958.56	36,000,000.00	961,521,599.40
Colorado	76,824,539.25	233,000.00	1,300,000.00	75,757,539.25
Connecticut	247,103,498.85	593,000.00	6,000,000.00	241,756,498.85
Delaware	14,804,598.46	4,000.00	675,000.00	14,223,598.46
District of Columbia	58,033,240.83	79,000.00	640,000.00	58,072,240.83
Florida	93,070,989.38	322,000.00	1,300,000.00	92,092,989.38
Georgia	151,017,650.28	1,130,000.00	3,550,000.00	149,197,650.28
Hawaii	23,155,195.32	108,887.19	300,000.00	22,964,082.51
Idaho	30,248,935.20	300,000.00	1,800,000.00	34,748,935.20
Illinois	498,119,172.54	1,207,000.00	16,600,000.00	482,726,172.54
Indiana	213,032,060.84	1,797,000.00	7,500,000.00	207,929,060.84
Iowa	113,869,389.07	305,610.93	1,500,000.00	112,675,000.00
Kansas	85,756,503.47	645,000.00	1,475,000.00	84,926,503.47
Kentucky	121,553,551.34	900,000.00	4,000,000.00	118,453,551.34
Louisiana	152,659,140.79	625,000.00	1,660,000.00	151,624,140.79
Maine	45,660,058.95	374,200.00	1,800,000.00	44,240,258.95
Maryland	116,071,009.07	710,000.00	6,000,000.00	110,781,009.07
Massachusetts	316,783,594.05	2,075,000.00	15,000,000.00	303,858,594.05
Michigan	295,582,282.85	4,296,073.56	27,450,000.00	272,428,956.41
Minnesota	113,068,413.31	810,000.00	4,860,000.00	109,018,413.31
Mississippi	34,549,913.87	540,000.00	1,550,000.00	33,539,913.87
Missouri	225,507,333.72	2,945,000.00	4,000,000.00	224,452,333.72
Montana	43,360,272.34	153,455.00	1,700,000.00	41,819,727.34
Nebraska	39,644,875.14	220,000.00	950,000.00	38,914,875.14
Nevada	19,320,072.92	282,500.00	850,000.00	18,752,572.92
New Hampshire	24,870,002.08	255,000.00	1,150,000.00	23,975,002.00
New Jersey	439,412,109.37	2,135,000.00	19,500,000.00	422,047,109.37
New Mexico	40,560,242.95	305,000.00	480,000.00	40,391,242.95
New York	1,353,298,541.07	5,649,634.09	42,800,000.00	1,316,148,175.16
North Carolina	181,207,304.33	1,325,000.00	5,000,000.00	177,532,304.33
North Dakota	10,116,901.51	183,098.49	650,000.00	9,650,000.00
Ohio	618,187,654.62	650,000.00	18,000,000.00	600,837,654.62
Oklahoma	53,351,885.01	635,000.00	1,575,000.00	52,411,885.01
Oregon	40,778,799.25	1,061,200.75	6,300,000.00	35,540,000.00
Pennsylvania	343,771,338.42	1,780,000.00	34,200,000.00	311,315,338.42
Rhode Island	30,908,982.89	981,000.00	2,850,000.00	29,039,982.89
South Carolina	74,452,822.07	305,000.00	1,200,000.00	73,557,822.07
South Dakota	14,143,534.59	191,000.00	330,000.00	14,004,534.59
Tennessee	90,870,785.71	1,200,000.00	4,000,000.00	88,076,785.71
Texas	304,102,445.02	1,640,000.00	5,900,000.00	299,842,445.02
Utah	40,344,343.73	174,000.00	775,000.00	39,743,343.73
Vermont	16,837,911.20	190,658.80	700,000.00	16,328,570.00
Virginia	92,859,087.29	367,500.00	2,400,000.00	90,826,587.29
Washington	205,772,433.77	1,105,000.00	8,000,000.00	198,877,433.77
West Virginia	67,348,476.37	478,000.00	2,500,000.00	65,326,476.37
Wisconsin	257,240,858.24	3,188,673.55	4,900,000.00	255,538,531.79
Wyoming	16,272,571.33	128,975.41	500,000.00	15,901,546.74
Subtotal	8,640,919,124.61	49,669,349.92	318,035,000.00	8,372,553,474.53
Railroad unemployment insurance account	262,269,860.04	478,648.68	23,290,000.00	239,458,503.72
Federal unemployment account	205,461,570.60	0	[1] 500,000.00	204,961,570.60
Undistributed appropriations	0			
Grand total	9,108,650,555.25	50,147,998.60	341,825,000.00	8,816,973,553.85

[1] Transfers to Bureau of Employment Security, Department of Labor, and to Alaska.

Compiled by U.S. Treasury and submitted May 12, 1958.

February 1958			March 1958			
Deposits	Withdrawals	Balances Feb. 28, 1958	Deposits	Earnings	Withdrawals	Balances Mar. 31, 1958
$1,857,377.54	$3,000,000.00	$35,872,000.00	$120,000.00	$507,075.94	$4,000,000.00	$32,559,075.94
3,074,848.50	1,000,000.00	2,201,277.62	72,203.05		1,275,000.00	1,088,541.27
1,008,000.00	600,000.00	58,375,366.35	43,000.00	383,066.32	1,250,000.00	57,551,432.67
850,000.00	1,600,000.00	43,180,000.00	50,000.00	285,095.77	1,400,000.00	42,115,095.77
18,037,964.29	20,000,000.00	951,150,503.09	415,875.00	6,204,832.80	41,000,000.00	916,870,272.15
652,000.00	1,775,000.00	74,034,539.25	359,000.00	495,327.00	1,825,000.00	73,063,800.25
2,556,000.00	8,000,000.00	230,312,498.85	52,000.00	1,569,878.87	9,000,000.00	228,934,377.72
405,000.00	702,000.00	13,866,598.40	7,000.00	91,908.20	1,080,000.00	12,885,506.75
600,000.00	070,000.00	58,002,240.83	73,000.00	382,719.57	725,000.00	57,792,960.40
1,830,000.00	1,720,000.00	92,202,989.38	353,000.00	606,023.12	2,300,000.00	90,862,912.50
2,850,000.00	2,950,000.00	140,097,050.28	50,000.00	980,571.08	3,800,000.00	140,328,228.26
338,123.33	225,000.00	23,077,205.84	17,550.20	151,417.19	550,000.00	22,696,173.23
322,000.00	1,600,000.00	33,470,935.29	18,000.00	225,133.64	1,200,000.00	32,514,068.83
9,570,000.00	17,500,000.00	474,790,172.54	315,000.00	3,140,721.77	23,000,000.00	454,351,897.31
2,610,000.00	7,050,000.00	202,595,060.84	260,000.00	1,340,442.96	10,500,000.00	193,707,503.80
725,000.00	2,100,000.00	111,300,000.00	375,000.00	737,161.91	2,000,000.00	110,412,161.91
955,000.00	2,125,000.00	83,755,503.47	50,000.00	553,580.61	2,800,000.00	81,509,144.08
3,100,000.00	4,500,000.00	117,053,551.34	150,000.00	774,109.70	5,300,000.00	112,677,751.04
3,280,000.00	1,400,000.00	153,504,140.70	81,000.00	1,003,224.49	2,800,000.00	151,848,365.28
891,500.00	1,760,000.00	43,431,758.05	11,700.00	288,207.94	2,400,000.00	41,331,666.89
1,750,000.00	5,425,000.00	107,106,009.07	205,000.00	717,597.10	6,350,000.00	101,678,609.26
7,050,000.00	12,000,000.00	208,018,594.05	195,000.00	1,084,080.89	15,000,000.00	286,098,274.94
7,098,528.58	20,550,000.00	252,077,484.00	279,874.05	1,728,152.01	33,300,000.00	221,085,512.25
3,180,000.00	5,050,000.00	100,548,413.31	1,730,000.00	709,316.31	7,700,000.00	101,197,729.62
1,260,000.00	1,450,000.00	33,849,913.87	45,000.00	219,251.44	1,075,000.00	31,039,165.31
1,325,000.00	6,400,000.00	219,377,333.72	55,000.00	1,458,927.05	5,200,000.00	215,691,260.77
444,300.00	2,000,000.00	40,264,027.34	11,000.00	270,228.48	2,070,106.43	38,475,749.39
855,000.00	1,100,000.00	38,069,875.14	20,000.00	254,193.34	1,500,000.00	37,444,068.48
455,000.00	1,250,000.00	17,057,572.92	15,000.00	120,797.58	1,050,000.00	17,043,370.50
700,070.00	750,000.00	23,931,002.00	21,000.00	157,733.05	1,100,000.00	22,949,735.11
9,200,000.00	17,600,000.00	413,647,109.37	820,000.00	2,745,089.81	19,500,000.00	397,712,799.18
800,000.00	585,000.00	40,360,242.05	50,000.00	205,359.36	720,000.00	39,901,602.31
31,018,014.12	37,900,000.00	1,309,266,189.31	716,380.76	8,648,336.68	45,600,000.00	1,273,030,912.75
4,475,000.00	4,000,000.00	178,007,304.33	115,000.00	1,170,932.53	5,000,000.00	174,293,236.86
295,000.00	800,000.00	9,145,000.00	20,000.00	61,825.22	800,000.00	8,420,825.22
4,600,000.00	2,250,000.00	582,937,654.62	1,725,000.00	3,888,307.06	30,000,000.00	558,550,961.68
1,100,000.00	1,700,000.00	51,811,885.01	30,000.00	341,817.54	2,775,000.00	49,408,702.55
1,494,000.00	5,800,000.00	31,234,000.00	65,000.00	218,051.55	6,800,000.00	24,717,051.55
13,190,000.00	30,100,000.00	294,441,338.42	1,720,000.00	1,990,477.89	38,800,000.00	259,351,815.81
2,223,000.00	2,375,000.00	28,887,982.89	52,000.00	180,227.73	3,375,000.00	25,784,210.62
1,875,000.00	1,600,000.00	73,832,822.67	60,000.00	485,721.29	1,600,000.00	72,778,543.96
146,000.00	420,000.00	13,730,534.59	10,000.00	91,213.26	350,000.00	3,481,747.85
3,498,000.00	4,874,000.00	80,700,785.71	107,000.00	571,124.54	6,920,000.00	80,458,910.25
2,759,000.00	4,250,000.00	298,351,445.02	350,000.00	1,967,343.35	8,800,000.00	291,874,788.37
708,000.00	1,130,000.00	39,321,343.73	20,000.00	259,068.53	1,700,000.00	37,901,012.26
192,782.00	400,000.00	10,121,322.76	7,414.80	107,270.87	800,000.00	15,436,008.43
1,415,000.00	2,400,000.00	89,841,587.20	115,000.00	595,142.54	2,950,000.00	87,601,729.83
3,505,000.00	7,000,000.00	195,382,433.77	110,000.00	1,208,395.69	8,650,000.00	188,140,829.46
1,392,000.00	3,500,000.00	63,218,476.37	51,000.00	419,943.66	4,700,000.00	58,989,420.03
1,546,873.63	5,500,000.00	251,585,405.42	125,581.80	1,665,151.69	7,600,000.00	245,776,138.91
214,103.12	550,000.00	15,565,649.86	16,243.04	103,433.18	550,000.00	15,135,326.08
165,779,385.80	307,736,000.00	8,230,596,860.33	11,748,490.50	54,585,244.24	392,490,106.43	7,904,440,488.64
7,374,466.72	23,315,000.00	223,517,975.44	13,425,443.71	1,546,646.96	24,575,000.00	218,915,066.11
0	13,135,000.00	201,826,570.00	0	1,347,774.58	11,000,000.00	202,174,345.18
						0
173,153,852.52	334,186,000.00	8,655,941,406.37	25,173,934.21	57,479,665.78	418,065,106.43	320,529,899.93

Senator MARTIN. And also your request.

Mr. Secretary, I will ask you some questions.

You have partly answered some of them but I am asking more for clarification than anything else.

What funds will be used to bear the expenses of the Federal Government under this bill?

Secretary MITCHELL. Initially, Senator, the funds will come from the General Treasury from appropriation by the Congress, to be repaid in 4 years by the imposition of the Federal tax.

Seantor MARTIN. But the fiscal year ending June 30, 1959, that will add to the expenses of that year?

Secretary MITCHELL. That is right, sir.

Senator MARTIN. And about how much will that be?

Secretary MITCHELL. $640 million, we estimate.

Seantor MARTIN. That will be added to the deficit for that fiscal year?

Secretary MITCHELL. Yes, sir.

The CHAIRMAN. Assuming that all the States take advantage of that.

Senator MARTIN. I understand that.

Do the States have any reserves which are available?

Secretary MITCHELL. As these tables show, Senator, there are reserves in the States which vary. All of the States have some reserve, not for this purpose, unless by State law, unless the State laws are changed.

The reserves that are now in the State accounts are for the purpose of financing on an acturial basis, the present provisions of the present State laws.

The CHAIRMAN. Excuse me, Senator, but they have far more reserves than that.

Take New York State, it has $1.2 billion right now.

Secretary MITCHELL. Yes, sir.

Senator MARTIN. Isn't the total for all of the States in the neighborhood of $8 billion?

Secretary MITCHELL. That is right, sir, yes.

Seantor MARTIN. How much has the Federal Government used under the Federal unemployment tax of three-tenths of 1 percent collected from the various States in excess of what has been used?

Secretary MITCHELL. Would you repeat that again, sir?

Senator MARTIN. Well, we are talking about the three-tenths of 1 percent.

Secretary MITCHELL. Yes, sir.

Senator MARTIN. The administrative fund.

Secretary MITCHELL. Yes, sir.

Senator MARTIN. How much of that has been collected and how much has been used?

Secretary MITCHELL. Well, as—I may have to go back into history to answer that question.

Senator MARTIN. I wonder if you could give us for the record a breakdown for each State.

Secretary MITCHELL. As to how much of the three-tenths of 1 percent was used in the administration of the program in each State?

Senator MARTIN. That is right.

Secretary MITCHELL. Yes, sir; we could do that.

Senator MARTIN. If you could give us a breakdown.
Secretary MITCHELL. In this year?
Senator MARTIN. That is right, yes.
(The information is as follows:)

Estimated Federal unemployment tax receipts and Federal funds allocated to States for administration during fiscal year 1957

[Dollar amounts in thousands]

State	Federal unemployment tax collections	Federal funds allocated to States	Ratio of funds allocated to tax collections	State	Federal unemployment tax collections	Federal funds allocated to States	Ratio of funds allocated to tax collections
			Percent				*Percent*
United States..	$327,261	[1] $249,789	76.3	Mississippi	$1,678	$2,488	148.3
Total 51 States [2]	327,261	248,762	76.0	Missouri	7,713	4,492	58.2
				Montana	860	1,258	144.8
				Nebraska	1,654	1,176	71.1
Alabama	3,840	3,553	92.5	Nevada	627	875	139.6
Alaska	400	957	235.7	New Hampshire	1,155	1,024	88.7
Arizona	1,478	2,624	177.5	New Jersey	13,340	10,559	79.1
Arkansas	1,585	2,490	157.1	New Mexico	1,032	1,487	144.1
California	30,407	26,205	86.2	New York	41,142	36,123	87.8
Colorado	2,515	2,145	85.3	North Carolina	6,203	4,546	73.3
Connecticut	6,422	3,748	58.4	North Dakota	488	902	184.8
Delaware	1,196	583	48.7	Ohio	22,372	10,231	45.7
District of Columbia	1,727	1,854	107.2	Oklahoma	2,904	2,865	95.7
Florida	5,607	4,555	81.2	Oregon	3,375	3,199	94.8
Georgia	5,280	3,656	69.2	Pennsylvania	24,756	19,874	80.3
Hawaii	785	825	105.1	Rhode Island	1,956	2,008	102.7
Idaho	797	1,393	174.8	South Carolina	2,825	2,786	98.6
Illinois	23,630	10,808	45.7	South Dakota	521	666	127.8
Indiana	9,755	4,566	46.8	Tennessee	5,075	3,787	74.6
Iowa	3,488	2,192	62.8	Texas	13,602	9,975	72.9
Kansas	3,015	2,053	68.1	Utah	1,197	1,880	157.1
Kentucky	3,602	2,987	82.9	Vermont	578	822	142.2
Louisiana	4,335	3,104	71.6	Virginia	4,998	2,353	47.1
Maine	1,564	1,304	83.4	Washington	4,821	4,990	103.7
Maryland	5,317	4,399	82.7	West Virginia	3,113	1,969	63.3
Massachusetts	11,785	10,053	85.3	Wisconsin	7,120	3,514	49.4
Michigan	17,793	12,778	71.8	Wyoming	454	713	157.0
Minnesota	5,175	3,359	64.9	Puerto Rico	----------	980	--------
				Virgin Islands	----------	47	--------

[1] Includes unencumbered balance of $1,900,000 from fiscal year 1956 reallocated to the States in 1957.
[2] Excludes Puerto Rico and Virgin Islands.

Senator MARTIN. Now why should not each State be allowed to use in excess before we levy additional taxes in any State having such an excess?

Secretary MITCHELL. Well, as I tried to explain before, Senator, the present reserves in the States are designed to cover the present levels of benefit and duration in the States.

It seemed to us, as an emergency program, that this should be financed and administered to do the least damage to the existing Federal-State employment security programs.

Certainly, if a State wanted to amend its law providing for additional benefits or raise the benefits or extend the duration or make any change, it is under the Federal-State employment security program permitted to do so.

It would require State legislative action which, in many States, I think, would be time-consuming.

The need for some reasonably fast action is evident in terms of the number of exhaustions that are occurring throughout the country, as

I recited in my statement, and that is the reason why we thought, and we still think, that Federal action in this area is necessary.

Senator MARTIN. I feel that this is not to be considered a loan to the States?

Secretary MITCHELL. No, sir.

Senator MARTIN. The reason I am asking that question, as the chairman I think so properly stated, that of course no Governor would be able to commit his State to an indebtedness without legislative approval.

Secretary MITCHELL. Yes.

As I said before, Senator, in our opinion, a State official can accept the agency offered under this bill, to act as an agency of the Federal Government, to disburse Federal funds, and then the Federal tax to pay for the program becomes effective in 1963.

Senator MARTIN. Now under this bill, as I understand it, the Federal Government contemplates being reimbursed by taxes, if necessary, in 1963?

Secretary MITCHELL. Yes, sir.

Senator MARTIN. Now, would not an employer in Pennsylvania, with very stable employment, pay the same rate in 1963 and future years as an employer with very heavy unemployment?

Secretary MITCHELL. Of the total tax; no, sir.

Because we are dealing here, Senator, with only three-tenths of 1 percent portion of the tax.

An employer in Pennsylvania who had a good record in terms of turnover, would still have advantage of the merit system rating and he would benefit from a tax lower than 2.7.

Senator MARTIN. Thank you, Mr. Secretary.

I will not ask any further questions now.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Mr. Secretary, in your testimony before the Ways and Means Committee of the House on the 29th of March, on page 10, when you were testifying in support not of the present bill, but of the Reed bill, H. R. 11679, you quoted with approval from President Eisenhower's message to Congress these words:

> These recommendations reflect my strong convictions that we must act promptly, emphatically, and broadly to temper the hardship being experienced by workers whose unemployment has been prolonged.

Now do you still stand by those general principles, namely, that the law should be such that workers can be protected promptly, emphatically, and broadly?

Secretary MITCHELL. Yes.

Senator DOUGLAS. Now, we have before us not the Reed bill, 11679, but the so-called Herlong bill, H. R. 12065, which you are now supporting.

Now is it your position and that of the administration that the Herlong bill gives such prompt, emphatic, and broad assistance?

Secretary MITCHELL. I believe it does, Senator.

If you accept, as we do, the concept that under this bill a State official may enter into an agreement to act as a Federal agent without recourse to his legislature for approval.

Senator DOUGLAS. Now——

Secretary MITCHELL. I think under those circumstances that promptness is inherent.

Senator DOUGLAS. The Reed bill was mandatory upon the States, is that not true?

Secretary MITCHELL. What?

Senator DOUGLAS. The Reed bill was mandatory?

The payment of the temporary benefits was mandatory?

Secretary MITCHELL. The Reed bill provided if a State did not elect to act as a Federal agent then the Federal Government through its own devices would administer the program within a State.

Senator DOUGLAS. So in effect it was mandatory?

Secretary MITCHELL. In effect.

Senator DOUGLAS. And the Herlong bill is optional, that is the State has the option of accepting or not accepting, isn't that true?

Secretary MITCHELL. That is correct, sir.

Senator DOUGLAS. In your testimony before the House committee on page 41, Congressman Baker asked you:

What is your objection to making the plan optional?

Page 41, top of the page.

What is your objection to making the plan optional?

Secretary MITCHELL. Well, since this is a Federal program financed, as I said, from a Federal tax, it seems to me that the Federal Government is accepting the responsibility of seeing that the benefits get in the hands of all of its citizens. 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.

Secretary MITCHELL. Yes.

Senator DOUGLAS. For that reason in your testimony on April 28, you opposed the optional feature which is the essence of the Herlong bill and favored instead the mandatory provisions.

Secretary MITCHELL. That is correct.

Senator DOUGLAS. May I ask you why you have changed your position on that point?

Secretary MITCHELL. Well, we believe that the Herlong bill, as I have stated in my statement, incorporates most of the major provisions in the administration bill with the two exceptions of option and retroactivity, and since the House, by the majority it did, passed H. R. 12065, we believe that in the interest of speed, that if the Senate saw fit to act likewise that we would have legislation that could be put into effect reasonably soon.

Senator DOUGLAS. You mean that the States would accept the option and would put these plans into effect?

Secretary MITCHELL. It is my belief, sir, that the vast majority would.

Senator DOUGLAS. Have you or your solicitor analyzed the State laws to see how many States could take advantage of the provisions of the Herlong bill, H. R. 12065, without separate legislation?

Secretary MITCHELL. No; we have not.

That is almost an impossible task. The attorneys general of the States seem to be solely qualified to interpret their own State laws.

Senator DOUGLAS. Have you inquired of the governors as to whether in their States, without new State legislation, the governors could accept or——

Secretary MITCHELL. No; we have not.

Senator DOUGLAS (continuing). Or other officials of the State administering the unemployment-compensation laws? You have not inquired of the governors?

Secretary MITCHELL. No. The only basis, Senator, we are going on is that the language of this bill is identical in terms of the Federal agency with the language of the Federal Employees' Unemployment Compensation Act, and the unemployment compensation for veterans' law.

Senator DOUGLAS. Yes. But there is this big difference, is there not, that in the case of those bills, States were accepting programs financed by the Federal Government?

Secretary MITCHELL. Yes.

Senator DOUGLAS. And therefore it was very easy for them to accept it?

Secretary MITCHELL. So is this program.

Senator DOUGLAS. Now, wait a minute.

In this program, the ultimate repayment will be made by employers within those States in the form of a Federal levy. If they do not accept the act, then there will be no added Federal levy, and the cost to the employers in that particular State will be less.

Therefore, a State, by accepting, incurs an added cost for its employers; isn't that true?

Secretary MITCHELL. That is correct, sir.

Of course, one might say, Senator——

Senator DOUGLAS. Is it not true that, just as this fact has held the States back from raising standards to the levels which both the administration and Members of this side of the aisle favor, so would not this be an impediment to the States accepting this provision? For this ultimately will require increased Federal taxes, by reason of the States' action, of their employers, and, if not accompanied by corresponding ratifications by other States, would place the employers of a given State at a competitive disadvantage with employers of the other States?

Secretary MITCHELL. Well, Senator, one might say that a Federal levy, whether it be an earmarked levy or a general levy, places additional taxation on the citizens of a State.

Senator DOUGLAS. Well, it does not discriminate between States, and here you would have discrimination between States, depending upon whether or not the State accepted or did not accept. And if it did not accept, its employers ultimately would have a lower rate of assessment; isn't that true?

Secretary MITCHELL. If a State did not in its wisdom take advantage of its opportunity, it is true that in 1963 the 0.3-percent tax under the present law would remain as it is.

Senator DOUGLAS. And if it did accept it would increase?

Secretary MITCHELL. It would increase.

Senator DOUGLAS. And if it accepted, and other States did not accept, then its employers would be placed at a competitive disadvantage?

Secretary MITCHELL. To that extent.

You must—I do not think we should overlook the fact that we are talking of a three-tenths of 1 percent, which is a smaller part of the total.

Senator DOUGLAS. As practical men, Secretary Mitchell, we know that this question of competitive disadvantage is emphasized before the State legislatures to a greater degree than it actually operates.

It need only operate to a minor degree to have it become a major political factor determining whether or not a State will act. But to come back to the plain question with which I started, you are not able then to give definite information as to the number of States where it is believed the governor or some appointee of the governor could accept the extended benefits under this bill without legislative action, the number of States where legislative action would be required, or the number of States where possible constitutional amendments would be required?

Secretary MITCHELL. No; we have not.

Senator DOUGLAS. Mr. Secretary, would you object if I gave you some information on this point?

Secretary MITCHELL. No; if it is to the point.

Senator DOUGLAS. Yes; it is. Because on the 7th of May I addressed a telegram to all of the governors of the 48 States and the Territories which I shall ask to have made a part of the record at this point.

The CHAIRMAN. Without objection.

(The document is as follows:)

SENATE OFFICE BUILDING,
Washington, D. C., May 7, 1958.

Book Wire to Governors of All 48 States:

The bill to provide for temporary additional unemployment compensation, H. R. 12065, as passed by the House of Representatives on May 1, 1958, provides that moneys may be advanced to a State by the Federal Government under an agreement with the State or with the agency administering its unemployment compensation law, to pay benefits to unemployed persons who are covered by State laws but who have exhausted all of the benefits to which they are entitled under the State law. One of the conditions attached to such advance of Federal funds is the requirement that they will be repaid to the Federal Treasury either by direct repayment by the State or through an increase in the Federal unemployment tax on the employers in such State if after 4 years the amounts have not been directly repaid.

Would you as governor or the agency administering the unemployment compensation law of your State have the authority, without action by your State legislature, to request these new Federal funds and enter an agreement to pay benefits not now provided by the State law and thereby create an obligation to repay such funds either (1) by the State directly, or (2) indirectly through the Federal collection of the additional tax on the employers in the State, which is imposed after 4 years by this bill?

If specific legislative authority is required, does your State law now give such authority to the governor or the State agency, or would additional action by the State legislature be necessary?

The Senate Finance Committee, of which I am a member, will consider this measure beginning Tuesday, May 13, and the information sought in these inquiries to you is essential to our full understanding of the effect of this bill. I would therefore greatly appreciate a reply from you by May 13.

If you or your chief legal officer hesitate to give a definite opinion that your State can agree to these supplementary payments without action by the State legislature, a message from you to that effect would also be informative.

I am sending by airmail a copy of the bill itself, H. R. 12065, and will be most grateful for your information on this important legal point which affects the people of your State.

PAUL H. DOUGLAS,
United States Senator.

Senator DOUGLAS. One of the questions which I raised was:

Would you as Governor or the agency administering the unemployment compensation law of your State have the authority, without action by your State legislature, to request these new Federal funds and enter an agreement to pay benefits not now provided by the State law and thereby create an obligation to repay such funds either (1) by the State directly, or (2) indirectly through the

Federal collection of the additional tax on the employers in the State, which is imposed after 4 years by this bill?

If specific legislative authority is required, does your State law now give such authority to the Governor or the State agency, or would additional action by the State legislature be necessary?

Now, Mr. Chairman and Mr. Secretary, up to an hour ago, I had received replies from 19 States—most of them from the Governors themselves—on this point.

In only two cases did the governors state that in their judgment and in the judgment of their legal officials they could accept this act without action by the State legislature.

Those two States were New York, which has just recently passed a special bill in anticipation of this bill, and Illinois.

The CHAIRMAN. Will the Senator read again the question on that point?

The question that he sent to the governors on that particular point?

Senator DOUGLAS. Yes.

Would you as Governor or the agency administering the unemployment compensation law of your State have the authority, without action by your State legislature, to request these new Federal funds and enter an agreement to pay benefits not now provided by the State law and thereby create an obligation to repay such funds either (1) by the State directly or (2) indirectly through the Federal collection of the additional tax on the employers in the State, which is imposed after 4 years by this bill?

The CHAIRMAN. Is this based on the language of this bill?

Senator DOUGLAS. Yes; I think it is.

The CHAIRMAN. I think there is some question about that.

Senator DOUGLAS. This is a Federal advance to be recouped after 4 years by an additional Federal assessment upon the employers of the given State to recover the emergency payments paid to the unemployed in that State.

So I think that point No. 2 meets directly this imposition of an increased Federal tax, and other means to repay could be used by the State directly.

Then a further question which I asked, was:

"If specific legislative authority is required, does your State law now give such authority to the governor or the State agency, or would additional action by the State legislature be necessary?"

Now, as I said, sir, in reply to this telegram, I have up to date received telegrams from the governors or officials of 19 States.

In only two instances do the governors say that they could enter or make such an agreement in the absence of any new legislation.

Those two States were New York, which has just passed a special bill to permit the industrial commissioner to act, and my own State of Illinois.

I am not quite certain whether the governor of my State is correct on this point, but I will accept his word for it. [Laughter.]

In 13 States we have specific replies from the State officials that legislation would probably be required.

In four States we have a statement by the governor or State official that a constitutional amendment would, in all probability, be necessary. Those States are Indiana, Kentucky, Nebraska, and Utah. There is one case of a duplicate reply from a governor who states that

both legislation and constitutional amendment would probably be necessary.

And there is one State which is doubtful.

Now of these 10 States only 2 State legislatures are now in session, and I believe there are in the entire country only 8 States which are to be in session. So it is apparent that a special session of the legislature would have to be called in the vast majority of States if they were to accept——

The CHAIRMAN. Will the Senator yield at that point?

Senator DOUGLAS. Yes.

The CHAIRMAN. Is it clear that you did not refer to this pending bill?

The language of——

Senator DOUGLAS. I did refer to the pending bill.

The CHAIRMAN. The language you sent to the governors was your own language and it was not a reference in that telegram to the bill now pending.

Senator DOUGLAS. I am sorry, the preliminary paragraph which I shall now read is this:

> The bill to provide for temporary additional unemployment compensation, H. R. 12065, as passed by the House of Representatives on May 1, 1958, provides that moneys may be advanced to a State by the Federal Government under an agreement with the State or with the agency administering its unemployment compensation law, to pay benefits to unemployed persons who are covered by State laws but who have exhausted all of the benefits to which they are entitled under the State law. One of the conditions attached to such advance of Federal funds is the requirement that they will be repaid to the Federal Treasury either by direct repayment by the State or through an increase in the Federal unemployment tax on the employers in such State if after 4 years the amounts have not been directly repaid.

That I submit, is an accurate statement of the contents of the law.

The CHAIRMAN. But you did not make specific reference to this bill by title.

Senator DOUGLAS. Yes, I did.

I mentioned H. R. 12065, and described it by the words in its title as "the bill to provide for temporary additional unemployment compensation."

The CHAIRMAN. You said that specifically in the telegram?

Senator DOUGLAS. Yes, the Herlong bill.

(Senator Douglas later submitted for the record the following additional information: (1) That as shown in the full text of the telegram to the governors, he advised the governors, "I am sending by airmail a copy of the bill itself, H. R. 12065"; and (2) copies of H. R. 12065 were in fact sent by airmail to all of the governors on May 7, 1958.)

Secretary MITCHELL. May I disagree with you that this is an accurate statement of H. R. 12065.

You say "One of the conditions attached to such advance of Federal funds is the requirement that they will be repaid——

Senator DOUGLAS. I see you have a copy of the telegram too?

Secretary MITCHELL. Yes, some of the States called us and asked us what they should do. [Laughter.]

Senator GORE. Would you identify those States?

Senator DOUGLAS. I will be very glad to send my copy to you, so that you may compare the accuracy of it.

Senator GORE. Would you identify those States who asked you what they should do?

Secretary MITCHELL. Senator, I do not know offhand.

Senator GORE. It could not have been Illinois?

Secretary MITCHELL. If I am reading correctly—

one of the conditions attached to such advance of Federal funds is the requirement—

this is your language—

that they will be repaid to the Federal Treasury by direct repayment by the State or through an increase in the Federal unemployment tax on the employers in such State if after 4 years the amounts have not been directly repaid.

Senator DOUGLAS. Don't you think that is an accurate statement?

Secretary MITCHELL. No, sir.

Senator DOUGLAS. What is inaccurate about it?

Secretary MITCHELL. May I submit that the bill before this committee now provides that the money which will be appropriated by Congress will be repaid by an imposition of a Federal tax on employers in 1963.

Senator DOUGLAS. That is exactly what I said.

Secretary MITCHELL. But you put it in an either/or alternative.

Senator DOUGLAS. Or——

Secretary MITCHELL. Unless and until, this is the language, I believe, the money is otherwise restored to the Federal Treasury.

Senator DOUGLAS. How would it be otherwise restored?

Secretary MITCHELL. It could be in several ways, Senator. It does not necessarily—it could come from the Federal—from the State treasury, it could come from the reserves of the States.

Senator DOUGLAS. That would be by State appropriation.

Secretary MITCHELL. Or the Congress before 1963 could conceivably act in this area.

Senator DOUGLAS. You are contemplating, then, that this is to be a grant?

Secretary MITCHELL. Oh, no. A Mr. Rockefeller could pay it.

Senator DOUGLAS. I see.

Have you been in correspondence with Mr. Rockefeller on this subject?

Secretary MITCHELL. I have not. But I am pointing out——

Senator DOUGLAS. I would say you are grasping at a straw, Mr. Secretary, as well as at a Rockefeller. [Laughter.]

Secretary MITCHELL. May I say, Senator, that I think this interpretation of the bill probably colored, this is just personal opinion, probably colored the nature of the replies that you received.

Senator GORE. Would the Senator yield?

Senator DOUGLAS. Yes, I will be glad to yield.

Senator GORE. Mr. Secretary, does not in fact the bill which you recommended levy an additional tax on employers—unless?

Secretary MITCHELL. And until.

Senator GORE. Unless or until the funds are repaid otherwise?

Secretary MITCHELL. The money is "restored," I think is the wording of the language.

Senator GORE. Restored.

Then unless a State, in the absence of the extraordinary action of a Rockefeller, acts to restore the funds, either out of its reserve funds

or out of its Treasury, the additional levy on the employers of that State will, by the terms of the bill, go into effect. Is that not correct?

Secretary MITCHELL. That is right.

Senator GORE. How is the Senator in error?

Secretary MITCHELL. Well, the Senator here says, as I read it——

Senator GORE. Well, one difference is he puts one possibility before the conjunction and you put the other.

Secretary MITCHELL. No.

Senator DOUGLAS. It is just the difference of a comma.

Secretary MITCHELL. Well, I just submit, Senator, that perhaps the wording of your telegram colored some of the replies.

Senator DOUGLAS. Well, now, Mr. Secretary, is it not true, and did you not assert, in your testimony before the House, that the optional program might well require individual State legislative action?

Secretary MITCHELL. Yes. I did.

Senator DOUGLAS. That is right.

Do you now deny that it will require State legislative action?

Secretary MITCHELL. At the time I was talking without reference or without knowledge, rather, of what the final bill would be. There was no specific bill providing for option.

Senator DOUGLAS. No; but the optional principle, about which Congressman Baker was asking you, was the optional principle which is the central element in the Herlong bill.

Secretary MITCHELL. But the Herlong bill retained in its entirety the Federal financing aspect of the administration's bill.

Senator DOUGLAS. But only after it is accepted by the States. And I would call your attention to the fact that under the Herlong bill the States not only have the choice as to whether or not they will accept any additional unemployment compensation payments at all, but as you admit, they could have a different retroactive date, that is different from June 30; and they need not indeed accept the other provisions in full.

Secretary MITCHELL. I had assumed that the intent of the Herlong bill was to move back the administration's retroactive date from December 31 to June 30.

Senator DOUGLAS. If you will turn to the Herlong bill, on page 2, sir, you will see the words "to individuals who have, after June 30, 1957"—and I am reading now from line No. 4—"or after such later date as may be specified pursuant to section 102 (b)."

Secretary MITCHELL. That is right.

Senator DOUGLAS. So that they can fix a later date and thus reduce the future liability of their State's employers.

Secretary MITCHELL. We had assumed, as I said in my statement, Senator, and I will read it for you:

> The administration's bill begins the exhaustion date on December 31, 1957, H. R. 12065 on June 30 1957 or such later date as the State may elect. We believe it is the intent of H. R. 12065 to move back the exhaustion date from December 31, 1957 toward June 30, 1957. On this assumption the modification is acceptable to the administration.

Senator DOUGLAS. May I say, Mr. Secretary, that it may be your assumption and it may, indeed, be the intent of the Herlong bill, but under the express terms of the bill it is optional with the States as to whether or not they will make this the retroactive date, or specify any later date.

The further back they go, the larger the total of emergency benefit payments which will have to be made, and therefore the larger the total of reimbursements which the employers in their States will ultimately have to make in the form of increased tax payments to the Federal Government.

Secretary MITCHELL. Is this a question, sir?

Senator DOUGLAS. Well, you can put a question mark after it. [Laughter.]

Senator GORE. It is your election.

Senator DOUGLAS. It is optional with you as to whether or not you wish to answer.

Secretary MITCHELL. I heard it as a statement.

Senator DOUGLAS. Will the reporter now add—"is this not true, Mr. Secretary?"

Secretary MITCHELL. Would you kindly ask the reporter to read it?

Senator DOUGLAS. Yes; please.

Senator GORE. With a question mark.

(Question read.)

Senator DOUGLAS. Is that not true, Mr. Secretary?

Secretary MITCHELL. In reading the bill that interpretation could be placed on it.

I would recommend and suggest to the committee that the bill be clarified so as to reflect what I believe was the intent of the Herlong bill, and for which we would stand, that you move the December 31 retroactive date back toward June 30, leaving to the States the discretion as to the retroactive date between June 30, 1957, and December 31, which is what I thought they meant.

Senator DOUGLAS. Then it would be optional between the 30th of June——

Secretary MITCHELL. And December 31; yes, sir.

Senator DOUGLAS. The further up they go toward December 31, the less the employers in their State would ultimately have to repay.

Secretary MITCHELL. That is true.

Senator DOUGLAS. Is that true, Mr. Secretary?

Secretary MITCHELL. That is correct, sir.

Senator DOUGLAS. Mr. Secretary, a great deal has been made about the ample reserves of the States.

This is not true in the case of Rhode Island; is it?

Secretary MITCHELL. No; Rhode Island reserves are very slim.

Senator DOUGLAS. Do you have the table of figures there before you?

Rhode Island's reserve is equal to what? Is it at present about 7 months of current benefits?

Secretary MITCHELL. The reserves are, in dollars are, in table 15——

Senator DOUGLAS. I mean what is the ratio to monthly benefits?

The CHAIRMAN. $25,754,000 on hand and on December 31 it was $30 million. It has gone down about $5 million in 4 months.

Senator DOUGLAS. Let me make a general statement and see if you agree with this:

Isn't it true that the reserves in the following States, Rhode Island, Michigan, Oregon, and Pennsylvania, are approximately equal to only a year's current benefit payments? Approximately a year?

In some cases a year and a month, in other cases——

The CHAIRMAN. Does the Senator mean including the receipts that come in?

Senator DOUGLAS. No; just the present reserves.

The CHAIRMAN. Does your statement include future receipts?

Senator DOUGLAS. It does not include future receipts, but the ratio of current reserves to current benefits.

I checked those figures this morning, Mr. Secretary; I think these are approximately correct.

I am not giving the exact number of months, but approximately a year.

Secretary MITCHELL. From the tables we have here, that seems to be approximately correct.

Senator DOUGLAS. Thank you.

Now, is it not true that if a State increases its benefits, or prolongs the duration, this will mean increased assessments upon the employers of that State, that the employers will lose some of their merit ratings which previously they possessed, and, therefore, the cost of this will be borne by added assessments upon the employers?

Secretary MITCHELL. Do I understand you to mean if a State, by legislative action, increases the level of its benefits?

Senator DOUGLAS. Or prolongs the duration.

To repeat, if a State increases the benefits or prolongs the duration, then the cost of the program would be to that extent increased, and therefore the tax on the employer would be increased, would it not?

It would be drawn from the employers and not merely from the reserves?

Secretary MITCHELL. Well, that would depend, Senator, on what action the individual State may take.

Senator DOUGLAS. Doesn't every State have a so-called merit-rating system?

Secretary MITCHELL. Yes; but some of them have greater reserves than others.

Senator DOUGLAS. I know, but is it not a good general rule that if the payments made to the unemployed, previously hired by a given employer, go up, then subsequently the assessments on that employer will increase? Isn't that a good general rule?

Secretary MITCHELL. As a general rule; yes.

Senator DOUGLAS. If a given State such as Oregon, for example, therefore increases its levels of benefits or prolongs the duration of benefits, it will increase the assessments upon its employers. If this is not done by other States, then the employers in Oregon will be placed at a competitive disadvantage with the employers in other States, and this will operate both in fact and in propaganda as a very powerful weapon to prevent the benefits from being liberalized in this fashion.

Secretary MITCHELL. Well, as a general statement, if the tax in Oregon is increased, the employers of Oregon pay for it.

If that results in a competitive disadvantage, I suppose it is.

Senator DOUGLAS. What I am trying to get at is this: It has been said it is the fault of the States that they are not taking care of these emergency cases of people who have exhausted their claims to benefits, and at first sight, the presence of these large unused reserves gives a good deal of credence to that belief.

But the point is that if they do prolong the duration, they subject their employers, in spite of those reserves, to a competitive disadvantage, and therefore, there is a very powerful force upon State legislatures not to take this action.

I wanted to ask you a question, and then I will make a comment afterward, Mr. Secretary.

Secretary MITCHELL. Would you repeat your question?

[Laughter.]

Senator DOUGLAS. Would the stenographer read the question?

(The question was read.)

Senator DOUGLAS. Is that not so, Mr. Secretary?

Secretary MITCHELL. Well, it may be to some extent, Senator. However, the more persuasive argument from my point of view directed at the point you are trying to get at is that the present tax base in the various States was designed (1) to preserve the merit system in the States, (2) to provide benefits at the level determined by the States for the duration determined by the States, and that any change as I have said in my statements, and in answer to your question, that any change in either the level of benefits or the duration of benefits, based on the present tax base, would, I believe, do damage to the long-term financing or the actuarial soundness of the present Federal-State system, and that is the reason why we believe that even in spite of apparent large reserves, as I have answered Senator Byrd, that for an emergency period such as this, that we should not dip into those reserves for fear of tampering with the actuarial basis, but rather to provide the funds through the moneys that we are suggesting.

Senator DOUGLAS. I had a very minor share in the drafting of the original Social Security Act of 1935, and it was our intent by providing the 3-percent tax, of which the Federal Government was to retain three-tenths of 1 percent, that we would stimulate the State to levy an assessment of 2.7 percent; and, if it did not do so, that the assessment would go into the hands of the Federal Government, and therefore that no State would be exposed to a competitive disadvantage compared with other States.

I admit the section is very clumsy, and I favored a somewhat more direct system, but this was the intent.

Now the original act was passed to get away from this fear of interstate competition which had prevented any State from putting an effective law into operation.

Now, however, by the adoption of the merit rating system, the effect has been that the States are afraid to liberalize their laws, lest they cause their employers to make payments and suffer assessments that those in other States would not experience. And therefore, they have tended to compete with each other in niggardliness of laws. Yet you are now advocating, to cope with the present emergency, this same optional system which has held us back from getting an adequate system of benefits.

Secretary MITCHELL. Well, sir, I don't—I think in any system of this kind you have to balance out the advantages and disadvantages.

Certainly, for one, I believe that the merit system has a great deal of merit in that it provides an incentive to an employer or to an industry to so regulate his turnover and provide a reasonably stable employment and, therefore, to get the advantage of the tax.

I don't subscribe to the weight that you seem to put on competitive disadvantage. I am sure that in the location of a plant in a particular State, that the factor of the rate of unemployment compensation is

not a large factor, if at all, in the determination of the company whether it is going to put a plant in a State or not.

Senator DOUGLAS. This is a long subject, and I don't want to take time away from my colleagues.

I merely would remark that the ability of an employer to control the volume of his unemployment is partial in the case of seasonal unemployment, but relatively nonexistent in the cast of cyclical unemployment, and the system of graduating assessments according to payments made to the employees of the given employer may lead in a very minor measure to some degree of stabilization, but it also leads to employers as a group and individually trying to keep down the total amount of benefits paid and also to their fighting individual eligibility cases.

Senator GORE. Would you yield there?

Senator DOUGLAS. Yes, certainly.

Senator GORE. It does, as the Secretary said, provide an incentive for stable employment, which is, when viewed realistically, a benefit to the stable and well-established business and employer. But conversely, it operates as a discrimination against the marginal, the new, and the uncertain.

Senator DOUGLAS. Or the industry which has high cyclical unemployment, such as steel or other industries.

Well, Mr. Chairman, I don't wish to prolong the questioning. I would ask leave to file for the hearing record, as I have said, the telegram, and letters and telegrams in reply.

The CHAIRMAN. Without objection.

Senator DOUGLAS. I will submit the telegram to the Secretary to see whether it corresponds with the copy he has.

And also, Mr. Chairman, I will submit the text of the replies which I have thus far received from the governors, with the request that as additional replies come in, I may be permitted to include them in the record as well as a running statistical tabulation of returns.

Senator GORE. Would you yield for one more question before you complete your questioning?

Senator DOUGLAS. Yes.

Senator GORE. Mr. Secretary, would you be prepared to concede the possibility of charitable motivations on the part of a Harriman equal to that of a Rockefeller?

Secretary MITCHELL. Whom did you say?

Senator GORE. Would you be prepared to concede the possibility of a charitable motivation on the part of a Harriman equal to that of a Rockefeller?

Secretary MITCHELL. Yes, Mr. Gore. You know your side of the aisle has been handling its millionaires a little bit better than we have.

Senator GORE. How do you mean "handle"?

Secretary MITCHELL. I will leave it at that. [Laughter.]

The CHAIRMAN. The insertions requested by the Senator from Illinois will be received. (See pp. 125, 126, 128, 129, 155, 296, 297, 298, and 299.)

Senator Williams?

Senator WILLIAMS. Mr. Chairman, the Senator from Vermont is expecting a call, and since he is expecting a call, I will pass my turn.

The CHAIRMAN. Senator Flanders.

Senator FLANDERS. Mr. Secretary, I am a little vague in my mind as to the additional Federal taxation beginning in 1863; is it?

Secretary MITCHELL. 1963.

Senator FLANDERS. Well, yes, I accept the change.

Beginning in 1963.

Now, supposing that a State might have, should have, its reserves in good shape, and its current calls on them not so large, but what it concedes that it could take care of this extended period from its own reserves.

Would there be anything in this bill or administratively that would prevent a State from making that choice?

Secretary MITCHELL. No, sir.

Senator FLANDERS. Now, suppose the conditions were such that the State could make that choice, and elected to make it. When the new Federal tax in 1963 is imposed, will it be imposed selectively so that that State would not have an increase?

Secretary MITCHELL. If a State did not elect to take advantage of the proposed bill here, and elected to take care of its unemployment problem in some other way, then the Federal tax in 1963 would not be imposed on that State.

Senator FLANDERS. So it would not be arbitrarily imposed without reference to the means taken by the State to meet the situation, or by option of a State not to accept the additional funds for the extension.

Secreary MITCHELL. If the State elected not to accept the additional funds as provided in this bill, the tax would not be imposed.

Senator FLANDERS. Yes. That was the only question I had, Mr. Chairman.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Senator Gore.

The CHAIRMAN. Senator Gore.

Senator GORE. Mr. Secretary, on the last page of your statement, you say, "The temporary program I have outlined is a simple proposal essentially. It would neither make nor require any change in State laws. It would not legally obligate the participating States to do anything other than act as agents of the Federal Government to distribute the benefits."

As a matter of fact, it doesn't obligate the State to do anything; does it?

Secretary MITCHELL. It obligates the States to enter into an agreement with the Secretary of Labor to act as the Federal agent.

Senator GORE. Do you really mean that?

Secretary MITCHELL. Well, they have the option to do so, if they accept it.

Senator GORE. If they have the option, it does not obligate them.

Secretary MITCHELL. If they accept, if they want to take advantage of this and accept this opportunity here, in accepting the opportunity, they would agree to act as agents of the State.

Senator GORE. Would you be so good as to cite any provision of the bill that obligates the State to accept any part of this bill.

Secretary MITCHELL. There is none.

Senator GORE. Then, the first part of the statement I read is correct, but the last one is not entirely correct; is that right?

Secretary MITCHELL. If you are viewing it as I gather you are; it is incorrect.

It should say, "If a State exercises its option under this bill, it would not legally obligate," and so forth.

Senator GORE. Yes.

Then, as a result of your answer——

Secretary MITCHELL. May I say it has been pointed out to me by Mr. Nystrom, Solicitor, and not being a lawyer I overlooked the significance of the word "participate."

Now, when you read this, remembering what participating means, this statement is correct. It would not legally obligate the participating States.

Senator GORE. All right.

Secretary MITCHELL. Is that not correct?

Senator GORE. I accept your statement.

Now, following your answer to Senator Flanders, a State, in order to participate, must, in turn, obligate itself; is that true?

Secretary MITCHELL. A State exercising the option to participate in this bill obligates itself to act as the Federal agent in the administration of the funds that are to be collected from the Federal tax.

Senator GORE. And in addition must agree, if not by letter of agreement, then it must assume the imposition by the terms of this bill, of an additional tax on the employers within that State.

Is that not true?

Secretary MITCHELL. A tax levied by the Federal Government, not by the State.

Senator GORE. Well, it is imposed upon the employers of that State by the Federal Government?

Secretary MITCHELL. That is right.

Senator GORE. Then, in the case of a State with a large reserve fund in existence now, would it be possible for that State, by action of itself to increase the benefits available to the employees, covered under the system, and draw from its reserves for the payment of such increased benefits, thereby extending any possible benefit that might be envisioned by this act without incurring the levying of an additional tax by the Federal Government on employers within that State?

Secretary MITCHELL. Yes, sir; I have answered that question several times affirmatively, yes.

Senator GORE. That is true.

Secretary MITCHELL. Yes.

Senator GORE. Well, I will not, at the noon hour, which seems always my lot to be reached just about that time——

The CHAIRMAN. Take your time, Senator.

Senator GORE. I will not ask you a series of questions, but merely say that the plan you present and endorse has three deep faults.

One, immediate benefits are doubtful.

Two, even at best, the benefits are inadequate, nonuniform, and inequitable as between the unemployed, and

Three, it would operate as a discrimination against employers in those States that do accept and as a competitive advantage to employers in those States that do not.

I cannot accept the proposal in its present form, and shall undertake to improve it.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I just have one question, Mr. Chairman.

Is this the first time in the history of the Labor Department when a proposal to extend benefits to people who have exhausted their regular unemployment rights has been proposed?

Secretary MITCHELL. I believe it is, Senator, yes.

Data subsequently submitted by Secretary Mitchell:)

Extended benefits were proposed in 1942, 1944, and 1945, but not by the Labor Department.

Senator BENNETT. Then, would it be fair to say that the considerations of a Republican President is probably equal to, if not greater than, the consideration of a Democratic President who in 1949 had four quarters where the number of exhaustees was larger than it has been any quarter thus far, but nobody was apparently concerned with providing legislation to take care of it at that time?

Secretary MITCHELL. I would say——

Senator BENNETT. That is another question which is a statement and——

Secretary MITCHELL. Senator, I would say that the motivation behind this proposal on the part of the administration has been a concern for those workers who will exhaust their benefits.

Whether that is a greater concern than past administrations, I will leave to the record. I believe that it is because in my knowledge, this is the first time that an administration has come to Congress seeking help for those people who are without funds.

Senator BENNETT. The chart on page 18, I think, is very interesting, and revealing.

I have no other questions, Mr. Chairman.

Senator JENNER. Mr. Chairman, I have one question, if it is down to me.

The CHAIRMAN. Yes.

Senator JENNER. What concerns me is this:

We have about 2 million people unemployed reaching the increased stage of exhaustion more than we normally have. In other words, at the peak of the unemployment in this country, we saw about 3 million people unemployed and in transitory position, and so forth, so we have about 2 million more unemployed than we would have during a normal peak of prosperity.

Is that correct, roughly?

Secretary MITCHELL. Well, the census figures last month were 5.1 million.

Senator JENNER. That is right.

Secretary MITCHELL. And on a 66 million work force, which we have today, I would judge anywhere between, if you got down below 2.5 million unemployed in our kind of an economy, you would be confronted with real labor shortage, and 3 million unemployed, on a 66 million work force, is—represents a transitory voluntary group.

Senator JENNER. So that being true, we hit a recession that brings about this problem, that necessitates Federal action, hence this bill.

What would happen to this program if we hit a prolonged period of recession as we did back in the thirties and eary forties?

Secretary MITCHELL. Senator Jenner, first, I don't think that we are faced with a 1930 depression.

Senator JENNER. I didn't say that. I don't believe that, but I am thinking of this program, if this situation were where you have just a

little over 2 million more unemployed than you normally have in a 66 million employed economy, peak of prosperity, what would happen to this program, I am speaking of the program generally, if you hit a prolonged period of say, 10 to 12 million unemployed, will this program stand up?

Secretary MITCHELL. No, it would not be sufficient.

Senator JENNER. Then what would we have to do to cope with that kind of a situation?

Secretary MITCHELL. Well, Senator, I wouldn't venture to attempt to answer a hypothetical and, I think, the question——

Senator JENNER. I don't think it is necessarily hypothetical. It has happened before, and it could happen again, and if 2 million brings about an emergency, what are we going to do if we have 5 or 10 million?

Secretary MITCHELL. Yes. All I can say here is the problem here is not only the number of unemployed, but the problem is the number of unemployed who exhaust their benefits. This is the real problem, exhaustion.

Senator JENNER. All right.

Project that, then, Mr. Secretary.

Secretary MITCHELL. Yes.

Senator JENNER. Project that.

In other words, are we heading for a British dole?

Secretary MITCHELL. No, of course not. Of course not, and if this program that we are proposing here, we think, will adequately take care of the present situation, I would not like to venture any thoughts or opinions on a worsened situation, first because I don't think it will materialize, and if it did, this sort of a program would not suffice.

But we are dealing with the present.

Senator JENNER. That is the thing that concerned me.

That is all, Mr. Chairman.

The CHAIRMAN. The Chair recognizes Senator Douglas to read two telegrams into the record.

Senator DOUGLAS. Mr. Chairman, may I report that since I read the returns from the governors at an earlier hour, we have had a reply from the Governor of South Dakota who states he would not, himself, be able to accept the additional benefit payments under the Herlong bill, and special legislation would be required. So this makes a total of 14 States which would require legislative action, and 4 States which in the opinion of the Governor, might require a constitutional amendment, and 1 State where the Governor is in doubt. With your permission, I would like to read the replies of Gov. Averell Harriman, of New York and Gov. Lindsay Almond, of Virginia.

The reply of Governor Harriman is as follows:

In reply to your telegram concerning the bill to provide for temporary additional unemployment compensation, H. R. 12065, on April 19, of this year, I approved legislation amending the New York State unemployment insurance law, subdivision 2 of section 536, 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.

This amendment, however, does not give the Industrial Commissioner authority to include a repayment clause in such an agreement. Therefore, 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.

Early this year I urged the New York Legislature to enact a bill increasing the duration of unemployment compensation from 26 to 39 weeks to be paid for out of State unemployment reserve funds. Inasmuch as the Republican controlled legislature refused to adopt this recommendation, the need for Federal action is urgent. In New York State as elsewhere in the Nation a considerable number of the several million workers who lost their jobs at the beginning of the recession are exhausting their benefits. I urge therefore that the House bill be amended to provide for the extension of benefits for all workers everywhere who have exhausted their entitlement without the requirement for individual State agreements and individual State repayments which could only result in a shameful competition among the States to take advantage of the misery of their own citizens. I further urge that this opportunity be taken to consider the long run solution to this problem by the adoption of minimum Federal unemployment benefit standards for all States along the lines of the Kennedy-McCarthy bill.

AVERELL HARRIMAN.

Then a telegram from the Governor of 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 authorizing the incurrence of such an obligation.

J. LINDSAY ALMOND, Jr.,
Governor.

Mr. Chairman, I have the text of this correspondence which I will ask to be printed at the conclusion, in the transcript at the conclusion of the hearings this morning.

These are the text of my original telegram and the texts of the replies of the Governors which I have had thermofaxed.

The CHAIRMAN. Without objection, insertions will be made. (See pp. 125, 126, 128, 129, 155, 296, 297, 298, and 299.)

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Mitchell, in answer to Senator Flanders, you pointed out as I understood correctly that the States which borrow this money would be obligated to accept the increased tax beginning in 1961 on employment for the repayment, is that correct?

Secretary MITCHELL. Well, sir, the question was not put in that way. It is not a borrowing.

I said that in the States that availed themselves of this law, if it becomes law, the tax provided for in the law which is a Federal tax, would automatically go into effect in 1963, if they availed themselves of the provisions of this act.

Senator WILLIAMS. If they do not avail themselves, the tax will not go into effect?

Secretary MITCHELL. That is correct, sir.

Senator WILLIAMS. Then the acceptance by the State official of the provisions of this bill would, in effect, be the acceptance of the tax to go into effect in 1963, is that right?

Secretary MITCHELL. A Federal tax.

Senator WILLIAMS. A Federal tax.

Secretary MITCHELL. Yes, sir.

Senator WILLIAMS. Do you not think that the acceptance of a Federal tax in a projected future would necessitate an act of the legislature?

Secretary MITCHELL. We do not believe so, Senator. I have said that before, with this modification of this reservation, that the interpretation of State law naturally must rest with the State officials.

We believe that the State can accept the agency here as provided in this law, and act as agents in the disbursement of this fund, and the tax, Federal tax then would become effective in 1963, and this could be done, we believe, leaving the interpretation of the State law to the State, but we believe that it could be done without legislative action.

Senator WILLIAMS. That is all.

Senator CARLSON. Mr. Chairman, just this.

Mr. Secretary, as I have heard the testimony here this morning, it just occurs to me that the unemployment problems are not general, but they are pretty much localized in States, and they are localized within States.

I wonder, as I have heard the testimony, and here are some of the statements that Massachusetts, New York, New Jersey, Pennsylvania, Michigan, Illinois, and California are the States where the situation is most acute.

Secretary MITCHELL. Well, sir, I don't think that one could say that with certainty. I believe that there are presently 31 States where the unemployment is 6 percent or more of the total work force.

Six percent of the total work force is a greater degree of unemployment than we would like to have.

I think one must view this proposal, Senator, not only in terms of the degree of unemployment, but in terms of the number of exhaustions which represent the length of unemployment, and while there are certain cities and certain States where there is heavier and longer duration of unemployment than elsewhere, I don't think it could be rightly said this is limited to a few States.

Senator CARLSON. I mentioned that I thought it was more or less localized based on States and getting to my own State which I think I know a little better than any other State in this Union, we have an area where there is a great deal of unemployment down in the lead and zinc mining sections.

In fact, the March 22 figure that I have shows that the percentage of insured unemployment that are out of work at this time drawing compensation is 11.2 which is very, very high.

The State as a whole at the present time is a little less than 6 percent, I think.

The point I wanted to make was that we are dealing here with a problem that would seem to me to be localized and we are trying to handle it on a national basis, and I was wondering if there was something we could do, being personally very sympathetic to these problems in areas in States, if there was something we could do besides passing a general act.

Secretary MITCHELL. Well, sir, we believe this is enough of a national problem to warrant Federal action. If I may repeat again, as I said,

we believe that, we estimate that there will be 2.6 million people in the next year who will have exhausted their benefits under the State laws.

Now this, to me, is a problem that should require national attention.

Senator CARLSON. The Senator from Illinois mentioned the various States that had applied to him in regard to the inability of the States to comply with the provisions of this bill, and I know that Kansas, the Governor of Kansas has replied to him and advised that we would not be able to participate, in his opinion, under this bill.

I want to make a statement, and this is not a question but it is rather an interesting one that I think might develop in other States.

Within the last 10 days, we have had a special session of the legislature adjourn. Legislation was introduced providing for additional duration of time period, and an additional benefits up to 16 weeks, and I believe the dollars were $34 which is our present maximum, and it did pass the house of representatives, but it was defeated in the senate.

Now even if we enact this legislation, doesn't it get back to the fact that, after all, the States do determine what action is taken?

Secretary MITCHELL. Under the normal Federal-State unemployment-security programs, the States have determined the level of benefits, and the duration of benefits.

Under normal circumstances, most of the States were they to heed President Eisenhower's requests made in the last 3 or 4 or 5 years that they increase their levels of benefit and increase their duration to at least 26 weeks, that would take care of the normal situation.

But here we have an abnormal situation, which I don't believe you need to have the States change their permanent laws to take care of.

Senator DOUGLAS. Would the Senator permit me to read the telegram from the Governor of Kansas which will corroborate the statement which he made?

Senator CARLSON. I will be happy to read it because I have a copy of it.

Senator DOUGLAS. These copies seem to be floating around.

Senator CARLSON. I think the Senator should read it and get it into the record.

Senator DOUGLAS. It is addressed to me, and reads as follows:

Section 44-714, Kansas General Statutes Supplement 1957, authorizes commissioner of labor to enter into certain reciprocal agreements permitting the employment security agency to pay unemployment benefits under provisions of other State and Federal laws, providing State fund is reimbursed. Employment security agency has grave doubts that such authority extends to the agreement as provided in H. R. 12065 in view of the repayable features.

GEORGE DOCKING,
Governor of Kansas.

And I may say that in my tabulation, I included Kansas as, therefore, one of the States which in all probability would require legislative action.

Senator CARLSON. Mr. Chairman, as one who has served as Governor of that State, I would say the Governor is correct in this instance, and being a Democratic Governor, I agree with him.

Senator DOUGLAS. I want to corroborate what my good friend from Kansas says to show that in matters of fact he is correct, as usual.

Senator GORE. Would the Senator from Kansas yield so that I can read the telegram from the Governor of Tennessee?

Senator CARLSON. I have yielded the floor.
Senator GORE. Would the Senator from Delaware yield?
Senator WILLIAMS. I don't have the floor.
Senator GORE. Mr. Chairman, may I read it?
The CHAIRMAN. Yes.
Senator GORE. The first time I have been uncontested. [Laughter.]

Regarding your telegram of May 7, wish to advise that Hon. George F. McCandless, attorney general of Tennessee, has ruled that this State could not enter into the agreement extending State benefits contemplated by H. R. 12065 under authority granted by present statute 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 which will not meet in regular session until January 1959.

FRANK R. CLEMENT, *Governor of Tennessee.*

Senator DOUGLAS. I am going to make an offer which may sound impertinent, Mr. Chairman, but I hope the Secretary of Labor will not regard it as such.

If the Department of Labor is lacking funds to send similar telegrams to officials of the States, although my own resources are rather meager, I shall be glad to make a contribution to the Department of Labor to pay for the cost of those telegrams.

Secretary MITCHELL. Senator, the Department is very appreciative.

However, if we were to send a telegram, we would have worded it differently, and probably gotten different answers. [Laughter.]

(By direction of the chairman, the following replies to the telegrams sent by Senator Douglas to the State governors, in addition to those previously read during the hearing, are made a part of the record:)

(For further replies, see also pp. 125, 126, 128, 155, 296, 297, 298, and 299.)

MAY 12, 1958.

Hon. PAUL H. DOUGLAS:

In reply your telegram May 8, 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, House bill 12065 and to enter into an agreement thereunder to pay benefits not provided by Territorial law.

MIKE STEPOVICH, *Governor of Alaska.*

SACRAMENTO, CALIF., *May 13, 1958.*

Hon. PAUL H. DOUGLAS:

In brief time allotted California Director of Employment necessarily hasty analysis of H. R. 12065 results in conclusion that doubt exists whether the Governor or director of the California Department of Employment, which administers California's unemployment compensation law, 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, together with administrative costs. In absence of such agreement and consent, no increased Federal tax would apply, nor could payments from California's account in the unemployment trust fund be made to individuals whose California benefit rights were exhausted. 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 Governor nor director of employment can exercise such legislative power (art. 111, sec. 1, California constitution, *Lukens* v. *Nye* (1909), 159 Cal. 498). Accordingly, California legislation would be required before an agree-

ment and consent could be entered into pursuant to H. R. 12065 (art. V, secs. 1 and 2, California constitution).

No provision of California law gives Governor or director of employment authority to enter into an agreement to pay benefits under the California unemployment-insurance law, as contemplated by the provisions of H. R. 12065. However, section 451 of the California Unemployment Insurance Code would provide authority in the California Department of Employment to extend existing agreements, pursuant to H. R. 12065, under title XV of the Social Security Act (unemployment compensation for Federal employees: California agreement executed December 22, 1954) and title IV of Veterans' Readjustment Assistance Act of 1952 (unemployment compensation for veterans: California agreement executed October 9, 1952) and thereby provide the services and facilities of the California Department of Employment as an agent of the United States for the payment of Federal unemployment compensation to such Federal employees and veterans under H. R. 12065, if enacted.

Cordially,

GOODWIN J. KNIGHT, *Governor.*

MAY 9, 1958.

Hon. PAUL DOUGLAS:

Retel May 7, 1958, concerning additional unemployment compensation, H. R. 12065, Colorado would be unable to make additional payments or extend the duration thereof without amendatory State legislation. There is no authority for any State officer or agency to agree on behalf of the State to repay moneys advanced by the Federal Government as proposed. This also would require legislative authorization.

STEVE MCNICHOLS,
Governor of Colorado.

THE TERRITORY OF HAWAII,
EXECUTIVE CHAMBERS,
Honolulu, May 9, 1958.

Hon. PAUL H. DOUGLAS,
Senate Office Building,
Washington, D. C.

DEAR SENATOR DOUGLAS: Governor Quinn is presently en route to Washington to discuss legislative matters with the Interior Department. I have presumed to answer the questions in your radiogram of May 8, covering the general subject of unemployment compensation, H. R. 12065.

The Hawaii employment security law provides for reciprocal arrangements with appropriate and duly authorized agencies of States or the Federal Government, and agreements may be entered into whereby the Territory may pay benefits payable under an unemployment compensation law of another State or of the Federal Government. However, 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.

A copy of this letter has been airmailed to Governor Quinn and I feel sure he will make an opportunity to discuss this with you personally as soon as he arrives.

Sincerely,

FARRANT L. TURNER,
Acting Governor of Hawaii.

SPRINGFIELD, ILL., *May 12, 1958.*

Hon. PAUL H. DOUGLAS:

On the basis of existing statutory provisions it appears that although the Governor may not obligate the State to repay 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.

Under present conditions the State of Illinois should have no difficulty in making repayment. I estimate that the operation under this bill would amount to $34,500,000 out of a fund of over $400 million. Necessarily, the appropriation to carry out this policy of direct repayment eventually would have to be granted by the legislature.

WILLIAM G. STRATTON,
Governor.

INDIANAPOLIS, IND., *May 8, 1958.*

Hon. PAUL H. DOUGLAS,
Senate Office Building,
Washington, D. C.:

In response to your inquiry concerning H. R. 12065, I am advised by the Attorney General of the State of Indiana, after a preliminary study, 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.*

FRANKFORT, KY., *May 9, 1958.*

Senator PAUL H. DOUGLAS,
Washington, D. C.:

Your wire of May 8 to Gov. Albert B. Chandler has been referred to me for reply. 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. I can only act as an administrative agent for the Federal Government in paying out direct Federal grants. H. R. 12065 re Federal extension of unemployment benefits, as outlined in your telegram, will be of no benefit to Kentucky workers. Because of loan features of the program, constitutional restrictions on State borrowing would prohibit Kentucky's participation. Repayment features by way of reducing Federal tax offset would seriously endanger actual soundness of the fund. Exclusion of workers not covered by the State law is discriminatory in that nearly half those presently unemployed would receive no benefits under bill.

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

BATON ROUGE, LA., *May 12, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate,
Washington, D. C.:

Retel I am informed by the general counsel of the State division of employment security that 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.*

BOSTON, MASS., *May 9, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate, Washington, D. C.:

At the present time Massachusetts Statute General Laws, chapter 151A section 66 (B) provides as follows: "The director is hereby authorized to enter into reciprocal arrangements with appropriate and duly authorized agencies of other States or of the Federal Government or both whereby:

"(b) Potential rights to benefits accumulated under the unemployment compensation laws of one or more States or under one or more such laws of the Fed-

eral Government or both may constitute the basis for the payment of benefits through a single appropriate agency under terms which the director finds will be fair and reasonable as to all affected interests and will not result in any substantial loss to the fund."

I believe, however, that this may be insufficient to warrant the Commonwealth to enter into an agreement under H. R. 12065. Specific additional legislation may therefore be necessary.

CHARLES D. SLOAN,
Legal Counsel and Chief Secretary to Governor Furcolo of Massachusetts.

MAY 9, 1958.

Hon. PAUL H. DOUGLAS:

Reurtel H. R. 12065, 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.

MAY 12, 1958.

Hon. PAUL H. DOUGLAS:

Re H. R. 12065, 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.

STATE OF NORTH DAKOTA,
OFFICE OF THE GOVERNOR,
Bismarck, May 10, 1958.

Hon. PAUL H. DOUGLAS,
United States Senate Room 109,
Senate Office Building, Washington, D. C.

DEAR MR. DOUGLAS: I have your telegram requesting information as to whether or not, under the present laws of our State, we could enter into an agreement with the Federal Government to repay moneys advanced by the Federal Treasury and to pay benefits to unemployed persons who are covered by the State law but who have exhausted all the benefits to which they are entitled under our present law.

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. Our legislature meets in January of 1959.

Sincerely yours,

JOHN E. DAVIS, *Governor.*

MAY 13, 1958.

Hon. PAUL H. DOUGLAS,
United States Senator:

I wired Paul H. Dougles the following message this date:

"Reurtel May 7 re House Resolution 12065. I am convinced that neither the Governor of Oregon nor the Unemployment Compensation Commission can request Federal funds that would constitute a loan repayable by the State or by an additional tax on employers and use those funds for payment of benefits not now provided for by State law. Our law puts a top limit on benefits of not more than $40 a week for not longer than 26 weeks. We could not pay benefits from

such a loaned fund beyond the present statutory amounts without special authorization of our State legislature. Additional legislative action would be required to permit Oregon to operate under the terms of H. R. 12065 as it is now pending. The only way Oregon can make payment of extended benefits to exhaustees without additional legislation is by use of granted not loaned Federal funds for benefits and administrative costs. We now have a cooperative arrangement for payments under unemployment compensation for Federal employees and unemployment compensation for veterans under the Veterans Readjustment Assistance Act of 1952 using Federal funds and we could proceed under a similar arrangement for temporary additional benefits. I urge that Congress pass legislation which will provide Federal grant funds for payment of extended benefits. For 18 years before the Reed Act re distribution the Federal Government has collected and retained taxes far in excess of the administrative costs of the unemployment compensation program; the amount is approximately $1,800 million. In view of this the Federal Government should grant to the States the amounts necessary for payment of extended benefits and administration thereof rather than offer a loan which most States and certainly Oregon cannot accept. The provisions of the Kennedy bill are the most desirable for long-range strengthening of the unemployment compensation program and I strongly urge favorable action on the Kennedy bill."

ROBERT D. HOLMES,
Governor of Oregon.

PIERRE, S. DAK., *May 13, 1958.*

Hon. PAUL H. DOUGLAS:

In reference your telegram May 8 my legal officer in State employment security department informs me it would require action by State legislature to request new Federal funds provided in H. R. 12065.

GOV. JOE FOSS.

SALT LAKE CITY, UTAH.

Hon. PAUL H. DOUGLAS:

Your inquiry poses possible constitutional questions which will require study.

GEORGE D. CLYDE,
Governor of Utah.

OLYMPIA, WASH., *May 12, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senator,
Senate Office Building, Washington, D. C.:

While time has not permitted preparation of a State attorney general's opinion I am reasonably certain the 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. As you probably know my position on unemployment insurance extension is that Federal Government should foot entire cost on grant basis. This reasoning is based on fact that the Federal Government collected $1.8 billion on FUTA from 1936 to 1954 which was never returned to States and only $800 million of this was used for Federal Employment Security Administration. I feel that the national administration has a moral obligation to use some of this profit to foot the cost since the recession grew mainly from national policies.

ALBERT D. ROSELLINI,
Governor.
By PETER R. GIOVINE,
Commissioner, Employment Security Department.

MAY 12, 1958.

Senator PAUL H. DOUGLAS:

Reurtel May 8 re H. R. 12065, 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, to agree to pay benefits not now provided by the Wyoming law, and to

create an obligation to repay such funds either (1) by the State directly, or (2) by indirect payments through the Federal collection of the additional tax on the employers in the State which would be imposed after 4 years. Thorough investigation would be required to determine the extent of additional legislation necessary for Wyoming to participate in the provisions of H. R. 12065.

MILWARD L. SIMPSON,
Governor of Wyoming.

EXECUTIVE DEPARTMENT,
Annapolis, Md., May 9, 1958.

Hon. PAUL H. DOUGLAS,
Senate Office Building, Washington, D. C.

DEAR SENATOR DOUGLAS: This office is in receipt of your telegram of May 7 pertaining to temporary additional unemployment compensation as covered by H. R. 12065.

Governor McKeldin is en route to Heidelberg, Germany, to attend the graduation exercises of the overseas school of the University of Maryland, so I am replying in his absence.

This matter received the attention of the Governor prior to his departure for Europe, and Maryland will take such steps as may be necessary to implement her laws so that the unemployment benefit period may be increased from 26 weeks to 39 weeks. 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. This special session would be called immediately after the Federal bill is passed by the Congress and approved by the President.

Sincerely,

ALBERT W. QUINN,
Assistant to the Governor.

The CHAIRMAN. The committee will now recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:30 p. m., the hearing was recessed, to be reconvened at 10:20 a. m., Wednesday, May 14, 1958.)

UNEMPLOYMENT COMPENSATION

WEDNESDAY, MAY 14, 1958

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

The committee met, pursuant to call, at 10:20 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd presiding.

Present: Senators Byrd (Chairman), Kerr, Frear, Douglas, Martin, Williams, Flanders, Carlson, Jenner, and Bennett.

Also present: Elizabeth B. Springer, chief clerk; and Colin F. Stam, chief of staff, Joint Committee on Internal Revenue Taxation.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Mr. J. Eldred Hill, Jr., the assistant attorney general of the State of Virginia.

Mr. Hill, please come forward, sir, and proceed in your own way.

STATEMENT OF J. ELDRED HILL, JR., ASSISTANT ATTORNEY GENERAL OF THE STATE OF VIRGINIA

Mr. HILL. His Excellency, J. Lindsay Almond, Jr., the Governor of Virginia, has asked me to deliver a brief statement on his behalf opposing the Federal supplementation of State unemployment compensation.

Governor Almond has——

Senator KERR. May I ask a question, Mr. Chairman? Are you addressing yourself to any specific bill or to the principle generally?

Mr. HILL. To the principle generally initially. Then I will address myself, if I might, to this particular bill.

Senator KERR. Fine.

Mr. HILL. Governor Almond has asked me to say that he shares with the Congress a concern over the economic problems facing our Nation, but that he likewise has a great concern for the preservation of our State unemployment insurance program. He feels that most of the proposals which have been offered to extend State unemployment benefits through Federal action are not just a step but a leap in the wrong direction.

Most of the measures which have been offered are blanket indictments of our present system and, if enacted, would destroy the basic concepts of unemployment insurance.

Many of these measures, some of which I am sure will be urged on this committee during these hearings, inject into unemployment insurance relief factors directly opposed to the insurance principles upon which our State programs are based. The unemployment insurance laws were designed to serve as a protection for workers during temporary periods of unemployment. It was founded and grown on the idea of temporarily compensating unemployed workers for a portion

of their wage loss. It was never intended as an indefinite sustenance nor as a general relief program. From the very beginning unemployment compensation has shunned the stigma of welfare and has fought the misnomer of "rocking-chair money."

The success which our State programs have enjoyed has been realized largely because they have remained true to the insurance principles and maintained a careful balance between the compensable amount and duration and the wages upon which that compensation has been based.

State agencies which administer State unemployment compensation laws have gained the knowledge that comes with experience in dealing with the problems of unemployment.

With the counsel of these agencies the State legislatures have reflected a comprehensive understanding of the wage structure, the tax formula and the employment conditions prevailing within their borders.

The State laws have not remained static. They have frequently been amended in every State to meet the needs of the changing conditions in those States. States confronted with particular problems have uniformly found a solution through State action. The conditions creating or contributing to significant unemployment in any given area are so varied that there can be no common solution.

The unemployment problems and economic balances of no two States are identical, with the result that no two States have identically the same laws to cope with those problems.

It is of utmost importance therefore that decisions which will vitally affect the economic life of a State, whether they be on a long- or a short-range basis, be made at the State level where the most experience and the best information is available for dealing wisely with the subject.

Each State can best determine the policies and the laws that will most effectively serve the interests of its people. As we began this 22d year of the operation for most of the State systems, it would seem that argument that they have become of age and have proven their competence would be unnecessary.

Certainly they have demonstrated through these years, which have included two wars and the attendant conversion periods, that they have been equal to the task.

But despite this proof of time, those who are urging minimum Federal standards and/or forced Federal extensions are directly charging the States with ineptness or inability to meet the present situation.

They would, through the guise of temporary Federal action, take charge of the vital areas of benefit duration and benefit amount, and in effect amend the laws of every State.

We believe that the vast majority of the States have at their disposal the necessary reserves and the taxing authority to provide additional temporary benefit extension if in fact the need for such an extension exists, and we are not prepared to concede as apparently some are, that the various State legislatures are not responsive to the needs of their State nor representative of the desires of their people.

Now we are not unaware of the fact that the present unemployment problem is not of equal magnitude in every State, and that some

States may have a more acute problem than others, which brings me to this point of observation. If this committee concludes from its deliberations that some form of Federal action is necessary, we believe that the provisions of H. R. 12065 are preferable to those embodied in any proposal submitted thus far.

We do not abandon our conviction that no Federal action is necessary, but if this committee cannot concur in that premise, we certainly favor legislation which will not force Virginia nor any other State to follow a course of action which it may deem unnecessary or undesirable.

The optional feature of H. R. 12065 retains for the States a measure of discretion which we deem vital to the preservation of the State systems as we now know them.

Now I do not know whether to this point I have succeeded in keeping secret the fact that an appearance before this committee is a brandnew experience for me, but if this committee will pardon a personal reference, not only am I brandnew as a witness before congressional committees, but the folks in my agency back home consider me brandnew to this program. You see, most of them have been in this program now for 15 to 20 years, and my service in it has been for a little better than 3.

Now those people have given a dedicated service to this program, and they are conscientiously interested in it, and we have a great deal of faith in their ability to solve the problems that are at hand. They work hand in hand with our legislature in which we also have a great deal of faith. Now if we can get a little more of this sunshiny weather down in Virginia we believe we can whip much of our unemployment problem. We realize that this committee cannot legislate that for us, but we do not think that we are asking too much when we ask this committee not to fetter us with some sort of federally imposed program; and not to force us to sign an agreement which we feel is not in our best interests; and certainly not to make a mockery out of the program on which we have worked so hard by turning it into a Federal giveaway program.

Mr. Chairman, on behalf of the Governor, I want to say that we appreciate this opportunity to be heard by the committee, and within my very limited capacity if there are questions I will endeavor to do my best to answer them.

The CHAIRMAN. Mr. Hill, I thank you, sir, for what I regard as a very able statement.

As I understand your statement, you emphasize first that the unemployment insurance program was never intended to be a relief program.

It is a program that has been financed exclusively by the employers, as a part of their obligations to their employees, to give payments in time of temporary unemployment.

You emphasize the fact I think that from the very beginning of this program there have been no subsidies from the Federal Government, there have been no subsidies from the State governments.

All revenue in this program has come from a taxation upon those who employ others in industry.

I think you have also emphasized the fact—although you did not say it directly—that once we federalize this program, it never again

will be free. From an experience of 25 years in the Senate, I know once the Federal Government federalizes and subsidizes a State program, whatever it may be, it continues to exercise control throughout the area of that program, and I challenge those who desire to federalize this program to point to one single Federal grant to the States that does not carry with it Federal control.

When I came to the Senate, we had only one Federal grant program of any consequence and that was for roads.

I think it then cost $98 million a year. That was in 1933. Now we have 57 Federal grants to the States costing over $4 billion, and in every case the Federal Government exercises control not only over the Federal funds but also the State funds.

Does your information bear that statement out?

Mr. HILL. Yes, sir.

The CHAIRMAN. So I thoroughly agree with you, sir, that we should not federalize this fund. Of course, optional provisions would give a State some protection in the case of this program.

I gathered also from your testimony—and you evidently have studied this question very carefully—that the $58 billion available overall in the unemployment trust fund indicates there are sufficient funds available, and if funds are needed, the State legislatures could increase up to the limit the tax on employers without paying out of general revenue.

The unemployment tax in most States is nowhere near the limit and there is an $8 billion balance in the fund. I am not one who fears the possibility that the State legislatures would have to meet. If they have a great unemployment crisis, they could meet it.

When I was Governor of Virginia I had a number of special sessions of the general assembly to dispose of matters of less importance than severe unemployment.

The bugaboo held forth before this committee, that State legislatures must meet in order to avail themselves of any legislation that may be passed here in Washington does not influence me.

I think they should meet, if there is a great crisis in the State.

There may be other things they could do for unemployment. Unemployment by no means is exclusively a Federal obligation. States have their obligations, the employers have their obligations and the localities have their obligations.

Mr. HILL. Senator, if I might make two remarks with reference to what you have just said, I would like to say first of all that yesterday in listening to the testimony of the Secretary, I learned a fact which I had not previously known, and I say I learned it. I am not sure it is correct, but I understood that the maximum limit on State taxation was 2.7, from what the Secretary said. I believe that is in error. I do not believe there is any limit to where a State can go with this tax.

The 2.7 comes from the fact that 3 percent is the maximum Federal tax which will receive an offset for a State tax.

In other words, they give a 90-percent credit. But a State is unlimited to where it can go.

As a matter of fact, I am of the distinct opinion that there are a number of States now that exceed the 2.7 figure in taxing their employers.

That is one of the first points I want to make.

The second is this——

The CHAIRMAN. That point was not developed yesterday. The information was given to the Senate that any State that exceeded the 2.7—Mr. Stam, have you got that?

Mr. STAM. We have a table showing that they went above that.

Senator KERR. Is that in the pamphlet you gave us?

Mr. STAM. That is right, table 12.

The CHAIRMAN. Let me clear that up now. What States have gone above?

Senator KERR. They are shown there in table 12, Mr. Chairman.

The first one is Illinois, the next one is Michigan, the next one is Missouri.

Senator JENNER. Goes above 2.7?

Senator KERR. Goes above 3.

The next one is Wisconsin.

The CHAIRMAN. The 3 percent is the maximum that the Secretary of Labor stated.

Senator KERR. No, the 3 percent as I understand it is the maximum amount which the Federal Internal Revenue will recognize as a business expense on the part of the taxpayer, isn't that it?

Mr. HILL. Frankly, I do not know.

Mr. STAM. The credit is figured on the 3 percent in the credit in the taxes paid to the States and it is a credit only against the 3 percent Federal tax.

Senator FREAR. It is 4 percent that the State of Wisconsin pays, the credit they can get federally is 2.7.

The CHAIRMAN. Then the additional 3 goes to administrative costs in building up this fund?

Mr. HILL. Yes, sir, the three-tenths.

The second point I want to make is I do not know about all of the State laws, but certainly in Virginia, and it is my impression that in most of the States the legislatures would not have to meet to increase this tax because there is already an existing law in most of the States, a provision which automatically steps up the tax if the trust fund in those States drops below a given figure.

So consequently there would not be any need in the sense of calling a special session to pass a direct increase in the tax.

It takes place under existing law in most States. I do not know that that is true in all of them.

The CHAIRMAN. I do not know whether the Secretary was correct or not yesterday. He said the average tax was approximately 1.5. In regard to this loaning fund of $200 million; only one loan has been made and that went to the State of Oregon.

I am told that was made to avoid an increase in the State tax.

It would appear that if this desperate situation exists, and I do not question the fact that in some areas unemployment is very serious, there would be more applications for loans. Have you got any comment to make on that?

Mr. HILL. No, sir, except that I do think that the unemployment in each area is ofttimes due to different factors. For instance, as I stated a moment ago, I think in Virginia the weather has a great deal to do with our unemployment. I think probably in Michigan it has nothing to do with the unemployment there, so that is one reason

I say that there can be no common solution, because the base of the cause of the unemployment is not the same in every locality.

Senator KERR. Mr. Chairman, I would like to make a statement and I would like to have Mr. Stam listen to it to see if it is correct, so that we can have this picture in its accurate actuality.

As I understand it, the Federal law provides for payment of 3 percent payroll tax actually.

Mr. STAM. That is right.

Senator FREAR. And it is called an excise tax.

Senator KERR. But it is on the payroll.

Senator FREAR. Yes.

Senator KERR. And it goes into this fund within each State; is that correct, Mr. Stam?

Mr. STAM. It is collected by the States and the Federal Government——

Senator KERR. It is collected by the Federal Government; is it not? Who collects it, the State or the Federal Government.

Mr. HILL. Both.

Senator FREAR. Both.

Mr. STAM. They both collect.

Senator FREAR. The Federal Government collects three tenths of it and you contribute to the unemployment fund in each State on a quarterly basis. And at the end of the year the excise tax of 3 percent imposed by the Federal Government is allowed a credit of 2.7 which you have paid in to the unemployment funds of the States, but the money goes into the Federal Treasury regardless.

Mr. STAM. You are only allowed a credit for the amount actually paid to the State.

Now if the States levy a tax equal to 2.7, you get the full credit, but——

Senator KERR. What do you mean by the full credit?

Mr. STAM. The full credit is 90 percent of 3 percent.

Senator KERR. But suppose the State only levies a tax of 1½ percent, what does that taxpayer do?

Mr. STAM. My understanding is that they get a credit for the tax actually levied by the State.

Senator KERR. If the tax of 1½ percent is levied, do they pay that to the State funds? Who is the payee in that check?

Senator FREAR. Which check?

Senator KERR. For 1½ percent, if there is a 1½ percent tax levied that creates the obligation to either pay the cash or write a check. To whom is the cash given or to whom is the check made payable?

Senator FREAR. All but 10 percent of the 3 percent goes into the State unemployment compensation fund.

Senator KERR. If it is just 1½ percent?

Senator FREAR. That goes to the State unemployment compensation fund, but that in turn goes to the Federal Government.

Senator KERR. But the fellow that pays to the State unemployment——

Senator FREAR. That is right.

Senator KERR. And the State has the right to fix the tax at any amount it wants to; is that correct?

Senator FREAR. Yes.

Senator KERR. Now the State fixes a 1½-percent tax and that means that an employer in that State pays that tax into the unemployment fund of that State.

Senator FREAR. Yes.

Senator KERR. As far as he is concerned. Now does he have any additional liability under the Federal law?

Senator FREAR. He has 10 percent of the 3 percent that he pays at the end of the year direct to the Federal Treasury.

Senator KERR. He pays 10 percent of 3 percent. That is three-tenths of 1 percent.

Senator FREAR. That is right.

Senator KERR. To the Federal Treasury no matter what the State rate is?

Senator FREAR. Right.

Senator KERR. Is that the way you understand it, Mr. Stam?

Mr. STAM. Yes.

Senator KERR. Then he has paid a total of 1.8 if he has a State law for 1½.

Senator FREAR. That is true.

Mr. STAM. But I understand that he also gets credit.

Senator FREAR. That is right.

Mr. STAM. Up to the 2.7 for taxes that he has not paid to the State, provided that he meets certain requirements that are in the law.

Senator FREAR. I think that is really a technical thing because in the way in which the law is written —I am not going to argue on this because I am not that familiar with it, but the excise tax is 3 percent levied federally on the entire payroll.

Mr. STAM. That is right.

Senator FREAR. But a credit is given up to the extent of 90 percent of that 3 percent no matter what the employer pays, whether it is 1 percent, or 1.5 percent, or 2.7 percent.

Senator KERR. A credit on what?

Senator FREAR. A credit on the 3 percent.

Senator KERR. You give me a credit on something I don't owe, you don't help me.

Senator FREAR. I do not know as this helps you.

Senator KERR. All I am trying to do is get the reality of the thing. You say a man gets a credit.

Senator FREAR. For all he pays——

Senator KERR. Wait a minute. How does he implement that credit? He has not paid it. He only paid 1.5.

Mr. STAM. He paid it to the State.

Senator FREAR. That is right.

Senator KERR. Now you say he gets credit in addition to that.

Senator FREAR. There is a tax levied by the Federal Government of 3 percent of the payroll.

Senator KERR. Now wait a minute, you said a while ago there wasn't.

Senator FREAR. No.

Now listen to me.

Senator KERR. Let me ask you this question: Does the employer have to pay 3 percent of his payroll to somebody, no matter what the State rate is?

Senator FREAR. That is not what I said. I said a tax by the Federal Government to 3 percent of the payroll is levied.

Senator KERR. How do you keep from paying it if it is levied?

Senator FREAR. Because he takes 2.7 off of that as a credit.

Senator CARLSON. Mr. Chairman, I do not think I might be helpful but I have had a little experience with this.

Senator KERR. I have had a little and that is the trouble.

Senator CARLSON. I am sure the Senator from Oklahoma knows in our State we have a merit rating and we have some firms in our State that pay less than 1 percent and some that pay the full maximum of 2.7 in our State. It is all paid into the State funds and the distribution is made by these companies when the unemployment arises from these companies.

Senator KERR. The disbursements are not made by these companies if they pay it into the fund.

Senator CARLSON. They pay in on a merit-rating basis.

Senator KERR. Now let us take an example.

The company has a merit rating.

Senator CARLSON. Yes.

Senator KERR. And its rate is 1 percent. Now it writes a check for 1 percent of its payroll to the State unemployment fund; is that what it does?

Senator CARLSON. Yes, it does.

Senator KERR. Does it have any further liability in connection with that tax?

Senator CARLSON. No; not after the merit rating has been set by the State unemployment——

Senator KERR. What about this three-tenths of 1 percent excise?

Senator CARLSON. We have some companies in Kansas paying 2.7.

Senator KERR. We are not talking about that.

Senator CARLSON. They all go into the fund.

Senator KERR. I know, but can we follow this one example through. You offered to help me and I appreciate it.

Senator CARLSON. I do not know if I can help you or not. I said I didn't know. I have had some experience with it, I will say that.

Senator MARTIN. Let's follow that through, Frank. Follow that right through.

Senator KERR. This company has a merit rating.

Senator CARLSON. Yes.

Senator KERR. And its liability is fixed at 1 percent.

Senator CARLSON. Right.

Senator KERR. And it pays that to the State unemployment fund.

Senator CARLSON. That is right.

Senator KERR. Does that company for that period and on that payroll have further tax liability either to the State or Federal Government?

Mr. STAM. I understand——

Senator KERR. Wait a minute. If the Senator does not know, he is in the same fix I am.

Senator CARLSON. All I do know is that the company pays it in and when there is unemployment in this particular plant the Unemployment Compensation Commission in Kansas determines the unemployment and pays them on the basis of weeks and dollars per week out of the general fund, not this particular company's fund.

Senator KERR. But I am trying to determine that company's liability at the time it pays that 1 percent. Do you know?

Mr. HILL. Let me start from the beginning.

Senator KERR. Don't do that. Mr. Stam has volunteered to answer the question and Senator Martin from Pennsylvania and I will appreciate it.

The CHAIRMAN. Is Mr. Stam going to start at the beginning, too?

I would suggest that Mr. Hill be permitted to testify and answer the question.

Mr. STAM. Do you want me to answer or not?

The CHAIRMAN. Mr. Hill has specialized in this.

Senator KERR. If one starts at the beginning I am going to be at some loss and if they both start at the beginning——

Mr. HILL. Let me start at this point, Senator. The statement that I think we should begin with and the thing you have to keep in mind is this tax originally began as a Federal tax, and it is a 3-percent tax on your payroll or on any employer's payroll. Keep in mind that is an obligation you owe the Federal Government.

Then the Federal Government came along and in effect said this:

"However, even though you owe us the 3 percent, if your State will pass an unemployment compensation law and collect a tax from you and you pay it on time to your State, we will allow you a 90 percent credit against our 3 percent."

So your State comes along and passes an unemployment compensation tax and they rate you on the tax at 1 percent or whatever figure you have to pay, and you pay it. Then you are entitled to your 90 percent credit against your 3-percent Federal tax, which reduces it to three-tenths of a percent. Now you have two taxes to pay.

You have one to pay in your State regardless of what it may be, whether it is 2.7, one-tenth or whatever your rate may be. That takes care of your obligation to the State. Then at the Federal level you have a 3-percent tax, which is subject now to your credit of 90 percent for your having paid your State tax, and so it is reduced to three-tenths of a percent, and you pay your tax to each sovereign. In other words, the Federal Government gets their money and the State gets theirs.

Now the State in turn sends their money here to Washington to be deposited into a trust fund out of which benefits are paid, but you do pay to each of the two sovereigns.

Senator KERR. You know that is what I thought. Now then since we both think that, can you just answer the question very simply. If that company has a credit rating that entitles it to a 1 percent rate it pays 1 percent to the State, does it not?

Mr. HILL. That is right.

Senator KERR. Does it have to write any other check to any other receiver of taxes in addition to that?

Mr. HILL. Yes, once a year it must write a check to the Federal Government for the three-tenths of a percent.

Senator KERR. Three-tenths of 1 percent.

Mr. HILL. That is right.

Senator KERR. So that then that company for that year has paid a total of 1.3

Mr. HILL. Yes, sir.

Senator KERR. Now regardless of credits it gets or does not get or interest it pays on those credits or does not pay, then its total tax liability under this law for that year was 1.3, and it has paid it and it is discharged and there is no retroactive collection from it for that year?

Mr. HILL. That is right, assuming of course that it is paid on time. Of course, if it is late, there may be penalties.

Senator KERR. There would be a penalty for delay and not additional tax.

Mr. HILL. That is right.

Senator KERR. Thank you very much.

Senator Frear says that is what I told you.

Senator WILLIAMS. Frankly, I think he did.

The CHAIRMAN. With regard to the percentage the States are paying, I think my statement was correct on an average basis. There are only two States that pay as much as 2.7 percent, or rather one State, Pennsylvania, and Alaska. The average of all of them is something like 1½ percent. My statement was correct. I think Senator Kerr was looking at the maximum column—

Mr. HILL. That is right.

The CHAIRMAN. We all recognize that it is variable according to the unemployment record, so at this point I want to insert in the record a statement of the average percentages prepared by Mr. Stan for the year 1957. (See table 12, p. 50.)

Are there any further questions of Mr. Hill?

Senator FREAR. I want to say, Mr. Chairman, that I think he has very comprehensive knowledge of the subject and I gather he is a member of the junior chamber of commerce so we do have something in common. We are both juniors.

Senator KERR. Yes; I want to say something, Mr. Chairman. As I understand these figures, and I am not trying to indulge but am just trying to get a picture of it myself, and I hope members of the committee will understand that as I persist in asking questions, I am only trying to eliminate my own ignorance. I am not trying to do something either to or for anybody else.

The Chairman has talked about the average rate in the States not exceeding 3 percent.

I take it that a State might have an average, for instance Michigan, where all employers paid an average of 2 percent, or that the average rate paid by all employers might be 2 percent.

Yet there might be any number of them paying the maximum which is 4.5.

The CHAIRMAN. The minimum is 1 percent in Michigan and the maximum is 4.5.

Senator KERR. That would mean a taxpayer with the right kind of merit rating as named by the Senator from Kansas might be paying 1 percent, and at the same time a taxpayer in that State would be paying, another taxpayer would be paying 4.5 percent.

The CHAIRMAN. Based on their record of unemployment.

Senator KERR. And the only way that that State without increasing the maximum rate that could be paid by some taxpayers, would be able to increase its revenues under its present tax yields and averages of 2 percent would either be to reduce or stiffen the qualifications for a merit rating, or impose a minimum regardless of merit rating.

Senator CARLSON. That is correct.

The CHAIRMAN. At that point Senator Kerr would you let Mr. Hill bring out one point? In Virginia when the reserves reach a certain point there is an automatic increase in taxes.

Please explain that.

Mr. HILL. Yes, sir. It is a percentage of your taxable payrolls. In other words, you look at the taxable payroll, which is an indication of what your potential income is, and when your trust fund level in Virginia drops below a given percentage of these taxable wages in the State, then the rates for employers in the State automatically go up a step, I think it is a quarter of a percent.

The CHAIRMAN. That same percentage increase could be made effective in the event that you want the total amount of income increased.

Mr. HILL. Yes.

The CHAIRMAN. So there is no great problem in that respect.

Mr. HILL. No, and it is my impression that that provision is in most State laws.

Senator KERR. Now if I may ask one more question at this point of our own staff.

Senator MARTIN. Bob, if I might clear up one thing here, as I understand it, that would be a percentage increase on those that have a merit rating.

Say the merit rating is one and some other might have 2.

Mr. HILL. That is right.

Senator MARTIN. It would be on that. All right, thank you.

The CHAIRMAN. The same applies.

Senator KERR. Now, Mr. Stam, I would like to ask you this question. Let's say that this company we started out with here had a merit rating that let it pay 1 percent to the State fund and then it pay threee-tenths of 1 percent to the Federal fund, which makes a total of 1.3 tax it has paid on the amount of its payroll.

That is a deductible item against that company's Federal tax liability under the income-tax laws.

Mr. STAM. That is tax deductible.

Senator KERR. It is deductible; is that correct?

Mr. STAM. That is right.

Senator KERR. Then if by State legislative action that company was required to double the amount that it paid, which would mean it would still pay 1.3 to the Federal Government and 2.3 to the employment fund in the State, would not the total of those two amounts be deductible againts its Federal income-tax liability? Is that correct?

Mr. STAM. That is right.

The CHAIRMAN. Excuse me, Senator. It would because it is classified as an excise tax.

Mr. STAM. That is right.

The CHAIRMAN. Just like any other business. No matter the amount, it is deductible.

Senator KERR. All excise taxes are not deductible.

The CHAIRMAN. They are if they are business excise taxes.

Senator KERR. But regardless of why it is, I am just trying to establish the fact if it is, and it seems now that that being true, I call your attention to the fact that the Federal Government would pay 52 percent.

The CHAIRMAN. The same thing applies to all others.

Senator KERR. But if the States wanted to increase the benefits under their program, the Federal Government would automatically pay 52 percent of those benefits wouldn't they?

Senator FREAR. If they were in that tax bracket.

The CHAIRMAN. If the company made a profit it would. If it did not make a profit it would not.

Senator KERR. If they didn't make a profit that year they'd have it as a carryover item, but we are assuming that the companies employing people are either going to make a profit or are going to—or they will quit employing.

And indulging the assumption that they operate at a profit, whatever increase they provide in the several States in the unemployment fund programs and benefit programs the Federal Government, if the taxpayers are paying Federal taxes as corporations would automatically pay 52 percent of it, and the employers are unincorporated, the Federal Government pays whatever the percent the highest bracket of income tax that employer is currently paying from.

The CHAIRMAN. Mr. Stam, isn't it true of all State taxes? It is true of any State tax. It is deductible from Federal income tax.

Senator WILLIAMS. If the Senator will yield, I think his statement is correct except that if this is a small corporation which does not hit the 52 percent bracket it would be deductible for only 30 percent.

Senator KERR. But the Federal Government would automatically pay whatever percent the taxpayer—what the top of his Federal tax was to the Federal Government.

Senator WILLIAMS. That is right, but it is not just 52 percent.

Senator KERR. So if the program is left as it now is and additional benefits are provided by the States, Uncle Sam is paying his part of it anyway. That is what I was trying to get over.

The CHAIRMAN. That is a good point.

Senator Douglas.

Senator DOUGLAS. Have the others finished, Mr. Chairman?

Senator MARTIN. I haven't any questions although I just want to compliment the witness on his understanding of this whole program.

Mr. Chairman, if I might make this observation, there is a great deal of criticism of this program out over the Nation and a lot of people take advantage of it and won't work, but the real purpose of this was to keep up the dignity of being employed by some concern in gainful employment, and it is really in a way mutual insurance, although the employer pays the entire premiums as we might term it, but it is really a mutual insurance and it is really a part of a man's wages.

I want to bring that out, Mr. Chairman, because there is a great deal of criticism on it.

The plan is to make employment as dignified as it is possible to make it here in the United States.

That is all I have.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I have no questions. I merely want to join the Senator from Pennsylvania in what he has said.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Hill, we appreciate your courtesy in coming. Parenthetically, I might say that we of the North who have studied

the records of the Civil War have great respect for Gen. A. P. Hill, who was one one of Robert E. Lee's most competent and efficient generals.

I wondered if you were related to A. P. Hill?

Mr. HILL. I am sorry that I cannot claim it. I wish that I could.

Senator DOUGLAS. He was a great general.

Now, did I understand you to say——

Senator MARTIN. If I may interrupt the distinguished Senator from Illinois, there were several distinguished soldiers in the southern army with the name of Hill, and there was also a very distinguished Senator from the State of Georgia.

Senator DOUGLAS. Ben Hill.

Senator MARTIN. Yes, and he was also a Confederate soldier, and he made a statement that I think ought to be carefully read and studied by every American when he stood up on the Senate floor and warned about this growing Central Government.

Senator DOUGLAS. He also warned, I believe, about the growing power of monopoly.

Senator MARTIN. Yes, but he stated this, Senator Douglas. He stated that he didn't fear a monopoly of capital. He didn't fear a great organization of labor, because that could be controlled. But a great bureaucracy, a centralized government, there was nothing to control it and it could control the people. That is paraphrasing it very badly.

Senator DOUGLAS. This is an excursion into military and political prowess.

If I may turn to the subject matter, did I understand you to say that in your judgment it would not be necessary to have a session of the legislature to accept this act?

Mr. HILL. No, sir; you didn't hear me say that. You have a telegram, I believe, from our Governor say that it would be necessary.

Senator DOUGLAS. That was the point. I put into the record yesterday the telegram from the Governor, who was formerly attorney general of Virginia, and I believe he stated that in his judgment it would be necessary to have a session of the legislature.

Senator KERR. Would the Senator yields?

Senator DOUGLAS. Yes.

Senator KERR. To which act does he refer?

Senator DOUGLAS. To H. R. 12065, the one which we have before us.

Senator KERR. Do I get from that, that that is the only bill which, if enacted, would require a session of the State legislature?

Senator DOUGLAS. Not, not necessarily at all. The bill before us is H. R. 12065.

Senator KERR. There are a number of amendments before us.

Senator DOUGLAS. I understand that. I am referring to the bill as passed by the House.

Senator KERR. I wonder if the statement would be equally applicable with reference to any of the amendments and, if so, which?

Senator DOUGLAS. We haven't scrutinized all of the amendments, but I addressed my inquiry concerning H. R. 12065 to the 48 governors and to the Secretary of Labor, who testified yesterday.

And, of course, Governor Almond, in his telegram, also stated:

At the present time I have no intention of asking for the repayable advance Federal funds proposed.

Now, Mr. Hill, the staff of the committee has prepared a very valuable comparative tabulation of the various State laws, and they have also assembled a collection of State statistics, and I wondered if the committee would be kind enough to furnish you with a copy.

While you are receiving this copy, may I compliment the staff on the accuracy and speed with which they completed this work. I think it is really a very notable achievement, and Mr. Stam and his associates and assistants deserve a great deal of credit.

Now, Mr. Hill, if you will refer to the third paste-in sheet at page 10——

Senator Kerr. To the third what?

Senator Douglas. The third paste-in sheet opposite page 10—the first such sheet is entitled "Part V"—you will find there columns listing the minimum and maximum weeks of benefits under the State laws.

Do you find that? Minimum and maximum weeks of benefits under State laws?

Mr. Hill. Yes.

Senator Douglas. If you will run down the column, you will find the listing of Virginia.

Senator Kerr. To which column do you refer, Senator, may I ask?

Senator Douglas. To the last column, "Weeks of benefits for total unemployment," the last two columns, minimum and maximum. Virginia is the fourth State listed.

Now, am I correct in saying that the minimum weeks of benefits in Virginia are 8 and the maximum 18, Mr. Hill?

Mr. Hill. Yes, sir.

The Chairman. Senator Douglas, will you pardon me? Were some amendments adopted by the Virginia General Assembly in March?

Mr. Hill. No; this is correct.

Senator Douglas. Is that an accurate statement of present conditions?

Mr. Hill. Yes, sir.

Senator Douglas. Now if you will go over the other sheets, I think you will find—and if I am in error I hope you will correct me—that there are only two States in the Union that have as low a provision for the duration of benefits as Virginia, these two States being Florida and Arkansas, Florida for 16 weeks and Arkansas with 18.

Senator Williams. If the Senator will yield, I think if you will look at Texas, you will find Texas is lower than Virginia.

The Chairman. I think Mr. Hill should also give the average.

Senator Douglas. Texas has a maximum of 24, whereas Virginia has a maximum of only 18, so that I would not say that Texas' law was lower than Virginia's.

The Chairman. Since he has singled out Virginia, I would like the witness to give the averages for the States.

Senator Williams. I was looking at the wrong column.

Mr. Hill. I don't see that figure.

Senator Douglas. There are only two States with lower durations than Virginia, and therefore, since there are 48 States, Virginia is appreciably below the national average.

The Chairman. What is the point?

Senator Douglas. I am not casting aspersions on the Old Dominion, but these are simple facts.

The CHAIRMAN. Has that got anything to do with this bill?

Senator DOUGLAS. Yes, sir; I believe it does, because it refers to the question as to the degree to which the States will move by themselves to provide adequate standards.

Senator KERR. Would the Senator yield for a question?

Senator DOUGLAS. I'll be glad to. I thought Mr. Hill was the witness, but I should be very glad to be the witness if necessary. Go ahead, Senator.

Senator KERR. Since there seems to be a reluctance on the part of the Senator——

Senator DOUGLAS. No, there is no reluctance whatsoever. Please go ahead.

Senator KERR. Would the Senator indicate that he would take the position that if a State met a certain standard, it would have the right to resolve this or any other question pertinent to its sovereignty as it saw fit, but that if it didn't meet a certain standard, it would thereby be denied the right to make its own decision?

Or, in other words, would the Senator limit the right of the State to be a State provided it met a certain minimum prescribed by the Federal Government?

Senator DOUGLAS. I think there are certain question-begging terms in the querry of the Senator from Oklahoma.

Senator KERR. There is no aspersion on my part to the Senator's attitude. I am trying to inform myself.

Senator DOUGLAS. All I am trying to determine is the factual situation of the State laws, using Mr. Hill's State of Virginia as one example, because it is claimed sincerely by many people that if we just leave this question up to the States, they can handle the matter without Federal action.

I think my questions are proper and certainly courteously phrased and courteously intended.

Senator KERR. There is no discourtesy intended on my part. I was just trying to ascertain the attitude of the Senator as to whether or not he thought the State's right to use its right would be limited to——

Senator DOUGLAS. It will become manifest in due course.

Now, Mr. Hill, I wonder if you would be good enough to turn to table 5 of this pamphlet.

Pardon me, if you will first turn to table 3, I think that will be better. Then we shall turn to table 5.

In table 3, we have the number of claimants exhausting wage credits, not merely in April of 1958, but January to April of 1958, inclusive, and again I want to congratulate the staff on the speed with which they have prepared this material.

And the fourth column down lists the total under January to April, the total for the country, as 712,645.

Am I correct that the Virginia figure is given as 16,254?

Mr. HILL. That is the figure given.

Senator DOUGLAS. Do you think that is approximately correct from your knowledge of the Virginia figures?

Mr. HILL. Frankly, I have no knowledge of what the exhaustion rates are.

The CHAIRMAN. Which table is that, Senator?

Senator DOUGLAS. Table 3, Mr. Chairman. So that in Virginia to date, 16,254 people in the first 4 months of this year have exhausted their claims for benefits?

The CHAIRMAN. Will the Senator read a few of the other States out, too?

Senator DOUGLAS. I'll be glad to. They are all there. I don't want to duplicate it.

Senator KERR. Will you read the figures for Illinois?

Senator DOUGLAS. Certainly. Illinois, 37,109.

Senator KERR. And the percentage change?

Senator DOUGLAS. The percentage change in Virginia was 100.2 percent above the corresponding figure for the preceding year.

Senator KERR. And Illinois?

Senator DOUGLAS. And in Illinois——

Senator KERR. 110 percent?

Senator DOUGLAS. I have the figure. 53.3 percent, I think is correct.

Senator KERR. I thought you said the percentage change from March of 1958?

Senator DOUGLAS. No, I have been pointing out the figures for the first 4 months of 1958. The percentage change is from January to April of 1957, the same 4 months of the preceding year.

The CHAIRMAN. What is the figure you read on Virginia? I think it was an injustice to Virginia? Let us have it clearly stated and then put in the others on the same basis.

What was the figure you read as to the increase in Virginia? That is in what column?

Senator KERR. That was in the fourth column.

Senator DOUGLAS. The fourth column shows 16,254 exhaustions.

The CHAIRMAN. And the percentage rise?

Senator DOUGLAS. In the first 4 months of this year?

The CHAIRMAN. Don't you think you had better read New Jersey; that had 43,588?

Senator DOUGLAS. Of course, this is a national problem.

The CHAIRMAN. And you had better read Michigan.

Senator DOUGLAS. I'll be glad to.

The CHAIRMAN. 56,000.

Senator DOUGLAS. New Jersey is 43,586, Pennsylvania is 44,366, Michigan 56,747.

This is a nationwide problem, but it is also a problem that affects Virginia, the State from which our witness, Mr. Hill, comes, as well as other States.

The CHAIRMAN. Isn't it a fact that Virginia is probably lower than the majority of those States?

Senator DOUGLAS. I think the percentage of unemployment is lower in Virginia than in most States. But all I am trying to bring out is that there have been an appreciable number of exhaustions, and if you will look at the first column, you will find there were 6,237 exhaustions for the single month of April.

Senator FREAR. I assume you are not excluding Delaware for any particular reason.

Senator DOUGLAS. Delaware is ably represented here by two Senators, but we would not expect because of its size that the absolute number would be very great.

Senator FREAR. Percentages mean something, though.

Senator WILLIAMS. Percentagewise, we are doing a little better.

Mr. HILL. Senator Douglas, if I might, before we turn, let me make one statement with respect to the exhaustions, our exhaustees, as we call them.

No matter what the figure may be in any given State, it does not necessarily represent the particular unemployment problem of those people, for this reason: The exhaustees in a given State may be made up of an entirely different type of people in one State than in another.

Senator KERR. You mean the classification of employees?

Mr. HILL. A different type of worker.

Senator KERR. Not a different type of person?

Mr. HILL. A different category. For instance, to give you an example, in Virginia we perennially have a number of exhaustees who are seasonal workers. They work in a given seasonal occupation each year and at the close of that season they do not return to it until the season reopens, and those people almost invariably exhaust their benefits. We have a number of secondary wage earners in that category, wives that work in these industries.

Senator KERR. Wives who get their status through employment and not as a wife?

Mr. HILL. That is right; yes, sir.

Senator KERR. I was going to say if you were talking about a wife temporarily unemployed as a wife and referred to the fact that her compensation would cease, I was wondering whether it was as a payee from the compensation rolls or did the husband get into that situation?

Senator DOUGLAS. That is an uncovered occupation.

Mr. HILL. The point I am endeavoring to make is, I feel that Virginia is perfectly capable of looking at its exhaustees and determining what type of problem we have, and certainly we have not asked for this temporary extension of unemployment benefits.

We have not asked for federalization, and I think that if there is anyone capable and able of determining what Virginia needs, it is Virginia.

Senator DOUGLAS. If you will turn to table 5——

The CHAIRMAN. Senator, before you leave that point, would you object to having inserted in the record the percentages of exhaustion? (See table 3, p. 34.)

You have cited Virginia. West Virginia has 144 percent compared to 100 in Virginia, 188 percent in Vermont, 160 percent in Ohio.

Senator KERR. 225 in Montana.

The CHAIRMAN. 225 in Montana, 108 in Michigan, 129 in Florida, 121 in Colorado.

Senator KERR. 116 in Connecticut.

The CHAIRMAN. 116 in Connecticut, 106 in California, 112 in Alaska, and others approach the figure of Virginia.

I would appreciate it if when the Senator speaks of Virginia he should give the entire picture.

Senator DOUGLAS. Mr. Chairman, there is no opprobrium attached to a State that has a large percentage of unemployment. It creates a problem whether they are seasonal workers or in other occupations, and it may well be that the problem is more acute in other States.

I merely wanted to bring out that to date 16,000 people have exhausted claims this year in Virginia, over 6,000 in the last month, and that this is a real problem in Virginia which cannot be swept under the table any more than it can be swept under the table in any other State.

The CHAIRMAN. But in Virginia it is much less.

Senator DOUGLAS. I would grant, Mr. Chairman, that the percentage of unemployment in Virginia is less than the countrywide average.

I hastily reviewed a few figures in our staff data. According to those figures, the insured unemployment in Virginia is approximately 4.3 percent of covered employment now, and this is well below the nationwide average. I am very glad to have that made part of the record.

Now, if we may turn to table 5, table 5 gives not merely the number of claimants exhausting wage credits both in the calendar years 1956 and 1957, but the average duration of their benefits. If you will turn to the second column under the columns dealing with 1957, you will find that, on the average in the country as a whole, those who had exhausted their claims for benefits had drawn those benefits for 20.5 weeks, or 20½ weeks.

Now, if you will go down the list to Virginia, you will find that the average duration of benefits in Virginia was only 13.3 weeks.

Senator WILLIAMS. What table is that?

Senator DOUGLAS. I am on table 5.

Senator KERR. Is that 1956 or 1957?

Senator DOUGLAS. That is 1957, sir. I made a very hasty inspection of the table. I find only two States—if I am in error, please correct me—where the duration of benefits was less than Virginia, those two States being Wyoming with 13.2 weeks, and Florida with 13.1 weeks.

Senator KERR. What did you find that Iowa had?

Senator DOUGLAS. I beg your pardon——

Senator KERR. Don't beg my pardon. Address it to the Senator from Virginia.

Senator DOUGLAS. I don't think I have to beg anybody's pardon.

Senator KERR. Then don't do it.

Senator DOUGLAS. I was doing that as a matter of politeness rather than as an apology for any sin or error.

Senator KERR. Then I understand that begging of pardon is not an apology. When you beg a person's pardon, you are not offering an apology.

Senator DOUGLAS. I am conforming to the standards of politeness.

Senator KERR. Whose?

Senator DOUGLAS. The standards which the Senator from Oklahoma so frequently exhibits.

Senator KERR. I want to say to my dear friend that when I beg his pardon, I am offering an apology.

Senator DOUGLAS. This appears to be getting into a personal altercation. I do not intend it as such. I merely hastily ran my eye down the column. I saw two States with lower durations of eligibility than Virginia and mentioned them and said that if there was another State which had less duration of eligibility, I would be very glad to correct it. And the Senator from Oklahoma, with his usual quick eye, caught Iowa at 12.7, which I with my slower eyes had not caught. I am very glad indeed to have that added.

Then I would say that subject to further correction, Virginia is 1 of the 4 States in the Union with the shortest duration of benefits in 1957 for those who have exhausted their claims to benefits.

Mr. HILL. May I say, Senator, in my understanding this is not a table of the eligibility duration on the average. It is a table showing the average number of weeks which the exhaustees ——

Senator DOUGLAS. That is right; it is the average weeks of benefits of those exhausting their wage credits.

Mr. HILL. Which may reflect on the other hand that Virginia's exhaustees may be fewer and may draw less time than they do in other States, not necessarily because we provide less, but maybe because we provide more employment.

Senator DOUGLAS. If you provide more employment for each worker in a given year, as I understand it under the rating laws, there would be quite a longer period of benefits for him next year.

Well, at the risk of becoming still more unpopular, I would next ask this. The correct reference is in table 12. (See p. 50.)

Senator KERR. What table?

Senator DOUGLAS. Table 12. Now in the next to the last column the average 1957 actual employer tax rates, in terms of percentages of tax base, is given by States. That figure in the State of Virginia is given as 0.5 percent or ½ of 1 percent. Do you think, Mr. Hill, that that is substantially accurate?

Mr. HILL. Yes, sir; I think that it is.

Senator DOUGLAS. The average for the country as a whole I think was given by Secretary Mitchell as approximately 1.3 percent, so that the average rate in Virginia is just about two-fifths of the average rate for the country as a whole.

The CHAIRMAN. Will the Senator mention those States with rates lower than Virginia?

Senator DOUGLAS. According to the figures in the table which I have referred to, only Iowa and Colorado have as low an average rate of assessment as Virginia, each of those States having one-half of 1 percent.

The CHAIRMAN. Isn't that, Mr. Hill, the result of the unemployment situation in Virginia?

Mr. HILL. Yes, sir.

The CHAIRMAN. Does the Senator from Illinois criticize Virginia for not having more unemployment?

Senator DOUGLAS. I would merely say that this may be one factor, but another factor is also low duration of benefits, abbreviated duration of benefits.

The CHAIRMAN. Would the Senator object to inserting in the record the unemployment in Virginia as compared to other States?

Senator DOUGLAS. Not at all.

The CHAIRMAN. I think he will find out that the unemployment in Virginia, by reason of the fact that we have a great diversity of industrial development, is much less than the average.

Senator DOUGLAS. I think that is true.

The CHAIRMAN. The Senator from Illinois, to be fair, should give the whole picture.

Senator DOUGLAS. I will be delighted.

The CHAIRMAN. If he is gong to make a Virginia guinea pig here let's give the whole thing.

The Senator from Illinois seems to be trying to make it appear there is something bad about Virginia having less unemployment than other States.

Senator DOUGLAS. No; I do not think that at all, Mr. Chairman. I am merely saying that the average rate of assessment is determined not merely by the amount of unemployment——

The CHAIRMAN. That is the main factor; isn't it?

Senator DOUGLAS. May I finish?

The CHAIRMAN. Isn't that the main factor?

Senator DOUGLAS. It is only one factor.

The CHAIRMAN. It is the main factor.

Senator DOUGLAS. Other factors are the scale of benefits and the duration of benefits. These help to determine the average rate of assessments.

If we come to the scale of benefits, we shall find, I think in table 10, that the average weekly wages in Virginia were $66.22, the average weekly benefits for the first 3 months of 1958 were $23.46, and in making a very hasty computation I would say this amounts to about 75 percent of the country's average benefits. And these Virginia benefits—like those in many other States—amount to only about 35 percent of that State's average weekly wages.

The CHAIRMAN. What is the next on Virginia?

Senator DOUGLAS. That is all.

Oh, Mr. Chairman, before I finish, may I say that I have now received replies to my telegram from the governors of eight more States. The governors of six States, namely, Connecticut, Maine, Missouri, New Hampshire, South Carolina, and Wisconsin reply that for them to accept the bill in question would require State legislative action.

The governors of two States, Iowa and Pennsylvania, are in doubt. The cumulative box score to date therefore is that out of 28 replies from the States, 2 governors say that they could accept the provisions of H. R. 12065 without legislative action, 20 say that legislative action would be required, and 4 state that amendment to the constitution would be required or that constitutional questions are raised by the problem.

Senator BENNETT. May I interrupt the Senator? Is Utah 1 of those 4 States?

Senator DOUGLAS. Yes; the Governor of Utah replied that the inquiry poses possible constitutional questions.

Senator BENNETT. Yes. It is not a question of constitutional amendments. The fact is the Utah attorney general is not in the State, and the answer was given to you to indicate doubt.

Senator DOUGLAS. As I was about to say, three other States indicate doubt.

Senator BENNETT. Utah belongs in that group.

Senator DOUGLAS. Yes; that is right.

Now the two Territories, Hawaii and Alaska, the governors of both those Territories report that legislative action would be needed.

Thank you, Mr. Chairman.

The CHAIRMAN. With the permission of the Senator from Illinois——

Senator DOUGLAS. Excuse me.

May I ask permission to file the text of the additional telegrams which I have received?

(The telegrams referred to are as follows:)

MADISON, WIS., *May 13, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate,
Senate Office Building, Washington, D. C.:

Reurtel for several months I have, as Governor of Wisconsin, checked closely on our employment and unemployment compensation situation, for State purposes.

During recent weeks various uncertainties as to the pending Federal unemployment compensation bills necessarily deferred more active consideration of possible State legislation in this field. As you know, most States have substantial reserves to support any needed State action. Others could secure substantial Federal advances under existing law.

The pending Federal unemployment compensation measure, H. R. 12065, as passed by the House, seems well designed, if promptly enacted by the Senate, to encourage any needed State action either to finance an equivalent State extension of jobless benefits from existing State reserves or to permit the specified Federal benefits to be paid and later repaid from higher Federal unemployment tax collections.

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.

HARTFORD, CONN., *May 15, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate,
Washington, D. C.:

Attorney General John J. Bracken, State's chief legal officer, advises "Section 30811) of the 1955 supplement to the general statutes authorizes the administrator of the unemployment compensation fund to enter into an agreement with the United States to pay benefits provided under the laws of the United States out of funds supplied by the United States. Accordingly, agreements have been entered into for the payment of benefits not provided under the Connecticut act, to Federal employees and veterans of the Korean war.

"Under H. R. 12065, however, the United States does not propose to supply but rather to loan funds to the State for the payment of benefits provided under the laws of the United States (see Congressional Record, May 1, 1958, p. 7079). It would appear, therefore, that the administrator has no present authority to enter into an agreement for the payment of benefits provided under H. R. 12065.

"It is therefore our conclusion that under existing State statutes, neither you as governor nor the administrator of the 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.

MAY 8, 1958.

Hon. PAUL H. DOUGLAS,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR DOUGLAS: I appreciate very much your solicitation of our position with respect to the possibility of accepting an advance of Federal money for purposes of extended payments of unemployment compensation.

In the earlier stages of consideration of this legislation, I advised the Iowa delegation that it would probably not be possible for Iowa to accept such funds. I also indicated my approval of title I of H. R. 12065 as it was originally introduced. 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, even if a special session were called for the purpose of enacting such changes in our unemployment statutes.

On receipt of your telegram I requested the Employment Security Commission to provide me with a statement in answer to the questions raised in your wire. I am enclosing a copy of their reply to me. This written opinion bears out the earlier view I expressed to the Iowa delegation.

If there is further information with which you would like to be provided, please feel free to call on me.

Very truly yours,

HERSCHEL C. LOVELESS, *Governor.*

MAY 8, 1958.

Hon. HERSCHEL C. LOVELESS,
Governor, Statehouse,
Des Moines, Iowa.

DEAR GOVERNOR LOVELESS: At the request of the Commission we are replying to the questions concerning H. R. 12065 contained in the telegram you received from Senator Douglas.

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 as to whether the enabling paragraph of the Iowa employment security law would authorize receipt of funds coupled with a requirement of repayment in any manner. Due to the technical and involved nature of this question 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.

Very truly yours,

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

STATE OF MAINE,
OFFICE OF THE GOVERNOR,
Augusta, May 12, 1958.

Hon. PAUL H. DOUGLAS,
United States Senate, Senate Finance Committee,
Room 109, Senate Office Building, Washington, D. C.

DEAR SENATOR DOUGLAS: This is in reply to your telegram of May 7, 1958. I deeply appreciate your interest and the opportunity which you have given me to supply the information which you request.

I have been advised by the attorney general of Maine that I do not have the authority, without action by the Maine Legislature, to request the new Federal funds and to enter the agreements 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, together with suggested legislation which would have given such authority to the Maine Employment Security Commission. 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.

For your information, the legislature also refused to approve my recommendations that changes be made in our State law to raise benefit levels, to extend the benefit period, and to extend coverage. I enclose a copy of my message to the special session, thinking that the section on unemployment compensation may be of interest to you.

With all good wishes, I am,

Sincerely,

EDMUND S. MUSKIE.

JEFFERSON CITY, MO., *May 13, 1958.*

Mr. PAUL H. DOUGLAS,
United States Senator,
Room 109, Senate Office Building, Washington, D. C.:

Re telegram May 7, in answer to paragraph 2 I have no such authority as Governor. In answer to paragraph 3, additional action by the State legislature would be necessary.

JAMES T. BLAIR, Jr.,
Governor of Missouri.

CONCORD, N. H., *May 13, 1958.*

Hon. PAUL H. DOUGLAS:

Reurtel May 8 am advised by attorney general's office that specific legislative authority would be required to implement H. R. 12065 in New Hampshire. While RSA New Hampshire, chapter 124, authorizes Governor and council to seek and accept Federal aid for unemployment relief and to pledge the faith and credit of this State to make adequate provision therefor, in opinion of attorney general this legislation probably cannot be interpreted to extend to unemployment compensation. Under H. R. 11679 in our view State legislation would not be required by virtue of section 106.

LANE DWINELL, *Governor.*

HARRISBURG, PA., *May 13, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate,
Room 109, Senate Office Building,
Washington, D. C.:

The language and intent of H. R. 12065, should be stated more explicitly. 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. We urgently need the program in Pennsylvania and urge consideration of such amendment.

GEORGE M. LEADER,
Governor of Pennsylvania.

STATE OF SOUTH CAROLINA,
EXECUTIVE OFFICE,
Columbia, May 12, 1958.

Re H. R. 12065.

Hon. PAUL H. DOUGLAS,
United States Senate,
Senate Office Building, Room 109,
Washington, D. C.

DEAR SENATOR DOUGLAS: Governor Timmerman has your telegram of May 7, with reference to the above bill now pending before the Senate Finance Committee.

I have discussed this bill with Mr. J. Julien Bush, general counsel for the South Carolina Employment Security Commission, which administers the South Carolina unemployment compensation law.

Mr. Bush 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.

With best wishes to you, I am

Sincerely yours,

M. T. PITTS,
Acting Legal Assistant to Governor.

The CHAIRMAN. With the permission from the Senator from Illinois I would like to read the figures of the unemployment in Virginia.

We have 31,314 on the unemployment rolls, which is 4 3/10 percent. The number unemployed nationally is 3,265,729, or 7 8/10 percent.

In other words, the percentage of unemployment in Virginia is about one-half of what it is for the Nation. I hope the Senator will take recognition of this pertinent fact in any future statements he makes about Virginia.

I think Virginia is to be commended instead of being criticized because we do not have unemployment such as exists in other sections of the country.

Senator DOUGLAS. I did not criticize the State of Virginia.

The CHAIRMAN. I did not understand anything you said to be complimentary,

Senator DOUGLAS. May I say it is one of the most beautiful States in the Union. It has given us great statesmen in Washington, Jefferson, Madison, George Mason.

Senator KERR. And Harry Byrd. If the Senator from Illinois wants to identify Virginia's statesmen as those who died before 1830, if he wants to go further than that, I am listening.

Senator DOUGLAS. I am certain about those men.

Senator KERR. May their rest in eternity be more peaceful.

Senator DOUGLAS. From here I go down to Charlottesville and climb the little swelling hill of Monticello and spend an afternoon in reverence before the home of Thomas Jefferson, and then go out to where he is buried and look at his tombstone on which he wrote his epitaph, author of the Declaration of Independence and the Virginia Statute of Religious Freedom, founder of the University of Virginia, and the modesty which he displayed in not mentioning the fact that he had also been a member of the Virginia Legislature, governor of Virginia, Minister of France, Secretary of State, Vice President of the United States and President, I think is very striking, so that I reverence Jefference very much. He has been a great inspiration in my life, and I wish that people understood more fully the principles of Thomas Jefferson.

The CHAIRMAN. I suggest that the Senator study more carefully what Jefferson said about the rights of the States.

Senator DOUGLAS. This is a long discussion.

The CHAIRMAN. He made more utterances about the independent rights of the States than any other great statesman this country has ever produced, so I would advise the Senator to study particularly the great wisdom of Jefferson's views on this subject.

Senator DOUGLAS. I have studied the writings of Jefferson very carefully and I know he uttered these sentiments when the New Eng-

land Federalists were trying to put over the alien and sedition laws. He then defended the rights of the States with James Madison, and the Virginia and Kentucky resolutions were attempts to preserve the freedom of the individual from the arbitrary power of a central government interfering with civil liberties.

The CHAIRMAN. The Senator would do well never to forget Jefferson's attitude toward Federal interference with the rights of the States.

Jefferson spoke strongly time and time again against the Federal Government and the Supreme Court infringing upon the rights of the States.

Senator MARTIN. Mr. Chairman, I think it would be fine if we could teach in the schools right now some of the things that Thomas Jefferson advocated, and, also, I think it would be a good idea to study the Democratic platform of 1932.

Senator KERR. I know that latter would help.

Senator DOUGLAS. You know, it is extraordinary how the Senator from Pennsylvania and many other members of his party like dead Democrats, but they have to be dead for about 40 years before they admit it.

Senator MARTIN. Here is Harry Byrd living and I think he is a great Democrat.

The CHAIRMAN. I do not ask the Senator from Illinois to express himself on that. Are there any further questions of Mr. Hill?

Mr. Hill, we thank you, sir, for making a very able presentation.

The next witness is Mr. Marion Williamson of the Employment Security Agency of Georgia Department of Labor.

STATEMENT OF MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR

Mr. WILLIAMSON. Mr. Chairman, my name is Marion Williamson. I am the director of the Employment Security Agency of the State of Georgia. I am a past president of the Interstate Conference of Employment Security Agencies, but I am here as a representative of the Employment Security Agency of Georgia.

I had a visit the other day with Senator Walter George's family, and they learned that I was going to be before this committee today, and they asked that I bring the regards of the family to the committee and the staff. They are getting along as well as could be expected.

As you know the Senator was wrapped up in this program in trying to keep a solid job-insurance program in the States. I wish to thank the committee for the opportunity to discuss the effect of the proposed legislation upon the Federal-State employment-security program, upon our workers and employers, and upon our general economy.

Senator KERR. I would like to ask the witness if he is addressing himself to H. R. 12065 in particular, or to that and any other measure; and if so, what?

Mr. WILLIAMSON. To the general field, Senator Kerr.

Senator KERR. The general field?

Mr. WILLIAMSON. Yes, sir.

Senator KERR. All right.

Mr. WILLIAMSON. Senator Martin mentioned my beloved Senator Hill a while ago. To show that we still have the spirit down in Georgia, I would like to enclose and include as a part of the record an act of the general assembly made a part of this law. It says:

> The Commissioner shall * * * make every proper effort within his means to oppose and prevent any further action which would in his judgment tend to effect complete or substantial federalization of State unemployment-compensation funds, or the State employment-security programs * * *.

And I would like to include in the record Georgia's record of hirings and separations, which shows the number of quits, discharges, and layoffs.

I would also like to include the claims and payments by weeks, and also I would like to include the national table on turnover in the United States per 100 on quits and discharges and layoffs and miscellaneous disqualifications.

The CHAIRMAN. Without objection, they will be received.

(The information referred to is as follows:)

GEORGIA DEPARTMENT OF LABOR, EMPLOYMENT SECURITY AGENCY, ATLANTA AREA

Labor turnover rates in manufacturing (per 100 employees), first quarter 1958

HIRING RATES

Industry	Total accessions			New hires		
	January	February	March	January	February	March
Manufacturing	2.6	2.3	3.0	1.5	1.3	2.1
Durable goods	1.3	1.3	2.6	.6	.5	1.6
Nondurable goods	4.0	3.4	3.5	2.7	2.3	2.6
Selected industries:						
Food and kindred products	3.8	4.5	4.5	2.3	2.3	2.6
Textile mill products	4.8	3.7	5.0	4.2	3.4	4.5
Apparel and other finished textile products	2.9	2.4	1.1	1.4	1.0	.6
Furniture and fixtures	1.9	2.7	2.9	1.0	.8	1.2
Paper and allied products	2.8	3.2	2.9	2.7	3.1	2.2
Printing, publishing and other allied industries	2.8	2.8	3.1	2.6	2.1	2.4
Chemicals and allied products (except fertilizer)	3.7	2.4	1.9	3.0	2.3	1.7
Primary metal products	1.0	2.8	2.4	.3	(1)	(1)
Machinery (except electrical)	1.4	1.7	3.0	.5	.9	1.8
Transportation equipment	.9	.8	(1)	.1	.1	(1)

SEPARATION RATES

Industry [1]	Total separations			Quits			Discharges			Layoffs		
	January	February	March	January	February	March	January	February	March	January	February	March
Manufacturing	5.6	3.5	5.0	1.4	1.1	1.1	0.4	0.4	0.4	3.7	1.9	3.4
Durable goods	7.0	3.4	6.0	.7	.5	.6	.2	.2	.3	6.0	2.6	4.9
Nondurable goods	3.8	3.3	4.0	2.1	1.6	1.7	.6	.6	.4	1.0	1.0	1.8
Selected industries:												
Food and kindred products	3.7	3.4	4.3	1.5	1.4	1.1	.4	.6	.5	1.7	1.4	2.7
Textile mill products	6.2	5.1	5.8	4.5	3.2	3.7	1.3	1.2	.5	.4	.6	1.6
Apparel and other finished textile products	3.1	1.6	2.4	1.6	1.0	1.3	.3	.2	.2	1.2	.3	.8
Furniture and fixtures	4.7	2.4	4.5	1.1	.6	.1	.3	.3	.4	3.2	1.5	4.0
Paper and allied products	2.9	2.9	2.4	1.7	1.2	1.1	.5	.7	.5	.6	.9	.7
Printing publishing and other allied industries	3.0	2.5	3.5	1.4	1.5	1.5	.6	.3	.5	.9	.6	1.3
Chemicals and allied products (except fertilizer)	3.1	1.4	2.3	1.9	.6	1.4	.7	.6	.6	.4	.1	.2
Primary metal products	3.6	1.1	1.5	[2]	.1	.1	.2	.2	[2]	3.4	.7	1.4
Machinery (except electrical)	2.7	1.6	2.1	.5	1.1	.8	.2	.3	.2	1.7	.2	1.1
Transportation equipment	9.3	4.1	[3]	.7	.3	[3]	.2	[2]	[3]	8.3	3.6	[3]

[1] Excludes miscellaneous firms such as those manufacturing brooms and mops, toys, pens, pencils, jewelry, mortician's goods, and advertising displays.

[2] Less than 0.05.

[3] Information not available.

Notes on claims and payments—State of Georgia, July 1, 1957–Apr. 30, 1958

Item	JI	FE	Veteran	Total
Initial claims	237,413	3,297	6,493	247,203
New claims (included above)	180,449	2,731	4,254	193,434
1st payments	107,575	2,190	3,936	113,701
Final payments	32,202	1,146	1,140	34,488

Insured unemployment, State of Georgia, year 1958

Percent insured unemployment	Week ending date	Insured unemployment			Veteran	Grand total	Grand total includes partial unemployment as indicated below
		JI	FE	Both			
5.7	Jan. 4, 1958	42,771	1,147	43,918	1,403	45,321	.....
6.3	Jan. 11, 1958	47,780	1,147	48,927	1,478	50,405	.....
6.0	Jan. 18, 1958	45,477	1,122	46,599	1,507	48,106	.....
5.6	Jan. 25, 1958	43,946	1,096	45,042	1,600	46,642	.....
5.6	Feb. 1, 1958	42,672	1,098	43,770	1,667	45,437	.....
5.7	Feb. 8, 1958	43,010	1,079	44,089	1,734	45,823	.....
5.8	Feb. 15, 1958	43,613	1,099	44,712	1,787	46,499	.....
6.1	Feb. 22, 1958	45,806	1,094	46,900	1,852	48,752	.....
6.2	Mar. 1, 1958	47,370	1,040	48,410	1,923	50,333	.....
6.1	Mar. 8, 1958	46,209	1,023	47,232	1,949	49,181	6,368
6.1	Mar. 15, 1958	46,043	1,013	47,056	1,964	49,020	4,529
6.2	Mar. 22, 1958	47,240	972	48,212	2,052	50,264	5,103
6.3	Mar. 29, 1958	47,895	918	48,813	2,095	50,908	5,460
6.3	Apr. 5, 1958	48,076	899	48,975	2,054	51,029	5,445
6.7	Apr. 12, 1958	51,207	890	52,097	2,075	54,172	9,223
6.9	Apr. 19, 1958	52,922	876	53,798	2,108	55,906	7,289
6.8	Apr. 26, 1958	52,209	847	53,056	2,055	55,111	7,797
7.0	May 3, 1958	53,792	817	54,609	1,988	56,597	11,503

[Excerpt, p. 27, March 1958, Employment and Earnings, Bureau of Labor Statistics, United States Department of Labor]

TABLE B–1.—*Labor turnover rates in manufacturing*

TOTAL ACCESSIONS

[Per 100 employees]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual average
1951	5.2	4.5	4.6	4.5	4.5	4.9	4.2	4.5	4.3	4.4	3.9	3.0	4.4
1952	4.4	3.9	3.9	3.7	3.9	4.9	4.4	5.9	5.6	5.2	4.0	3.3	4.4
1953	4.4	4.2	4.4	4.3	4.1	5.1	4.1	4.3	4.0	3.3	2.7	2.1	3.9
1954	2.8	2.5	2.8	2.4	2.7	3.5	2.9	3.3	3.4	3.6	3.3	2.5	3.0
1955	3.3	3.2	3.6	3.5	3.8	4.3	3.4	4.5	4.4	4.1	3.3	2.5	3.7
1956	3.3	3.1	3.1	3.3	3.4	4.2	3.3	3.8	4.1	4.2	3.0	2.2	3.4
1957	3.2	2.8	2.8	2.8	3.0	3.9	3.2	3.2	3.3	2.9	2.2	1.7	2.9
1958	2.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

TOTAL SEPARATIONS

1951	4.1	3.8	4.1	4.6	4.8	4.3	4.4	5.3	5.1	4.7	4.3	3.5	4.4
1952	4.0	3.9	3.7	4.1	3.9	3.9	5.0	4.6	4.9	4.2	3.5	3.4	4.1
1953	3.8	3.6	4.1	4.3	4.4	4.2	4.3	4.8	5.2	4.5	4.2	4.0	4.3
1954	4.3	3.5	3.7	3.8	3.3	3.1	3.1	3.5	3.9	3.3	3.0	3.0	3.5
1955	2.9	2.5	3.0	3.1	3.2	3.2	3.4	4.0	4.4	3.5	3.1	3.0	3.3
1956	3.6	3.6	3.5	3.4	3.7	3.4	3.2	3.9	4.4	3.5	3.3	2.8	3.5
1957	3.3	3.0	3.3	3.3	3.4	3.0	3.1	4.0	4.4	4.0	4.0	3.8	3.6
1958	4.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

TABLE B–1.—*Labor turnover rates in manufacturing*—Continued

QUITS

[Per 100 employees]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual average
1951	2.1	2.1	2.5	2.7	2.2	2.5	2.4	3.1	3.1	2.5	1.9	1.4	2.4
1952	1.9	1.9	2.0	2.2	2.2	2.2	2.2	3.0	3.5	2.8	2.1	1.7	2.3
1953	2.1	2.2	2.5	2.7	2.7	2.6	2.5	2.9	3.1	2.1	1.5	1.1	2.3
1954	1.1	1.0	1.0	1.1	1.0	1.1	1.1	1.4	1.8	1.2	1.0	.9	1.1
1955	1.0	1.0	1.3	1.5	1.5	1.5	1.6	2.2	2.8	1.8	1.4	1.1	1.6
1956	1.4	1.3	1.4	1.5	1.6	1.6	1.5	2.2	2.6	1.7	1.3	1.0	1.6
1957	1.3	1.2	1.3	1.3	1.4	1.3	1.4	1.9	2.2	1.3	.9	.7	1.4
1958	.8												

DISCHARGES

1951	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.3
1952	.3	.3	.3	.3	.3	.3	.3	.3	.4	.4	.4	.3	.3
1953	.3	.4	.4	.4	.4	.4	.4	.4	.4	.4	.3	.2	.4
1954	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
1955	.2	.2	.2	.3	.3	.3	.3	.3	.3	.3	.3	.2	.3
1956	.3	.3	.3	.3	.3	.3	.2	.3	.3	.3	.3	.2	.3
1957	.2	.2	.2	.2	.3	.2	.2	.3	.2	.2	.2	.2	.2
1958	.2												

LAYOFFS

1951	1.0	0.8	0.8	1.0	1.2	1.0	1.3	1.4	1.3	1.4	1.7	1.5	1.2
1952	1.4	1.3	1.1	1.3	1.1	1.1	2.2	1.0	.7	.7	.7	1.0	1.1
1953	.9	.8	.8	.9	1.0	.9	1.1	1.3	1.5	1.8	2.3	2.5	1.3
1954	2.8	2.2	2.3	2.4	1.9	1.7	1.6	1.7	1.7	1.6	1.6	1.7	1.9
1955	1.5	1.1	1.3	1.2	1.1	1.2	1.3	1.3	1.1	1.2	1.2	1.4	1.2
1956	1.7	1.8	1.6	1.4	1.6	1.3	1.2	1.2	1.4	1.3	1.5	1.4	1.5
1957	1.5	1.4	1.4	1.5	1.5	1.1	1.3	1.6	1.8	2.3	2.7	2.7	1.7
1958	3.4												

MISCELLANEOUS, INCLUDING MILITARY

1951	0.7	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.
1952	.4	.4	.3	.3	.3	.3	.3	.3	.3	.3	.3	.3	.3
1953	.4	.4	.3	.3	.3	.3	.3	.3	.3	.3	.3	.2	.3
1954	.3	.2	.2	.2	.2	.2	.2	.3	.3	.2	.1	.2	.2
1955	.3	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
1956	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
1957	.3	.2	.2	.2	.3	.2	.2	.3	.2	.2	.2	.2	.2
1958	.2												

NOTE.—Data for the current month are preliminary.

Disqualifications by issue, 1957—53 States[1]

Period	Total[2]	Voluntary quit	Misconduct	Not able and not available	Refusal of suitable work
January to March 1957	388,958	119,778	43,099	165,356	15,321
April to June 1957	375,524	106,833	39,385	165,040	20,436
July to September 1957	395,810	111,717	38,160	173,492	18,051
October to December, 1957	399,704	124,530	42,466	170,354	13,904
Total for year	[3] 1,560,056	462,858	163,110	674,242	67,712

[1] Includes Puerto Rico, Virgin Islands, District of Columbia, Alaska, and Hawaii.
[2] In addition to the 4 issues shown, also includes miscellaneous disqualifications which do not apply in all States. Excludes labor-dispute disqualifications.
[3] Total includes 192,134 miscellaneous disqualifications.

Mr. WILLIAMSON. My concern is the preservation of a job insurance program based on insurance principles, with a proper balance between earnings and the amount and duration of benefits; a program adjusted and adjustable to conditions in the individual States; a program free from uniform and crippling Federal standards; and a program unaffected by relief needs.

The proposal that we arbitrarily pay benefits for an extended period because the workers need the money, and distribution of the funds would stimulate business, would, if accepted, result in the use of the unemployment tax funds for relief purposes. This would antagonize the employers and confuse the workers, who now understand that the amount and duration of benefits are based on and related to earnings.

In urging upon you the desirability of preserving the insurance principle, basic to our present system, I am not unmindful of the needs of workers who exhaust their benefit amounts. Many such workers, as well as many who have received no job insurance payments, may need help before our economy recovers to the point where there are jobs for all who want to work.

Many unemployed workers have had the advantage of job insurance and have received payments for from 20 to 30 weeks out of the year under the insurance program. Is there any good reason why these workers should be given additional benefits because of need, when no provision is made for the even greater number of unemployed workers who have not received any payments? This borders on class legislation. The needs of both groups are a matter of concern to all of us.

But the meeting of those needs is not the function of the system designed to partially alleviate the hardships caused by temporary unemployment. If assistance is to be given on a needs basis, should not the facilities set up for that purpose be utilized?

Extending benefits to the large number of seasonal and marginal workers, who customarily work only short periods and always exhaust their benefits, could result in payments equal to or exceeding their base period earnings. Such cases would tend to justify the description of unemployment compensation payments as "rocking chair money" and would tend to destroy public confidence in the program.

Not all workers who exhaust are in need of extended benefits. Many are seasonal workers whose position is the same as it has been in previous years.

Others are wives or children of profitably employed workers. Some are still partially employed when they exhaust their benefits. And speaking of these partially employed workers, who constitute approximately 12 percent of the claimants in Georgia, I would call your attention to the fact that national reports of claims taken weekly make no distinction between claims for partial and for total unemployment. Those claimants working part time are included in national unemployment figures.

An analysis of all exhaustees in Georgia for a recent month reveals that 23 percent quit their jobs and 14 percent were discharged for cause.

This 37 percent responsible for their own unemployment would be entitled to extended benefits under the proposed legislation. You can see what this would amount to throughout the whole country. Gentlemen, would that be reasonable?

In our system of free enterprise, there will always be some unemployment.

For instance, 3.4 percent of the manufacturing employees in Atlanta quit their jobs during the first quarter of this year.

The fact that many workers continue to quit their jobs for one reason or another, despite the recession, and despite their knowledge that they will suffer a period of disqualification before they can receive job insurance payments, is indicative of faith in themselves and in the economy. The fact that workers can still be fired—although employers' powers to discharge have been considerably curtailed—is proof that the price of wages is still production.

From all that is being said about exhaustions, one might think they are something entirely new.

Such is not the case. Since the inception of the program, some insured workers have always exhausted their benefit amounts.

In the small national labor market of 1940 over 3 million exhausted. The national annual average of exhaustions for the past 12 years has been 1,320,000. Exhaustions are nothing new. In the January-March quarter of 1950, nationally exhaustions totaled 730,143, or 2.3 percent of insured employment in the previous year.

In the same period of 1958 there were 480,000 exhaustions, or only 1.2 percent of covered employment. Thus, the percentage of insured workers exhausting during the first quarter of this year was actually about 50 percent lower than in the earlier recession period.

The Congress on previous occasions has considered and rejected various proposals which would have seriously impaired the Federal-State system of unemployment compensation. Four such proposals were:

1942—H. R. 6559, war-displacement bill: This was pressed by the administration as essential to the successful prosecution of hostilities which had just broken out. It proposed that Federal cash be given to States to increase their State weekly benefit payments by 20 percent and to increase the duration of payments to 26 weeks.

At that time, no State had a maximum duration exceeding 20 weeks, and many were several weeks short of that figure.

1944—S. 2051, an amendment to the war mobilization and reconversion bill, predicated on anticipated postwar unemployment situations, would have provided Federal funds to supplement State benefit payments up to 75 percent of claimant's wages, but not to exceed $20, and for increasing the duration of payments from State maximum up to 26 weeks.

1945—S. 1274, proposed amendment to the Reconversion Act of 1944: Predicated on postwar unemployment which was then developing, provided Federal cash to supplement State maximum payments up to $25 per week, and 26 weeks' duration.

1952—S. 2504 provided Federal funds to supplement State benefits up to 65 percent of wages and, in the case of dependency, benefits of not more than 75 percent of wages.

In each case proponents of these bills forecast dire consequences unless there was Federal intervention to strengthen the State job-insurance program.

However, you gentlemen wisely decided to leave such meatters as the eligibility, disqualification, the weekly benefit amount, and the number of weeks of duration of benefits in the hands of those closest to the people and most familiar with employment conditions, wage patterns, and the general economy in the individual States.

Despite statements to the contrary, it is a matter of record that the States have greatly improved their job insurance programs.

They will continue to do so if not placed in a straitjacket by Federal restrictions.

The State job insurance systems are serving well the purpose for which they were created.

As conditions require change in the various State programs, they are being made. In Georgia we have a maximum weekly benefit amount of $30, and a maximum duration of 22 weeks, or nearly 6 months out of the year. As recently as December 20 our State advisory council, composed of equal numbers of representatives of labor, management, and the general public, unanimously agreed that there was no basis for asking the legislature to change either the amount or duration at this time.

Job-insurance payments have been, and will continue to be, of inestimable value to workers temporarily unemployed, as well as to the communities in which they reside. But, if as a matter of expediency, our job-insurance program is converted into a disguised relief program and used as a prop to help sustain an unbalanced wage and price structure, it would not surprise us to see it collapse.

As you know, England, in 1920 and 1921, during the postwar depression, followed the course of providing so-called extended benefits on a governmentally financed basis.

The period of extended benefits was progressively lengthened. Finally, the actuarial concepts of the program broke down altogether and the concept of payment as a matter of right went out the window.

Over 92 percent of the Nation's insured workers in business and industry are carrying home regular paychecks.

Approximately half of the other 8 percent represents turnover under normal conditions. Some of the remaining 4 percent are working part time. The unemployed workers want a job, not extended benefits. No program to restore prosperity will work unless the people can work.

Government action to stimulate the economy is beginning to create jobs. More credit is being made available; defense spending is up; spending for highways is up; grants to local governments for improvement of a lasting nature are having some effect.

You have another bill before this committee, H. R. 888, passed by the House, which would authorize the States to cover employees of Federal banks.

You have provided unemployment compensation for Federal civilian employees and the Armed Forces reduced their strength and returned 175,000 servicemen to civilian labor markets during the past year.

Most of these had no service prior to January 1, 1955, and cannot qualify as veterans for unemployment compensation. These servicemen are certainly as much entitled to protection as Federal civilian personnel, and I hope that legislation to afford them coverage will receive favorable action.

Further Government action will help stimulate employment.

Less revised restrictive tax legislation, tightening restrictions upon the importation of hundreds of thousands of Mexican workers, and a change in the present policy which results in shelves being loaded down with Japanese textiles and the purchase of millions of dollars' worth of automobiles and trucks built in foreign countries while our plants are idle and our textile and automobile workers are unemployed. Does not the demand for extended benefits come largely from the areas where large numbers of workers are unemployed because the general public can no longer afford to buy the products of the factories that employed them?

Management and workers can, through pricing of their products and labor, prolong or shorten the recession. Real recovery will take place when the people who stopped buying because of high prices are offered better goods at lower prices.

This committee, through the years, has preserved the integrity of the State employment security system by leaving eligibility conditions, disqualifications, and weekly benefit amounts and the number of weeks one can draw in a year to the respective States.

Your committee also initiated and has kept alive the George loan-fund principles to assure solvency of State job-insurance trust funds. The States are not now broke. They have over $8 billion in their trust funds.

Furthermore, you have provided a $200 million loan fund, which is available without interest to any State which needs help. So long as the States are responsible for their own programs, few, if any, States with a sound law and sound administration will need loans.

Just because some spots are having high unemployment, I sincerely hope that you will not permit the proposed temporary crisis-type procedures to undo the progress that has been made, and that so-called temporary remedial measures will not be permitted to result in permanent damage to our State employment security program.

The CHAIRMAN. Mr. Williamson, thank you for what I regard as an extremely able statement and in keeping with the philosophy of one of the greatest men who has ever served in this Senate, your fellow Georgian, Senator Walter George.

I was with him on this committee and I know the fight he made all through the years to preserve this fund from Federal control and Federal dictation.

Mr. WILLIAMSON. I appreciate it.

The CHAIRMAN. Are there any questions?

Senator DOUGLAS. Mr. Williamson, I addressed an inquiry to the 48 governors on May 7, copy of which I give you.

Mr. WILLIAMSON. I have one, Senator.

My Governor presented it to me. He did not send it to the Federal folks like the Secretary testified some did. My Governor sent it to me rather than the Federal Government.

Senator DOUGLAS. Yes. As you know, I was inquiring whether the Governor or agents of the Governor would be able to accept H. R. 12065 as it is now written, without State legislative action.

Governor Griffin very courteously replied. He said that you would appear before this committee to testify with respect to the subject matter of the bill which I mentioned.

I wondered if you in Georgia had been able to determine whether or not the Governor of Georgia or appointees of the Governor would be able to accept the terms of H. R. 12065 without affirmative action by the legislature.

Mr. WILLIAMSON. Senator, if we spent the $150 million we have now in the trust fund and needed further funds, which is very improbable—I do not think we need a loan as long as we have that $150 million.

I have been able to enter into all of the Federal reciprocal arrangements, the veterans' benefits, to pay the Federal employees under our State laws, and the other interstate arrangements, without any difficulties.

Senator DOUGLAS. But Mr. Williamson, as I pointed out yesterday, in these other cases where you were able to accept without legislative action, the funds were being furnished by the Federal Government, and all you were doing was acting as a disbursing agent. Now, under H. R. 12065, as you know, acceptance of the act will ultimately carry with it a larger payment of Federal tax by the employers of your State after 1963.

Mr. WILLIAMSON. Yes, sir.

Senator DOUGLAS. And so the question which I addressed is different. It deals with a different subject matter from that of the preceding bills. I wondered if you or your attorney general had been able to form an opinion as to whether either the Governor or you would be able to accept H. R. 12065 as now written without State legislative action.

There are two issues here, whether you could, and then whether you want to, but I mean, first, could you if you wanted to?

Mr. WILLIAMSON. I expect I could, but I do not think I would, because I would not like to assume the prerogatives of turning more tax collections in on my taxpayers down there without the legislature or somebody backing me up. I like my job. I have been there a long time.

Senator DOUGLAS. So that you think in general as a practical matter you would have to get legislative sanction?

Mr. WILLIAMSON. First as a practical matter I do not think we need it because we have got that $150 million.

Senator DOUGLAS. Then I take it you are sort of allergic to the idea of the State accepting H. R. 12065 as it is presently written.

Mr. WILLIAMSON. I am allergic to the Federal Government encroaching upon this program because I think this program has done more to cure mental and physical ills than the whole college of physicians and the reason it has done it is because it has kept close to the people and to the economy it serves.

Senator DOUGLAS. I am not putting words or sentences into your mouth or into your mind, am I, when I say that on the whole as you think of things now, you would not recommend that the State of Georgia accept H. R. 12065?

Mr. WILLIAMSON. I expect I would exceed my legal authority.

Senator DOUGLAS. Pardon?

Mr. WILLIAMSON. I would exceed my legal authority.

Senator DOUGLAS. And if the legislature were to deal with this matter, would you recommend it?

Mr. WILLIAMSON. We have a good system down there. We've got a mighty good legislature, and it usually shows good judgment by accepting my recommendations, but before my recommendations are made, we usually have this advisory council, and it is made up of good folks, an equal number of labor, management, and the general public, and no later than December 20 as I said awhile ago they unanimously agreed that there wasn't any basis for asking for an extension or an increase in the weekly benefit amounts.

Senator DOUGLAS. Of course, the situation was not as acute at that time.

Mr. WILLIAMSON. I put them on notice. I saw it coming. I talked to them 30 minutes about it.

Senator DOUGLAS. I do not want to draw improper inferences, but the inference which I drew from your testimony was that you did not believe that H. R. 12065 should be passed or that if it were passed, you did not believe that your State should accept it. Am I incorrect?

Mr. WILLIAMSON. I think that is a proper inference. I intended to convey that inference.

Senator DOUGLAS. I am glad that I caught it. I am generally very dumb on these matters, Mr. Williamson, but I am glad that in this respect my antennae were accurate.

Mr. WILLIAMSON. Thank you.

The CHAIRMAN. I would like to say Mr. Williamson that I haven't heard a stronger statement made against Federal control than you have made here today.

Mr. WILLIAMSON. Thank you, Senator.

The CHAIRMAN. I do not think that Senator Douglas or anyone else need have any doubt where you stand or where Georgia stands on this proposition.

Mr. WILLIAMSON. Thank you, Mr. Chairman.

The CHAIRMAN. Your statement of your position is crystal clear.

Senator DOUGLAS. I thought so, but I wanted to bring it out. It merely confirms what I said yesterday. If this act is passed, there will be a considerable number of States which will not accept it, and the fact that these States will not accept it will act as a deterrent to prevent other States from accepting because of the fear that they will be placed at a competitive disadvantage if they do.

I thank the witness very much.

Mr. WILLIAMSON. If my State needs it, Senator, they will meet and pass it. They have enough intestinal fortitude to pass it if we need it.

The CHAIRMAN. The next witness is Mr. Henry Kendall, of the North Carolina Employment Security Commission.

STATEMENT OF HENRY KENDALL, NORTH CAROLINA EMPLOYMENT SECURITY COMMISSION

Mr. KENDALL. Mr. Chairman and members of the committee, my name is Henry E. Kendall. I am chairman of the employment security

commission of North Carolina and I appear before you as the official representative of the State of North Carolina.

There are 1 or 2 paragraphs I would like to read to you that were made before the Ways and Means Committee.

There were a number of proposals. I would like to read very briefly a little bit of that Ways and Means testimony which I was going to eliminate.

Meeting with Governor Hodges, the radio, press, and television representatives, the commission discussed at length the implications of this proposed legislation in terms of the unemployment situation currently existing in North Carolina and the Nation.

It fully considered the implications of legislative action by the Congress in an area which for more than 20 years (in fact since the beginning of the Federal-State program) has been reserved to the States for needed program implementation.

It should be noted that since 1949 the North Carolina legislature has increased the minimum benefit amount from $4 to $11 currently and the maximum payment from $20 to $32 with the waiting period being entirely eliminated and with the duration being extended from 16 weeks to 26 weeks, such duration being uniform—all workers having entitlement being entitled to 26 weeks of benefits. This is positive proof that a State legislature does act in this area.

Now with reference to exhaustees I would like to go back to the statement which I made before the Ways and Means Committee.

North Carolina has a uniform duration provision which provides weekly benefits to each claimant whose unemployment is spread over as much as 26 weeks after the job loss. This means that each claimant with prolonged unemployment is guaranteed 26 weeks of protection. Projecting the number of exhaustees from the 1st of January of this year through 24 March to the 52-week period of 1958 we have an estimated total of 38,400 exhaustees for our State for the year 1958 should there be no improvement.

In relating this number of exhaustees to the nonagricultural work force of the State we find that the exhaustees represent only 3.58 percent of such work force. The suggested Federal proposals would benefit only a small select percentage of workers.

A study of benefit exhaustees (in North Carolina) for the year ending September 30, 1956, shows that 28.4 percent of the exhaustees comes from the tobacco workers, are in the leaf processing operation which is highly seasonal. More than 80 percent of these workers are unskilled females who follow a regular pattern of seasonal employment sometimes tied to farm harvest and domestic service work. To extend benefits beyond 6 months to this group might well lead to a serious farm-labor problem in many agricultural areas.

And I might say to the committee and to you, sir, that our Farm Federation Bureau wired the members of our delegation in the House that they opposed the proposals that the Ways and Means reported out.

Senator KERR. Did they propose any legislation?

Mr. KENDALL. No; not the bill that the Ways and Means reported out finally, but the original bill they did oppose, and they accepted this bill. This bill met with their approval.

The CHAIRMAN. Do you mean the House bill?

Mr. KENDALL. H. R. 12065. The principles of that bill met their approval.

The CHAIRMAN. Because of the optional feature mainly, or what?

Mr. KENDALL. Well, they felt that when you got beyond these 26 weeks in the agricultural section of our State, Senator, and the eastern half is, that it would be very damaging to the farm program.

The study of exhaustees further showed that of the group exhausting benefits that 48 percent had earnings of less than $1,000 in the 4 quarters upon which

benefit payments are determined. This indicates that supplementation will go to those with the weakest labor-force attachment.

Supplementation does not offer any assistance to the displaced agricultural worker or to the other excluded worker groups, totaling approximately 650,000 individuals.

Those are some of the statements we made. I have gone into a little more detail since your committee had some questions asked about exhaustees and what State legislatures could do and did do.

Now, with your permission I will continue with my original statement.

The CHAIRMAN. What page are you on now?

Mr. KENDALL. I am back to the first part, Senator, the fourth paragraph. Of all the legislation proposed and considered in this area I feel H. R. 12065 to be the only proper satisfactory approach. The area of weekly benefit amount and of duration of benefits has been left to the States' legislatures since the beginning of the program, and rightly so.

H. R. 12065 is not Federal supplementation in that it authorizes the Secretary to enter into an agreement with a State which sets the provisions of the bill in motion.

The State elects or wishes to enter into the agreement and thereby has full opportunity to act in accordance with its needs or desire to do so.

The provisions of H. R. 12065 are very much in keeping with the recommendation made by me in my statement of April 1 before the House Ways and Means Committee. I quote:

That in lieu of Federal supplementation of the unemployment insurance program that our State, as well as other States, recognize the fact that under existing Federal legislation there now exists an available fund of $200 million from which any State whose reserve fund is approaching depletion may secure an interest-free advance or loan which is repayable by such State. That this $200 million be increased by the Federal Government as needed and to the amount needed for advances to any State to replenish a weak State fund or to enable a State, if it so desires, to increase benefits in duration or in amount of weekly payment. That this seems proper since such would permit the State legislature to meet the State's obligation in this matter to the extent of the State need and desire.

H. R. 12065 meets the position advocated by North Carolina in that any State which so needs and desires can secure funds, on a repayable basis, and spend such funds in keeping within the limits of the bill and the wishes of the State. If in the opinion of the Congress of the United States legislation is necessary in this field at this time, H. R. 12065 meets the approval of the State of North Carolina.

The CHAIRMAN. Thank you very much, sir, for a very good statement, Mr. Kendall.

Are there any questions?

Senator DOUGLAS. Mr. Kendall, I addressed this telegram to the Governor of North Carolina and to others and I received a courteous reply from Mr. Childs, his administrative assistant, saying that they were not familiar with the precise details of the measure and they would want to give the proposal——

Mr. KENDALL. What was the date of that telegram, Senator Douglas?

Senator DOUGLAS. This reply was as of May 8.

Mr. KENDALL. I was away at that time.

Senator DOUGLAS. I wondered if you had been able to study the issue in the intervening days and whether you have any opinion as to whether or not the Governor or administrative officials in North Carolina could accept the additional payments under H. R. 12065, without State legislative action.

Mr. KENDALL. I could not speak for the Governor on that. I could speak for him on my statement here, but I cannot on that.

I have not discussed that other than very briefly with him Monday morning as he was leaving his office.

Senator DOUGLAS. I wonder if you would be willing to consult with the Governor upon that, and when he has reached a decision, if you would be willing to reply?

Mr. KENDALL. I would certainly consult with him at his wish. I do not think I should initiate it. If he would ask me for my opinion I certainly will, sir.

Senator DOUGLAS. Thank you.

The CHAIRMAN. Are there any further questions?

Thank you very much, Mr. Kendall.

Mr. KENDALL. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Wilbur J. Cohen of the American Public Welfare Association.

Senator CARLSON. Mr. Chairman, while Mr. Cohen is coming up, it is my personal opinion that we will not have a more qualified witness before our committee than Mr. Cohen on unemployment and social security.

He was with the Social Security Board back in 1935 and in 1939 when the bill was rewritten, and worked directly under Dr. Arthur J. Altmeyer and I know he is well qualified to appear before this committee.

The CHAIRMAN. The committee is pleased to have you, Mr. Cohen.

Senator DOUGLAS. At the risk of hurting the reputation of Mr. Cohen, I would say I join with the Senator from Kansas in the statement he has made about Mr. Cohen. He has given a great deal of thought to the subject.

The CHAIRMAN. Mr. Cohen, we are very glad to have you.

STATEMENT OF WILBUR COHEN, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. COHEN. Senator, if I may, I will just put the entire statement in the record and comment on a few points to save your time.

The CHAIRMAN. Without objection that will be done.

(The statement in full of Mr. Cohen follows:)

STATEMENT OF WILBUR J. COHEN, AMERICAN PUBLIC WELFARE ASSOCIATION, ON EXTENDED UNEMPLOYMENT INSURANCE AND PUBLIC ASSISTANCE AMENDMENTS

I am Wilbur J. Cohen, a member of the welfare policy committee of the American Public Welfare Association. I am here today representing that organization.

In qualifying myself to testify I would like to add that I was formerly Director of the Division of Research and Statistics of the Social Security Administration in the Department of Health, Education, and Welfare. In that capacity I had the privilege of working with your committee in connection with unemployment insurance legislation in 1935, 1939, and 1945, as well as in connection with the Social Security Act Amendments of 1950 and 1952.

THE AMERICAN PUBLIC WELFARE ASSOCIATION

The American Public Welfare Association is the national organization of local and State public welfare departments and of individuals engaged in public welfare at all levels of government. Its membership includes State and local welfare administrators, board members, and welfare workers from every jurisdiction.

Within our association are a number of national councils including a council representing all of the State administrators of public welfare, a council of local administrators of public welfare, and a council of members of State and local boards of public welfare. We have five committees (aging, medical care, services to children, social work education and personnel, and welfare policy) on which our membership is represented and through which we are able to obtain a cross section of views on how public welfare is operating to meet the needs of people in their home communities. We have six regional conferences each year and a nationwide meeting in alternate years at which we discuss current issues in social security and obtain the views of our members. As a result of the discussions in these groups our board of directors of 27 persons, representing all parts of the country, adopts official policy positions on issues of current significance. In testifying today, I am presenting to you the views embodied in our policy statements approved our board of directors.

The agencies and individuals making up the membership of the American Public Welfare Association are charged with the responsibility for administering the various assistance and service programs in public welfare under titles I, IV, V, X, and XIV of the Social Security Act. In our membership are the people who have the responsibility for day-to-day administration of the programs for the needy aged, the needy blind, the needy disabled, needy dependent children, and the needy receiving general public assistance.

Through our organization, we work toward constructive ways to help restore as many persons as possible in the public assistance caseload to self-care and self-support. Our members seek through protective, preventive, and rehabilitative services to help solve the problems of children and families who request the services of public welfare departments.

We are constantly seeking ways to make our services more effective and to improve the caliber of administration in public welfare programs. We have been in the forefront of those groups which have advocated broadening and strengthening our existing social-insurance programs. We believe that the Congress should take further action at this session to improve the social-insurance program and thus further to reduce financial dependency and also to improve our public assistance programs so as to meet existing needs more effectively. Because of the inadequacies in our social-insurance programs, appropriations from general revenues for assistance are higher than would otherwise be necessary. Because of inadequacies in our public assistance programs there undoubtedly are many needy persons in the United States who are not receiving assistance.

The serious unemployment problem in recent months has increased public assistance caseloads. Today there are about 6.5 million persons receiving public assistance of whom 5.4 million are on federally aided programs and about 1.1 million are receiving general assistance on programs without any Federal aid. In November 1956 there were 5.7 million persons receiving public assistance of whom 5.1 million were on federally aided programs. You can see from these figures that assistance rolls have been climbing. In addition, expenditures have increased because of the rise in the cost of living. Medical care costs have risen for 42 consecutive months. Medical care is an important factor in eligibility for public assistance. Medical care costs have been rising twice as fast as the overall cost of living while hospital costs have risen nearly four times as fast as the general price rise. As a result of all these factors, assistance expenditures for the Nation are running $25 million more per month than they were a year ago.

The Federal budget submitted to you in January was based upon economic and business conditions during the last half of 1957. We feel that we would be remiss in our responsibilities if we did not emphasize to you that current economic conditions are having the effect of rapidly increasing the number of persons on the public assistance programs. The unemployed "employables" generally are not eligible for assistance under the categories of old-age assistance, aid to the blind, aid to dependent children, or aid to the permanently and totally disabled. Some State and local governments, therefore, are having to consider appropriating increased funds to provide minimum help for the families involved. States and localities are having a difficult time meeting these emergency needs.

The federally aided categories also are showing the effects of current conditions, especially as relatives are unable to contribute to support their parents. Individuals with physical disabilities and marginal skills who are able to support their families when business conditions are good are often the first to be laid off and thus must apply for assistance. When working mothers who are normally the support of their families become unemployed, they soon apply for aid to dependent children.

I would like to point out that State and local public-welfare agencies are responsible today for expending over $3 billion a year and for providing assistance to 6,500,000 persons each month.

The American Public Welfare Association is committed to the principle of doing everything reasonably possible to reduce the assistance rolls to the absolute minimum consistent with the welfare of assistance recipients. It is for this reason that we have supported the extensions and improvements in OASI and unemployment insurance which have been made in the past and that we are urging that further steps be taken by the Congress at this time.

EXTENSION OF UNEMPLOYMENT INSURANCE

The American Public Welfare Association believes that the unemployment insurance program should be strengthened with respect to the duration of benefits and the adequacy of benefit payments. We also believe that consideration should be given as soon as possible to extension of coverage, and less restrictive eligibility and disqualification provisions.

At this particular time we especially urge favorable consideration for extension of the duration of unemployment insurance benefits because thousands of unemployed persons each week are exhausting their rights to benefits and many more persons are likely to exhaust their benefits in the weeks ahead. Some of these persons or their dependents may apply to the welfare agency for public assistance, but in many cases they are not eligible for assistance because of their assets or because employable persons are not eligible for assistance. In other cases, persons who exhaust their benefits and then subsequently obtain part-time or full-time employment make it impossible for another person with less skill or ability to obtain or retain employment. This other person may then have to apply for assistance. This vicious circle breeds insecurity and is damaging to the morale and skills of thousands of persons.

While unemployment insurance is a particularly appropriate method of handling short-time unemployment, the existing duration of unemployment benefits in nearly every State is inadequate. We therefore urge you to take Federal action to improve unemployment insurance benefits to meet the present emergency as well as for the longer run. While our association has not endorsed any one method of achieving this objective, we have specifically endorsed Federal action to achieve it.

We believe the Federal Unemployment Tax Act should be amended to extend coverage to employers of one or more employees. A number of States already have enacted laws providing that such coverage will become effective if and when the Federal law is so amended. While such an amendment would not help in the present emergency, we believe that the present situation has pointed up again the need for this action which has been recommended by the executive branch under both Republican and Democratic administrations. We also endorse extension of coverage to employees engaged in the processing of agricultural products.

Our association has not taken a stand specifically as to whether improvement of the benefit structure should be taken by use of Federal financing on the basis of general revenues, payroll taxes, a charge back to the States, by grants-in-aid, or by Federal benefit standards and a reinsurance fund. But we do not see how the goal of a more effective unemployment insurance program can be obtained without some additional Federal legislative action. Proposals to establish minimum Federal benefit standards and a reinsurance fund are consistent with the association's legislative objectives.

The Social Security Act gave the State two incentives. The act set up a Federal unemployment tax on employers in industry and commerce who had 8 or more employees (4 or more, beginning in January 1956). It made it possible, however, for employers to be relieved of paying most of this tax if they were contributors under a State unemployment insurance law. Therefore a State that taxed employers to pay for unemployment insurance did not put

them at a disadvantage in competing with similar businesses in States that had no such tax. Congress also authorized grants to States to meet the costs of administering State systems. A State program has to meet certain Federal requirements in law and administration if employers are to get their offset against the Federal tax and if the State is to receive Federal grants for administration.

The Federal taxing power was used, therefore, to make it necessary for each State to have some kind of an unemployment insurance law. So there is Federal intervention in the unemployment insurance program now. In effect, we have a joint plan, a cooperative program—a Federal-State system. In order to protect employers, employees, their families, the States, and the Federal Treasury it seems clear that we must be willing to make some modification in the character of the Federal responsibility in this vital program.

DEFICIENCIES IN THE PRESENT PROGRAM

May I recall to you that this is the view of the advisory council on social security which the Senate Committee on Finance appointed in 1947. This council unanimously agreed in 1948 that there were five major deficiencies in the present unemployment insurance program. They found these deficiencies to be as follows (p. 148):

1. *Inadequate coverage.*—Only about 7 out of 10 employees are now covered by unemployment insurance. (Today about 8 out of 10 employees are covered.)

2. *Benefit financing which operates as a barrier to liberalizing benefit provisions.*—The present arrangements permit States to compete in establishing low contribution rates for employers and therefore discourages the adoption of more adequate benefit provisions.

3. *Irrational relationship between the contribution rates and the cyclical movements of business.*—The present arrangements tend to make the contribution rate fluctuate inversely with the volume of employment, declining when employment is high and when contributions to the unemployment compensation fund are easiest to make and increasing when employment declines and when the burden of contributions is greatest.

4. *Administrative deficiencies.*—Improvement is needed in methods of financing administrative costs, provisions for determining eligibility and benefit amount in interstate claims, procedures for developing interstate claims, and methods designed to insure prompt payments on all valid claims and to prevent payments on invalid claims.

5. *Lack of adequate employee and citizen participation in the program.*—Workers now have less influence on guiding the administration of the program and developing legislative policy than they should, and some employees, employers, and members of the general public tend to regard unemployment compensation more as a handout than as social insurance earned by employment, financed by contributions, and payable only to those who satisfy eligibility requirements.

The council was composed of 17 distinguished persons including representatives of business, labor, insurance companies, and the public. Edward R. Stettinius, Jr., was chairman and Prof. Sumner Slichter was associate chairman. The council was appointed by Senator Milliken during the 80th Congress.

The advisory council on social security stated in 1948 that "liberalization of the benefit, duration, and eligibility conditions in the State laws is generally needed" (p. 145). Despite the improvements made in State laws since 1948, the criticisms made by the council are still valid on the whole today.

The council pointed out that not more than 25 percent of the wage loss caused by the unemployment of covered workers is compensated by unemployment benefits. "As a result, unemployment compensation as it is today would have a very limited value in checking the cumulative increase of unemployment" (p. 146). In 1957, only about 17.3 percent of wage loss due to unemployment was compensated by unemployment insurance.

The council pointed out that "benefit amounts are generally still too low in relation to wages" (p. 146). "At that time the average weekly benefit amount was about 35 percent of the average weekly wage (p. 193)". Today, despite improvements in State laws in the meantime, the average weekly benefit amount in 1957 was still less than 35 percent.

The council stated: "Unemployment insurance payments should be as high a proportion of wage loss caused by unemployment as is practicable without inducing people to prefer idleness to work. The higher the ratio of unemployment

benefits to wage loss caused by unemployment, the more effectively unemployment insurance limits the tendency for the reduced purchasing power of unemployed persons to create more unemployment. Liberalization of unemployment compensation should take the form of (1) more liberal eligibility requirements; (2) higher benefits in relation to wages; and (3) longer duration of benefit payments" (p. 145).

GENERAL PUBLIC ASSISTANCE

Unemployment insurance, however, cannot and should not be made to cover all needs that arise as a result of unemployment. Some occupations are not covered by unemployment insurance and there are cases of persons with large families or special medical needs where unemployment insurance benefits will not be sufficient. When these people are without any income they apply for assistance.

General assistance—in some States and localities called direct relief or home relief—is available in many communities today only to unemployable persons. In many States such assistance is very limited because it is financed entirely by the counties from property taxes. One-half of all the cost of general assistance throughout the country in the fiscal year 1957 was borne by the cities or counties, the other half by the States. Federal funds are not available for general assistance. Thus, we find ourselves in the present emergency without an adequate underpinning of our unemployment insurance program to meet emergency needs.

We recommend that your committee authorize Federal aid to the States to meet the needs of those who must apply for general assistance. This is an immediate and urgent necessity.

We wish to point out that the Advisory Council on Social Security to the Senate Committee on Finance recommended that "Federal grants-in-aid should be made available to the States for general assistance payments to needy persons not now eligible for assistance under the existing State-Federal public assistance programs" (p. 108).

We concur in the statement by the Council:

"In recommending Federal grants-in-aid to the States, for general assistance, we do not intend that a general assistance program should be considered as a preferred method of dealing with large-scale unemployment if it should again occur. Neither should general assistance be a substitute for unemployment insurance. * * * General assistance would serve the purpose of providing an underpinning for the other social measures by aiding those for whom no other means of support is available" (p. 112).

Over a million persons are receiving general assistance at the present time. In January, the number increased over 150,000. Despite the fact that many persons in many communities are ineligible for general assistance due to lack of local funds, the general assistance rolls have been climbing. Some States are considering cutting back on their funds for general assistance due to the likelihood of decreased tax revenues. The situation has been changing so fast that we just do not know how some States and localities will make out during the next few months in handling their assistance problems.

The amount being paid for general assistance is inadequate. The average monthly payment in January 1958 was $61 per case which includes the average payment for both families and single persons. This average varies widely among States and localities. Statistics from the Social Security Administration show that the average monthly payment in November 1957 was about $12.50 to $14.23 in Alabama, Arkansas, Mississippi, and Oklahoma.

Federal aid at the present time not only would enable the States and localities to care for needy persons now without income but also would provide somewhat more adequately for the needy persons now receiving insufficient payments.

IMPROVEMENT IN AID TO DEPENDENT CHILDREN

We also wish to recommend that the aid to dependent children program (title IV of the Social Security Act) should be strengthened by providing Federal aid to the States for any needy child living with any relative. At the present time Federal aid is limited to those cases where the child is needy due to the disability, death, or absence of a parent. If the parent is unemployable or unemployed, his children cannot receive State aid from Federal funds unless he willfully absents himself from the home. We do not think it is proper or desirable to subject families to this kind of pressure.

The Senate Committee on Finance made an important improvement in the aid to dependent children program in 1950 when it amended the program to provide

Federal matching for meeting the needs of the parent or caretaker of the child. The Senate Finance Committee also made another important improvement in the aid to dependent children program in 1956 when it adopted the amendments offered by Senator Kerr to include the objective of preserving and strengthening family life in the program. We urge you to strengthen the program by striking out the clause in the existing Federal law which limits the use of Federal funds to cases of the disability, death, or absence of a parent.

FEDERAL LEGISLATIVE OBJECTIVES

Before concluding I should like to insert in the record the Federal legislative objectives adopted by our board of directors for 1958. These recommendations represent our judgment on social needs and proposals which in the light of our experience are feasible for consideration this year. A number of our recommendations are pertinent to some of the proposals pending before the committee and to the responsibilities of this committee on social-security legislation generally. I should like just to point out two recommendations in addition to those I have already made.

OASDI

The contributory old-age, survivors, and disability insurance program, as a preferable means of meeting the income-maintenance needs of people and as a means of keeping the need for public assistance to a minimum, should be strengthened by making benefit payments more adequate; by increasing the amount of earnings creditable toward benefits to keep that amount in line with current conditions; by providing benefits for disabled insured persons of any age and for their dependents; by extending coverage to earners still excluded. To the extent that these changes increase the cost of the program, contributions should be increased to insure the financial stability of the program.

Public assistance

The existing Federal formula for matching public assistance payments expires June 30, 1959. We believe that—

> Federal participation should be on an equalization grant basis provided by law and applicable to financial assistance (including medical care), welfare services (including child welfare), and administration.
>
> No change should be made at this time in the Federal matching formulas which would result in a reduction in the Federal share of assistance, services, or administration.

I am sure that other items in our Federal legislative objectives will also be of interest to you, but in order to conserve your time I will put them in the record.

CONCLUSION

Members of the American Public Welfare Association each day deal with many thousands of needy persons and families who apply for assistance and service. They know intimately and at first hand the problems of persons who have exhausted their unemployment insurance or are not covered by unemployment insurance. They are keenly aware of the financial difficulties that States and localities are having in meeting the social welfare needs of a population which is growing at a rate of 2½ million a year and which has been moving across county and State lines thus causing many families to lose their residence in their home locality.

We are full working partners in the Federal-State program of public welfare and we have a large stake in the successful administration of our entire social-security program.

We believe that the experience of the past 22 years has demonstrated the basic soundness of the Federal-State public welfare programs. But we believe that this experience has also demonstrated that there are gaps in our social-security programs which warrant correcting at this time with congressional help.

It is for this reason that I am here today to reaffirm the position of our association that a well-rounded and improved system of social insurance and public welfare is basic to the security of all the people of the Nation.

We, therefore, urge that you give favorable consideration to the enactment of unemployment insurance, public assistance, and social-security improvements at this session of Congress.

Federal Legislative Objectives, 1958, American Public Welfare Association

(Prepared by committee on welfare policy; approved by the board of directors, December 8, 1957)

The American Public Welfare Association believes that the States and their political subdivisions have the primary responsibility for developing and administering public-welfare functions in the United States. The Federal Government has the obligation to develop nationwide goals and to use its constitutional taxing power to equalize the financing of public welfare so that public-welfare services may be available on a reasonably equitable basis throughout the country. The association's legislative objectives are based on these premises and on recognition of the importance of encouraging self-responsibility and assuring humanitarian concern for individuals and families.

To accomplish these purposes the association believes that:

Contributory social insurance is an effective governmental method of protecting individuals and their families against loss of income due to unemployment, sickness, disability, death of the family breadwinner, and retirement in old age;

Public-welfare programs should provide services to all who require them, including financial assistance, preventive, protective, and rehabilitative services, and should be available to all persons without regard to residence, settlement, or citizenship requirements;

The benefits of modern medical science should be available to all; and to the extent that individuals cannot secure them for themselves governmental or other social measures should assure their availability; democracy has a special obligation to assure to all the Nation's children full opportunity for healthy growth and development.

These general principles are amplified in other policy statements approved by the board of directors of the association. The welfare policy committee of the association has reviewed all of these statements in the light of current needs and has developed specific legislative objectives for 1958. While the following list does not include all of the association's policy positions, it presents in condensed form those legislative objectives which are most likely to be of current significance.

PUBLIC WELFARE PROGRAMS

Scope of program

1. The comprehensive nature of public welfare responsibility should be recognized through Federal grants-in-aid which will enable the States to provide financial assistance and other services not only for the aged, the blind, the disabled, and dependent children, but also general assistance for all other needy persons.

2. Federal financial aid should be available to assist States in carrying out their responsibilities for preventive, protective, and rehabilitative services to all who require them.

3. The Federal Government should participate financially only in those assistance and other welfare programs which are available to all persons within the State who are otherwise eligible without regard to residence, settlement, or citizenship requirements.

4. The aid to dependent children program should be strengthened by providing Federal aid to the States for any needy child living with any relative.

5. Specific provisions should be made for Federal financial participation in the maintenance of children who require foster care.

6. Restrictions limiting use of Federal child welfare services funds to rural areas and areas of special need should be removed.

7. Federal financial assistance should be made available to the States in programs for the prevention and treatment of juvenile delinquency, including research and the training of personnel.

8. Additional Federal funds should be provided to the States to help meet the needs of mentally retarded and other handicapped children.

9. The category of aid to the permanently and totally disabled should be modified through eliminating the Federal restriction requiring a disability to be permanent and total and through eliminating the age requirement.

10. The Federal Government should participate financially in the development of specialized services for the aged, irrespective of financial need.

Methods of financing programs

11. The continuation of the Federal open-end appropriation is essential to a sound State-Federal fiscal partnership in all aspects of public assistance. Since it is not possible to predict accurately the incidence and areas of need, flexibility is necessary in financing public-assistance programs.

12. Federal participation should be on an equalization grant basis provided by law and applicable to financial assistance (including medical care), welfare services (including child welfare), and administration.

13. No change should be made at this time in the Federal matching formulas which would result in a reduction in the Federal share of assistance, services, or administration.

14. Federal maximums on individual assistance payments should be removed. So long as Federal legislation sets maximums on Federal participation in public assistance payments, such Federal financial participation should be related to the average payment per recipient rather than to payments to individual recipients.

15. Federal maximums on medical-care payments in public assistance should be removed. Until such maximums are removed, provision should be made both for matching of average vendor payments for medical care within any assistance ceilings and for maintaining the separate matching basis for medical care.

16. Federal aid for public assistance should be on the same basis for Puerto Rico and the Virgin Islands as for other jurisdictions. In particular, the annual dollar limitations on Federal participation should be removed.

17. The funds authorized and appropriated for child welfare services in the Social Security Act should be increased to an amount sufficient to stimulate and support the development of adequate State programs.

18. Provision should be made in the law for redistribution of Federal funds appropriated for child welfare services so that allotments not used by a State in any year could be redistributed to other States or could be made available to that State the following year.

19. The Federal Government in cooperation with the States should study the restriction on Federal financial participation in assistance payments to adults living in public nonmedical institutions.

20. The Federal Government should participate financially in the costs of any State and local civil defense welfare services.

21. Federal legislation should provide funds for repatriation from abroad of American nationals in need of assistance.

Administration

22. Adequate and qualified personnel is essential in the administration of public welfare programs. Federal financial participation in administrative costs of State welfare programs should be sufficient to enable States to provide for the adequate administration of all welfare programs.

23. Adequate Federal funds should be authorized on a permanent basis to assist States in training staff for State and local public welfare programs and moneys should be appropriated for this purpose.

24. Public welfare programs in which the Federal Government participates financially should be administered by a single agency at the local, State, and Federal level.

25. Federal, State, and local public welfare agencies should participate in and assist in the administrative coordination of all related programs in which there is Federal financial participation.

26. The administration of the Children's Bureau should be maintained within the Social Security Administration.

SOCIAL INSURANCE PROGRAMS

OASDI

27. The contributory old-age, survivors, and disability insurance program, as a preferable means of meeting the income-maintenance needs of people and as a means of keeping the need for public assistance to a minimum, should be strengened by making benefit payments more adequate; by increasing the amount of earnings creditable toward benefits to keep that amount in line with current conditions; by providing benefits for disabled insured persons of any age and for their dependants; by extending coverage to earners still excluded. To the extent that these changes increase the cost of the program, contributions should be increased to insure the financial stability of the program.

28. Hospitalization costs of old-age, survivors, and disability insurance beneficiaries should be financed through the insurance program.

20. The funds of the insurance program should be available to help store disabled people to gainful employment where it reasonably appears such expenditures would result in a net saving to the fund.

30. The membership of the Advisory Council on Social Security Financing, established by the 1956 amendments, should include representation from public welfare and its functions should be broadened to include responsibility for recommending improvements in all aspects of old-age, survivors, and disability insurance, with particular emphasis on methods of keeping the program in line with current economic conditions and with changes in levels of living.

31. Adequate and qualified personnel are essential in the administration of the old-age, survivors, and disability insurance program. Federal funds should be made available for the training of staff in institutions of higher learning.

Unemployment insurance

32. The unemployment insurance program should be strengthened with respect to extension of coverage; adequacy of benefit payments and duration; and less restrictive eligibility and disqualifications provisions.

Other social insurance

33. Study should be given to ways of improving and extending temporary disability insurance benefits and workmen's compensation programs.

RESEARCH AND DEMONSTRATION PROJECTS

34. Federal funds should be authorized and appropriated for research and demonstration projects in all aspects of social security and public welfare.

RELATED PROGRAMS

35. The Federal Government should provide leadership, funds, and research for the promotion of health and the prevention of sickness and disability contributing to dependency. In particular, the amounts authorized and appropriated for maternal and child health and crippled children's services in the Social Security Act should be increased.

36. Federal financial participation in the vocational rehabilitation program should be available to serve all vocationally handicapped persons who present reasonble possibilities of attaining a vocational objective.

37. The Federal Fair Labor Standards Act should be amended to extend coverage and to increase the minimum wage in line with current conditions.

Mr COHEN. In line with what Senator Carlson and Senator Douglas have said, to qualify myself I did help in the drafting of the original State unemployment insurance laws, in the research for the original 1935 Social Security Act and participated in the amendments of 1939 when Senator Carlson was a member of the Ways and Means Committee that sent amendments over here and I worked with the various advisory councils on social security that Senator Douglas was a member of in those days.

At the present time I am teaching social security at the University of Michigan, but I am testifying here today in my capacity as a member of the welfare policy committee of the American Public Welfare Association.

In brief, what I would like to say today is this: Our association believes that it is urgent for the Federal Government to take some action in the field of unemployment insurance in order to help the States meet their responsibilities.

Secondly, we believe that this will not be done if you deal only with unemployment insurance. There are grave defects in our other social-security programs to meet the needs of unemployed people, particularly our assistance laws. We would urge you to give consideration to improving the Federal grants for public assistance for the large number of needy people who are not now adequately taken care of, and we would certainly urge that you increase the old age,

survivors', and disability insurance benefits at this session as a direct simple way of taking Federal action to meet the problem of lack of purchasing power among the American people.

So I would like to touch on each one of those three points if I may very briefly.

Senator FREAR. Mr. Chairman, is the witness going to testify on H. R. 12065 or on welfare?

Mr. COHEN. Yes, sir; I am going to testify on H. R. 12065. I was just trying to present the broad scope of our point of view and I will now deal with unemployment insurance.

Senator FREAR. I, as a member of this committee, would like to hear what you have to say since you come here with such a fine reputation, but I think Mr. Chairman, that the testimony should be limited to the bill.

Mr. COHEN. My primary position on the bill is that if you pass the bill as it is in its present form, not more than about 6 States will be able to take advantage of it, and therefore, I think that it will be very incomplete and inadequate.

The CHAIRMAN. Will you explain that?

Mr. COHEN. Yes, I will.

The CHAIRMAN. Do you mean if the legislatures meet they won't be able to take advantage of it?

Mr. COHEN. No, sir; I mean that the bill as passed by the House and pending before your committee in its present form will not be taken advantage of by more than about six States because of the requirement for——

The CHAIRMAN. You made the statement that only six States could take advantage of it.

Mr. COHEN. I am saying that only 5 or 6 States will actually practically take advantage of it.

The CHAIRMAN. How do you know that?

Mr. COHEN. Because the provision requiring the States to repay the amounts by 1963, as contained in the bill, will create so many legal and practical problems for the States that if they are to take any action, they will take action on their own account irrespective of the passage of his bill.

The CHAIRMAN. This is in your individual judgment?

Mr. COHEN. Yes, sir.

May I say, Senator, that I think the requirement in the bill for the States to repay the amounts not only creates a practical barrier to the States, but I think it is unfair to the States to ask them to repay the amounts in the way the bill provides because it would further intensify the interstate competition that exists and make it more difficult for the States.

In other words, as has been pointed out here and as the distinguished Senator from Virginia has stated, the States have plenty of money now, with perhaps one exception, Alaska, which is defined as one of the States in the statute. Perhaps every other State in the Union has enough money at the present time to amend their own laws on their own without this legislation, and to require them to repay in the form in the bill, will further widen the spread of costs, intensify interstate competition and the net result, in my opinon——

The CHAIRMAN. In other words, you do not see any need for the bill?

Mr. COHEN. I do not see any real need for the bill in its present form, but I do think that in order to increase the unemployment benefits to the States, which I think is urgent, the States should be given the opportunity to extend their benefits by making agreements with the Federal Government, and the cost could be charged against the existing $750 million which has been taken in by the Federal Government from unemployment taxes, which has not been used.

May I explain that, because that point has not been brought up. When you asked earlier today, has all the money for unemployment insurance been conserved, the Federal Government is holding $750 million of unemployment insurance money which has never been used.

The CHAIRMAN. You refer to basic legislation authorization. There was no appropriation.

Mr. COHEN. No appropriaton has ever been made. It was originally authorized under the terms of the George Loan Act as passed by this committee in 1944.

It never has been used. I believe it would be far more desirable to authorize an agreement with each State and deduct the amount paid from the amount authorized there which would make it possible then for each State to extend its unemployment benefit as an agent of the Federal Government, as is provided in the other statutes with respect to Federal employees and so on, and get away from all this difficulty that has been presented about whether the States can take advantage of this statute in its present form.

The CHAIRMAN. You would give it to the States now, is that it?

Mr. COHEN. I would authorize each governor in his discretion if he wished to take advantage of it to do so by making it a charge against this account.

Senator KERR. Against what account?

Mr. COHEN. This $750 milion.

Senator KERR. That is not an asset of the States, is it?

Mr. COHEN. It is an asset of the Federal unemployment account.

Senator KERR. I thought it was an authorization in existence but with reference to which no appropriation has been made.

Mr. COHEN. No appropriation has been made because up to this time it was not necessary to do so.

Senator KERR. There is no mandatory section in the authorization, is there?

Mr. COHEN. No, sir, there is not.

Senator KERR. So that the States have no asset by reason of the existence of that unexhausted authorization, and could not have unless there was a law making an appropriation and fixing the manner of disbursement?

Mr. COHEN. Absolutely, and that is what I am recommending. I am saying that the Federal Government has been for the past 20 years subsidized by the unemployment insurance system. There has been no subsidy from the Federal Government.

The CHAIRMAN. You think unemployment insurance is a Federal obligation then and not a State obligation?

Mr. COHEN. Sir, I think that the unemployment insurance system of the United States that we have today would not be in effect if you had not in 1935 passed this uniform Federal tax of 3 percent, which in effect created for most States the State unemployment insurance laws.

The CHAIRMAN. You do not believe then that the employers—the tax they pay is the basis of all of this program—should pay the tax which raises the money to pay those who are not employed. When you speak of an authorization being an asset, I respectfully disagree with you. It is not an asset because if we actually appropriate and spend we will have to add it to the deficit. How do you get an asset out of that?

Mr. COHEN. Yes.

The CHAIRMAN. Where is the asset if you have to borrow the money and add it to the deficit?

Mr. COHEN. The Federal Government has taken $750 million from the unemployment insurance system of the United States and used it for general revenue financing over the past 20 years.

The CHAIRMAN. Where?

Mr. COHEN. During the period from 1935 to——

The CHAIRMAN. That has been in the form of unused authorization. It takes an appropriation to make that money available.

Mr. COHEN. I agree, Senator.

The CHAIRMAN. It hasn't been available?

Mr. COHEN. It has not been available because it has not been necessary in——

The CHAIRMAN. We have many authorizations.

Mr. COHEN. Right.

The CHAIRMAN. You are familiar with the procedure here. We have hundreds of authorizations against which appropriations have not been made.

Senator DOUGLAS. I wonder if this can't be cleared up in this way. I had not known about this authorization of $750 million. Do I understand you, Mr. Cohen, to say that this $750 million is the difference between the Federal Government's assessement of three-tenths of 1 percent upon the payroll and the amounts previously advanced to the States for costs of administration?

Mr. COHEN. Yes, sir.

Senator DOUGLAS. So that the Federal Government collected in years past $750 million more than it gave to the States for administration?

Mr. COHEN. That is correct.

Senator DOUGLAS. And that $750 million went into the General Treasury?

Mr. COHEN. It did.

Senator DOUGLAS. And that the subvention legislation to which you refer is Senator George's legislation authorizing this to be used as an added fund for the State systems?

Mr. COHEN. I want to make this point clear. It was not at that time made as a subvention of the State system. It was a part of the original money to be used as a loan fund created in 1944.

Now Senator Byrd is correct that it is not an actual asset at this moment.

The CHAIRMAN. Wait a minute, you have just told Senator Douglas $750 million has been collected from the States and used by the Federal Government.

Mr. COHEN. Yes.

The CHAIRMAN. They have used it for administrative expenses?

Mr. COHEN. No, sir; they have not, Senator.

The CHAIRMAN. It went into the Federal Treasury?

Mr. COHEN. Yes, sir.

The CHAIRMAN. That is what happened?

Mr. COHEN. Yes, sir. There is $750 million——

Senator KERR. That was the provision of the act.

Mr. COHEN. That is right; it is legal.

The CHAIRMAN. To have used it as you suggest was authorized, but it was not mandatory, and it was not done.

Mr. COHEN. Can I start over because I think this illustrates——

The CHAIRMAN. An authorization is not a completed appropriation.

Mr. COHEN. Senator, may I say this?

The CHAIRMAN. Let's get this straight because from a man with your background this could be regarded as an astonishing statement.

Mr. COHEN. About $750 million has been collected from the employers of the United States from the three-tenths of 1 percent Federal excise tax that was created in 1935 beyond what has been returned to the States.

The CHAIRMAN. What did the Federal Government do with that money?

Mr. COHEN. The Federal Government put it in the general fund and spent it.

The CHAIRMAN. The administrative expenses were paid.

Mr. COHEN. That is right, so far.

The CHAIRMAN. As provided by the law.

Mr. COHEN. And there was still $750 million left over.

The CHAIRMAN. And $200 million was used to establish the loan fund as required by law?

Mr. COHEN. And there is still $750 million left over.

The CHAIRMAN. And you are saying $750 million went into the general fund after all the legal requirements were met?

Senator CARLSON. Mr. Chairman, the facts are as he has stated, that we have collected in this Nation $750 million more by the three-tenths of 1 percent collection than has been expended by the States for expenditures, and this is State money collected by the States, sent into the Federal Government and they have spent it in the general funds.

Senator KERR. It wasn't collected by the States.

Senator CARLSON. Three-tenths of 1 percent, the $750 million not spent for expenses of the operations.

Senator KERR. But not collected by the State.

The CHAIRMAN. Has it been spent on this program?

Mr. COHEN. No, Senator, it has not. It has not been spent in this program.

The CHAIRMAN. Then you say the cash of the Federal Government has been augmented by $750 million from this source?

Mr. COHEN. Yes, sir.

The CHAIRMAN. Independent of the cost of this program?

Mr. COHEN. Yes, sir.

There is an excess, and you may ask the Secretary of Labor. I do not know the exact figure, whether it is $739 million or $789 million at the present time. Roughly it is $750 million that the Federal Government has collected from employers as a Federal excise tax.

The CHAIRMAN. Was any special use made of that money?

Mr. COHEN. The Federal Government each year from 1936 through 1954 took that money, put it in the general fund and it was spent as a general cost of Government.

Senator KERR. Regarded as part of the tax income of the Government.

Mr. COHEN. At that time.

The CHAIRMAN. At that time.

Senator KERR. Each year.

Mr. COHEN. Each year.

Senator KERR. Including 1957.

The CHAIRMAN. $200 million of it went into the loan fund. Is that true?

Mr. COHEN. Yes; but that only began to happen in 1954.

The CHAIRMAN. What about the expenses of administration?

Mr. COHEN. That has been paid out each year and there is still $750 million left over beyond the $200 million, and the approximately $250 million spent each year for administrative expenses.

Senator DOUGLAS. Mr. Chairman, I think we ought to congratulate this witness on finding $750 million.

The CHAIRMAN. Then he says it is in a basic authorization for which no appropriation has been enacted. It is a pretty mixed-up affair.

Senator MARTIN. I would like to correct the distinguished Senator from Illinois a little bit. We have not found it. It has been spent.

Mr. COHEN. It has been spent, Senator Martin, but in my opinion it belongs to the unemployment insurance system of the United States and not to the general revenues. You would not have had a Federal excise tax on employers of 3 percent——

The CHAIRMAN. I would like to ask Mr. Stam to make a thorough investigation of the contention in order to make the record accurate and complete.

(The information as furnished by Mr. Stam appears at p. 340.)

Mr. Cohen, you will agree that a simple authorization in basic law without appropriation does not necessarily constitute a commitment.

Mr. COHEN. I agree with you, Senator.

The CHAIRMAN. Why do you bring this matter up in connection with this bill? I do not understand that.

Mr. COHEN. Because you have authorized it in the law. It belongs to the unemployment insurance system, and I think you ought to use it, amend the law and use it for the unemployment program of the United States.

The CHAIRMAN. In order to save time, Mr. Stam, who is very competent, will investigate.

Senator KERR. If I may interpose an observation, I think the witness has used the word "authorization" differently than you or I would use it, and when he did, I want to say that it threw me off just as it did the chairman, but from his subsequent statements, I believe it is clear that he did not use the term as we commonly use it here in reference to matters where Congress authorizes flood-control projects or an amount for highway construction, which authorizations are ineffective unless implemented by an appropriation.

Senator MARTIN. There are really two steps. There is authorization and then appropriation.

Senator KERR. In the ordinary sense that we use the term, but I do not think the witness used it in that respect. The witness did not refer to that operation. What he has referred to is this three-tenths of 1 percent, which the Senator from Oklahoma laboriously informed himself on a little earlier in the day as being collected by the Federal

Government in the form as the Senator from Delaware says of an excise tax from the employers, and which was intended, I believe, to begin with to pay the expense of the operations of the State's funds, and the machinery was set up in the act for the Federal Government to transmit whatever part of that was needed by the States to pay for their operation of the fund.

Mr. COHEN. Yes, sir.

Senator KERR. At a later time, then, there was a law passed creating a loan fund of $200 million out of the proceeds of that tax, which has been created and set up, and the three-tenths of 1 percent has been used to pay the States' operations and, second, to make the $200 million available and in addition, according to the witness, the collections have brought in an additional $750 million which each year has gone into the general revenue fund of the Treasury, and been appropriated out by acts of Congress.

The CHAIRMAN. The previous testimony has been that any excess above the amounts necessary for administrative expenses and the loan fund have gone back to the States.

Mr. COHEN. Yes, Senator; it has under the Reed Financing Act that you passed in 1954, but pursuant to the George Loan Act of 1944, passed by this committee, there is in section 904 (h) of the Social Security Act, the establishment of an unemployment account that authorizes this excess to be earmarked in the Federal Treasury, and when I use the term "authorization," I use it in the conventional sense, that it was authorized to be put in this account, but no appropriation has been requested by any Federal department and no appropriation has been made by Congress.

The CHAIRMAN. The authorization has not been exercised?

Mr. COHEN. You are correct, Senator; there has been no appropriation.

The CHAIRMAN. We agree on that.

Mr. COHEN. Yes, sir.

Senator DOUGLAS. Mr. Cohen, is this $750 million in addition to the $200 million?

Mr. COHEN. Yes, sir.

Senator DOUGLAS. So that the two together would be $950 million?

Mr. COHEN. Actually, there has been much more, because, as Senator Kerr says, you have got four ways that this money has been distributed.

It goes each year to pay the cost of administration of the State law on a 100-percent grant basis.

Senator KERR. On the State program?

Mr. COHEN. On the State program. Some money goes to make that $200 million and to keep it at $200 million in the loan fund.

If there is any excess in any year, it is rebated back to the States.

The CHAIRMAN. That is what I said. You said a minute ago that it went into the General Treasury.

Mr. COHEN. And there is $750 million in addition that hasn't gone back to the States.

Senator KERR. But that was prior to 1956.

Mr. COHEN. That was prior to 1954.

Senator KERR. Prior to 1954?

Mr. COHEN. When you amended the law.

Senator KERR. Beginning in 1954 any amount, keeping the loan fund at $200 million and paying the operation of the States, since 1954 that surplus has gone back to the States?

Mr. COHEN. That is correct.

Senator KERR. From whence it came?

Mr. COHEN. That is correct.

Senator KERR. But prior to that 1954 law, there had been an amount of approximately $750 million collected and in those years before 1954 it has gone into the general account of the Treasury and appropriated out by acts of Congress?

Mr. COHEN. Yes; and may I say, Senator, so Mr. Stam will have it, there is a comprehensive report made by Dean Fauri of the School of Social Work of the University of Michigan, which tabulates all the various ways in which this money has been used and Mr. Stam should have access to that report in making his statement on this.

The CHAIRMAN. Is that itemized, Mr. Cohen?

Mr. COHEN. Yes, sir.

The CHAIRMAN. So much every year?

Mr. COHEN. Yes, sir; there is a complete table on that.

Mr. STAM. I understood that that money which you are talking about has already been spent by the Federal Government.

Mr. COHEN. Absolutely. That is what I am objecting to.

Mr. STAM. So there would have to be an appropriation?

Mr. COHEN. Right. I am objecting to the fact that the Federal Government has used unemployment-insurance money to finance the general debt of the United States, when it ought to be used to finance the unemployment-insurance system.

Senator FREAR. I think you have a point.

Mr. STAM. I might say, Mr. Cohen, you and I both remember the history of this social-security law, and you will remember the fact that it was said that we couldn't put it in a separate fund, in the beginning, because it might jeopardize the constitutionality of the tax, so that the tax part was kept separate from the rest of the act, and there were separate appropriations made by the Congress to make up any amount that was needed to finance the program.

Now the question is that this money has all been spent?

Mr. COHEN. It has.

Mr. STAM. It was collected as a separate tax not dependent on the unemployment, and, as I understand it, the Congress did recognize some years ago that there might be some moral obligation there, no legal obligation, but this fund has been used ever since 1936.

Mr. COHEN. And I want to maintain the integrity of this unemployment insurance system by seeing that all the money raised by unemployment insurance is used by unemployment insurance, and that no general revenue funds at the present time be used so that it cannot be called a dole.

May I also say, Mr. Stam—perhaps Senator Byrd, you would like to suggest this—I have serious doubts, although I am not a lawyer, as to whether the provision in the bill making it necessary or possible for each State to change the credit offset provision, if it takes advantage of this, meets the constitutional provision of a uniform excise tax, and I think you ought to look into that.

The CHAIRMAN. What is your opinion on that, Mr. Stam?

Mr. STAM. My opinion on that is, in view of the decisions of the court that have applied—for example, in the State tax credit and in community property credit—that the Supreme Court doesn't apply with uniformity the rule of the Constitution as being governed by the various conflicting laws of the various States, so there is certainly a strong possibility that the would be upheld.

Mr. COHEN. I certainly think, Senator Byrd, that it is a bad precedent if it is not unconstitutional to further make it possible to vary this so-called uniform excise tax still more State by State, and I would certainly suggest that if you are going to use that general approach, it would be much better to make the offset provision changed for the entire United States than to change it State by State.

I think you are getting into a whole host of future difficulties.

Senator FREAR. Mr. Cohen, you are saying there is the same competitive disadvantage in the property tax between the States?

The CHAIRMAN. Or any other tax?

Mr. COHEN. Let me put it this way, Senator. When you enacted this 3 percent tax in 1935, you did so in order to protect the four States at that time that were considering unemployment insurance and others didn't feel they could do it unless pretty much the same general burden was put on employers elsewhere.

Now, whatever you may say about the property tax, this is an excise tax on employment.

The CHAIRMAN. But, Mr. Cohen, there are differentials all through this.

Mr. COHEN. Absolutely.

The CHAIRMAN. There is the question of how much unemployment a certain industry will have.

Mr. COHEN. Right.

The CHAIRMAN. Now, you are talking about a uniform tax.

Mr. COHEN. I say, Senator, that the more you make that variation, the greater you are putting burdens——

The CHAIRMAN. You don't think that States that don't have unemployment should be penalized because other States need more funds?

Mr. COHEN. No, sir.

The CHAIRMAN. You still think the money should come from that particular State, don't you?

Mr. COHEN. Yes, sir, but I do not think——

The CHAIRMAN. Virginia, then, would have a competitive advantage over some other State which has more unemployment?

Mr. COHEN. Yes, sir.

The CHAIRMAN. You can't get uniformity. It is impossible to do it.

Mr. COHEN. But there is too much lack of uniformity in the present system.

Virginia is not adequately protected at the present time. If the State of Virginia wants to do a good job by itself, which I assume it wants to do, then each time it wants to increase its benefits, it has got to think as to whether all the competing States will put the additional cost upon their employers, and I say that acts as a disadvantage to the State of Virginia.

The CHAIRMAN. Would you advocate a uniform income-tax provision or not?

Mr. COHEN. No, sir, I would not limit the States in this respect.

The CHAIRMAN. Would you advocate a uniform gasoline tax?

Mr. COHEN. Senator, let me start this way.

The CHAIRMAN. You can't get rid of the differentials between the States because the States are separate entities. They are not the Federal Government.

Mr. COHEN. May I answer your question this way? In 1948 Senator Millikin appointed a very distinguished committee of 17 people, to make a report to this committee on unemployment insurance.

In those 10 years, your committee has not considered the recommendations of that group of distinguished people which did suggest putting a minimum tax on employers and employees.

I hope you will pardon me if I say, and I cast no aspersion on the committee, but for 10 years there has been pending before this committee the report of that advisory committee on changes in unemployment insurance to help protect the States by establishing this idea of a minimum rate, and the committee has not considered it, and I say, if you want to help the States achieve their goal, and you want to retain the State system of unemployment insurance, you must put some more underpinning to protect the States.

The CHAIRMAN. Here is a decision of the Supreme Court. I don't often quote from decisions of the Supreme Court.

Mr. Stam, will you explain the situation with respect to nonuniformity of inheritance taxes?

Mr. COHEN. Senator, I hope very much that before you complete this hearing or some other hearing, you will review carefully the recommendations made to your committee by the advisory council of 1948. The points they made about the unemployment insurance system have remained dorman for 10 years and I think the problems you face today on unemployment insurance and that you are going to face in the next 20 years have not been solved, and I urge you very seriously to give considerations to those suggestions for doing so.

The CHAIRMAN. I was not chairman.

Mr. COHEN. That committee, as you will recall, was appointed jointly with concurrence of Senator George and Senator Millikin. There were 17 very distinguished people and I think their report merits your earnest consideration.

Senator FREAR. Do you think that the proposals offered by this committee should be adopted, I mean by this committee appointed by the Finance Committee?

Mr. COHEN. I do not myself agree with the recommendations in every detail, but the fundamental point that the Senator made is the crucial heart of this question.

How can you protect the States—and I assume that is what the Senator is interested in, protecting the States—to do two things: To meet their obligations in dealing with the problem of unemployment and at the same time not have adverse competitive situations from other States.

The council that was appointed at that time tried to deal very earnestly with a very complicated question.

They came up with a specific recommendation that there be a uniform three-quarters of 1 percent tax on all employers throughout the Nation, plus an employee tax.

The CHAIRMAN. Do you mean regardless of how much unemployment there is in the State?

Mr. COHEN. Yes, sir.

The CHAIRMAN. In other words, those States that don't have unemployment would then pay for the States that do have unemployment?

Mr. COHEN. In the recommendations at that time——

The CHAIRMAN. That is entirely contrary to the whole fundamental principle of the unemployment insurance.

Nobody knows that better than you do.

Senator FREAR. Was this three-quarters of 1 percent going to be credited to the State and only used by the State or could it be credited to an account and used by any State?

Mr. COHEN. Eighty percent of the three-quarters of one percent was to be used by each individual State.

The CHAIRMAN. How are you going to get uniformity when you don't have uniformity of unemployment? This is supposed to finance the unemployment in the respective States?

Mr. COHEN. Senator, you are quite correct that there is no uniformity of unemployment, but the trouble with the present situation is that you do not have the same benefits in every State applicable in every State.

The CHAIRMAN. Mr. Cohen, I have studied taxes a great deal. I have had the experience of being Governor of the State of Virginia. I have been in the State senate and so forth.

Taxes differ in States. Some States have a sales tax. Virginia is trying to avoid a sales tax. The District of Columbia has a sales tax.

Now, so long as Virginia does not have a sales tax, it has a competitive advantage. To carry your theory to its ultimate conclusion, all the State taxes should be the same so there wouldn't be any competitive disadvantage between the States. That is not a good practice because an economical State with low taxes should have that advantage in encouraging industry to come to that State, and it is good for industry and individuals to look for such a State.

Mr. COHEN. Why did Congress enact, then, Senator, the original 3-percent excise tax in 1935?

The CHAIRMAN. I am discussing with you your premise which I understand to be that there ought to be uniformity among the States in unemployment taxes.

I call attention to the fact there is no uniformity in taxes, inheritance taxes and others, in the different States. There are some States like Florida where they have no inheritance tax, isn't that correct?

Mr. STAM. That is right.

The CHAIRMAN. And, therefore, they have attracted a lot of residents.

Would you change that?

Mr. COHEN. No, but the very reason was in 1926 you created a credit offset tax in the inheritance tax field to encourage every State to have an inheritance tax, because you do recognize that some of these lacks of uniformities that exist whether in the payroll tax or other, presents a very serious problem for the States.

The CHAIRMAN. You and I differ on that. You want every State to be uniform. You would not allow a State the chance to become attractive to industries.

Mr. COHEN. I think we would have to discuss that in some more detail, Senator, to reach a meeting of minds.

The CHAIRMAN. Let's discuss it privately.

Mr. COHEN. I think you and I are closer together than you recognize.

The CHAIRMAN. I hope we are, but I don't recognize it. You have been before the committee and I admire your ability and knowledge but I am in complete disagreement with you on that subject.

I don't want to curtail your testimony.

Mr. COHEN. I would like to say this, Senator, just on the point I made. I hope very much that at some time, if not now, you will be able to give consideration to improving our assistance laws because unemployment insurance cannot meet the whole problem of unemployment.

The difficulty that is presented here before the committee is that you are faced with the dilemma of trying to push unemployment insurance to meet the entire problem when that is not what it was set up for, it is not what it can do, and the fact that there are not Federal grants for general assistance to meet the increasing assistance load, in my opinion, is a very serious defect in our program, and if I may also point out, your distinguished advisory council of 1948 so recommended that to your committee.

It has not been acted upon in the 10 years, and I would urge you very seriously, if it were at all possible, to consider that in meeting the situation.

Finally, I would also like to point out, perhaps a slight modification of what by friend Mr. Williamson stated. In 1945 this committee did report out a bill and it passed the Senate, a proposal to extend unemployment insurance benefits for 26 weeks under the stimulation of both Senator Vandenberg, as I recall it, having worked with the committee at that time, and Senator George. This committee at that time did expand the Federal Government's responsibility to meet unemployment by recommending a 26-week extension.

It was voted on on the floor of the Senate, passed——

The CHAIRMAN. What was that year?

Mr. COHEN. I will give you the exact citation, Senator. You will remember the so-called famous discussions over the Kilgore bill, Senator, in 1945.

The CHAIRMAN. Yes.

Mr. COHEN. And what to do about unemployment at that time? In that year, the Senate Finance Committee voted out a bill to supplement the State unemployment insurance benefits to pay a uniform 26 weeks at Federal expense. That was passed by the Senate Finance Committee and passed by the Senate.

Therefore, Senator, in my opinion, one has to be very careful in talking about whether things like this are in contravention with the original law, because I would not make such a statement, because I have a great respect for the Finance Committee and what it did at that time.

The CHAIRMAN. It was defeated in the House.

Mr. COHEN. The Ways and Means Committee voted 14 to 10 not to hold hearings on it in 1945, but the Finance Committee did report it out, and I only use that to cite the fact one has to be rather careful in talking about what the original intent of the program is and the

role of the Federal Government, because that did go, it seems to me, rather far in recognizing that the Federal Government had a responsibility, and it was all out of general funds of the Treasury.

The CHAIRMAN. I know, but that was 1945 and it was established in 1935. I am talking about the original concept.

Thank you, very much, Mr. Cohen. I shall be glad to talk to you and see if we can get our minds to meet.

Mr. COHEN. I think we can, Senator.

The CHAIRMAN. I can't agree with you that taxes in all States should be uniform. We happen to be a confederation of 48 States and it is a good thing to have competition between these States.

It is a good thing to encourage the States to lower the taxes and get industry in.

Mr. COHEN. You know, Senator, this unemployment insurance program is the most complicated social security program in the United States.

The CHAIRMAN. I agree with you.

Mr. COHEN. And I take at least 3 weeks with my students to just tell them what the law is before we even discuss it.

The CHAIRMAN. Sometime when we have time, we will have you for 3 weeks up here.

Mr. COHEN. Thank you.

The CHAIRMAN. We are a little busy right now.

The next witness is Mr. Roger H. Davis, group of California employers and employer associations.

Mr. Davis.

STATEMENT OF ROGER H. DAVIS, REPRESENTING INTER-ASSOCIATION UNEMPLOYMENT INSURANCE COMMITTEE OF THE STATE OF CALIFORNIA

Mr. DAVIS. Thank you, Mr. Chairman. With your permission, I would like simply to include in the record my prepared statement and address myself to a few issues.

I greatly appreciate the committee's patience in waiting over and listening to me at all.

(The document referred to is as follows:)

STATEMENT OF ROGER H. DAVIS, REPRESENTING INTER-ASSOCIATION UNEMPLOYMENT INSURANCE COMMITTEE OF THE STATE OF CALIFORNIA, MAY 14, 1958

My name is Roger H. Davis. I am a member of the Los Angeles law firm of Loeb & Loeb, and I represent California employers and employer associations before the State legislature in the field of unemployment compensation.

I am appearing here on behalf of the Inter-Association Unemployment Insurance Committee, which is a California organization composed of a broad and diversified group of employers offering employment to over 60 percent of the California workers covered by this program. The following organizations and employers are members of the inter-association:

Agricultural Producers Labor Committee
Aircraft Industries Association of America, Inc.
Building Owners and Managers Association of Los Angeles
California Association of Employers
California Electric Power Co.
California Land Title Association
California Manufacturers Association
California Metal Trades Association

California Portland Cement Co.
California Retailers Association
California Trucking Associations, Inc.
California-Western States Life Insurance Co.
Clearing House Associations
Federal Employers of San Francisco
Furniture Manufacturers Association of California
General Telephone Company of California
Glass Container Manufacturers Institute, Inc.
Los Angeles Motor Car Dealers Association
Merchants & Manufacturers Association
Metal Trades Manufacturers Association of Southern California
Motor Car Dealers Association of Southern California
Monolith Portland Cement Co.
Northern California Ready-Mixed Concrete and Materials Association
Occidental Life Insurance Company of California
Pacific Gas and Electric Co.
Pacific Maritime Association
Pacific Mutual Life Insurance Co.
Pacific Telephone & Telegraph Co.
Rexall Drug Co.
Riverside Cement Co.
San Bernardino-Riverside Counties Rock Products Association
Southern California Asphalt Plant Association
Southern California Edison Co.
Southern California Gas Co.
Southern California Restraurant Association, Ltd.
Southern California Rock Products Association
Southern Counties Gas Company of California
Southwestern Portland Cement Co.
United Employers, Inc.
Western Growers Association
Western Oil & Gas Association

Because of the rapidly increasing population in California and the tremendous expansion in industrial development, employers in California are vitally concerned with measures proposed by the Congress to stabilize our economy. We have watched with a great deal of interest the developments in both Houses of Congress in the field of unemployment insurance and the facts and figures advanced for the purpose of indicating the necessity of Federal action in this field.

The proponents of most of the bills which have been introduced have contended that Federal action to increase the duration of, and, in some instances the weekly amount of, unemployment insurance benefits is necessary and desirable as one of the methods of alleviating the distress caused by the current economic recession.

Unemployment statistics, both for the Nation as a whole and for the State of California, change from week to week and there has been exhibited considerable controversy and confusion over the conclusions which may be drawn from such statistics. We respectfully suggest that statistics may be very misleading and that the only statistics concerning the numbers of unemployed which can be considered realistic are those which refer to the number of unemployed as a percentage of the total labor force. The statistics are, however, susceptible of one obvious conclusion. The most serious unemployment has been localized in a few heavily industralized States. However, statistics based upon the percentage of unemployed to the total labor force even in these States indicate that in New York, California, Illinois and Massachusetts the percentage of unemployed in 1958, and for comparable months, is substantially below that which obtained in the 1948 to 1950 period. In California, insured unemployment in the first 3 months of this year, is less than 1 percent higher than the average for comparable periods over the past decade. Every indication leads to the conclusion that the recession is leveling off in California and each week brings improvement in our economy.

It is important to note that while certain States continue to experience relatively heavy unemployment, many other States, including those with an industrial economy, are even now approaching a level of unemployment which is consistent with the average over the past decade. Accordingly, therefore, it seems

clear that the unemployment insurance system which has been in effect in this country since 1935, and which is founded upon independent State action to meet the problems of unemployment as they occur in the respective States, provides the only realistic method of dealing with this problem. Overall Federal action which blankets in States in which no increases in duration of benefits or other substantive changes is indicated statistically, constitutes an unnecessary and unrealistic solution to the problem of unemployment as it exists in the various States.

Unemployment insurance as it has been developed in this country was never intended to do more than partially cushion the shock of wage loss for temporary periods. The report of the Committee on Economic Security made to President Roosevelt in 1935, at a time when 20 percent of the Nation's labor force was unemployed, states "We believe it is desirable that workers ordinarily steadily employed be entitled to unemployment compensation in cash for limited periods when they lose their jobs." "We regard work as preferable to other forms of relief where possible. While we favor unemployment compensation in cash, we believe that it should be provided for limited periods on a contractual basis and without governmental subsidies." The unemployment compensation program has been designed along insurance principles to fit a specified need in our economy and cannot properly be changed with every dip in the level of economic activity.

This program as it has been developed is designed to operate effectively regardless of the particular economic forces in operation at any particular time. Benefits are paid to individuals as a matter of right and not of need, and the formula in effect in the various States for the determination of the duration of benefit payments, the amount of benefit payments and to whom they will be paid, has been developed in each State according to its respective needs. This development has been steady and has resulted in consistent improvement. For example, in California the weekly benefit amount has increased by 60 percent in the last 5 years. There is no logical reason to abandon the principles of this program because of increases in the number of unemployed. Increases in the weekly benefit amount cannot be logically equated with increases in the number of unemployed, because the weekly benefit amount is calculated to pay a certain percentage of the wage loss of individuals regardless of the level of economic activity. It is specifically designed to compensate only for partial wage loss while, at the same time, leaving unaffected the incentive to work which is so basic a part of the American economic system.

Increases in duration because of increased unemployment are likewise illogical. How far should the duration be increased? Should benefit duration be increased to the same extent with respect to people who are seldom genuinely attached to the labor market, to part-time workers, or students, as it is with respect to the breadwinners and principal wage earners of the family? Individuals who have difficulty in finding work exhaust their benefit rights every year in every State for reasons completely unrelated to the level of economic activity. Are these persons likewise to be granted increased benefits simply because there are a greater number of exhaustees?

These benefits are paid for by employers and the contributions constitute a tax upon employment. We suggest that increasing taxes upon employment is not calculated to increase business optimism. Increasing taxes which must be paid by employers as a group is completely inconsistent with the suggestions which have been made by the many economists about the need for some form of tax reduction.

In our opinion the bill which epitomizes all of the bad features of Federal action in the field of unemployment insurance is one which is not currently before this committee, but which deals with the subject matter and which was introduced before the various bills proposing temporary Federal action. I am referring to S. 3244 by Senator Kennedy. This bill would completely emasculate the unemployment insurance system which exists in this country. It would substitute Federal standards for the entire country in lieu of those of the various States. It would increase benefits to a point which would eliminate incentive for many marginal workers to seek work. We believe that S. 3244 would effectively hamstring, if not completely eliminate, the operation of the experience rating provisions of the unemployment compensation program which insure employer participation in this program and which constitute one of the most basic features of the program as it exists in this country as distinguished from the variety of unemployment compensation systems existing elsewhere. The

cost of unemployment insurance as envisaged by S. 3244 in the State of California alone would increase for a year like 1958 in the sum of approximately $150 million. This cost must ultimately be borne by the employer-community and we cannot overemphasize the detrimental effect such legislation would have upon the business community and accordingly upon the economy as a whole. H. R. 12065 as originally reported out by the House Ways and Means Committee also contained provisions which we violently oppose. That bill would have paid 16 weeks of benefits to all workers whether or not now covered under the employment security program and without regard to the duration of benefits to which eligible individuals would have been entitled under the respective State laws. The bill provided for financing by direct Federal grant without provision for repayment at an estimated cost of $1½ billion. No discretion was left with the States with respect to the necessity for such benefits and the problems inherent in the payment of federally financed benefits to noncovered workers stagger the imagination. The cost of administering such a program as compared to the existing cost of administration would have been astronomical.

Although the administration opposed H. R. 12065 as reported out by the Ways and Means Committee, the administration's proposal did not offer a much better solution. That proposal, while financially conceived on a much sounder basis, would have permitted the Secretary of Labor to pay increased benefits through Federal instrumentalities contrary to the wishes of States which do not enter into agreements with the Secretary. Such direct Federal intervention into State activity would have had grave implications.

Although we have attempted to indicate herein our views to the effect that Federal action in this field is undesirable, we believe that if this committee becomes convinced that some Federal action is necessary at this time, the best vehicle which has been proposed to date is H. R. 12065 in the form currently before the 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. Furthermore, for purposes of financing the benefits proposed, the bill utilizes existing statutory means, namely, the so-called Reed loan fund. Provision is made for repayment in accordance with current statutory provisions which now permit payments to be made from that fund to States which must replenish their respective unemployment funds. We believe, therefore, that if it is the desire of the Finance Committee to report favorably on a bill designed to pay unemployment insurance benefits in addition to those already provided for by the respective States that it should do so by favorable consideration of H. R. 12065.

However, we would like to emphasize to the committee that any program for the payment of federally financed unemployment insurance based upon the need of the unemployed runs contrary to the principles upon which this program was established. Such payments are in essence relief payments, and, as such, bear no reasonable relation to the principle of insuring partial wage loss for temporary periods. We are hopeful that any Federal program which becomes law will be temporary only and will impose no Federal standards on what is essentially and properly a State program. We are hopeful that if in future years there should be some moderate increase in unemployment because of dips in the level of economic activity, attention will not be directed to the action of the Congress in 1958 as a precedent for the Federal Government again proposing benefit increases in each year that the number of unemployed increases slightly over the number in the immediately preceding year.

In our opinion American workers are interested in returning to work and not in receiving a cash payment in the form of a dole for not working. Legislative action at the Federal level designed to stimulate the economy should be directed entirely toward the creation of jobs in private industry, for private business is the only entity capable of employing and supporting the seventy-odd million member labor force of this country.

Respectfully submitted.

INTER-ASSOCIATION UNEMPLOYMENT
INSURANCE COMMITTEE,
By ROGER H. DAVIS.

Mr. DAVIS. My name is Roger H. Davis. I am an attorney and a member of the Los Angeles law firm of Loeb & Loeb. I represent California employers and employer associations before the legislature in Sacramento.

I am appearing here on behalf of the Inter-Association Unemployment Insurance Committee, which is a group of diversified employer organizations representing in excess of 60 percent of the workers of California covered under this program.

I wish to address myself only to some of the points that came up in connection with the testimony today, and also to the Secretary of Labor's testimony yesterday.

I think some comment was made both yesterday and today about the fact that there are a number of States which already have very large reserves built up, and as a matter of fact, figures indicate that as of the end of last year, there were 37 States which could have paid benefits at their previous 10-year average rate of benefit expenditure for a period of 5 years or more without any additional revenue whatsoever, and of those 37 States, there were 11 which could have paid benefits for at least 10 years without any additional revenue whatsoever.

So that there is a considerable number of States which have enough revenue, even without additional contributions by employers in those States, to pay benefits for a long time.

Senator MARTIN. Are those States listed in your statement?

Mr. DAVIS. No, sir, they are not. They are, however, listed, I assume, in the staff statement which the committee has before it.

Now also a comment was made about the fact that despite these large reserves there were very low average tax rates in effect for the employers of these various States.

I would like simply to make the point to the committee that this is not necessarily significant, because the facts which I gather that the committee has, the statistics before the committee for the first quarter of 1958, reflect contributions on pay rolls of the last quarter of 1957 by the employers in the various States, and at that time many employers don't contribute at all because their payrolls are in excess of the taxable payrolls, the taxable wage base in this program, and accordingly, the average taxes paid in this quarter would be very low.

Furthermore, most of the States have multiple tax schedules in effect. Mr. Hill referred to that briefly this morning. Under these multiple tax schedule systems, when a State has good employment experience and when benefit costs are down, as they have been in the years 1955 and 1956 and 1957, the tax rates that employers pay in the respective States reflect this good benefit experience and are accordingly very low.

In California, for example, we have two tax schedules. There is a breaking point between these two tax schedules based upon the amount of the fund as a percentage of taxable payroll. This year and for the past 5 years, we have been on the lower of the 2 tax schedules, that is we pay a lesser amount of tax.

However, next year, as a result of the benefit expenditures so far, we will have to pay on a higher tax schedule. This is an automatic provision written into our law, and is to take care of just this kind of a situation, so that even though our reserve fund may now be ap-

pearing to drop in California, and the same thing is true in other States, it will be buffered next year.

The CHAIRMAN. You have about $900 million, haven't you?

Mr. DAVIS. Yes, sir; we have. We had almost a billion dollars at the beginning of this year. It has sunk to about $905 million, now. So we will immediately start pouring in more revenue next year, which will not necessarily reflect individual employment experience, but it is simply built into our laws, a protection for this very purpose.

Now the point I am trying to get at is this: That there are, based upon these statistics, a considerable number of States which do have large reserves and which can pay increased benefits if they deem that such benefits are necessary. Accordingly, we can say, it seems to me, at least I would pose this question to the committee, that if these States have sufficient money, why aren't they paying the additional benefits? It is not, obviously, because they don't have the money. It is not because they need to borrow money from the Federal Government, because they have it if they wish to pay it, and I submit to you that they are the best people to determine whether or not these payments should be made.

Now, Senator Douglas—and I am sorry he wasn't able to stay—referred to what he considered to be the answer to this particular question, at least that is the way I took it.

He implied in his discussions with the Secretary of Labor yesterday that the reasons why the States would not pay these benefits, even though they might be considered necessary, were apparently two in number.

No. 1, because this would place the State at a competitive disadvantage vis-a-vis other States. No. 2, because of the employer experience rating provisions, the employers would have to pay increased taxes and accordingly would oppose any extension of benefit duration in respective States.

Now, I would take the position that the first argument the competitive disadvantage, which has also been referred to by Mr. Cohen here, is a complete non sequitur as an argument.

I have been representing California employers and have been the spokesman for management in California over the past 5 years. I have not had the gall, if I may say so, to use this argument as a reason for opposing any benefit increases which are proposed by organized labor in California, because I don't think it is a valid argument.

I don't think you can say that a single increase in tax as a result of a benefit increase is going to place that State at a competitive disadvantage with respect to other States.

If you look at the facts, over the past decade, New York, for example, has had an average tax rate of 1.0 percent, Pennsylvania 1.2 percent, California 1.8 percent, Illinois and Ohio both have 0.9 percent.

Now if you say that there is a competitive disadvantage which is at issue here, then it is fair to say, it seem to me, that New York and California are twice as expensive as Ohio and Illinois, but I have seen no relocation of industry.

I have seen no concern exhibited on behalf of employers on the basis that the average tax rate was twice as high in those States as it was in Ohio and Illinois.

It simply doesn't make sense. It might make sense if there were a great tax rate differential, where one State paid five-tenths of 1 percent and another State paid 2 percent, so that every employer knew when he moved from one State to another, that he would have to pay a considerable increase in tax, a 300 percent increase under my example.

But that is not the case. Employers pay at various tax rates based upon their employment experience. The fact that they pay 1.2 percent in one State has absolutely nothing to do with what they are going to pay in another State, even the same employer.

So I am taking the position that this is not a valid argument. Workmen's compensation experience is another example where there is a great disparity between States, but this does not necessarily mean that these States are at a competitive disadvantage with one another.

With respect to the second point, the experience rating point, I assume that Mr. Douglas is taking that position because he believes that employers customarily, and usually in all States, oppose any benefit increases. I would submit to you that in California since I have been in this program, benefits have increased over the past 4 years 60 percent from $25 to $40 per week at the maximum level. The reason for that is not because I am going around handing out employers' money.

The reason for it is that public policy dictates it in our State. When the question of benefit increases comes up, we get together with organized labor. Over long and arduous hours we work out what we think is the most reasonable thing from the standpoint of the States, and then we confer with the legislature. What comes out, we believe to be genuine public policy in California.

And we believe we are the most responsive to the needs of the people of California. Now, actually there are other policy considerations involved.

There are three social insurance programs in California. One is workmen's compensation, one is the disability insurance program, and one is unemployment insurance, and we get into the questions of how these should relate to one another. Accordingly, you cannot look alone, as far as we are concerned, at the unemployment insurance levels and come out with an answer which meets all requirements.

Accordingly, I would say that it is not fair to state that employers will automatically oppose these things and that the States cannot do by themselves what the Congress has been proposing.

I recognize that H. R. 12065 does not impose any burden upon the States. They can or cannot take advantage of its provisions as they see fit.

Certainly that particular provision of the bill is one which a State cannot as such object to, because it is not required to take advantage of it.

Nevertheless, we feel that the idea of Federal action in this area is incorrect as a matter of principle, because we believe this program has improved over the years.

We believe we are the ones that have improved it, that it has been improved in each State in accordance with the State's needs, and we feel that it will continue to improve.

I cite you as an example, the improvement which occurred on a State-by-State basis after President Eisenhower made his request several

years ago for increased benefits and certain other increases in the States' laws.

Accordingly, I respectfully request that you consider at least our feelings in this matter. We believe that we can take care of whatever needs occur in the respective States.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Davis.

Are there any questions?

Senator FREAR. A very good statement.

The CHAIRMAN. The committee will adjourn until 10 tomorrow morning.

(The following table was subsequently inserted in the record, at the direction of the chairman.)

Action of State legislatures relating to unemployment compensation in 1958

State	Benefit increases	Actions on duration	Present status of legislative session
Arizona	$35 to $40		Adjourned Apr. 2.
California		Asked Federal grants for temporary extension.	Adjourned Apr. 24.
Colorado			Budget session, adjourned Feb. 16.
Connecticut		Enacted temporary extension.	Adjourned Apr. 18.
Delaware	$35 to $40		Recessed to June 2.
Georgia			Adjourned Feb. 21.
Kansas		Rejected increase to 32 weeks	Special session, adjourned May 9.
Kentucky	$32 to $34		Adjourned Feb. 28.
Louisiana			Recently convened.
Maine			Special session, adjourned May 8.
Maryland			Adjourned Mar. 13.
Massachusetts		Considering various proposals	In session.
Michigan		Considering temporary extension; asked Federal grants.	In recess, pending action by Congress.
Mississippi		Increased, 20 to 26 weeks	Adjourned May 10.
Missouri			Adjourned Apr. 4.
New Hampshire			Adjourned Feb. 19.
New Jersey		Considering temporary extension.	In session.
New York	$36 to $45	Authorized to agree to Federal program.	Adjourned Mar. 26.
Rhode Island		Considering temporary extension.	In session.
South Carolina			Adjourned Apr. 24.
Tennessee			In special session.
Virginia			Adjourned Feb. 14.
West Virginia			Budget session, adjourned Feb. 7.

(Whereupon, at 1 p. m., the committee adjourned to reconvene May 15, 1958, at 10:10 a. m.)

UNEMPLOYMENT COMPENSATION

THURSDAY, MAY 15, 1958

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Douglas, Gore, Martin, Williams, Malone, Carlson, Bennett, and Jenner.

Also present: Elizabeth B. Springer, chief clerk; and Colin F. Stam, chief of staff, Joint Committee on Internal Revenue Taxation.

The CHAIRMAN. The committee will come to order.

The committee is pleased to have as its first witness Senator Javits, of New York.

Senator Javits, you are welcome and the committee will be interested to hear from you.

You may proceed.

STATEMENT OF HON. JACOB K. JAVITS, UNITED STATES SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Mr. Chairman, I deeply appreciate the committee's indulgence because I think, as we assured the chairman, we will not take more than 5 minutes to make a brief statement.

The CHAIRMAN. Take all the time you require.

Senator JAVITS. Mr. Chairman, I emphasize the fundamental reason for my appearance is twofold: First to state from my own State's point of view—probably one of the greatest States in terms of income, in taxpayments—the practical human situation, which is an urge to take Federal action; and second, to state my views on the effort to deal with an overall reform of the unemployment compensation system in connection with the measure which is before this committee.

Those are two fundamental purposes. I do not pose as an expert in this field but I thought upon those two points I might be of some help to the committee.

Mr. Chairman, emergency Federal legislation to extend unemployment benefits to those insured unemployed who have already exhausted their State payments is in my view the top priority measure in the antirecession effort.

I say that because I think this is essentially a recession in employment.

Just as it fundamentally began through a contraction in the acquisition of equipment and machinery because American industry decided it had to pull in instead of continuing to expand.

This measure offers the most direct method of extending immediate financial aid to the over 3 million insured unemployed and their families, now the most directly threatened by acute financial distress and deteriorating living standards upon the expiration of their unemployment compensation eligibility.

The United States Labor Department now estimates that about 2,500,000 workers will have exhausted their State employment benefits by the end of 1958.

In my home State of New York, which has approximately 387,000 insured unemployed—more than 10 percent of the national total—unemployment compensation benefits have been used up at an alarming rate.

By the end of April, this year, first quarter figures revealed that almost 45,000 New Yorkers could no longer fall back on any part of the maximum $45 weekly payment to feed and care for their families; this rate of exhausted benefits has already, this early in the year, surpassed 50 percent of the entire 1957 total.

To alleviate the financial distress suffered by thousands of families throughout the country, I have joined as cosponsor of S. 3446 now pending before this committee.

This legislation, which is sponsored principally by my dear friend and colleague, Senator Case of New Jersey, has been introduced for himself and myself as well, as for Senators Aiken, Cooper, Ives, Kuchel, Payne, and Purtell.

The legislation is keyed to the following all-important principles: First, that the financing of emergency unemployment compensation payments should be borne by the Federal Government; and second, that these emergency benefits should extend over a specific time period to December 31, 1958, to all insured unemployed regardless of the duration of payments provision in their own State laws.

While there are some States like New York with sufficient reserve funds on hand to allow them to initiate their own emergency benefit extension programs, there are others which are approaching the financial breaking point.

The clear fact remains that the States have not taken action and show no likelihood of taking it to cope with a mounting emergency as more unemployed use up their eligibility—for unemployment compensation.

Therefore the Federal Government should evidence clearly what it will do and make clear the point at which the obligation will fall back again on the States.

I do not believe that Federal legislation should be adopted which would make participation in an emergency benefit plan optional and on a loan basis—that is the House bill, for that approach could discriminate heavily against those States which voluntarily undertake to participate in the loan basis.

We already find a considerable discrepancy in the employer's contribution to unemployment compensation funds demanded by the different States.

It is very possible that States voluntarily borrowing substantial Federal funds right now to aid their unemployed will find that 4 years

hence, if the House bill becomes law, they will have to raise substantially the percentage contribution demanded of employers to repay these loans.

Such action might drive both old and prospective employers out of such a State, lowering the level of business activity, cutting down employment opportunities and unfairly penalizing those very States which took positive action to alleviate the plight of their residents at a time when they needed it most, that is, if this House bill becomes law.

The second principle which should be incorporated in legislation adopted by the Senate concerns uniform duration of payments.

The Federal Government should not further aggravate the already crazy-quilt pattern of benefits periods which find the maximum running from as few as 16 weeks in Florida to 30 weeks in Pennsylvania.

Federal assistance should be directed at aiding insured unemployed for the same amount of time, regardless of their State's present law. The bill of which I have the honor to be a cosponsor, S. 3446, would provide for coverage through Federal grants for the remainder of the calendar year to those whose benefits have already expired or will expire some time during 1958.

A very legitimate area of State responsibility in this recession period concerns the perplexing problem of aiding the approximately 1,500,000 unemployed Americans who are not presently covered by State unemployment compensation. This group includes the following: employees of a small business where the State does not cover firms with four or less workers, employees of State and local governments, agricultural employees and employees in nonprofit organizations and domestic service.

I may say parenthetically I have had a tremendous amount of mail and personal visits from employees in nonprofit organizations especially, a field where they are being seriously prejudiced by this situation.

If the Federal Government is prepared to undertake action to assist more than the half million insured unemployed who have exhausted their benefits, so far, then I believe it is properly the duty of the individual States to inaugurate special assistance programs which they can gear to their particular needs based on the severity of unemployment among their uninsured out-of-work residents.

Finally, I believe that the committee must give consideration to the need for the establishment of certain Federal minimum standards which will prevent unfortunate competition between States where the pressure to attract an industry or retain one must always be balanced against the liberalization and development of really adequate unemployment compensation programs.

Congress has in the past adopted certain Federal standards. For example, in 1935, Congress spelled out the circumstances under which a worker may be disqualified from refusing a job offer.

I have suggested to this committee, on March 7, 1958, when I urged the following objectives be considered by the committee in connection with unemployment insurance:

1. A goal of 50 percent of the worker's average weekly wage in each State as the benefit amount provided.

2. The duration of payments extended to at least 26 weeks by the 40 States currently falling short of that goal.

3. Firms employing one or more workers should be included under every State's system.

4. Standardization of criteria for disqualification from benefits and eligibility for maximum benefit coverage.

5. This is a suggestion of my own which I made to the committee: Payment of health insurance premiums for those workers presently belonging to Blue Cross, Blue Shield, or other health insurance plans shall be continued under employment compensation apart from the weekly payments paid to those workers eligible for maximum coverage.

Year after year the President has recommended to the States that they enact certain uniform measures along the lines noted above. The lesson of experience is that there is need now for Federal action.

The relative benefits of the unemployment compensation program has shown a steady deterioration in purchasing power, over the years since its inception. Especially in times of a recession there appears little real likelihood that the States will now adopt the uniform standards they have previously failed to do.

In conclusion, therefore, I believe that this committee should adopt the principle of Federal grants rather than loans on this emergency bill, at this particular time, as the only way to do the job which must be done, now, and that the bill provide for a specified duration of benefits which is not controlled by varying State provisions regarding periods of duration, and of course I think the bill should have a specified termination date which the bill I have sponsored has.

I also urge adoption of the Federal uniform minimum standards for unemployment compensation I have outlined in my testimony, but if the committee cannot get substantial agreement on this question now I would hope that they would at least report a bill covering the emergency extension, for action is imperative now, and I conclude as I began, with a statement that I consider the measure before the committee to be entitled to the top priority in the antirecession effort.

Thank you, Mr. Chairman.

The CHAIRMAN. I would like to ask just a few questions.

Senator JAVITS. Yes, sir.

The CHAIRMAN. I would appreciate your comment.

Now, New York on December 31, had $1,353 million in the unemployment insurance fund balance.

On March 31 it had $1,273 million.

The reduction was less than a million dollars in 3 months, $800,000.

Do you think that New York should make more of this balance available to the unemployed, where the unemployment insurance has run out?

Senator JAVITS. I think, Mr. Chairman, that all the States should go further than they have done. The difficulty is that if you did that, as I think the Secretary of Labor testified, you deal with the fundamentals of competition between the States. And under those circumstances, I feel that it is legitimate although I come from New York which has such large reserves to recommend for this emergency and strictly on an emergency basis, with a time limit the overall national approach.

The CHAIRMAN. You quote the Secretary of Labor, but he favors this bill now before the committee.

Senator JAVITS. I quote him only insofar as it relates to Federal action. I do not quote him insofar as it relates to the loan proposition and the State voluntary option proposition.

The CHAIRMAN. He does not favor any Federal action beyond what is in this present bill. He was very specific about it.

Senator JAVITS. Exactly.

I have only used—my reference to his testimony relates only to this question of whether the Federal Government should act at all, or whether it should just leave it to the States.

The CHAIRMAN. There is no question about the attitude of the administration with respect to the bill.

The Secretary of Labor was very clear, I think, that they favor it.

As I understand it, you do not think that New York should make any further provisions out of this enormous balance they have on hand than they have already done?

Senator JAVITS. Senator Byrd, I believe New York should make provision but I believe it cannot do so under the circumstances of a Federal pattern of competition between the various States, and therefore if New York made provision, and the other States did not, New York would be prejudicing its own position in terms of the competition for the retention of or business in the State or the attraction of business to the State and it is for that reason——

The CHAIRMAN. In other words, you think that this program should be federalized and that the money available should not be made available to those that are in need at this time in the States?

Senator JAVITS. I think that the Federal Government should step in at this particular moment for the limited purpose which I have mentioned, because that represents, in my view, the balance of convenience considering the competition between the States, which inheres in their reserves.

The CHAIRMAN. Would you tell the committee what has been done by the legislature and what the Governor of New York has recommended?

Senator JAVITS. New York State has adopted at this session an increase in its benefits, maximum benefits, from $36 to $45.

It has turned down an increase in the duration from 26 weeks to 39 weeks which, incidentally, I favor very much myself, and finally it has passed an authorization statute which puts it in a position to avail itself of Federal loans or other assistance if they become available under any law passed by Congress.

The CHAIRMAN. What action was taken by the Governor and what action by the legislature?

Senator JAVITS. The legislature, I think it is fair to say, originated the increase in benefits, though I know that the Governor was just as anxious for it as they were.

The Governor recommended the extension of duration period, which they turned down, and I believe that both parties agreed—here I am just drawing upon my best recollection and it may not be strictly accurate—I believe that both parties agreed on the statute to give an authorization to deal with the Federal Government if that became available.

Now that I think is the division of recommendation and responsibility.

The CHAIRMAN. The Governor recommended extending the duration and the legislature objected to it?

Senator JAVITS. They did; that is, they did not act on it in that sense.

The CHAIRMAN. Do I understand that you believe in federalizing, so to speak, so as to bring about a uniformity of the rates between the States?

Senator JAVITS. No; I think, Senator Byrd, I think it is fair to say I believe the following: It is divided into two parts, A and B. A would be to take action now on an emergency basis and along the lines that I have suggested. B would be to establish Federal standards to be met by the States which would not necessarily mean that every State would have the same or would charge the same.

It would depend (1) on State experience and (2) on what the States choose to do based upon the Federal minimum standards, but I think that Federal minimum standards, which the President has been seeking for so long, should now come into being because I think we are brought face to face with a need for them by what is occurring now.

The CHAIRMAN. The President is not now recommending these uniform standards, is he?

Senator JAVITS. I realize that; the President is not.

The CHAIRMAN. He says he has done it in the past, but on this particular instance, in the bill before us, he is not recommending it.

Senator JAVITS. As a matter of fact, the President has not recommended legislation, so far as I know, to the Congress.

He has urged the States to adopt uniform standards.

He invokes that precedent only by way of showing its economic or social desirability, rather than as authority for the fact that he has asked for, or even believes in, Federal law.

The CHAIRMAN. Are there any questions?

Senator GORE. I would like to ask a question.

I did not quite understand, Senator Javits, why in your view New York State would be put in a competitive disadvantage vis-a-vis other States if it used the reserve which it has already stored.

Senator JAVITS. Well, the reserve, you see, as I understand the situation, conditions what the charges are.

In other words, it has to have a certain character and amount of reserve though the amount may be large in terms of dollars. It must be remembered that we have 6 million people employed in New York, of whom I think about well over 4½ million are in so-called covered employment.

So you are dealing with very large numbers of people, and the dollars in the reserve do not necessarily indicate their actuarial quality.

My understanding of the situation in New York is that the minute you begin to pay out of the reserve you immediately form the basis for higher tax requirements.

We have what is called in New York a merit rating system, which has been a very beneficial thing in terms of the industrial activity of the State, and notwithstanding our high maximum tax rate for unemployment compensation, has enabled us to compete with other States which have lower rates in terms of attracting industry, be-

cause if you have a good employment ratio your rate would go down. It went down very materially.

Now all of this would be affected materially by a change in our reserve situation. Hence my statement that if New York did it and other States did not, which they would not need to do if it were left individually to each State, it would result in prejudicing New York's position.

Senator GORE. Below what level would it be necessary for the reserves available to New York State to fall before there would be an automatic increase in the rate? Is such increase automatic, or would the legislature have to act further?

Senator JAVITS. Well, no, the legislature would not have to act further, because it is based upon actuarial performance within limits.

Senator GORE. What are those limits?

Senator JAVITS. The maximum limit is 2.7 percent.

I cannot give you the low figure, but it is very considerable.

Senator GORE. I am not referring to the tax rate, but what are the limits?

Senator JAVITS. Of the reserves?

Senator GORE. Of the reserves.

Senator JAVITS. I could not give you those figures.

I would undertake to supply them for the record, but I would say this: In view of the fact you are dealing with the question of principle, in short, if it were left to State action you cannot tell how far those reserves would have to be invaded before you were through with this situation, and it is the question of principle to which I address myself, because though they may be a margin, and I have no doubt there is——

Senator GORE. I do not object to your addressing yourself to principles but we are dealing here with actual facts and amounts of reserves. I cannot cite the exact requirements with respect to the amount of your reserves but I cannot—I would have difficulty thinking, without some evidence to support it, that the requirement would be anywhere near the neighborhood of $1.2 billion.

Senator JAVITS. Well, Senator Gore, of course as I said a minute ago, I have no doubt we would have a margin over and above the maximum essential reserve.

But I point out that once you decide the principle of leaving it to State action, individual State action, then you have no limit upon how much the reserve will be reduced. And because you do not know how long this situation is going to last or how many people are going to be involved, and therefore, I felt it fair to address myself to the issue of principle that once you started upon that path you could disturb the competitive relationships which now exist between the States but I will undertake for the State of New York to supply for the record by making inquiry of our State authorities as to the margin which they have, and this is factual information which I thoroughly agree with the committee on.

(The information submitted by Senator Javits appears at p. 340.)

Senator GORE. I take it you would concede that insofar as the reserves greatly exceed any minimum amount which would automatically or otherwise bring about an increased tax, that excess in the

reserves could be used without prejudicing the competitive position of the State of New York?

Senator JAVITS. I agree.

Senator GORE. You are aware, I take it, that the terms of the bill before this committee would require New York State, if it participated in the program provided by this bill, to incur an obligation for payroll tax in the future.

Senator JAVITS. That is correct.

Senator GORE. Do you not think that that in itself might operate to put New York State in a position of competitive disadvantage to the same extent, or to a similar extent, that it would occupy if it made use of its own reserves?

Senator JAVITS. I think that it is fair to say that the loan proposition, for a State like New York, represents no material difference than just leaving it there.

I think that is an absolutely fair conclusion and I think that was fundamental—when I appeared first this morning, Senator Gore, I hoped not to take very much time of the committee, but I made it clear that I appeared only really for 2 purposes: 1 was to express the view before the committee in connection with the committee's consideration based upon my observation of our biggest State in terms of money and people; that this really was entitled to top priority attention by you gentlemen.

Senator GORE. I gather from your—I read your statement.

Senator JAVITS. All right.

Senator GORE. Though I was not here when you started.

I did read it all, and I take it from your testimony, both written and oral, that you consider the terms of the present bill entirely inadequate to meet the problem.

Senator JAVITS. In terms of the House bill?

Senator GORE. Yes.

Senator JAVITS. That is the bill before the committee, yes; I said that very clearly.

If I might finish, Senator Gore.

I had in mind two points. One, the urgency which I could feel and see in my own community and, two, my views as to what you ought to do—what I know will be pressed upon you to deal with, uniform Federal standards in this bill, and at the end of my statement it covers that.

I think this is of such a serious nature at this particular point that if you cannot get substantial agreement on uniform standards you at least ought to act upon this particular measure.

Senator GORE. Act on this particular measure.

Do you think this particular measure, in the form in which it is before this committee, would bring about any substantial benefits?

Senator JAVITS. As I said before, Senator, act upon the issue. I don't agree with the House bill—I think the Senator will understand it.

Senator GORE. You are about as dissatisfied with it as I am, I take it.

The CHAIRMAN. Are there any further questions?

Senator MARTIN. Senator Javits, have you made an estimate as to the cost of your proposal?

Senator JAVITS. I think the estimates—you mean the cost of Senator Case's proposal?

Senator MARTIN. No, the total cost to the Federal Government in the proposal.

Senator JAVITS. Well, I tried to qualify that, my proposal being the bill that I am on.

Senator Case is the principal sponsor of that bill; is that correct, Senator Martin?

Senator MARTIN. Yes.

Senator JAVITS. My recollection is, and I would like to again check that, and get the facts for the committee, that it is somewhere in the area of close to $400 million.

(The material submitted by Senator Javits appears at p. 340.)

Senator MARTIN. You are aware that we are facing a pretty heavy deficit as far as the Federal Government is concerned?

Senator JAVITS. I am, sir, and may I say in my own defense that I have not been one of the ardent tax cutters at all.

On the contrary, I have risked great unpopularity in my State by being very strong for the proposition that when you have to spend money you have to get it, too.

Senator MARTIN. Senator, when I was Governor of the Commonwealth of Pennsylvania, and people came to me with a proposal to spend money, I always said, "Now, what tax would you suggest to take care of it?" Do you have anything to suggest along that line, because I am one of the folks who said in January that if we had a deficit, instead of decreasing taxes, I favored increasing them, because I think the most dangerous thing confronting our country right at the present time is inflation.

Senator JAVITS. Well, you have——

Senator MARTIN. And deficit financing is probably the greatest cause. I—my question is kind of unfair, I realize that, but I just kind of wanted to have your idea.

I have no further questions.

Senator JAVITS. The Senator is never unfair and more than friendly and I would say again, answering briefly because I promised the chairman under oath that I would take very little time, that I am not an ardent tax cutter: that I believe that such tax cuts as we might make should be directed toward the direct stimulation of consumption and the excise tax field, in the small business field, in the depreciation of machinery and equipment field, and that notwithstanding popular currents for tax cutting, I have resisted them, even going back to 1957 budget, but I cannot go with the Senator to my dear friend and great New Yorker, Bernard Baruch's, point of increasing taxes.

I think that the best we can hope for is to keep them about where they are, while we deal with this emergency, and, sir, I have rather deep feelings that by what we do in these measures, this being essentially like so many recessions in our country, a recession of confidence, by what we do in this measure, in reciprocal trade, in foreign aid, in defense reorganization, in these key issues which are before us, I think we are going to have a great deal to do with turning the tide.

Now that is just again one man's opinion.

Senator MARTIN. Well, that is one nice thing about America, each one of us can have his opinion, disagree and still be very friendly

about it, and I think one of the very important things now is that we have a very thorough discussion of these matters back at the grassroots.

Senator JAVITS. Yes, Senator; I agree with you.

Senator WILLIAMS. Mr. Javits, if I might ask just one question: You had mentioned the fact as I understood it your endorsement of federalizing this program to a certain extent was to eliminate the possible competitive advantage between States; is that correct?

Senator JAVITS. My endorsement of Federal standards was an effort to eliminate, to help eliminate as far as possible and to deal with the disadvantages between States.

Senator WILLIAMS. Do you think that in dealing with this problem in the past, State legislatures or State governments have withheld or held down their payments in an effort to gain a competitive advantage with other States?

Senator JAVITS. Sir, I would not characterize the action of any State government.

I think they have all been submitted to two divergent pressures, one from their own people to increase benefits, the other from the competitive situation to keep them as low as possible.

I would say that the effect has been to make it more attractive for business with large employment to establish in certain States than in others; that is the only thing I can say.

Senator WILLIAMS. The reason I asked that is I noticed the average tax rate for New York is 1.7 percent, and the average tax charged in Rhode Island, a neighboring State, is 2.7, and I was wondering if you felt it had been so used in New York.

Senator JAVITS. I just point out, Senator Williams, as I have said before, that under our merit system it depends upon stability of employment. If we had the unhappy problems that Rhode Island apparently has, especially with their textile business, we would probably be right up there in the 2.4, 2.5, or 2.6 bracket, too, but under our system, inaugurated under the administration of Governor Dewey, we have rewarded stabilized employment and it seems to have worked out pretty well.

Thank you, sir.

The CHAIRMAN. Are there any further questions?

Senator MALONE. Mr. Chairman. I am very much interested in your outline, Senator.

What do you think—what is your thought about the length of the continuance of this so-called recession or depression?

Senator JAVITS. Senator Malone, I used to have a reputation in the House as a foreign-policy expert. I am getting one here as a lawyer, so I have to be especially careful.

I would not wish to forecast; you have had many, many skilled people here. I do advance the opinion, though, that if the American people are convinced that we are going to be—we are not going to pull in, we are going to be bold when the going is toughest, then I think the recession should be of reasonably short duration and perhaps some indication of my view is contained in the fact that the bill I have joined with Senator Case of New Jersey in sponsoring, is limited to December 31, 1958.

I express the fervent hope we will do enough as a government to get us over the hump this year. But I would not wish to be a forecaster.

Senator MALONE. When you talk about being bold, do you mean the Congress being bold and spending taxpayers' money?

Senator JAVITS. I would not say, sir, that spending is the only thing that we can do.

We should spend wisely. I have found myself in the company of both the spenders and the cutters, and advisedly.

In short, when it came to rivers and harbors bills, I have been with the economizers.

When it came to certain other bills, like important foreign-aid bills, I have been on the other side, and I am in this.

I think it is the wisdom of expenditure which should control. I think some expenditure is justified.

Mainly I think it is the wisdom of expenditure, and the fortitude to stay within our income, as I expressed to Senator Martin.

Senator MALONE. Yes.

I might say, for the record, some may not have paid as much attention to the flood control, rivers and harbors bills as some of the rest of us.

I dealt with the Army engineers for 30 years as an engineer before I came here. For 75 years it has been a policy that when the Army engineers were directed to examine a project, and they reported that the benefits exceeded the costs, then the congressional committees if they so desired, considered those bills and if they approved them, and the Congress approved them, then they were eligible for construction and if the Appropriations Committee from time to time appropriated the proper funds they were constructed.

Now, it has been a source of regret to me that that 75-year-old policy has been thrown into politics, to say that you will quit constructing the projects that are pronounced feasible and the Congress pronounces feasible, and authorized, that you would retard that because of some political situation or rush it along maybe on projects that were not feasible when you wanted to spend a lot of money.

I think it is a very harmful thing to the country.

The same thing applies with the Bureau of Reclamation.

When they are directed to go into a project and they say the money can be paid back, returned without interest over a reasonable period of time, pronounced feasible, then the proper committees consider it and authorize it, that too has been thrown into politics and I regret that very much, because the people who benefited from flood control and from reclamation, it is their living you are tampering with.

So it is not just a question of being for them and having a depression against them when you do not have.

It is a long-range thing and the building of these projects hardly gets underway in time to help a short depression anyway.

Now I asked you for your idea of the duration because everybody is expressing opinions.

Senator JAVTS. Sure.

Senator MALONE. Now suppose these men we are talking about become more or less permanently unemployed because of the imports of cheap labor goods, which you are fully aware of, I am sure, what would you do with these men then?

Would you continue the unemployment indefinitely or what would you do about it?

Senator JAVITS. No, I do not think you can do that, Senator. I think that you know my views. You and I, I think, have debated the issue of domestic industry affected by imports, and what I am for—I am not for opening the gates wide and letting everything in.

I have been for a reasonable degree of judgment, which is reflected in the reciprocal trade agreements but where within that degree of judgment there is harm, I have been for giving assistance to retooling, going into some other line of business, retraining the people in order to meet the national interest policy. There is some generic word which is used in this committee for those bills. I have one in, Senator Kennedy has one in, I think others too—"adjustment assistance," I think. I have been for that.

Senator MALONE. Hasn't the State Department suggested these bills almost over the whole period of the so-called reciprocal trade—of course, the two words do not occur in the bill, as you know.

Senator JAVITS. Yes.

Senator MALONE. It was a phrase invented to make it more palatable because it looked like they were getting something for it; it might make it easier to swallow it.

Now the boys are going out of their jobs in droves all over the United States on account of it, it is not so easy to swallow.

But there is room for difference of opinion as you point out.

Senator JAVITS. Of course.

Senator MALONE. And you and I have debated, and probably will this year.

Senator Javits, what I would like to know then is, you have this bill in to retrain these men, like toolmakers who are out of jobs permanently and chronically.

We make watchmakers out of them or something else. You do agree with the State Department we should recognize that we are remaking the industrial map of the United States under this so-called 1934 Trade Agreements Act and that the unemployment resulting then must be taken care of permanently.

Senator JAVITS. Senator, I do not believe unemployment will result. I believe that there is ample absorption capacity in the American economy, if we are doing our job as an American economy, for these workers in other lines.

I believe that the number involved does not represent a widespread permanent unemployment problem but is very marginal, running in terms of the few hundred thousand and that, compared to the export industries and what they bring to the country, the relationship is such that this is a job we ought to do and can do within a manageable—in a manageable way.

I do not believe that the recession unemployment in any major way is attributable to that situation.

Senator MALONE. Well, of course, we will debate that when the time comes.

Senator JAVITS. Of course we will, and I did not want to detain the Senator or the committee.

Senator MALONE. Here is the question I want to ask, I am not quite through.

Senator JAVITS. Please.

Senator MALONE. I think you are an important witness because of your beliefs in these things.

Senator JAVITS. Thank you.

Senator MALONE. I want to say for your information and I hope you check me, that if you deduct the amount of money that you give to these foreign nations each year in cash, and if you deduct then the subsidies that you pay for your exports, then you are exporting at this time a less percentage of your exportable goods than you were in 1934 when you passed the act.

So it is not doing what you think it is doing.

I hear this 4½ million people attributable to exports and that is probably true. But we had a lot of people attributable to exports before you passed the act.

Now you have not increased, you may have decreased the percentage of your exportable goods going abroad if you put it on a profitable basis, and I know you would not want to put it on a permanently unprofitable basis.

You have given these nations $70 billion since World War II to buy our goods and to build up dollar balances to demand our gold.

This committee has pretty wide latitude.

And Mr. Martin, the Chairman of the Federal Reserve Board, testified that these balances were built up, some of them, with the "folding" money we give these nations, and that now, if all of these balances that could be converted to nations' balances were demanded, we would have $5,700 million worth of gold left, which may not mean anything to you and I am not sure what it means.

But the fact remains that out of that 4½ million that they claim in my opinion it is a hoax, because you would have your profitable foreign exports, if you did away with the give-away thing and profitable exports are all that the taxpayers can afford to have.

I merely ask you these questions, and you have answered them now, that if these employees are permanently unemployed by virtue of imports then you have a bill ready to compensate and retrain these men and move them to other areas, if necessary; is that right?

Senator JAVITS. That is correct.

Senator MALONE. And to compensate in a certain way, to a certain extent the stockholders and the investors these companies that are put out of business.

Senator JAVITS. That is correct.

Senator MALONE. What is the status of this bill?

Senator JAVITS. I think it is before your committee.

I think—as I say mine is not the only bill, there are other bills pending but it is a general approach.

Senator MALONE. You actually believe that is the way to handle the country and remake the industrial map and take care of the unemployed?

Senator JAVITS. Again, Senator, I apologize for the time I am taking.

Senator MALONE. No, don't apologize. I am taking the time. Don't apologize to me.

Senator JAVITS. I do not believe we are remaking the industrial map of the country because I do not believe the situation is that widespread.

I believe it is a situation analogous to what we did on a much larger scale in helping businesses to retool which went to war production and then went to peace production.

We did exactly that thing when the national interest required it on a much broader scale and very successfully.

Senator MALONE. You mean when we asked them to build war plants?

Senator JAVITS. Having finished——

Senator MALONE. Which was a temporary thing?

Senator JAVITS. Yes. Well as I say, having finished with the war——

Senator MALONE. Are we?

Senator JAVITS. We wanted to help them to get back to peace, and, in order to do that, we did exactly what I am suggesting and others have suggested in respect of businesses adversely affected by imports. We gave them loans.

Senator MALONE. You understand I am not trying to embarrass you, but trying to get the record for it.

Senator JAVITS. Of course.

Senator MALONE. For 180 years, 150 years, before 1934 we had a principle of raising our standard of living to the extent that we could, with our own markets, through protecting those markets. In other words, the duty or tariff represented the difference in effective wages and the cost of doing business, including taxes here and in the chief competing country on each product. With that we raised our standard of living pretty high.

Now, in 1934—in other words, there was a principle if any young man or old man or anyone else thought that he could enter a business and compete with Americans, any place in the United States, then he could persuade his people to buy stock and, if his judgment was good, he was in business.

Now we have changed that setup so that the President of the United States—and this is the testimony of Secretary Dulles before this committee in 1955—can trade a part or all of any industry, under the 1934 Trade Agreements Act, to foreign nations if he thinks it will further his foreign policy.

You are aware of that?

Senator JAVITS. I am aware of that, Senator. I think the point is that in the 180 years our economy has very materially shifted.

Senator MALONE. One hundred and fifty years, until we passed the act and reversed the trend.

Senator JAVITS. Well, I think our economy has materially shifted into an important reliance upon exports, as well as an important reliance upon domestic consumption.

Senator MALONE. I think you are exactly right, through that act.

Now, then, we are paying for those exports above the amount we had in 1934, that is above the percentage.

As you well know, we give this cash money to the countries there, for which they can purchase goods from this country or they can build up dollar balances against the gold in our depositories, and then we make up what they call the dollar balance, what they spend each year above what they make.

The thing, then, I wanted to pin down, you are for this change in policy to do that very thing, to let the President trade these industries for his foreign policy and, also, then, in the General Agreement on Tariffs and Trade which was organized by our State Department

and put in Geneva in 1947—80 nations, 37, including us, with 1 vote out of the 37, make multilateral trade agreements lowering our tariffs, also lowering some of their own; that, by virtue of the charter of GATT, General Agreement on Tariffs and Trade, they do not have to keep their part of the trade agreements as long as they can show that they are short of dollar-balance payments, which they can until our wealth is divided equally among them. You are for that too, I understand?

Senator JAVITS. Senator, I would not wish to engage in an extended debate upon the reciprocal trade agreements.

Senator MALONE. You brought it up; I did not. [Laughter.]

Senator JAVITS. If I did, I certainly apologize. I was not at all conscious that I brought it up.

Senator MALONE. All right; we will wait for the Senate debate.

Senator GORE. Do you withdraw?

Senator JAVITS. I wish to adopt all the statements of fact and principles. We will get at it.

Senator GORE. Mr. Chairman, I wonder if the able junior Senator from New York would be willing to venture some opinions on the gold and silver question at this time. [Laughter.]

The CHAIRMAN. Senator, we thank you very much, sir.

The next witness is Mr. E. S. Willis, United States Chamber of Commerce.

The Chair would like to announce that the Republican membership of the Senate is going out to meet the Vice President, and that, therefore, they may be absent for a while.

We will proceed.

Mr. Willis, please proceed.

STATEMENT OF E. S. WILLIS, REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. WILLIS. Mr. Chairman and members of the committee, my name is E. S. Willis. I am employed by the General Electric Co. and am responsible for all planning, analysis, and development of employee benefit programs of the company. I am also a member of the committee on economic security of the Chamber of Commerce of the United States, and may I express our deep appreciation for the opportunity of appearing before you at this hearing today?

I appear today on behalf of the national chamber to discuss H. R. 12065 and other proposals which would affect State unemployment compensation programs. Our concern is not only for those who have exhausted their unemployment compensation benefits, but also for those now drawing benefits—people who have not yet found new jobs. We are also concerned for the millions of people with jobs who look to a sound unemployment compensation program for protection should they become unemployed.

In appraising these various proposals, it seems important to consider that these 51 separate employer-financed unemployment compensation programs have operated successfully for more than 20 years. I might mention my own company has deposited about $160 million over the years in the unemployment-compensation program.

As you know, they were designed to accomplish two sound objectives. The first is to provide a partial income replacement of wage

loss resulting from short-run unemployment through no fault of the individual worker. The second is to encourage employers to regularize and to stabilize their own employment.

During these past 20 years, Congress has resolutely adhered to the view that the wide variations in the economic characteristics and business conditions among the States require that each State be responsible for administering its own program and for adjusting it to fit its own changing economy. The wisdom of Congress in placing full authority and responsibility on each State, we believe, has been fully justified.

This decentralized approach has also enabled each State to experiment and undertake changes in the light of its own experience. Any change that subsequently proves to be a mistake can be corrected and, by being confined to one State, is not compounded among all 51 jurisdictions. We believe the record shows that the States have lived up to this responsibility and have steadily improved these State programs dealing with short-term unemployment.

For example, States have periodically reappraised the adequacy of benefit amounts. Thirty-three States increased benefits in 1955, and 22 States established higher benefits in 1957. Even though most State legislatures have not been in session this year, four have increased benefits in 1958.

New York State, for example, as Senator Javits pointed out, recently raised the maximum weekly benefit by 25 percent—from $36 to $45—a level which that State has long regarded as proper.

In terms of purchasing power, today's average weekly benefit check will buy about 40 percent more than its 1939 counterpart, and 25 percent more than the average benefit paid in 1949.

States also have progressively extended the duration of benefits. In the past 20 years, the duration has been just about doubled. Today, 80 percent of covered workers are in States which provide benefits for as long as half a year.

In appraising the job these States have done of adjusting their unemployment-compensation programs to meet changing conditions, we must bear in mind the character of the responsibility of each State legislature.

In administering and adjusting an unemployment-compensation program, the State legislature, of course, is deeply concerned with those who are unemployed through no fault of their own.

However, they have as great a responsibility to those still working who look to their unemployment-compensation program for protection, should they too become unemployed.

The State also gives due consideration to the impact of unemployment-compensation taxes on employers. All States have established tax incentives to encourage employers to stabilize employment and minimize layoffs.

The major purpose of the various legislative proposals before this committee and before several State legislatures is to pay additional benefits during the present period of readjustment by business and consumers to those workers who are unemployed and who have received all the unemployment-compensation benefits they are entitled to.

The national chamber is sincerely concerned about the current rise in unemployment—about all who have lost their jobs.

The chamber is especially concerned about those members of the work force with a real and permanent attachment to the labor force who are presently out of work and have exhausted their benefit rights.

However, we believe that conditions to date do not justify Federal legislation affecting all State unemployment-compensation programs.

For the country as a whole, the number who exhausted their benefit rights in the most recent quarter—the first quarter of 1958—is smaller than the number of exhaustees in each of four consecutive quarters in the recession of 1949–50, when Congress relied upon the States to live up to their responsibilities.

In any event, Congress took no action whatsoever in that recession period. We believe Congress was wise in refusing to intervene. This permitted each State to tailor its program to fit the peculiar conditions in the State.

If you have the statement you will notice I have a table in the statement which shows that the United States exhaustions in the first quarter of 1958, which were 480,000, were less than the quarterly exhaustions than the last 2 quarters of 1949 and the first 2 quarters of 1950.

Quarter	1949	1950	1958
First	368,000	725,000	480,200
Second	435,000	523,000	.....
Third	530,000	338,000	.....
Fourth	587,000	251,000	.....

I also would like to point out that the insured work force since then is materially increased. In fact, it is about 25-percent larger than it was at that time.

In the present period of readjustment, the volume of unemployment covered by unemployment compensation has been largely concentrated in 10 highly industrialized States.

However, the first quarter exhaustions in 6 of these States was less than during 4 to 7 quarters in the 1949–50 readjustment.

These are California, Illinois, Massachusetts, New York, Ohio, and Pennsylvania.

First quarter benefit exhaustions in the other four industrial States—Indiana, Michigan, New Jersey, and Texas—were higher than in any quarter in 1949–50.

However, we do not believe that these figures on exhaustions justify Federal legislation which will affect all unemployment compensation programs.

The fact that first quarter exhaustions in four industrial States were higher than in any like period in 1849–50 indicates the situation there is more serious than earlier.

However, we believe the legislatures in these States can and will—and moreover should be expected to—adjust their unemployment compensation provisions with respect to benefit duration if, in their judgment, the volume of exhaustions threatens to present a serious problem.

Doubtless, one of the factors the State legislatures will watch closely is how many of these who exhaust their benefits—especially

those who are primary family breadwinners—find jobs and drop out of the category of "exhaustee."

Of course, once they find another job they then are able to qualify at some later date for another round of benefits.

The financial resources in most States are sufficient to enable them to make any changes they deem desirable.

During the first quarter of 1958, every State had an excess of benefit costs over unemployment compensation tax collections.

In other words, they have experienced a net drain on their unemployment compensation reserve funds.

However, 9 States could continue this rate of drain for 5 years or more. Twenty-eight States could continue this rate of net outpayments for from 2 to 5 years. Eight States could sustain this rate of drain for from 1 to 2 years, and, as the appended table shows, there are only 3 States which could continue that rate of net outpayments for less than 1 year.

However, I want to make one important precautionary comment on these figures. Experience shows that State unemployment compensation tax receipts during the first quarter of any year are typically at a low ebb, and are not representative of the receipts during the rest of the year. For example, during 1957, when State unemployment compensation tax receipts totaled $1.5 billion, the first quarter accounted for $247 million, and the last quarter for $300 million, or a grand total in those 2 quarters of $500 million.

Thus, the second and third quarters' tax receipts accounted for two-thirds of the total for the entire year, or about $1 billion.

Therefore, the net drain figures we have used for the first quarter in my comparisons of each State up above may well state those figures at their worst and understate the number of years the various States could continue a regular drain quarter after quarter.

As a matter of fact, in my opinion if we were able to put in the exact tax receipts the figures I have given above may be doubled at least.

It should also be noted that any State may now borrow from the Reed loan fund established by Congress in the 1954 amendments if its reserve accounts should become seriously depleted.

In the light of our most recent experience on unemployment compensation benefit exhaustions in the separate States compared with the 1949–50 period, and the unemployment compensation financial position in each of the States, we believe that the States are able to deal with any problem they now face.

There are now several legislative proposals which may be considered by this committee. The House bill, H. R. 12065, which reserves to the States—and we think quite appropriately—the initiative, freedom of decision, authority and responsibility presents a possible danger.

This bill would set a precedent for the future, when any slight upturn in unemployment might immediately be labeled an "emergency."

Once the Federal Government substitutes its judgment for that of each of the State legislatures about the need for extending benefit duration, a return to State programs designed to meet conditions in each of the individual States will be most difficult, if not impossible.

A fundamental principle of State responsibility will be destroyed.

Some other proposals to which this committee may give consideration, we believe, are not in the best interests of the many millions of workers covered by unemployment compensation. This is particularly true in the case of S. 3244, which would tend to destroy individual employer experience rating.

This incentive has encouraged employers to stabilize employment and minimize layoffs. In other words, it has tended to provide steady work for the vast majority of workers under unemployment compensation.

S. 3244 embodies other adverse features which would effectively and severely restrict the authority and responsibility of each State to adjust its own program to fit the changing conditions within the State.

S. 3244 would change the basic purpose of UC of providing protection to workers regularly attached to the labor force by diverting funds to the payment of benefits to casual and part-time employees.

For example, one section provides for a uniform benefit duration of three-quarters of a year. All UC claimants whether regularly attached to the labor force or not would be entitled to benefits for three-quarters of a year. However, a substantial portion of UC benefit claimants are in-and-outers. Some are housewives who take jobs for a season to earn some extra pin money. Some are young women who work for a while, quit, and then get married. Some are students who qualify by holding a job for a summer, and then draw benefits for 5 or 6 weeks or perhaps longer.

Thus it can be seen that a Federal minimum standard on benefit duration would ignore the fact that many UC claimants are not regularly attached to the labor force.

Paying benefits to these persons for 39 weeks could impair the financial soundness of a program to which so many workers regularly attached to the labor force look for some protection if they too should become unemployed.

This bill provides other kinds of Federal intervention which would greatly weaken essential features of State UC programs, which have done a progressively better job in dealing with temporary unemployment.

Another proposal (H. R. 11679) also involving Federal intervention would provide Federal supplementation of State UC programs. This supplementation would be available to each State if it applied for the funds. However, the supplementation would be forced upon any State which failed to agree to the conditions laid down.

The national chamber believes that any Federal compulsion as to conditions of eligibility, amount or duration of benefits—even on a so-called temporary emergency basis—would be merely the first step toward undermining the present State programs.

Finally, there is another type of proposal which may come before your committee. The proposal which was overwhelmingly rejected by the House of Representatives provided for Federal supplementation through nonrepayable grants in aid, and also further grants in aid to unemployed not covered by State UC programs.

In essence, this proposal would provide weekly benefits to unemployed in the form of relief—without a means test.

The British experience in the 1920's with unemployment benefits for extended periods of time clearly revealed the dangers of forcing unem-

ployment compensation programs to deal with extended unemployment.

The resultant cost burden ultimately became so heavy as to require the application of a means test to every UC beneficiary.

For these several reasons the national chamber believes that the principles embodied in these other proposals (S. 3244, H. R. 11070, and the dole proposal rejected by the House of Representatives) are inimical to the integrity and continued financial soundness of State unemployment compensation.

The fact that State legislatures are closest and most familiar with their own unemployment conditions, and their proven record of handling unemployment and adjusting UC to fit changing conditions is the best assurance that State unemployment compensation programs will continue to do the dynamic kind of job we expect.

Thank you, sir.

The CHAIRMAN. Thank you very much, Mr. Willis, for your very informative statement.

Are there any questions?

Senator DOUGLAS. Mr. Willis, on the last page of your testimony you said that you were opposed to Senate 3244, H. R. 11070, and to the Mills bill.

Now the bill which we have before us is H. R. 12065.

May I ask if the chamber has taken any attitude on H. R. 12065?

Mr. WILLIS. Yes, sir; and, as we indicated in the early part of my testimony, the chamber favors State responsibility completely.

However, if the Senate feels that some sort of Federal action is necessary, w think that H. R. 12065 would be the least dangerous of the bills, because it leaves——

Senator DOUGLAS. On the whole, you are opposed to H. R. 12065?

Mr. WILLIS. Sir?

Senator DOUGLAS. On the whole, you are opposed to H. R. 12065?

Mr. WILLIS. Yes, sir; we are opposed to the principle of Federal intervention.

Senator GORE. In other words, you are against doing anything about it?

Mr. WILLIS. No, sir. We think the States can, will, and should do something about it.

Senator DOUGLAS. Do you happen to know whether the New York State Chamber of Commerce was in favor of the recent liberalization of benefits in New York State?

Mr. WILLIS. I know that all of the State chambers and the other employer associations in New York favored the rise in benefits.

Senator DOUGLAS. How about the proposed extension of duration?

Mr. WILLIS. I do not think they took a position on it. The action of the legislature came in the very last days of the session, and they only acted very rapidly to provide a means to take any Federal aid that might be given to them.

Senator DOUGLAS. Would you be willing to look this up and then submit a statement for the record?

Mr. WILLIS. I will be glad to look it up and file a statement.

I might say my company favors extension of benefits.

Senator DOUGLAS. It favors extension of benefits?

Mr. WILLIS. Yes, sir. We have a statement——

Senator DOUGLAS. That was defeated, as Senator Javits has said.

Mr. WILLIS. Well, I think that the Legislature in New York finally decided they did not have time to look at this whole problem, so they put in this other law which would permit Federal action.

Senator DOUGLAS. I think Senator Javits stated accurately that Governor Harriman favored an extension of 39 weeks and the legislature rejected that.

Mr. WILLIS. I am under the impression, and I will be glad to file a statement, they did not exactly reject it but felt they did not have time to study the problem.

(The following was subsequently received for the record.)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D. C., May 19, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: During my testimony for the Chamber of Commerce of the United States before your committee last week, Senator Douglas requested that I file a statement on the position of the Empire State Chamber of Commerce relative to the improvements in the New York unemployment compensation law.

As I indicated in my testimony, the Empire State chamber supported material improvements (including the 25 percent increase in the benefit amount) which were made this year by the legislature.

This State chamber has believed that the facts in New York have not justified an increase in benefit duration. However, I am informed that its social security committee has scheduled a meeting in the near future to review this and related topics.

In connection with benefit duration, I understand that the State chambers of commerce in Connecticut and West Virginia have supported a longer duration in those States. As you know, Connecticut has adopted an increase to 39 weeks. I have not learned as yet the position on duration of the other State chambers of commerce. I trust this is the information sought by Senator Douglas.

Yours very truly,

E. S. WILLIS.

Senator DOUGLAS. They did not adopt it.

Mr. WILLIS. Pardon?

Senator DOUGLAS. They did not adopt it, did they?

Mr. WILLIS. That is right. There are other States, as you know, Connecticut has acted and Massachusetts, I think, will act in the future.

Senator GORE. As I understand the position of the United States Chamber of Commerce, it is in opposition to the United States Congress taking any action whatsoever with respect to the unemployed?

Mr. WILLIS. Yes, sir.

Senator GORE. You are running true to form.

Mr. WILLIS. With respect to the unemployment compensation laws in the State. I think there may be possibly a distinction there.

Senator GORE. I would be glad if you would spell it out, sir.

Mr. WILLIS. I think that fundamentally the Chamber feels that this problem is completely a State problem, the problem of the unemployed.

Senator GORE. You are opposed to the United States Congress taking any action whatsoever in this field?

Mr. WILLIS. In the field of unemployment compensation; yes, sir.

Senator GORE. Do you know of any field of social benefit in which the United States Chamber of Commerce favored any progressive action?

Mr. WILLIS. Yes; I think the Chamber has favored—I do not claim to be an expert in all fields—I think the Chamber has favored some action with respect to social security, for example, which is a Federal program.

Senator GORE. I am glad to hear that. Thank you. It shows there is some hope for everybody. [Laughter.]

The CHAIRMAN. Thank you very much, Mr. Willis.

Mr. WILLIS. Thank you, sir.

(The table accompanying Mr. Willis' statement follows:)

Financial position of State unemployment compensation programs, 1957–58 [1]

State	Reserve account as of Mar. 31, 1958 (millions)	Reserve account drain [2] 1st quarter 1958 (millions)	Length of time 1st quarter drain could be sustained	Average unemployment compensation tax rate in 1957
				Percent
Alabama	$82.1	$0.9	2 years and 50 weeks	1.1
Arizona	67.7	1.2	12 years	1.3
Arkansas	42.3	2.7	3 years and 47 weeks	1.1
California	925.9	79.2	2 years and 47 weeks	1.4
Colorado	74.2	3.2	5 years and 41 weeks	.5
Connecticut	228.9	21.2	2 years and 36 weeks	1.2
Delaware	13.2	2.0	1 year and 33 weeks	.8
Florida	91.7	2.5	9 years and 8 weeks	.7
Georgia	146.5	0.3	5 years and 42 weeks	1.2
Idaho	32.9	3.9	2 years and 5 weeks	1.3
Illinois	461.0	42.5	2 years and 36 weeks	1.0
Indiana	192.8	20.7	2 years and 17 weeks	1.0
Iowa	110.5	4.2	6 years and 30 weeks	.5
Kansas	82.2	4.4	4 years and 34 weeks	1.0
Kentucky	112.9	8.9	3 years and 8 weeks	2.0
Louisiana	152.0	1.8	21 years and 5 weeks	1.4
Maine	41.4	4.4	2 years and 18 weeks	1.6
Maryland	102.0	15.4	1 year and 34 weeks	1.0
Massachusetts	289.5	30.3	3 years and 20 weeks	1.6
Michigan	225.8	70.9	41 weeks	2.0
Minnesota	103.1	11.1	2 years and 16 weeks	1.0
Mississippi	31.8	3.0	2 years and 33 weeks	1.7
Missouri	217.0	11.1	4 years and 46 weeks	1.0
Montana	38.8	5.1	1 year and 44 weeks	1.3
Nebraska	37.7	2.4	3 years and 48 weeks	.9
Nevada	17.4	2.5	1 year and 38 weeks	2.0
New Hampshire	23.5	1.7	3 years and 23 weeks	1.6
New Jersey	397.9	44.7	2 years and 11 weeks	1.7
New Mexico	40.2	.7	14 years and 18 weeks	1.2
New York	1,27[illegible].7	86.4	3 years and 36 weeks	1.7
North Carolina	174.6	8.8	4 years and 40 weeks	1.4
North Dakota	8.7	1.6	1 year and 18 weeks	1.4
Ohio	563.1	59.3	2 years and 19 weeks	.7
Oklahoma	50.5	3.8	3 years and 16 weeks	1.0
Oregon	26.5	15.7	22 weeks	1.4
Pennsylvania	263.3	85.4	40 weeks	1.5
Rhode Island	26.6	5.0	1 year and 17 weeks	2.7
South Carolina	73.1	2.4	7 years and 31 weeks	1.1
South Dakota	13.6	.7	4 years and 44 weeks	.9
Tennessee	81.6	10.4	1 year and 48 weeks	1.7
Texas	290.6	12.1	6 years	.7
Utah	38.0	2.7	3 years and 26 weeks	1.3
Vermont	15.6	1.5	2 years and 31 weeks	1.3
Virginia	88.1	5.4	4 years and 4 weeks	.5
Washington	188.3	17.4	2 years and 36 weeks	2.3
West Virginia	60.0	8.0	1 year and 45 weeks	1.0
Wisconsin	245.6	13.0	4 years and 37 weeks	1.1
Wyoming	15.2	1.1	3 years and 23 weeks	1.1

[1] Data are from Bureau of Employment Security, U. S. Department of Labor.
[2] Excess of benefit costs over unemployment compensation tax collections.

The CHAIRMAN. The next witness is Mr. Leslie J. Dikovics, Council of State Chambers of Commerce.

You may proceed, sir.

STATEMENT OF LESLIE J. DIKOVICS, ON BEHALF OF MEMBER STATE CHAMBERS OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. DIKOVICS. Thank you, Mr. Chariman and gentleman, my name is Leslie J. Dikovics. I am associated with Walter Kidde & Co., Inc., of Belleville, N. J. I am a member of the social security committee of the Council of State Chambers of Commerce and appear here on behalf of the 28 member State chambers of the council listed at the end of my statement.

At the outset, I want to point out that the organizations for whom I speak are strongly opposed to any legislation which will distort the basic purposes of the State unemployment compensation programs.

We are equally opposed to legislation which would tend to lead to imposition of Federal standards and domination over these State programs. I appeared before the House Ways and Means Committee on April 1 to state our view that both major proposals then being considered by that committee would have these effects.

Subsequently, the Ways and Means Committee reported a bill, H. R. 12065, which in our view was at least as objectionable as the proposals on which it had held hearings. The bill was completely changed on the House floor, however, and now is similar to the President's proposal but with significant exception.

As amended by the House, H. R. 12065 authorizes the States to pay extended unemployment benefits with repayable Federal funds. The President's proposal would have forced the States to do so.

Because of its voluntary nature, the House bill is a material improvement over the bill originally proposed by the President. Moreover, for other reasons H. R. 12065 as amended is an improvement over the committee bill and the bill proposed by the House majority leadership.

Nevertheless, some of our reasons in opposition to the original bills in the House, H. R. 11326 and H. R. 11679, also apply to H. R. 12065, as amended.

Since my testimony on the original bills is a matter of record in the printed hearings of the Ways and Means Committee on this matter, I shall not repeat it in detail here. Instead, I shall point up as briefly as I can the reasons for our view that H. R. 12065 is unnecessary legislation.

These reasons are: first, that adequate resources now exist for such extension of benefits in the respective States as may be desirable; and second, that the present situation with respect to unemployment and benefit exhaustions does not warrant emergency Federal legislation.

It has been estimated that H. R. 12065 would cost from $600 to $800 million in Federal outlays. But why should these advances be necessary when the State now have in their unemployment reserves 10 times $800 million?

All States have both the power and the resources to pay all of the benefits that this bill contemplates with a few possibly having to turn to the Reed loan fund which exists under present law. The 10 States which have almost two-thirds of the total insured unemployment also had unemployment fund reserves of $5.4 billion of December 31, 1947.

If benefit payments in these 10 States should continue for the full

year 1958 at the first quarter rate, the total payments would be $2.7 billion. Tax contributions during the year will be in the magnitude of about $1 billion which would indicate a drain on reserves in the amount of $1.7 billion.

Even then the reserves in these 10 States would still total $3.7 billion, or about 6 to 7 times the Federal funds that would be paid in these States if all 10 States participated in the program under H. R. 12065.

I now want to cite some facts which of themselves raise serious question as to the need for or wisdom of any action by Congress at this time with respect to the type of legislation you are considering.

While it is a fact that the total number of unemployed in March reached a higher level than at any time since 1941, a simple comparison of totals is misleading. Such a comparison is misleading because the irreducible minimum unemployment figure grows as the total labor force grows. Therefore, it is necessary to use unemployment data in terms of percentage of the labor force to get meaningful comparisons.

If we compare the current unemployment situation with the same period in the 1953 54 recession, we find that unemployment in the first 3 months of this year averaged 1½ percentage points higher than in the same months of 1954.

On the other hand, percentage unemployment in the first quarter of 1950 averaged 7.2 percent as compared to 7.0 percent in the first quarter of this year.

If we consider exhaustions of benefits, which is the basis of H. R. 12065, we find that there were a smaller number of exhaustions in the first quarter this year than in the last 2 quarters of 1949, the first 2 quarters of 1950, and the third quarter of 1954.

And the 1958 first quarter total was not greatly in excess of the second quarter of 1954 and the first quarter of 1955. Moreover, the ratio of benefit exhaustions to covered employment in the first quarter of 1958 was smaller than in each of 2 quarters in 1949, 1950 and 1954 and in 1 quarter of 1955.

The detailed figures follow in tabular form:

Quarter	Number exhaustions	Percent of covered employment
July to September 1949	534,000	1.6
October to December 1949	591,300	1.8
January to March 1950	730,100	2.3
April to June 1950	528,000	1.7
April to June 1954	409,300	1.3
July to September 1954	505,000	1.4
January to March 1955	473,300	1.3
January to March 1958	483,000	1.2

It is apparent from these comparisons that the basis for supplementing State unemployment-compensation benefits at this time is smaller than it was during quarterly periods in each of the years 1949, 1950, and 1954, when neither the executive branch nor Congress thought is was necesesary even to consider legislation such as is now proposed.

In his testimony before the Ways and Means Committee the Secretary of Labor estimated that a total of 2.3 million unemployed workers

would exhaust their benefits in calendar year 1958. This would imply a higher rate of benefit exhaustions in the last 3 quarters than the 483,000 in the first quarter.

Even then, however, the total for the full year would be less than the 2.4 million exhaustions in the 12 months ended June 30, 1950. As a percentage of covered employment, the 2.3 million estimated benefit exhaustions in 1958 would be considerably less than the 2.4 million exhaustions in the 1949-50 12-month period—5.6 percent in 1958 as compared to 7.4 percent in 1949-50.

I would not attempt to predict when there will be a noticeable pickup in business activity with the improvement in job opportunities that would go with it. But there are some favorable factors in the business picture which should bring about increased activity in the months ahead.

One is the inventory liquidation which began in the last quarter of 1957 and continued at least through the first quarter of this year. This factor alone accounts for an appreciable part of the drop in production of some manufacturing industries, like steel, and it has caused unemployment not only in those industries but also in transportation which is directly affected. With inventories being worked down, a more solid base is being set for a rise in production activity.

Other factors which should lead to increased business activity and more jobs include the measures taken to ease credit, the stepping up of military procurement, renewal of construction activity which had been held up by the unusually long and severe winter, and actions already taken by the administration and Congress to accelerate certain programs such as housing and highway construction.

In conclusion, I repeat that we do not believe Congress should at this time enact legislation of the type you are considering. Unemployment insurance designed to meet the needs of each of the several States is but one part of the economic program required to soften the effects of periodic adjustments in business activity. It was never intended, nor can we expect, that these insurance programs alone can smooth out all the dips in our economic curve. Nor should benefits be arbitrarily extended as a temporary expedient and thus impair a sound concept of the State unemployment insurance programs.

Thank you, Mr. Chairman, and gentlemen, for this opportunity to present these views.

The CHAIRMAN. Thank you, sir.

Are there any questions?

Senator DOUGLAS. Mr. Dikovics, I would like to ask whether your separate State bodies have thwarted or opposed the extension of benefits on the State level?

You are now saying we shouldn't have Federal action. Now, I would like to inquire what has been the attitude of your constituent State bodies as to State action?

Mr. DIKOVICS. Let me say, sir, that as far as I know, there is no concerted opposition to extension of benefits. But we must take into conisderation the variations in the various State programs because of the benefit levels.

Senator DOUGLAS. Do you know of any State body, any State chamber of commerce which has supported extension of benefits on a State level.

Mr. DIKOVICS. The answer is "No," sir; I don't know of any that have supported it. I don't know of any.

Senator DOUGLAS. Is it not true that in virtually every instance, they have opposed extension of benefits by States?

Mr. DIKOVICS. But again, I think the opposition must be related to other features of that particular program.

Senator DOUGLAS. I mean on the extension of benefits haven't they been opposed to that?

You say you don't know of a single case where they favored it, and I agree with you. So far as any knowledge goes, I don't know of any cases. All the cases that I know of are cases of opposition on State levels.

Mr. DIKOVICS. Yes. I know of cases of opposition, but I would like to be permitted to explain that the opposition is not alone directed to the extension of benefits because the extension must be related to the amount of benefits that are also being paid and the form of them.

Senator DOUGLAS. This is really the position that you gentlemen put yourselves in: when there is Federal legislation before us, you come before us and say, "You shouldn't have Federal legislation to extend benefits, this is a matter for the States." Then when these proposals for extension of benefits are up before the State legislatures, you oppose State action.

So that, in effect, you are opposed to the extension of benefits?

Mr. DIKOVICS. I can't agree with you, sir, entirely.

Senator DOUGLAS. But to 99 44/100 percent, you would agree with me?

Mr. DIKOVICS. Yes.

Senator DOUGLAS. Thank you.

Mr. DIKOVICS. Yes, but——

The CHAIRMAN. Thank you very much, Mr. Dikovics.

(The following was later received for the record:)

STATEMENT TO THE FINANCE COMMITTEE OF THE UNITED STATES SENATE, BY THE INDIANA STATE CHAMBER OF COMMERCE, IN OPPOSITION TO H. R. 12065 AND OTHER PENDING UNEMPLOYMENT INSURANCE LEGISLATIVE PROPOSALS

(The Indiana State Chamber of Commerce, of Indianapolis, Ind., respectfully requests that this statement be considered by the Senate Finance Committee and be made a part of the record of proceedings in hearings by the committee on H. R. 12065. The statement is intended to supplement a statement presented to the committee by Mr. Leslie J. Dikovics, of New Jersey, a spokesman of the Council of State Chambers of Commerce appearing for the Indiana and other State chambers of commerce.)

Representing the strongly prevailing viewpoints of Indiana employers, the Indiana State Chamber of Commerce is opposed to passage of H. R. 12065 or of any other Federal legislation that would establish either temporary unemployment benefits or additional Federal standards controlling the operation of State unemployment compensation systems.

We are convinced that should the Congress feel emergency Federal cash assistance in the present situation is necessary, then such assistance should be provided directly, on a needs basis, through a means entirely divorced from unemployment compensation. Such a means, utilizing a not-too-severe needs test, readily could be devised and put into operation.

Enactment of H. R. 12065 would be unwise, in our opinion, because—

1. It would represent the misuse of unemployment compensation for emergency relief purposes—without the essential element of a needs test.

2. It would establish the precedent for political action extending the duration of unemployment benefits each time there is a cyclical upturn in unemployment, thereby destroying insurance principles and inviting the kind of deterioration of unemployment insurance that occurred in Great Britain in the 1920's.

3. It would represent Federal intervention and would be a major step toward Federal domination of the State unemployment compensation programs.

The same objections and criticisms would apply, in even stronger degrees in some instances, to other legislative proposals in the unemployment insurance field that recently have been considered or are now pending with the Congress. The original form of H. R. 12065 as reported by the Committee on Ways and Means of the House of Representatives, for example, would have discarded basic insurance principles with even greater abandon than the current version of the measure.

Another bill pending with the Finance Committee—S. 3244—would establish immediately rigid Federal controls over State programs. These controls in S. 3244 would force the States to use public funds for the payment of strike benefits; would make policing of the State programs against abuses almost wholly ineffective; would force States to offer unemployment benefits substantially exceeding in the aggregate the wages through which the benefit rights were earned, and in numerous other ways would destroy sound principles of unemployment compensation.

The principal purpose of unemployment compensation is that of helping to sustain income of individuals during periods of temporary and short-term unemployment, while they are moving from job to job. Under conditions such as those of the current upturn in unemployment, the program automatically bears the brunt of the burden of supporting the purchasing power of unemployed persons. However, unemployment compensation is not and never was intended to be an emergency relief program.

When unemployment compensation is utilized for relief purposes or as a means of placing cash in the hands of individuals for periods of sustained or permanent unemployment—on a mass basis without a needs test—it becomes neither a job insurance program nor a relief program. It is an outright dole. Both the insurance principles and the relief principles have been abandoned. Great Britain's experience was that an initial "temporary" extension of unemployment benefits led to further, successive extensions until the unemployment insurance system had deteriorated into exactly that kind of an irresponsible dole.

We are well aware that under H. R. 12065 any State has the right to refuse to enter into an agreement to administer the additional Federal benefits and thereby may prevent them from being paid within the State. Technically, States rights have been recognized thereby. As a practical matter, a great degree of compulsion still will exist through the appearance created by passage of the measure that here is a large pool of Federal funds ready and waiting to be tapped.

The fact is that all States already have both the power and the funds (a few through recourse to the Reed fund) to pay all of the additional benefits that H. R. 12065 contemplates. Consequently, it must be assumed that compulsion upon the States to act to authorize the additional 50-percent benefit payments remains as the only purpose of the measure.

It is not to be denied that any cylical downturn of economic conditions creates individual hardships. This fact, however, does not justify an exaggeration of the breadth and impact of the hardships. Such an exaggeration should not be permitted to lead to action doing irreparable damage to the proper functioning of State unemployment compensation programs. When the normal load of unemployment existing even in the most prosperous times is taken into account, it must be concluded that the current rise in unemployment is relatively mild and apparently has reached its peak.

Available statistics as to the number of persons who have exhausted their rights to State unemployment benefits—and who therefore would be eligible for the proposed additional benefits—do not reveal how many of such persons either have gone back to work, or are in families with one or more members still working full time, or are persons who never have been regular and full members of the labor force. But the number is very substantial. Therefore, to assume that persons who have exhausted their rights to State unemployment benefits since mid-1957 are entitled to some special form of relief as a matter of right is to exaggerate grossly the true facts of the situation. Furthermore, it is to be remembered that all States have both general and special public assistance programs through which cases of real need among persons exhausting their unemployment benefit rights are being met.

We do not feel that current economic conditions in any way justify steps which, based upon experience, could well result in the destruction of established state unemployment insurance programs.

The present State unemployment compensation program in Indiana is constructed and is functioning in a manner that represents the best judgment of the Indiana Legislature as to the proper components of a program to carry out the purposes expected of unemployment compensation. We would deeply regret seeing this program impinged upon by hasty Federal action which, in our opinion, would undermine the long-range solidity and soundness of the State program.

Respectfully submitted.

JACK E. REICH,
Executive Vice President, Indiana State Chamber of Commerce.

The CHAIRMAN. The next witness is Mr. Theodore J. Krauss, Conference of State Manufacturers.

Please proceed.

STATEMENT OF THEODORE J. KRAUSS, ON BEHALF OF THE CONFERENCE OF STATE MANUFACTURERS ASSOCIATION

Mr. KRAUSS. Thank you.

Mr. Chairman and members of the committee, my name is Theodore J. Krauss. I am the executive vice president of the Associated Industries of Missouri, with offices at 2031 Railway Exchange Building, St. Louis, Mo.

I am appearing here today on behalf of the Conference of State Manufacturers Associations, and I am authorized to speak on behalf of 31 organizations, the names of which appear in the statement which is before you, and on their behalf. I want to express to the members of the committee our appreciation of the time that has been allotted to us.

First of all, I should like to state clearly and concisely just what we are for and what we are against.

We are for (1) the continuation of the unemployment compensation programs enacted and administered by the 48 States, Alaska, Hawaii, and the District of Columbia.

(2) We are for the effective administration of these laws as the responsibility of the States, and (3) we are for the review and revision of the individual State programs by the States themselves when, as, and if the circumstances of the economy in any particular State indicates such a need.

We are against (1) any intervention by the Federal Government in the State programs, by the establishment of any universally applied standards of benefits, or duration, or taxation.

(2) We are against the Federal imposition of any benefit programs which have no relationship to the insurance principles underlying present laws.

And (3) we are against the use of Federal pressure by legislative fiat to require or to make it politically expedient for the States to do that which they are perfectly able to do themselves out of financial reserves already available.

While the bill which has passed the House, H. R. 10265, is the principal matter before this committee, I understand that other proposals relating to the subject of unemployment compensation may also be before you. Therefore, I am extending these remarks to include comments on other aspects of unemployment compensation as well as H. R. 12065.

Senator KERR. May I ask a question, Mr. Chairman?

Mr. KRAUSS. Yes, sir, Senator.

The CHAIRMAN. Senator Kerr.

Senator KERR. Do you address yourself specifically to H. R. 12065 anywhere in your statement?

Mr. KRAUSS. Yes, sir; all of the following pages are directed specifically to it, Senator.

Senator KERR. All right.

Mr. KRAUSS. The unemployment compensation amendment adopted by the House, and that is H. R. 12065, the Herlong amendment, is a substantial improvement over the bill as reported by the Ways and Means Committee in two respects:

(1) It removes the unworkable and unsound extension of unemployment benefits to people without covered employment;

(2) It substitutes persuasion and pressure for brute force as a means of extending coverage under State laws.

The bill is clearly a compromise with sound unemployment compensation principles. In effect, it offers a Federal loan, for a purpose not authorized by present State laws, to States that don't need the money, in order to induce these States to extend the duration of benefit payments to people whose rights under existing laws have already been met.

While the bill is a substantial improvement over the other measures that have been proposed, including the bill reported by the Ways and Means Committee, it still represents a serious compromise with sound unemployment compensation principles.

The minority report of the House Ways and Means Committee listed the following brief summary of points in opposition to the original committee bill:

(1) The bill destroys the insurance principle underlying unemployment insurance by furnishing Federal funds to enable a State to extend benefits regardless of any actuarial or insurance principle.

Senator KERR. H. R. 12065 does not do that?

Mr. KRAUSS. H. R. 12065 does do that and——

Senator KERR. One point at a time.

It does not do that?

Mr. KRAUSS. H. R. 12065 does, in effect, do this also; yes, sir.

These five points which I have listed here as minority objections by the members of the House Ways and Means Committee apply with almost equal force to the present bill as they do to the organizational bill.

The CHAIRMAN. I would like to have you explain that because this present bill is optional with the States.

Mr. KRAUSS. All right.

Let's take No. 1: The bill destroys the insurance principle underlying employment insurance by furnishing Federal funds to enable a State to extend benefits regardless of any actuarial or insurance principle.

This bill does not seek to base benefits upon past work experience, on past earnings, past wage credits. It has—it is simply something picked out of the air, a 50-percent extension of present unemployment benefits to anyone who has exhausted it.

The CHAIRMAN. Providing the States apply for it.

Mr. KRAUSS. Oh, yes. In that connection, Senator, I have observed that is a great improvement over the original bill.

The CHAIRMAN. I am not defending especially the present bill, but I think we ought to make it clear that the present bill does give the States the option to accept the provisions of the bill or not, as they please.

In fact, they affirmatively have got to ask for it.

Mr. KRAUSS. That is correct, sir.

Senator KERR. You say, "regardless of any actuarial principle." Do you not believe that the States actually have the reserves to enable them to do just that if they saw fit to do so and still the operation would be a sound actuarial program?

Mr. KRAUSS. Yes, I do, Senator, and I expanded on that somewhat later in the statement.

Senator KERR. We are talking about No. 1.

Mr. KRAUSS. The States do have the resources to extend their systems with the reserves they have available, with the ability which they have to make loans under the present law, and they can, suiting the particular circumstances of their particular States, make exchanges which will be actuarially sound——

Senator KERR. How could they make the exchange provided for in H. R. 12065—that is, to give automatic 50 percent extension or extension equal to 50 percent of the benefits which they had had, but which are exhausted—and do so on a sound actuarial basis?

Mr. KRAUSS. I don't think so, Senator, for the reason that in those cases, there will be no consideration given to seasonal employment, to part-time workers, people who are secondary wage earners.

Senator KERR. Now, you are talking about the equity of the application of the principle to the individual beneficiary?

Mr. KRAUSS. That is right.

Senator KERR. I am talking about the actuarial conditions. I take it that that means that that refers to the financial ability, the income and disbursements into and out of the fund on the basis of its receivers, its actual ability, and the proposed increased ability.

Mr. KRAUSS. Well, I am not an actuary, Senator.

Senator KERR. Well, then, why are you talking about something that would extend benefits "regardless of any actuarial principle" if you don't know anything about it?

Mr. KRAUSS. I am quoting here the statement of the minority of the House Ways and Means Committee, sir.

Senator KERR. You said they applied to this bill although this is not the bill to which the minority report was addressed?

Mr. KRAUSS. That is correct.

Senator KERR. If you say it applies to this bill, you are doing that on your initiative; are you not?

Mr. KRAUSS. That is right, I am.

Senator KERR. In spite of the fact you now tell me you don't know anything about it.

Mr. KRAUSS. I didn't say I know nothing about it. I said I was not an actuary.

Senator KERR. Well, I thought you said you didn't know anything about the actuarial validity of the matter.

Mr. KRAUSS. No, I didn't——

Senator KERR. Or do you not regard yourself as competent to speak on the actuarial phases of it?

Mr. KRAUSS. I said I am not an actuary.

Senator KERR. I said, do you or do you not regard yourself as competent to speak on the actuarial phases of it?

Mr. KRAUSS. I can speak on the actuarial phases of it, although I don't regard myself as an actuary.

Senator KERR. I know I can speak on the Choctaw language, although I don't understand it. Do you feel yourself competent to talk on the actuarial phases of it?

Mr. KRAUSS. As an actuary, I do not.

Senator KERR. Do you regard yourself competent to speak on the actuarial phases of it as a witness, or whatever you are.

Mr. KRAUSS. The observations which I have been making, so far as the actuarial soundness, Senator, go to the fact, as I pointed out before, that the extension proposed by this bill is a flat extension without regard to previous earnings or attachment of the labor force of the people who are going to draw benefits. Under all State systems, there are base periods set up during which wage credits are credited to individuals who have worked and who have earned so much right, so much entitlement.

Senator KERR. I have some knowledge of that, and my lack of additional knowledge is not so acute that I want to take either your time or mine to have you provide it.

Mr. KRAUSS. Thank you, sir.

Senator KERR. If you want to answer my question, I take it that it is because if you did answer it it would be in the negative, and then, so far as I am concerned, I will figure that any observations you make on the actuarial phases of it are speculative.

Mr. KRAUSS. Shall I proceed, then, to other parts?

Senator KERR. If that is the way you want to leave it, yes.

Mr. KRAUSS. Thank you, sir.

Senator KERR. Yes.

Mr. KRAUSS. The bill departs from the existing program in that it changes it from an insurance program to a relief program. At the same time, it fails to provide an essential principle of relief—payment of money on the basis of need.

Senator KERR. That was addressed. That was the second objection the minority had, as reported out by the House Ways and Means Committee.

Mr. KRAUSS. That is right.

Senator KERR. In your judgment, does that apply to the bill before the committee?

Mr. KRAUSS. I think so, for the same reason.

Senator KERR. You think it becomes a relief program?

Mr. KRAUSS. I think it does.

Senator KERR. All right.

Mr. KRAUSS. Three, the basic purpose of the unemployment-compensation system is to pay benefits for relatively short periods of the normal labor market—not to take care of long periods of unemployment during a recession or during a depression.

Four, in the interest of preserving the integrity of the Federal-State system, Congress has adhered to the principle that benefits should be paid only to those with earned rights, and has consistently refused to provide Federal grants for emergency payments.

Senator KERR. Do you regard this H. R. 12065 as being a bill which would provide Federal grants?

Mr. KRAUSS. It would provide Federal funds.

Senator KERR. Would you care to answer my question?

Mr. KRAUSS. Well, it is in the nature of a Federal grant in that the money is made available to the States.

Senator KERR. As a grant?

Mr. KRAUSS. With a provision . . .

Senator KERR. As a grant?

Mr. KRAUSS. That it must be repaid.

Senator KERR. As a grant?

Mr. KRAUSS. Unless the obligation to repay would later be forgiven.

Senator KERR. As a grant?

Mr. KRAUSS. As a loan.

Senator KERR. As a loan?

Mr. KRAUSS. As a loan.

Senator KERR. Well, now, is a loan synonymous with a grant?

Mr. KRAUSS. A loan is not synonymous with a grant; no, sir.

Senator KERR. Then that objection would not apply to H. R. 12065, would it, since it makes no Federal grants?

Mr. KRAUSS. If you are going to use the word "Federal grant" in that respect, yes.

Senator KERR. That is what you used. I am not applying it into the deal. You were the one who brought it up. Is it all right for me to use the same words you do?

Mr. KRAUSS. It is perfectly all right, Senator.

Senator KERR. Does H. R. 12065 provide Federal grants?

Mr. KRAUSS. H. R. 12065 provides for Federal loans.

Senator KERR. Yes, but does it provide . . .

Mr. KRAUSS. They are made to the States.

Senator KERR. Does it provide for grants?

Mr. KRAUSS. For the payment of benefits without reference to any earned rights, as it says here.

Senator KERR. I understand, and that objection would have the validity of being based on actuality. I am wondering if you think No. 4 here is based on actuality.

Mr. KRAUSS. I think it is.

Senator KERR. You think it is?

Mr. KRAUSS. Yes.

Senator KERR. That means you think H. R. 12065 provides Federal grants?

Mr. KRAUSS. It provides Federal grants.

Senator KERR. Period.

Mr. KRAUSS. Not in the sense——

Senator KERR. It either does or it does not. It either does or does not; is that correct?

Mr. KRAUSS. Let's call them loans, then.

Senator KERR. What are they? Let's don't call them loans unless they are loans.

Mr. KRAUSS. They are loans for the purpose, Senator, or providing these benefits without any reference to earned rights, and that is what the committee said, and that is all that I am saying.

Senator KERR. That is not what the committee said in this paragraph. It said it has consistently refused to provide "Federal

grants." If you are using the term "loans," or if you are using the term "grants" or referring to it on the basis that it is synonymous with loans, just say so, and then we will understand what you mean.

Mr. KNAUSS. In this particular case, I will say that that is the sense in which it is being used.

Senator KERR. All right.

Mr. KNAUSS. Congress has reserved to the States the complete discretion as to determining the amount and duration of benefits, and has previously rejected all measures which sought to impose Federal standards on State systems.

The sixth point in the minority report related to the payment of benefits to individuals without covered employment, and does not apply to the current bill. The other five minority objections to the committee bill, however, apply almost with equal force—as a matter of principle to the measure passed by the House. As a practical matter, we do not know, of course, what effect this bill would have. We may only guess.

Senator KERR. You would know this; it would provide money to people that are out of work, would you not?

Mr. KNAUSS. Yes, indeed, and I go on——

Senator KERR. You do know, as a practical matter, that it would have that effect, don't you?

Mr. KNAUSS. I know it would have that effect, and I also know——

Senator KERR. You are not guessing about that?

Mr. KNAUSS. I am not guessing about that; no, sir.

Senator KERR. All right.

Mr. KNAUSS. It is certainly safe to assume that the enactment of this bill by Congress will be used as a lever to exert strong pressure on every State to extend the period of benefit duration. How effective this pressure may be is likely to vary from State to State. There are many States at the present time with only normal or less-than-normal unemployment. In these States, Federal pressure may not have much effect.

However, in the States where there is substantial unemployment, it may be anticipated that the Federal pressure brought by this bill will be irresistible.

It seems to be presumed by the supporters of the House bill that the extension of benefits under this plan would require State legislation. It may be anticipated, therefore, that the first pressure would be upon the governors to call special sessions of the legislatures and then the pressure would be exerted upon the members of the legislatures to extend benefits.

The States have large reserves, cumulatively amounting to approximately $9 billion, which could be used to meet these payments. Any State in which the reserve declines to the amount of 1 year's benefits has the privilege under present law of borrowing funds from the Federal Government under the provisions of Public Law 567, approved August 5, 1954, commonly referred to as the Reed loan fund, which, gentlemen, was an extension of the original George loan fund, which was voted back in 1944, through which $200 million has been set aside for loans to the States with authority in Congress to appropriate $1 billion more.

This money comes from the excess left over after paying administration costs of the State programs from the three-tenths of 1 per-

cent tax which all employers throughout the country pay to the Federal Government.

Incidentally, I personally appeared before this committee at a public hearing prior to its approval of this legislation in 1954 on behalf of associations I am representing here today, to urge its adoption.

Offhand, it would seem unlikely that even after having extended benefits as contemplated by this bill, any State would immediately borrow for this purpose. To put it bluntly, borrowing money to use for a purpose for which the State has already built up a substantial reserve would seem a little silly.

Senator KERR. Just a little silly?

Mr. KRAUSS. That is the way I expressed it here, Senator Kerr.

Senator KERR. I was just trying to get what you meant.

What is the difference between "silly" and "a little silly"?

Mr. KRAUSS. It is just a matter of interpretation.

Senator KERR. How do you interpret it?

Mr. KRAUSS. Well, it just seems to me that the expression used here is to convey the idea that to borrow money when you have got money to do the thing for which you are borrowing is not a very sagacious thing to do.

Senator KERR. The term "is not very sagacious," if you don't mind is synonymous with "a little silly"?

Mr. KRAUSS. Let's say perhaps it would have been a better way to express the matter than to use the words "a little silly."

Senator KERR. If it would have been a better way, why don't you amend the statement to use it?

Mr. KRAUSS. All right, we will consider it as amended as of now.

It is likely that a number of States would extend the duration of their benefits and meet the cost out of their own reserves until these reserves become depleted. After depletion of the reserves, they would then borrow from the Federal Government and, in due course, the money would be repaid to the Treasury by higher Federal taxes on employers.

In this connection, it should be pointed out that when the unemployment compensation systems were inaugurated some 20 years ago, taxes were collected first to build up a reserve for the payment of benefits. This bill reverses the process.

State legislatures would have to assume no responsibility at this time for increasing payroll taxes to pay for the additional benefits. On the other hand, in a State where there is substantial unemployment, the extension of durations 50 percent would be irresistible to a legislature wishing to avail itself of the provisions of H. R. 12065 because it offers a pay-later plan under which the benefits could start now and the uniform Federal tax begin in January 1953.

Further, the Federal Government may at some future date forgive the responsibility to repay.

We arrive, then, at this conclusion regarding the probable effect of the bill:

It would create special pressures on the States, and these pressures in many States would result in the extension of the duration of benefits. Such sudden extension of benefits beyond the amount contemplated when the taxes for this purpose were originally levied and when the reserves were built up would probably deplete many of

the reserves to the point where borrowing from the Federal loan fund would be necessary.

At that point each State would have to make the decision whether to increase State taxes or to recoup the funds by increasing Federal taxes on the employers of the State. It seems likely that in many States the latter course would become politically more attractive.

I would like to insert here, if I may, Mr. Chairman, some observations.

I understand there has been testimony that States are not in position to increase or establish tax rates in excess of 2.7. The fact of the matter is that, of course, they are and some States have. I represent one which is an example.

In Missouri we have had a tax rate of 3.6 percent of payrolls. In 1957 the law was amended so that in 1959 we start on a schedule of increases and decreases, as a matter of fact, which bring the maximum by 1963 up to 4½ percent.

So that the States do have the authority, there is nothing to restrict them from increasing their own tax rates.

I think, too, that that is related to the testimony of this morning concerning the situation in the State of New York, to which Senator Javits referred, as to the effect of increasing benefits or taxes in a State creating a competitive advantage and having an effect upon the attraction of industry to the State.

Now, undoubtedly, unemployment benefits and unemployment tax rates are one of the factors considered. I had the privilege yesterday of hearing some of the testimony here; and, if I may say so, Mr. Chairman, I think you made a very sagacious observation at that time, which was that State tax rates on various matters vary from State to State. Some States have income-tax laws applying to individuals and corporations, others do not. Some have sales tax, others do not, and this unemployment tax is just one of the things which goes into the entire picture which industry considers in determining whether or not a State has a favorable business climate, and which would attract it to establish a plant there.

It must be reiterated here for emphasis that any State today, without new Federal legislation, could extend its period of benefit duration by 13 weeks or 26 weeks or 100 weeks and then would have the right today, if its funds were depleted, to borrow from the Reed loan fund.

States which are induced by this legislation to extend their benefit period can extend these periods permanently and if they go bankrupt still recover any deficits thereby created by borrowing from the Reed Federal loan fund and letting the Federal Government recover the money through higher Federal taxes on employers.

We cannot find in the history of social legislation any support for the view that unemployment benefits once granted are likely to be terminated. The designation of this legislation as "temporary" is therefore meaningless.

In summary, as pointed out in the beginning, this bill provides the velvet glove to cover the iron fist of the compulsory measure proposed by the House Ways and Means Committee. It has some advantages in that it probably would not be immediately universal in application; it preserves the legal right of the States to reject the Federal program; and it avoids the unsound fiscal principle of an outright grant.

Senator KERR. Now, wait a minute. I thought you said a while ago it was synonymous with a grant.

Mr. KRAUSS. We are going to have to get back, I guess, Senator, to what the House committee said.

Senator KERR. No; I just want to call your attention to the fact that you are saying here——

Mr. KRAUSS. It is not an outright grant. I think I conceded that before, Senator. If I didn't, I do.

Senator KERR. What it did do was synonymous to a grant?

Mr. KRAUSS. What it did do was to lend money to States which were required to pay back, but the money was loaned for the purpose of paying benefits unrelated to the basis on which unemployment benefits heretofore have been earned under the State systems.

Senator KERR. But it is not an outright grant?

Mr. KRAUSS. It is not an outright grant.

Senator KERR. We understand each other better.

Mr. KRAUSS. But beyond this, the bill represents a direct imposition of strong political pressure on the States to pay unemployment benefits in the interest of expediency to meet a temporary recession condition under a system that was not designed for this purpose.

In 1935 the House Ways and Means Committee carefully pointed out the objectives and the limits of unemployment insurance. In its report No. 615, on April 5, 1935, on the social security bill, it said:

> * * * Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. Any attempt to make it do so confuses unemployment insurance with relief, which it is designed to replace in large part. It can give compensation only for a limited period and for a percentage of the wage loss.

This statement was in accordance with principles enunciated by the report made to President Roosevelt in 1935 by his Committee on Economic Security;

> * * * In any event, the maximum number of weeks of benefit that may be drawn is definitely limited through a ratio of weeks of benefit to weeks of previous employment (1 to 4 in our calculations) and by absolute limitations. (We suggest to the States in framing their laws that on the basis of 3-percent-contribution rate the maximum benefit period cannot safely exceed 16 weeks and should be reduced to 15 weeks, if it is desired to give workers who have been long employed without drawing benefits an additional (maximum) week of compensation for each 6 months they have been employed without drawing benefits, up to a maximum of 10 additional weeks.)

H. R. 12065 does not follow the recommendations of the above two committee reports because it authorizes payment of additional benefits for additional weeks without regard to a claimant's previous length and regularity of employment.

We feel that while the effect of this bill will be far slower and more gradual than under other proposals, its ultimate result may well be to destroy the sound elements of the State unemployment compensation systems.

Information preceding the commencement of these hearings indicated that Senate bill 3244 introduced by Senator Kennedy of Massachusetts and others may be urged as a substitute for the pending bill.

The primary effect of this bill would be to force broad increases in State unemployment compensation benefits and to finance these benefits with Federal funds, thus, in effect, making the unemployment com-

pensation system largely a Federal program operated through State agencies.

The bill would prohibit States from imposing a qualification requirement of more than 30 times weekly benefits, more than 1½ times high quarter wages, or more than 20 weeks of employment. But the State would be required to pay benefits up to a maximum of 39 weeks to anyone satisfying these requirements, so that in normal cases the maximum duration of benefits would substantially exceed the required duration of employment.

The act would require States to fix maximum benefits at not less than two-thirds of the average weekly wage within the State. This weekly wage would be based upon earnings of all employees including administrative and managerial salaries—not just the prior earnings of the employees who claim benefits.

The State would be required to pay each beneficiary at least half of the individual's average weekly wage up to the above maximum.

States would be prohibited from imposing any disqualification beyond a 4 weeks' postponement of benefits for a maximum period of 12 weeks may be imposed upon the person who willfully and intentionally steals money to which he is not entitled.

What this bill in reality would do would be to substitute the judgment of a majority of the Members of Congress for the judgment of some 7,613 men and women from all walks of life who serve in the State legislatures throughout the United States. These are the people who have dealt with the unemployment compensation laws for over 20 years and who have developed financially sound State systems having almost $9 billion in reserve for the payment of benefits. These are the people who are to be told by the Federal Government, which has a $275 billion debt and is currently operating at a deficit that "if you do it our way and your reserve funds dwindle to a certain level (6 percent of the State's annual taxable payroll or to an amount less than the benefits paid during the preceding 2 years) the Federal Government will give you a grant-in-aid out of its deficit-spending, debt-ridden largess."

Senator KERR. What does that "largess" mean?

Mr. KRAUSS. That indicates a large quantity of something.

Senator KERR. Do you think you have used it properly?

Mr. KRAUSS. It is something which does not exist.

Senator KERR. Out of its debt-ridden largess.

Mr. KRAUSS. It is a matter of expression.

Senator KERR. I am not saying it is not properly used. I am always glad to increase my vocabulary, but in doing so, I would want to do it on the basis that somebody else would not want to have the same doubts about it as I have about the way you have used it.

Mr. KRAUSS. Well, the term "largess," of course to me signifies a lot of something, and of course——

Senator KERR. A lot of something generally thought of but not specifically?

Mr. KRAUSS. Available in this case.

Senator KERR. Not capable of being specifically described.

Mr. KRAUSS. All right.

Senator KERR. We won't go into it.

Mr. KRAUSS. All right.

It is unthinkable that a majority of the Members of Congress would deliberately set out to destroy the unemployment-compensation-insurance programs in 51 jurisdictions and substitute for them a Federal dole. And yet that would be the inevitable result of the political insurance encompassed in S. 3244.

In conclusion, it is our judgment that, in this year of our Lord 1958, there is no need for the Congress to adopt any legislation affecting the State unemployment-compensation programs. The States are perfectly capable of handling the matter themselves, and have the reserve funds and loan resources, if needed, to do so.

Thank you.

The CHAIRMAN. Thank you, Mr. Krauss.

Are there any further questions?

Senator KERR. I just want to ask 1 or 2 questions, if I may, Mr. Chairman.

The CHAIRMAN. Senator Kerr.

Senator KERR. I gather, from your analysis of this bill, that you have arrived at the conclusion that, if H. R. 12065 is enacted, it will provide benefits to certain unemployed which those unemployed people have not earned, and which, as of this hour, they have no entitlement or right to receive.

Mr. KRAUSS. I think that is a correct statement, Senator.

Senator KERR. If that is correct, then would not you believe that Congress would be making a mistake to provide benefits for the beneficiaries of this bill, and not provide them for all other citizens similarily situated?

Mr. KRAUSS. Well, now, you are bringing into this program people who have never had any relationship to it before.

Senator KERR. Now, the ones who would be the beneficiaries of this bill, if I understand your evidence, in your judgment, are not entitled to the benefits of this bill.

Mr. KRAUSS. No, Senator; this is an insurance program. The insurance program has met its requirement.

Senator KERR. I will tell you what you would do, if you would answer my questions and then make a speech, I would be very glad, and I can't keep you from making a speech without answering the question, but, over on the floor, we call that filibuster.

Mr. KRAUSS. I wouldn't want to filibuster here, Senator.

Senator KERR. All right. Then, would you read the question to him and see if he would answer it and then make a speech?

(Question read.)

Senator KERR. Is the answer to the question "No"?

Mr. KRAUSS. The answer is "No."

Senator KERR. If you want now to say something else, that is fine; I will be glad to listen to you.

Mr. KRAUSS. No, Senator; I think I have said as much as I want to say, thank you.

Senator KERR. Then, if the beneficiaries of this bill are not entitled to receive it under the law, or equity, how can you feel that they are any more entitled to receive it than others similarly situated, and that is unemployed people.

Mr. KRAUSS. I am sorry, sir; I don't follow you.

Senator KERR. Well, the country has nearly 6 million unemployed.

Mr. KRAUSS. Yes, sir.

Senator KERR. How many of them would be benefited by H. R. 12065?

Mr. KRAUSS. I don't know how many would be benefited. I know that out of the, I thought it was 5 million, there are some 2 million who are not at all covered by the unemployment-compensation program. Those who are covered, the remaining 3 million, and who have exhausted their benefits, would not return to work prior to the application of the provisions of this bill, would draw benefits. Now, that wouldn't be——

Senator KERR. If this bill were enacted?

Mr. KRAUSS. If this bill were enacted. That would not be the whole total, however, because many of them would have gone back to work in the meanwhile.

Senator KERR. Or many others have not exhausted their benefits.

Mr. KRAUSS. Many others have not exhausted; that is correct.

Senator KERR. What figures would you use here as being the number of unemployed?

Mr. KRAUSS. Unemployed?

Senator KERR. In the country?

Mr. KRAUSS. Unemployed covered by this program?

Senator KERR. No; the total unemployed.

Mr. KRAUSS. Well, I have no statistics on that immediately available, but I was under the impression it was some place around 5 million.

Senator KERR. Can we use 5 million, then, for the purposes of this discussion?

Mr. KRAUSS. We can use 5 million.

Senator KERR. Of those 5 million, certain numbers of them are covered or are the beneficiaries of unemployment-insurance programs, and others are not?

Mr. KRAUSS. That is correct.

Senator KERR. Approximately how many of them are not?

Mr. KRAUSS. Well, approximately, I would think, about 2 million.

Senator KERR. About 2 million. Now, of those who are covered, a certain number have already exhausted benefits available to them?

Mr. KRAUSS. That is correct.

Senator KERR. Do you know about how many that is?

Mr. KRAUSS. I think there was testimony given here this morning by a previous witness that it was something like 480,000 during the first quarter of the year.

Senator KERR. This was just the first quarter of this year?

Mr. KRAUSS. That is right.

Senator KERR. There were some during the last quarter of last year?

Mr. KRAUSS. Those figures are also available in that previous statement. I can refer to it, if you would like to have me do so.

Senator KERR. Do you have an opinion about it?

Mr. KRAUSS. Do I have an opinion about it?

Senator KERR. Would you think that a million would be a reasonable estimate of the number who have been covered but whose benefits have been exhausted? Is there anyone in the room who knows that figure?

Mr. LESTER. I am supposed to testify later on.

Senator KERR. Richard Lester?

Mr. LESTER. That is right. I think it runs 800,000 for the last quarter of last year and first quarter of this year.

Senator KERR. And would you think 800,000 would be a reasonable estimate of the number now existing who are not employed and who have received benefits but whose benefits are exhausted?

Mr. LESTER. Senator, I wouldn't want to testify, and I don't want to make a speech, either, but what I am indicating is that that 800,000 may have gotten back to employment and back on again, so it may not be a net figure. It is a gross figure.

Senator KERR. Is there anyone in the room who can tell us the net figure at this time of people now unemployed who have had these benefits but whose benefits are now exhausted?

Mr. HENDRICKSON. Paul Hendrickson, Industrial Union Council, Steelworkers, Coatesville, Pa. I believe, in the State of Pennsylvania, that represents about 25 percent of the total.

Senator KERR. Of the unemployed?

Mr. HENDRICKSON. Yes, sir.

The CHAIRMAN. Does Mr. Stam have any figures on that?

Mr. STAM. You don't have a net figure.

Senator KERR. Well, this bill would apply to those that are in the net figure, whatever it is, wouldn't it?

Mr. KRAUSS. It would apply to those in the net figure; yes.

Senator KERR. And whether it is 500,000 or a million, insofar as rights under existing law are concerned, they are in exactly the same status as the 2 million who are unemployed but not covered by unemployment insurance, aren't they?

Mr. KRAUSS. I think that is a fair statement.

Senator KERR. Then, would we not be passing discriminatory legislation if we passed a bill to take care of some in that status which did not take care of all in that status?

Mr. KRAUSS. Well, answering your question specifically, yes, you may be doing so.

Senator KERR. Well, do you think we would, or do you doubt it, or do you think we wouldn't?

Mr. KRAUSS. Well, now, you asked me not to make a speech.

Senator KERR. No.

Mr. KRAUSS. I want to explain here that if you are talking about this sort of bill to cover those who have never been covered before, I think that would be running exactly contrary to the insurance principles of unemployment compensation.

Senator KERR. I do, too.

Mr. KRAUSS. If these people are to be taken care of, it needs some other means.

Senator KERR. I agree.

Mr. KRAUSS. Whether at the local, State, or Federal level, I am not prepared to say.

Senator KERR. But the basis of the question I am asking you is this: Can Congress pass a law which benefits, say, 20 percent of a group of people, all of whom are in the same status insofar as the Congress is concerned without passing a bill that is discriminatory.

Mr. KRAUSS. Well, in that sense, I will agree with you that would be discriminatory.

Senator KERR. So that actually if there is an obligation on the Congress as to pass a bill to take care of unemployed people, who have no rights to receive unemployment insurance, if they want to avoid passing a bill that is discriminatory they should pass a bill that would take care of all in that status, shouldn't they?

Mr. KRAUSS. That is right.

Senator KERR. All right.

That is all I wanted to ask.

Senator DOUGLAS. Mr. Chairman, may I ask some questions?

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. May I ask Mr. Krauss, do you know of any State manufacturers association which has supported extension of benefits for those who have exhausted their claims on the State level?

Mr. KRAUSS. You qualify that by saying those who have exhausted their claims.

Senator DOUGLAS. Yes. Do you know of any State manufacturers' association which has supported legislation which extends the duration of benefits in order to take care of those who otherwise would exhaust their claims to benefits?

Mr. KRAUSS. No, Senator, I do not know that. I do know——

Senator DOUGLAS. You don't know of any that have favored it. Do you know of any who have opposed it?

Mr. KRAUSS. I don't know of any who have opposed it.

Senator DOUGLAS. In other words, you don't know what the action of the various manufacturers' associations has been in this matter?

Mr. KRAUSS. The issue has not been presented in that respect with regard to exhaustions in any State to my knowledge.

Senator DOUGLAS. In other words, you are ignorant as to what the position of the State manufacturers' associations has been?

Mr. KRAUSS. I am.

Senator DOUGLAS. What has been the attitude of the State manufacturers' associations regarding the extension of normal benefits?

Mr. KRAUSS. In many cases, they have agreed to them.

Senator DOUGLAS. Have agreed with them?

Mr. KRAUSS. That is right.

Senator DOUGLAS. Can you give a list of where these agreements have occurred?

Mr. KRAUSS. I don't know if I can give you a list. But I can give you one example, and I can use Missouri. I have served on a committee appointed by the division of employment security from the State of Missouri during the latter part of 1956 and early in 1957, and this committee which was composed of representatives of associated industries, the Missouri State Chamber of Commerce, and the AFL-CIO worked long, hard, and laboriously for a period of 8 months to work out revisions of our unemployment-compensation law which would be agreeable to both sides.

Those amendments were worked out. We increased the benefits from $25 to $33 maximum per week. The bill was introduced in the Missouri Legislature——

Senator DOUGLAS. I asked about duration of benefits.

Mr. KRAUSS. The duration was increased from 24 to 26 weeks, and that bill introduced in the legislature passed in the Missouri House by 138 to 1, and in the Senate by a vote of 27 to 0.

There was an agreement between management and labor as to the need for improvements in our law at that time.

Senator DOUGLAS. What you are saying, in effect, is that this is not a Federal responsibility, but should be left up to the States?

Mr. KRAUSS. That is correct, sir.

Senator DOUGLAS. What do you think the attitudes of your various State associations are with regard to benefits for an extended period to those who have exhausted them?

Mr. KRAUSS. Well, I would say, in answer to that question, Senator, that I think most of these States are willing to sit down and work out reasonable compromises concerning the extension of benefits and duration, but when you limit your question specifically to those who have exhausted them then we are getting again into the realm of taking it outside the insurance program which it is supposed to represent.

Senator DOUGLAS. In other words, you think that probably they would be opposed to the extension of benefits for those who have exhausted their benefits?

Mr. KRAUSS. I think they would on a flat basis as proposed in this bill.

Senator DOUGLAS. I think your assumption is correct.

Now, therefore, if the Federal Government does not act, both the chambers of commerce and the manufacturers associations would oppose State action to deal with this situation.

Now, I know that on page 5 of your testimony, towards the bottom of the page, dealing with this question of the extension of benefits, you say States with large reserves cumulatively amounted to approximately $9 billion which could be used for these payments.

Then, you say in the last sentence of your testimony, "the States are perfectly capable of handling the matter themselves and have the reserve funds and loan resources if needed to do so." So you say that the State resources are adequate.

But I know you say on page 7 that the extension of these benefits, and I quote, "will probably deplete many of the reserves to the point where borrowing from the Federal reserve loan would be necessary."

In other words, at the beginning and end you say the State funds would be adequate and yet here on page 7 you say the State funds would not be adequate.

Don't you think there is a contradiction?

Mr. KRAUSS. No; I think, Senator, the statements are consistent with the answers I made to your question.

I believe the States having this 8½ or 9 billion dollars, I don't know how much it is, approximately 9 billion.

Senator DOUGLAS. It is about $8 billion now.

Mr. KRAUSS. They have the resources to do what I was talking about sitting down and working out increased benefits, and increased durations if the economies of that State dictate that be done.

Senator DOUGLAS. That is not the point.

Every time a proposal for extension of benefits is made, the State manufacturers and representatives of the chambers of commerce—and this is their right certainly—say "If you do this and the other States do not, this will put us at a competitive disadvantage compared with our competitors in these other States."

And is it not this interstate competition, so to speak, which has prevented the development of what many of us regard as adequate State standards?

Mr. KRAUSS. Senator, were you in the room when I ad libbed a little to this statement?

Senator DOUGLAS. Yes, I was.

Mr. KRAUSS. I think that is one of the things which is taken into consideration.

Senator DOUGLAS. Yes.

Mr. KRAUSS. In determining of the total business climate.

Senator DOUGLAS. Therefore, it is a very powerful factor?

Mr. KRAUSS. It is a factor. It is not a controlling factor, and it is not the sole factor.

Senator DOUGLAS. It is a very persuasive factor?

Mr. KRAUSS. It is a persuasive factor that one of the companies might consider along with some 50 other considerations.

Senator DOUGLAS. I know, but it is a very powerful factor, and it has been a persuasive political or legislative factor, at times even greater than its economic importance?

Mr. KRAUSS. I didn't get that.

Senator DOUGLAS. It has been a persuasive factor upon the minds of legislators, even greater than its actual economic importance?

Mr. KRAUSS. Well, I don't know that I have ever heard that argued in the legislatures so I don't know how I can make an observation as to what impact it has on the minds of the legislatures if it is used.

Senator DOUGLAS. As practical men, Mr. Krauss, we know it has a very powerful influence. You deal with the Missouri Legislature, and I have some acquaintance with the Illinois Legislature. This has a very powerful influence as you well know.

This is the reason why many of us believe that you have to have Federal action to get adequate State standards. We thought we were going to get it in the passage of the original act with its withholding provisions, but due to the introduction of this other principle, we have not been able to do it.

What I am afraid of is that if we turn this over to the States, you gentlemen will be before the various State legislatures urging that we should not have extension of benefits for those who have exhausted their claims.

In a very large percentage of cases, the legislatures will follow your opinions and the unemployed would be left in the soup—or really without the soup, because soup is nourishing.

Mr. KRAUSS. Well, there, Senator, of course, is where I am respectfully disagreeing with your viewpoint.

Senator DOUGLAS. All right.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. KRAUSS. Thank you.

The CHAIRMAN. The next witness is Mr. Joseph R. Kenny.

STATEMENT OF J. RANDOLPH KENNY, TWO RIVERS, WIS., ON BEHALF OF THE WISCONSIN MANUFACTURERS ASSOCIATION

Mr. KENNY. Mr. Chairman, my name is J. Randolph Kenny. I am vice president and treasurer of the Paragon Electric Co., Two Rivers, Wis.

Senator KERR. Is that a utility?

Mr. KENNY. No, sir; we are a small manufacturing company. We manufacture electrical timing controls.

Senator KERR. I see.

Mr. KENNY. We have about 250 employees.

I am also a member of the Wisconsin Manufacturers Association committee which concerns itself with unemployment compensation.

I am a member of the statutory advisory committee on unemployment compensation to the Industrial Commission of the State of Wisconsin, and am appearing today on behalf of the Wisconsin Manufacturers Association.

That organization has 1,150 members employing approximately 80 percent of the total factory workers in our State.

The advisory committee is composed of representatives of management and unions and has been charged since the inception of unemployment compensation in my State with reviewing developments in this field and recommending appropriate amendments to the unemployment compensation law to the Legislature of Wisconsin each biennial session.

We have a record of amicable agreement in this area that has led to steady progress which finds Wisconsin among the leaders both in the amount of benefits and in their duration.

Exceptions to this record of unanimous recommendations to the legislature are rare. One occurred in 1957 because we of management believed the principle of unemployment compensation had been prostituted by the attempts to provide supplementary unemployment compensation benefits under certain union agreements, and we refused to accede to union demands to legalize this concept by specific inclusion of them in Wisconsin's statutes.

So far as I know that is the only year in which we did not have an agreed bill. We in industry are aware that frequently we are found in opposition when matters like the one under consideration are being discussed.

We recognize that ours is not a popular role. Yet ours is the continuing responsibility for maintaining businesses in a solvent condition and in having in hand funds with which to meet weekly payrolls.

Our analysis of the current proposal does not mean we are blind to any possible obligations we owe the community, the State or the Nation.

In each State, certainly in Wisconsin, you will find that business has wilingly accepted over the inflationary years liberalization of unemployment compensation benefits.

In Wisconsin our top benefit of 26½ weeks at $38 is more than double what it was when the law went on the books.

In addition, we permit an unemployed worker to earn up to half of his benefits without jeopardizing his unemployment compensation payments. As a result of the tax-free status of benefits, the weekly income is in many cases higher than the individual's take-home pay when he is employed.

In regularly increasing benefits, we have been guided by the evolution of the economic system. Such considered action is wholly consistent with the entire philosophy behind the principle of unemployment compensation.

Federal legislative bodies like yours were prime movers in establishing this tradition.

Witness the fact that unemployment compensation proposals were first introduced in the Massachusetts legislature and the Federal Congress in 1916. In 1921 a proposal of this type was offered in Wisconsin and in succeeding legislative sessions throughout the following decade.

Yet precipitate action was not taken. Successive periods of economic recession did not stampede legislators. In 1928 the United States Senate authorized an investigation of the subject which was expanded upon in a similar investigation authorized by the Senate in 1931.

In 1932 my State of Wisconsin enacted the first State unemployment compensation law. This was the time when we were in the very depths of the worst depression in history. Yet haste was made slowly. Men in public office apparently realized that this was a field in which much good could be accomplished by sound legislation and conversely irreparable damage perpetuated by ill-considered provisions.

It was not until 1935 that the Congress enacted Federal legislation and other States began to take action similar to Wisconsin's.

The Wisconsin Manufacturers' Association believes the legislation on unemployment compensation which you are considering, is unnecessary and unwise for three substantial reasons:

1. The proposal is premature.

2. It represents a foot in the door that can lead to Federal control of unemployment compensation which has been rejected by previous Congresses.

Senator KERR. Now you are talking about H. R. 12065?

Mr. KENNY. Yes, sir.

Senator KERR. Proceed.

Mr. KENNY. The bills ignore the basic concept of unemployment compensation as an insurance program, and not as a dole.

It is difficult for us to understand why the Federal Congress is concerned now with providing additional Federal funds for use by the States. Most commonwealths have adequate reserves for unemployment-compensation benefits. If State authorities felt extension or increases in benefits were warranted, they could finance such payments for months and even years; that is, out of their own reserves. Certainly, that is the case in Wisconsin, where our reserves still remain around a quarter of a billion dollars. Notwithstanding——

The CHAIRMAN. I would like to point out that, since December 31, the Wisconsin balance in the unemployment fund has declined only $12 million.

Mr. KENNY. Yes, sir.

The CHAIRMAN. That is $12 million in 3 months.

Senator KERR. Four months.

The CHAIRMAN. Three months. Of course, you recognize this is an optional bill?

Mr. KENNY. Yes, sir; I do. Nothwithstanding these large reserves, supplementary funds from the Federal Government remain available to the several States if at any time their individual accounts are in jeopardy. I refer to the fund created under the Reed Act, passed by the Congess in 1954.

Under that law, States can draw on Federal funds indefinitely if their own reserves are depleted. I do not profess to be an economist, but I am aware, from newspapers and other publications, that the consensus here in Washington is that we are bottoming out of the recession. Certainly, there is evidence in that direction.

In Wisconsin, for example, unemployment-compensation claims have been steadily dropping from a peak during the week of March 8 of 68,107 down to a level of 53,756 in the week of May 10. Exhaustions are running at the low average level of 700 a week out of a total of approximately 1 million covered employees in my State.

I am told by authorities that exhaustions throughout the country totaled less than 500,000 in the first quarter of the year, which was under the level for the third and fourth quarters of 1949; far under the 730,000 national total exhaustees in the first quarter of 1950.

Senator KERR. Have you got a figure of the number?

Mr. KENNY. National number?

Senator KERR. No; the Wisconsin.

Mr. KENNY. I may have here in my portfolio. I would like to find that for you, later.

I do not think I can put my hands on it.

Senator KERR. That is a difficult figure to get, because they go on and off. Those that get off, they do not always stay off, I mean they come back; isn't that true?

Mr. KENNY. That is correct. It is very difficult to——

Senator KERR. Are there any such figures in existence that you know of?

Mr. KENNY. There are, sir, but they are difficult to compare, and they apepar to me to be always more or less questionable.

Senator KERR. There are no figures that you know of in Wisconsin, the net number that are now exhaustees?

Mr. KENNY. That is those who are now unemployed and have exhausted their benefits. No, sir; I do not know. But this figure of 700——

The CHAIRMAN. That does not mean they are permanently off. These industries take their employees back; is that right?

Mr. KENNY. I do not have the figure that you are asking for. That is correct.

The CHAIRMAN. There are no firm statistics on this subject, are there?

Mr. KENNY. I do not think that even our department of unemployment compensation has a figure that completely satisfies them.

Senator KERR. I wonder if our staff could ask the Department of Labor for that information.

Mr. STAM. You have to figure it as of a known date, but that would not be conclusive, because after that date many go back to work.

Mr. KENNY. Yes.

Senator KERR. But it would give us an idea as to some date.

Mr. STAM. That is right.

The CHAIRMAN. I would suggest that Mr. Stam see what figures he can come up with.

Mr. STAM. We can give it to you as of a certain date.

Senator KERR. Say May 1 or 15?

Mr. STAM. In th s table, they say they have it as of a certain date. Would you like to have that?

Senator KERR. Yes. If it is the net.

(The information referred to appears at p. 340.)

Mr. KENNY. I have some figures here that might interest you. I have them here right in my statement if you would like to hear them.

Senator KERR. This is a number—1,091,000 that became exhaustees in 1957, but that does not purport to be the number of exhaustees as of December 31, 1957.

The CHAIRMAN. They would not include an exhaustee who would go back to work. He might exhaust his benefits and then go back to work.

Senator KERR. We have exhaustees, January through April, 712,000. If you would add 1,091,000 and 712,000 you would get 1,900,000, but then you cannot tell us that that was the number of exhaustees who were still unemployed as of April 30. That is the figure we want.

The CHAIRMAN. I do not think anybody can furnish that. But it would be helpful to have an estimate of how many can take advantage of this bill. They certainly could estimate how many there were April 30, 1958, and that is what I would like for the staff to get for us. If you can get the number of exhaustees——

Senator KERR. And an estimate of how many are still unemployed.

The CHAIRMAN. They cannot get a number of how many get back to work.

Senator KERR. They can get an estimate.

The CHAIRMAN. After they go back to work, they do not need the insurance.

Senator KERR. They would not be eligible under this.

The CHAIRMAN. Go ahead, Mr. Kenny.

Mr. KENNY. The figure I am using is the number of new exhaustees in these periods.

In the first quarter of this year it was about 500,000 new exhaustees. That compares with 730,000 new exhaustees in the first quarter of 1950, just to give some comparison there.

The CHAIRMAN. Now wait a minute. Let me understand exactly what that means. You have got how many weeks?

Mr. KENNY. Twenty-six and a half weeks.

The CHAIRMAN. That means this particular employee has gotten 26 weeks of unemployment insurance, does it?

Senator KERR. No. Not the figure he gives here, the 26½ weeks of benefit are for those who under Wisconsin law, the 500,000 figure that he gives us here are the exhaustees in the entire Nation and the Territories.

Senator DOUGLAS. Mr. Chairman, if I may, I would like to point out that the table selected by Mr. Stam indicates that the average duration of benefits of those who had exhausted their claims in 1957 in the whole country amounted not to 26 weeks, but to 20.5 weeks.

The CHAIRMAN. The point is though that if they are exhaustees they can still get jobs and if they get jobs then there is no suffering involved. They are not eligible and they are getting more money than if they were getting unemployment insurance payments; is that right?

Mr. KENNY. Yes, sir.

The CHAIRMAN. Therefore it seems to me these figures do not have any particular value as to showing any suffering, because if they go back and get jobs like many of them may do—when does the next period start?

For instance, in Wisconsin, if an exhaustee goes back to work, how long must he work before he is eligible for unemployment insurance again?

Senator KERR. In other words, how long will he have to work after having exhausted his benefits under his accumulated rights before he would again be entitled to benefits if he lost a job?

Mr. KENNY. If he goes back to work, then after he has worked, I believe the figure is 14 weeks, he acquires a new eligibility.

The CHAIRMAN. He acquires a new eligibility?

Mr. KENNY. Yes, sir.

The CHAIRMAN. So any figures along those lines, it seems to me, would be very misleading.

Senator DOUGLAS. Mr. Chairman, if I may again be permitted to comment: While it is perfectly true that undoubtedly some of those who have exhausted their claims for benefits find employment and are therefore not permanently unemployed, nevertheless in a period of rapidly shrinking employment such as we have been going through since last fall, this becomes more and more difficult.

I have talked with the director of the unemployment compensation office in a very large industrial State, and I asked him this very question that the chairman has asked, namely how many of those who have exhausted their claims to benefit have found employment. His answer was that in his judgment a very small percentage had found employment because there has been a general shrinkage in the employment situation, very different from what it would normally be when you have people going out of one set of jobs and going into another set.

Senator KERR. I would like to say to the Senator from Illinois I often have found myself in disagreement with him, but I have always had a high regard for his accuracy as to facts. Does he have an estimate?

Senator DOUGLAS. No, I do not, and I agree with the chairman that it is probably impossible without a survey of a group of the unemployed, a well-distributed sample, to get an estimate.

I merely say that because of the shrinkage in the general employment situation, we cannot rely as much as we could in normal times on these men getting reemployed after they have exhausted their claims to benefits.

Senator KERR. You see the administration gave us an estimate under the bill there would be a total of 2,650,000 in a 2-year period or approximately a 2-year period, who would become beneficiaries under the bill.

Now they could not make that estimate without handling the figures which would give an indication of what the net number was.

Senator DOUGLAS. I think the Senator from Oklahoma makes a very appropriate request that the Department of Labor furnish us with the basis of their estimates.

Senator KERR. And if they can do so, give us an estimate of the number of net exhaustees by April 30, 1958.

Senator DOUGLAS. I agree, the Senator from Oklahoma has hit the nail on the head.

The CHAIRMAN. You would have to add those still unemployed.

Senator KERR. That is what it would be, it would be the number of those who have gotten their benefits and still are unemployed.

The CHAIRMAN. You would have to add the still unemployed. A great many activities do not shut down permanently, they shut off temporarily.

Senator KERR. If we ask for the complete exhaustees still unemployed——

The CHAIRMAN. How could you find it out?

Senator KERR. We can ask them to give us an estimate.

The CHAIRMAN. It would be purely an estimate.

Don't you think so?

Mr. KENNY. I think our State could.

The CHAIRMAN. How can you find out if a man is an exhaustee if he goes to another job?

Mr. KENNY. If he is entitled to benefits at all in our State he must register for work but I will grant that it is very difficult to tell.

They do not always tell the employment agency when they have gotten work. So it is a very nebulous statistic.

Senator FREAR. Is it in your State they do not have to report after the expiration of employment for 30 days?

They can employ a person and do not have to report it for 30 days.

Mr. KENNY. That may be, Senator I am not sure of that.

Senator KERR. It would be all right if the chairman were to ask him for an estimate.

The CHAIRMAN. Without objection, but we should bear in mind it will be difficult——

Senator KERR. It would be one that would be difficult to verify.

The CHAIRMAN. Go ahead, Mr. Kenny.

Mr. KENNY. I would like to point out these figures for the comparative advantage of them anyhow.

Approximately 500,000 new exhaustees, I would say in the first quarter of this year, nationally against 730,000 in the first quarter of 1950.

I will not bring in the other comparisons now because of the complications involved.

In the light of these facts, it seems logical to us in industry to fear that present consideration of extension of benefits may well represent an unwitting precedent that can lead to the destruction of State systems of unemployment compensation and the abandonment of experience rating which has been such a powerful and constructive influence in stabilizing employment for more than a quarter of a century.

Congress has long held to the principle that such Federal control should be avoided at all costs. I commend to your consideration the keynote sounded by the Committee on Economic Security appointed by President Roosevelt, which said, after a long and serious study, in its report issued in 1932:

> All things considered, we deem it the safest and soundest policy to confine the role of the Federal Government with respect to this problem (unemployment) * * * leaving to them (the States) primary responsibility for administration.

The term "regularized their employment" symbolizes the basic concept of unemployment compensation since its inception. Among others, President Roosevelt also advanced this premise.

In his message to Congress in January 1933 he said:

> An unemployment compensation system should be constructed in such a way as to afford every practical aid and incentive toward the larger purpose of employment stabilization * * * In order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment.

While unemployment is regrettable, in seeking to cope with the problem we must not be blinded to the even greater responsibility of preserving the more than 60 million jobs now filled in America.

Appreciation of this responsibility has resulted in acceptance of the thesis that unemployment compensation is an insurance program. It is a fundamental and widespread conviction that unemployment compensation is an insurance program designed to cushion the shock of the jobless for short periods.

There has been a steadfast refusal by State legislatures to extend unemployment compensation as a long-term palliative for fear that the program evolve into something comparable to the much-lamented and poverty-producing British dole.

In that connection, let me quote the Milwaukee Journal. That outstanding newspaper has a long, liberal tradition and more frequently than not is numbered among the advocates of progressive legislation favoring the so-called underprivileged.

In reviewing the proposals to extend unemployment compensation that are now before you, the Milwaukee Journal said editorially on May 9 of this year:

> What is too often ignored is that unemployment compensation is an insurance program. "Premiums" are paid by the employers; benefits are collected by workers to tide them over short periods of joblessness.
>
> Unemployment compensation is not a substitute for relief which is paid out of public funds and based upon need. Requiring unemployment compensation to pay for extended periods of idleness will merely undermine a program that has proved socially and economically sound.

Please note the distinction made between premiums paid by employers and the use of public funds. These are separate and distinct. I believe, and the Wisconsin Manufacturers' Association believes, that the proposals before you are not maintaining this distinction. The bills introduced to this Congress would use public funds to insure benefits and then by repayment standards place the burden for such repayments on the private funds of the employer.

That is indirect additional taxation that will further fan inflationary price spirals while at the same time establish the precedent for Federal enactments at any future time that our economic machinery faltered temporarily.

It is apparent that if this comes to pass, you will be committing future Congresses to the expenditure of billions of dollars which only stifle individual initiative.

To a degree that has already happened. I quote from a letter written to Washington by a manufacturer in the neighboring town of Green Bay, Wis., a copy of which was sent to the Wisconsin Manufacturers' Association and received last week:

We need qualified men, but we can't pay learners exorbitant wages. There are nearly 4,000 unemployed in this vicinity. Yet the employment service does not refer anyone to us. Other small manufacturers have reported the same experience. If you intend to spark the philanthropic, socialistic ideal of placing people on a dole for the rest of their lives—which the 80-week idea might develop into—you will never get the people back to work, seriously interested in supporting themselves.

I understand that others who have addressed this committee have stressed the absolute impossibility of State administration of these unwieldy proposals of Federal intervention.

For my own State, I plead with you to permit our splendid 20-year record of labor-management accomplishments to continue.

We are alert to the needs of Wisconsin, and all of us are willing to rely upon the wisdom of our State legislature to pass upon suitable amendments to our model unemployment compensation laws.

Thank you for hearing me.

The CHAIRMAN. Thank you very much, Mr. Kenny.

The committee will recess until 2:30.

(Whereupon, at 12:55 p. m., the committee recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

Senator FREAR (presiding). The committee will come to order.

Is Mr. Frank E. Cooper here?

Mr. Frank E. Cooper, of the Michigan Employers' Unemployment Compensation Bureau.

Have a seat sir.

STATEMENT OF FRANK E. COOPER, COUNSEL FOR MICHIGAN MANUFACTURERS' ASSOCIATION AND MICHIGAN EMPLOYERS' UNEMPLOYMENT COMPENSATION BUREAU

Mr. COOPER. Thank you, Senator and members of the the committee.

My name is Frank E. Cooper. I am engaged in the general practice of law in Detroit and serve as counsel for the Michigan Manufacturers' Association and also the Michigan Employers' Unemployment Compensation Bureau.

I appear on behalf of those two organizations.

May I first thank this distinguished committee for the privilege of appearing here this afternoon.

I have filed with the clerk of the committee a formal statement that I should like to have made a part of the record if that is agreeable, Senator.

Senator FREAR. Without objection, it will be made a part of the record in its entirety.

(The document is as follows:)

STATEMENT OF FRANK E. COOPER, COUNSEL FOR MICHIGAN MANUFACTURER' ASSOCIATION AND MICHIGAN EMPLOYERS' UNEMPLOYMENT COMPENSATION BUREAU

My name is Frank E. Cooper. I am engaged in the general practice of law in Detroit as a member of the firm of Beaumont, Smith & Harris, and serve as counsel for two groups of employers on whose behalf I make this statement.

Naming them in alphabetical order, they are the Michigan Employers' Unemployment Compensation Bureau and the Michigan Manufacturers' Association. The former is composed of employers engaged in many lines of business, and directs its activities to the field of unemployment insurance. The latter speaks primarily for the manufacturers of the State in all areas of legislation and regulation affecting business.

Both organizations have a keen interest in the subject of the bill before this committee, H. R. 12065. That bill in effect offers a Federal loan to States that agree to accept a Federally designated pattern for the extension of unemployment benefits.

I should like to direct my comments to three questions that I think you will wish to take into account in your deliberations concerning the pending bill:

First: Is it necessary or desirable to enact any Federal legislation laying a basis for the extension of State unemployment benefits?

Second: If you find that such a necessity exists, should the pending bill be amended to provide safeguards to the integrity of State unemployment compensation systems?

Third: Is there any justification for the suggestions which some have urged, to federalize the unemployment compensation system and transmute it into a national dole, as had been proposed in the measure reported by the House Ways and Means Committee?

Turning to the first of these three questions: We see no necessity for enactment of the proposed legislation; and we think that if it were enacted, it would have certain long-range effects that would be deleterious to the development of a sound system of State unemployment compensation laws.

In essence, the bill offers Federal loans to States desirous of increasing the duration of unemployment benefits in accordance with the pattern specified in the bill. The primary ostensible purpose is to guarantee that States desirous of increasing the duration of unemployment benefits will be able to borrow Federal funds, if necessary, to achieve this objective. But under presently existing laws, any State unable to extend the duration of unemployment benefits without jeopardizing the solvency of its fund can borrow Federal moneys for this purpose.

Most States, to be sure, have large reserves in their unemployment trust funds—more than adequate to finance a 50-percent increase in the duration of benefit payments, should such extension be deemed desirable by the State legislature. It is only in cases where a State's reserve has declined to a balance less than the amount of money paid out in benefits during the preceding 12 months, that a financial pinch might deter a State legislature from adopting a plan for extending benefit duration. But if a State's reserve has declined to this level, there is provision in existing law—title XII of the social security law (the so-called Reed bill)—whereby such State will be eligible for a non-interest-bearing loan or advance from Federal funds.

In short, most States desirous of increasing the duration of benefit payments can do so without Federal aid. Those needing Federal aid to permit such an increase in the benefit program may obtain such aid under existing Federal law.

Thus, there is no necessity for enacting the proposed legislation in order to accomplish its objective of making sure that the States can finance such extension of benefits as they may deem desirable.

However, its enactment would provide substantial inducement for the States to extend benefits, by enabling them to postpone the cost impact of the extension on their employers for a period of 4 years under a sort of extended payment plan.

Considered as an incentive for State action, the provisions of the bill constitute an undesirable initial step toward determination by the Federal Government of the appropriate duration of benefits. The bill would make loans available only on condition that the State adopt a specified pattern of extending benefits. If the State wished to enact a more limited extension, it could not take advantage of the bill. It would therefore create a substantial pressure on State legislatures to adopt this particular form of benefit extension.

True, this bill does not say to the States, as did some of the earlier House bills: You must extend benefit duration to such and such a standard, regardless of the judgment of your own legislature that no extension is needed. Instead, this bill says in effect to the States: You may do whatever you want about extending benefits, but only if you do it in the way here suggested will you qualify for the loans hereby provided. This is a very subtle way of exerting pressure on the States to accede to a federally prescribed benefit standard which may be undesirable and wasteful in a particular State.

We believe such incipient federalization to be undesirable. We think that unemployment insurance is essentially a State problem. Conditions differ widely in the several States, and each State legislature is the best judge of conditions in its own State.

In Michigan, for example, the State legislature this very week is considering proposals to extend the duration of unemployment benefits under our own law. We have some special problems in Michigan, as every State does. One of our problems concerns setting up a proper benefit standard for a large number of seasonal workers—typically housewives who work, say, for 14 weeks during the summer in a fruit-processing establishment, and then return to their normal household duties. Under the present Michigan law, they are entitled on the basis of their short work experience to 9½ weeks of benefits. Under the standard proposed in the pending bill, they would be granted additional benefits for approximately 5 more weeks—so that they would get a week of benefit payments for every week that they work; even though they never expect to work more than 14 weeks a year. Our Michigan Legislature is considering the desirability of increasing the duration of benefits for regularly employed individuals who normally work all year, but not increasing the duration for these seasonal workers, who are not experiencing any abnormal unemployment.

This is but one example of the many special conditions encountered in particular States that indicate the desirability of continuing the policy to which the Congress hitherto has uniformly adhered, of allowing the States to determine the issues of benefit amount and duration to meet their own needs and conditions.

On at least four prior occasions, Congress has rejected proposals that would have substituted Federal standards in lieu of the traditional policy of allowing each State to determine its own pattern of unemployment insurance, not only as to benefit amount and duration, but also as to eligibility and disqualification (1) 1942, H. R. 6559, war displacement bill; (2) 1944, S. 2051, war mobilization and reconversion bill; (3) 1945, S. 1274, amendment to Reconversion Act of 1944; (4) 1952, S. 2504, providing for Federal funds to supplement State benefit payments).

We think it would be unfortunate to reverse this longstanding policy, and to take steps in the direction of federalizing the unemployment insurance program—particularly when the apparent purpose of the legislation is to encourage the States to take such action as they determine to be suited to their own problems.

Turning now to the second of the three topics I mentioned above, I should like to point out two particular features of the pending bill which I think should be changed by amendment, if in its legislative judgment this committee reports favorably on the bill as it passed the House.

The first has to do, really, with the matter I have just been discussing—the undesirability of imposing on all the States any fixed, uniform Federal pattern of benefit duration. This, as we see it, is in its long-range implications a pernicious peril. Much of the danger inherent in this aspect of the bill could be avoided by amending it to make the proffered Federal loans available to any State which provides by its own legislation for any extension in the duration of benefit payments. Such an amendment would enable States to take advantage of the Federal financial aid which the bill offers and at the same time reserve to the elected representatives of the people of the several States their legislative responsibilities to make such provisions for extension of benefit payments as they believe best meet the needs of their own State.

The second feature of the bill which we think could be improved by amendment has to do with the mechanics of the process whereby States apply for such Federal loans and make repayment agreements. It would seem that normally the State legislatures are the agencies to determine whether they wish to extend benefit duration and take advantage of the loan facilities made available by the bill. But the language does not make it clear that State legislative action is required.

Under the laws of some of the States, broad powers are given the State unemployment compensation commissions. Such grants of power speak in terms of making agreements with agencies of the Federal Government, cooperating with Federal agencies, taking such action as may appear necessary or appropriate to carry out the statutory objectives of relieving unemployment, and the like. There is wide variation in phraseology. The language in some State statutes is susceptible to the construction (when read in light of the language in H. R. 12065 authorizing the Secretary of Labor to enter into agreements with State agencies) that some State commissions may have the power on their own initiative to enter into arrangements with the Labor Department to take a proffered

loan and extend the duration of unemployment benefits. The State legislatures in such event would be completely bypassed. It might be that a State legislature which had determined not to increase the duration of benefits, or had determined on a different pattern of extension than that envisaged in the pending bill, might discover that its will had been thwarted by administrative act of the State agency. This possible loophole should be plugged by amendmens making it clear that State legislative action is required.

Such an amendment is desirable for a further reason—to avoid the possibility that enactment of the bill in its present form might expose the Federal Government to serious losses. The bill provides for repayment to the Federal Government of the cost of extending benefits (and of the administration thereof) by increasing the Federal unemployment tax only for employers in States which enter into the agreement contemplated by the bill. We think there is serious doubt as to the power of the Federal Government to impose different unemployment tax rates in different Statse under agreements with State administrative agencies unless such agencies are specifically authorized to accept the repayment features of section 104 of the bill on behalf of their States.

Your committee may, therefore, wish to recommend amendment of the bill to provide that properly authorized acceptance of the repayment feature be required as a part of each agreement under the bill.

Third, and finally, I wish to emphasize as strongly as I can, however briefly I may be limited by time, the unalterable opposition of the employers of Michigan to any proposal to revert to the type of legislation which had been recommended by the House Ways and Means Committee.

Both in its provisions for mandatory extension of benefit payments in accordance with a prescribed Federal pattern (regardless of the desires of the respective State legislatures) and in its provisions to transmute the State unemployment compensation system into a Federal dole by providing benefits to people without insured employment, this proposal would be completely subversive of the whole philosophy of the system of insured unemployment compensation as it has been developed over the last 20 years.

The employers of Michigan regard as unwise and unjust any Federal program that would require payment of benefits for periods in excess of those provided by State law, and would make this requirement mandatory even though the State legislatures believed that such a blanket extension was unwise, in that it benefited disproportionately individuals with no valid claim to entitlement to extended benefits based on extraordinary emergency conditions. Any such directive would be destructive of the basic philosophy of a system of State unemployment compensation laws, each adjusted to the particular needs of its own people. To impose such an arbitrary mandate upon all the States would be a direct and unwarranted invasion of States' rights. Unemployment compensation is a State problem, not a Federal problem. From the beginning of the unemployment compensation program, it has been recognized that each State should set its own pattern. This time-honored and time-tested principle should not be abandoned.

Even more devastating in its implications is the proposal to require, by Federal mandate, that the States pay unemployment benefits to individuals who have had no history of insured employment. The administrative difficulties of such a proposal are staggering. Even more serious is the circumstance that such a proposal would change the unemployment compensation system from an insurance plan, where benefits are payable as of right based on past earnings, to a scheme for subsistence payments—something like welfare payments, but without a means test. The payments would be disbursed to many who have no need of additional aid. This is alarmingly reminiscent of the path followed in England in the twenties, that in time changed a national system of unemployment insurance into a national dole. We should not start down that path; there might be no stopping.

Mr. COOPER. Instead of trying to read a 12-page statement in 10 minutes I would like to speak to 3 questions which the committee should take into account in your deliberations concerning House bill 12065.

Senator FREAR. Yes, sir.

Mr. COOPER. The questions are these: Is it necessary or desirable to enact any Federal legislation laying a basis for the extension of State unemployment benefits?

Second, if the committee finds that such a necessity does exist, should the pending bills be amended to provide safeguards to the integrity of the State unemployment compensation systems.

Third, is there any justification for the suggestions which some have urged to federalize the unemployment compensation system in such a method as has been proposed in the measure reported by the House Ways and Means Committee, and in effect turn the State unemployment compensation system into something resembling a national welfare bill.

Turning to the first of these three questions, we see no necessity for the enactment of the proposed legislation, and we think that if enacted it would have certain long-range effects that would be deleterious to the development of a sound system of State unemployment compensation laws.

Because, in essence the bill offers Federal loans to those States desirous of increasing the duration of unemployment benefits in accordance with the particular pattern prescribed in the bill.

The primary purpose, it would seem, is to guarantee that States desirous of increasing the duration of unemployment benefits, will be able to borrow Federal funds, if necessary to achieve this objective.

This the committee well knows and many witnesses have pointed out.

Most States have large reserves in their unemployment trust funds more than adequate to finance a 50 percent increase of the duration-of-benefit payments should such increase be deemed desirable by the State legislature.

As I see it, it is only in cases where a State reserve has declined to a balance that would be less than the amount of money paid out during the preceding 12 months as benefits that considerations of financial pinch might deter a State legislature from adopting a plan for extending benefit duration.

But if a State's reserves have declined to this level there is provision in existing law, title 12 of the social-security law whereby such States would be eligible for a noninterest bearing loan of Federal funds.

So, in short, it would appear to us that most States desirous of increasing the duration-of-benefit payments can do so without Federal aid.

Those needing Federal aid to permit such an increase in the benefit program may obtain such aid under existing Federal law.

Thus, as we see it, there is no necessity for enacting the proposed legislation in order to accomplish the objective of making sure that States can finance such extension of benefits as they may deem desirable.

However, enactment of the pending bill would provide substantial inducement to the States to extend benefits, by enabling them to postpone the cost impact for a period of 4 years.

Considering it in that light as an incentive for State action, the provisions of the bill, in our judgment, would constitute an undesirable initial step toward debt determination by the Federal Government of the appropriate duration of benefits, because the bill would make loans available only on condition that the State adopted a specified pattern of extending benefits.

If a State wished to adopt a more limited extension, it could not take advantage of the bill, and therefore, it would create substantial

pressure on State legislatures to adopt this particular form of benefit extension even though a particular State legislature might deem that pattern to be undesirable or unnecessary in a particular State.

That is what I would call incipient federalization and because of the pressures which it would so produce, we think the measure is not only unnecessary but undesirable.

In Michigan, for example, if the committee please, the State legislature is this very day considering proposals that were introduced early in the term last January by Senator Faulker and Representative Nakkula to extend the duration of unemployment compensation benefits under the Michigan law.

We have some special problems in Michigan, as I presume every State does.

One of our special problems in Michigan has to do with the proper duration of benefits payments for seasonal workers who typically have only 12 or 14 weeks of employment during a year.

Last year in Michigan, $10 million of benefits went to claimants with less than 20 weeks of earnings, and again last year, more than 50 percent of all the benefits paid to Michigan claimants were paid to single workers without dependents and those, statistics show, are mostly young people—or else to individuals in what are called the secondary-worker classification, typically a working wife whose husband is also employed.

We have many claimants in Michigan in that category, housewives who work typically 12 to 14 weeks in the summer during the resort season, and then expect to remain unemployed until the next summer.

So our Michigan Legislature, having that in mind is considering in these bills I mentioned the desirability of increasing the duration of benefits for regularly employed individuals who normally work all year, but not increasing the duration or under some bills, not increasing it so much, for seasonal workers who are not experiencing any abnormal unemployment.

This is but one example of the many special conditions which I believe are encountered in the several particular States that indicate as it seems to me, the desirability of continuing the policy to which Congress hitherto has uniformly adhered, of allowing the States to determine the issues of benefit, amount, and duration to meet their own needs and conditions.

As the committee will recall, on at least four prior occasions, and I have the bills cited in my formal statement, Congress has rejected proposals that would have substituted Federal standards in lieu of the traditional policy of allowing each State to determine its own pattern of unemployment insurance, not only as to benefit amount and duration, but also as to eligibility and disqualification.

We think it would be unfortunate to reverse this long-standing policy, and to take steps in the direction of federalizing the unemployment-insurance program by suggestion of Federal standards.

Turning now, if I may, to the second of the 3 topics I mentioned above, I should like to point out 2 particular features of the pending bill which, I suggest, might wisely be amended, if in its legislative judgment this committee reports favorably on the bill as it passed the House.

The first has to do really with the matter I have just been discussing, the undesirability of imposing on all the States any fixed uniform Federal pattern of benefit duration.

Now much of the danger inherent in this aspect of the bill could be avoided by amending it to make the proffered Federal loans available to any State which provides by its own legislation for any extension in the duration of benefit payments.

Such amendment in other words would enable the States to take advantage of the Federal financial aid which the bill offers, if a State felt such aid necessary or advisable, and at the same time it would reserve to the elected representatives of the people of the several States their legislative responsibility to make such provisions for extension of benefit duration as in their judgment best suited the needs and conditions in their particular State.

The second feature of the bill which I suggest might be considered for amendment has to do with the mechanics of the process whereby States apply for such Federal loans and make repayment agreements.

There appears to be some doubt whether the loan and repayment agreements contemplated by the bill may be made only on the basis of authorization by the State legislatures or whether the State unemployment compensation commissions in some States, may of their own volition and on their own responsibility enter into such agreements, thereby committing the States to an extension of benefit payments and an obligation to increase tax rates 4 years hence.

Now it appears to me, if the committee please, to be an unwarranted delegation of legislative power to an administrative agency to permit a State unemployment compensation commission without legislative authorization to commit a State to such a plan of increasing the duration of unemployment benefits with later obligation to repay the amount borrowed.

Suppose, if the committee please, that the legislature of a State had determined not to increase benefits or had determined, as may be done in Michigan, on a different pattern of extension than that envisaged in the pending bill, and suppose after such legislative action in a State, it turned out that the legislative will had been thus thwarted by the administrative act of a State agency which on its own initiative thereafter entered into an agreement of the type contemplated by the bill.

In such event it would seem the State legislature would be completely bypassed.

Now the language in some of the State unemployment compensation statutes when read in the light of the language in 12065 authorizing the Secretary of Labor to enter into agreements with State agencies, is susceptible to the construction that some State agencies would have the power to on their own initiative to enter into an arrangement with the Labor Department to accept a proffered loan and extend the duration of unemployment compensation benefits regardless of the desires of the State legislature.

I would suggest that to obviate such a possibility, the bill might wisely be amended to make it clear that State legislative action is required, and I should like to suggest that such an amendment might be deemed desirable for a further reason, to avoid the possibility that

enactment of the bill in its present form might expose the Federal Government to serious losses.

Senator FREAR. You do not mind if I ask you a question here?

Mr. COOPER. Thank you, Senator.

Senator FREAR. In the light of what you said, do you not think if we took your suggestion that we would be legislating for the State legislatures if we said in this bill that before you can enter into an agreement with the Secretary of Labor, you must have an action by your legislature regardless of whether that legislature on a previous occasion had given authority to the unemployment commission.

Do you not think that in many States that the legislative body is held responsible for the people and the authority which they give those people on the unemployment compensation agency and if that be the case if we legislated here we really actually would be telling the State legislatures something in which I have grave doubts as to its advisability.

Mr. COOPER. Senator, if I understand the question corrected it appears to me if a State legislature has under its present law delegated power to a State agency to make such an agreement no further specific action by the State legislature at this time would be required.

The condition of legislative approval of the State commission entering into such an agreement might be accomplished either by a law which was passed last year or by a law which was passed at this time.

I think this is responsive to the Senator's question.

It appears to me that if the bill made clear that proper legislative action on the State level, either clear language in an existing statute or lacking that, legislative action at this time, might be desirable to avoid a risk of loss to the Federal Government because, as the Senator will recall the bill provides for repayment to the Federal Government of the cost of extending benefits and the administration thereof by increasing the Federal unemployment tax for employers in those States which enter into such agreements, it has been suggested by a number of attorneys who have studied the question, that there is serious doubt as to the power of the Federal Government to impose different unemployment tax rates in differenct States under agreements with State administrative agencies unless such agencies are specifically authorized to accept the repayment features of section 104 of the bill.

The question, as I see it, Senator, is that perhaps existing State legislation might authorize the existing State agency to make an agreement to borrow money but there could be a further question, and there is I believe in several State statutes, whether or not that delegation authorizes the commission to accept on behalf of the State the repayment features of the bill.

Senator FREAR. In the event that the commission was given the right and authority by the State legislature to increase the assessment than it would seem that you could assume that the legislature had the intent of giving that authority to the commission.

Mr. COOPER. I presume, Senator, it would depend on the language of the statute in a particular State.

If you find—pardon me, sir.

Senaor FREAR. Yes, I agree with you, sir.

I think the specific statute itself would probably determine that better.

Mr. COOPER. Third, and finally, I wish to emphasize, as strongly as I can, although briefly, because time is passing, the unalterable opposition of the organizations I represent, to any proposal to revert to the type of legislation that had been recommended by the House Ways and Means Committee. Both in its provisions for mandatory extension of benefit payments in accordance with the prescribed Federal pattern regardless of the desires of a particular State legislature, and also in its provisions to provide benefits to individuals without any insured employment.

This proposal, as we view it, at least, would be completely at odds with the philosophy of a system of State unemployment compensation laws.

Such a mandatory extension of benefits in a prescribed Federal pattern, seems to us, to be destructive of the basic philosophy of a system of State unemployment compensation laws, each adjusted to the particular needs of its own State.

As we view it, even more devastating in its implications would be the proposal to require by Federal mandate that the States pay unemployment benefits to individuals who have had no history of insured employment.

Senator FREAR. Yes, sir.

Now you are talking about the Ways and Means Committee action and not the action of the House of Representatives.

Mr. COOPER. That is correct, Senator.

If I may say just one more word, although it is not directly before the committee, with respect to the bill as reported by the House Ways and Means Committee.

Senator FREAR. Oh, surely.

Mr. COOPER. And in its provisions to pay unemployment benefits to those without insured employment, in the first place the administrative difficulties of such a proposal are staggering but even more serious as we view it is that such proposal would change the employment compensation plan from an insurance system where benefits are payable as of right on an actuarial system based on past earnings to a scheme for subsistence payments, something like welfare *a* payments, but without a means test.

To us this is alarmingly reminiscent of the path that was followed in England in the twenties, that in time changed the national system of unemployment insurance into a national dole.

If I may, Senator, with reference to a question that was asked this morning with reference to the net number of exhaustees, may I read into the record some figures in a statement that Mr. R. T. Compton of the National Association of Manufacturers gave in a statement before the House Ways and Means Committee.

They do not directly answer the question, but they are relevant and I think the committee might find them of interest.

This is on page 118 of the printed copy of the hearings before the Committee on Ways and Means.

Mr. Compton pointed out there is another area in which we are woefully short of statistics.

If the Senator has a copy, it is on page 118, the paragraph beginning two-thirds of the way down the page.

Senator FREAR. Yes.

Mr. COOPER (reading):

The country has never been supplied with any national figures showing what happens to beneficiaries when they stop receiving benefits. For example, in January 1¼ million people discontinued making unemployment benefit claims. Of these about 10 percent ceased filing claims because of exhaustion of their coverage.

As to the other 90 percent, we have no information whatever. We can only guess. We may presume, I suppose, that the majority of them found jobs. We may presume, also, that a large number left the labor market by reason of death, illness, marriage, the desire to go to school, being tired of their jobs, or countless other reasons known only to themselves.

Our figures do not show what happens to people after they exhaust benefits. They may continue to hunt for work. They may find work. They may retire from the labor market. They may marry, or they may go back to school. If a man finds a job for a period after having exhausted his benefits, and then draws benefits again, he goes back to the statistics again and adds another exhaustee to the total.

Senator FREAR. I think that is what our chairman of the committee was attempting to bring out.

Mr. COOPER. It was very well brought out. If I may add just this to my prepared statement, again responsive to the question that was raised this morning and, again, it does not answer the question put, but it may throw a little light on it. A study was conducted in Michigan by the University of Michigan in 1951, with regard to the question of exhaustees, and it was found at that time that only a trifle more than half the exhaustees, 53 percent, were individuals who were clearly attached to the labor force.

The other 47 percent of exhaustees were made up largely of youngsters, people who considered themselves out of the labor market when they were interviewed; 16 percent of them said, "We are just not in the labor market any more"; 25 percent of them were found by the study to be substantially unemployable; and 4 percent were a group of the young dependents, youngsters of 17 or 18 who were living at home.

Later that year, Prof. William Haber, of the University of Michigan, was asked to make a study of the question of exhaustees for the Michigan Employment Security Commission on the question of the broad desirability of extending the duration of the benefits. It was his conclusion that—

for approximately 80 to 85 percent of the exhaustees the solution of the problem does not seem to lie in the extension of compensable duration but in a program designed to increase their employability.

Senator FREAR. What is the date of that?

Mr. COOPER. 1951, Senator.

Senator FREAR. 1951?

Mr. COOPER. Yes, sir. In 1957, in Michigan, more than 50 percent of the exhaustees, perhaps I mentioned this, fell in the category either of single workers without dependents or in the category of secondary earners, typically an employed wife. Thank you very much, sir.

Senator FREAR. I do notice in the statistics we have before us in the staff data that Michigan has a 4.5 maximum employer-tax rate.

Mr. COOPER. That is correct, Senator.

Senator FREAR. I guess it is the highest of any one of the States, and, apparently, your unemployment, percentagewise, is about the highest too, so this you do have, apparently within the States, action that can be taken to correct this.

Mr. COOPER. Action is pending in the Michigan Legislature. Could I add a footnote to the Senator's remarks: A maximum of 4½ percent compares with a maximum of 2.7 in 39 other States.

By next year, 1959, the average rate in Michigan is going to be in excess of 3 percent, which is, of course, in excess of the maximum in approximately 39 other States.

Our unemployment is, of course, a problem in Michigan now, but may I suggest these figures?

For the 12 months ending in February of 1958, our total exhaustions in Michigan were 83,866.

That is a lot of exhaustions, but in the preceding 12-month period from March 1956 to February 1957 the number of exhaustions was even higher, 100,314, and a few weeks ago, in March of 1958, Professor Haber, of the University of Michigan, pointed out that, because of a particular cyclical nature of the automobile business in Michigan, Michigan will always have a high incidence of unemployment.

It was his prediction, as published in a newspaper article, that total unemployment in Michigan is likely to remain at a level of about 175,000 even when so-called full employment is again attained, and we do have a problem; our Michigan Legislature is considering it, and we think that the Michigan Legislature can take care of it, Senator.

Senator FREAR. Thank you very much.

Mr. COOPER. Thank you, sir.

Senator FREAR. Mr. Arthur Packard, as I understand it, from the note given to me, has a plane reservation at 4:30, and has been unable to change it for a later plane. Would it be objectionable to the other three witnesses if the acting chairman called Mr. Packard to the stand now?

Hearing no objections, Mr. Packard, you are next.

STATEMENT OF ARTHUR J. PACKARD, AMERICAN HOTEL ASSOCIATION

Mr. PACKARD. Thank you very much, Senator Frear, and thank you, gentlemen.

For the record, I am Arthur Packard, of Mount Vernon, Ohio, and this is Mr. M. O. Ryan, of the Washington office of the American Hotel Association.

I am the chairman of the governmental affairs committee of the American Hotel Association and appear in that capacity today, Senator.

A representative of the American Hotel Association testified before the House Ways and Means Committee when it was considering legislation to extend the period of entitlement for unemployment compensation for an additional 16-week period for individuals who have exhausted their benefits under State laws.

We had three principal objections to the bills which were then pending before that committee. I want to mention these, because

some Members of the Senate have indicated they favor an approach similar to that incorporated in the Mills-McCormack bills.

Our objections to these bills are (1) that they would increase the problems which employers face in hiring workers for unskilled positions; (2) the enactment of such legislation would be the first step toward complete Federal control of unemployment compensation programs; and (3) while the proposal to extend the benefit period would, presumably, be temporary, it would set a precedent for permanent legislation establishing a Federal minimum of an additional 16 weeks. This would result in a substantial increase in the unemployment-insurance tax for employers which, otherwise, appears unnecessary.

However, we feel that the bill which finally passed the House is far less objectionable than most of the proposals which were pending before the Ways and Means Committee when their hearings took place. The membership of our association feels that no additional Federal legislation in this field is necessary at this time, since States can meet those problems which have materialized to date.

So that you will understand the reason that we take this view, let me tell you briefly about the situation that most hotels face in trying to hire workers.

A hotel employs hundreds of marginal workers. Among our employees there are many handicapped workers, older persons, young people, housewives, and other seasonal employees with no special skill.

Quite a few of these jobs pay a modest wage because of the limited productivity of the workers. In many cases, unemployment compensation provides income nearly equal to the pay that these people would receive if they were actually working, after deductions, transportation, and other expenses borne by an employee when on the job.

An employee can ofttimes create the proper circumstances for separation from his job so as not to jeopardize his rights to unemployments benefits. Some of them are well aware of the techniques they must use to keep from being hired for another job during the period when they are eligible for unemployment benefits.

For example, when we need a dishwasher, or a worker for some other menial task, we call the local employment office. When they refer a worker to us, he ofttimes fails to shave on the morning when he applies for a job, or maybe he will take a couple of drinks just before coming into our personnel office, or, deliberately wear dirty clothing, knowing that we will refuse to hire him for [illegible] of these reasons.

This technique permits him to continue to draw unemployment compensation pay. Of course, when his benefit period is exhausted, and he is faced with the necessity of earning his own living, he makes himself acceptable to prospective employers.

If this legislation is enacted, we are tempting this type of worker by placing a premium on idleness out for a period of time running up to as many as 39 weeks in some States. Actually, under this proposed formula, an unskilled worker could receive more in unemployment compensation benefits than he earned in his base year.

A recent statistical study indicates that a large percentage of workers who have exhausted their unemployment compensation benefits are chronically unemployed anyway, or are only secondary wage earners in families.

For example, a study in Massachusetts showed that nearly half of the workers who had exhausted their unemployment compensation benefits in 1950 had also exhausted them in 1 or more of the previous 3 years. It would appear that they were seasonal workers to begin with, or that they had no desire to maintain long periods of sustained employment.

A study has further disclosed that over one-third of the persons whose claims were originally filed in October were women. Month after month, official data shows that three-fourths of all women claimants are married, so they do not represent heads of families.

For example, in 1954, statistics compiled in Tennessee showed that 73 percent of white female exhaustees were secondary wage earners. Over half of all exhaustees in this study had a total work history of less than 1 year.

In other words, teen-agers, pensioners, and others who do not honestly seek regular employment, and who are not breadwinners for a family, make up a large percentage of those workers who have exhausted their unemployment compensation benefits.

The Mills-McCormack bills would have given many of these chronically unemployed, and secondary wage earners, larger unemployment compensation payments after exhaustion of State benefits, than would be provided to workers with stable employment records.

For example, in about half the States, workers can qualify for unemployment compensation with 2 to 5 weeks of work

Where these States have variable duration of benefits, workers who qualify for unemployment compensation with the minimum period of employment would exhaust their benefits under State laws in 5 to 10 weeks. They would then become eligible for an additional 16 weeks of unemployment compensation under the Mills-McCormack bills.

We urge this committee not to report any bill which would permit this type of abuse.

Our second objection to the provisions of the Mills-McCormack bills is that it would be the first step toward Federal control of unemployment compensation programs. Under these measures, the Secretary of Labor would undertake to make certain types of grants.

Coupled with this authority to give or withhold money, power is vested in the Secretary of Labor to establish certain standards which States must meet in order to obtain funds. This inevitably means a greater measure of Federal control of State unemployment compensation programs, since few States could withstand the temptation to modify their programs in order to secure supplemental Federal funds.

While the Secretary of Labor may exercise such authority wisely, there is always the chance that it will be misused in the future to compel acquiescence by the States in any formula which the Federal Government decides to establish.

In our opinion, the wiser course is to preserve and protect the integrity of the States by giving them more freedom in deciding upon their own needs, based on local cost of living factors and job opportunities. While we think that this danger is far less pronounced in the bill which finally passed the House, it is still present to some extent in this measure.

Even now, the problem of exhaustion of benefits arises only in a limited number of States. While unemployment is serious in only

8 or 9 States, the evidence indicates that unemployment compensation funds in most areas are sufficient to meet the needs.

Statistics further indicate that unemployment is not an aggravated problem in many areas of our country. Since the cost of living, wage rates, and general economic conditions differ so widely from State to State, I fear that it would be impractical to try to set up a uniform Federal policy governing unemployment compensation in all 48 States. But this would be the logical result of giving the Secretary of Labor or any Federal official the power and authority to compel the individual States to accept certain minimum standards in order to qualify for additional Federal funds.

We understand that the purpose of the sponsors of this legislation is to provide supplemental relief for what we all hope is a temporary problem. Under the House-passed bill, benefits during the additional period of total unemployment would be effective only until April 1959.

We have had a great deal of experience with these temporary measures. For example, the cabaret tax was imposed as a wartime levy to meet a short-term emergency. Our industry has suffered under it for nearly 20 years.

Numerous taxes on transportation and other excises were also imposed to meet short-term emergency situations, but most of these are still with us.

I can't think of a single law creating benefits for workers at the expense of their employer or of the Government which has proven to be temporary. In every case, once established, it is next to impossible to get rid of them.

In the field of unemployment compensation, such a result would be particularly unfair, since it would affect trust funds which were created through a tax on employers. As businessmen and employers, we must know in advance what our cost of operation will be.

In order to eliminate the possibility of large unforeseen losses, we pay insurance premiums to cover us on liability claims, casualty losses, and thefts, and fire and so forth. In most cases, we get no return for moneys we spend on insurance premiums, but we are willing to pay them because it will let us know in advance the nature of our obligations and liabilities.

Since the business community is accustomed to the general philosophy of insurance, it has largely become reconciled to taxes under unemployment compensation programs. We view it as one of the necessary costs of doing business.

Many employers regard it in the same class as hospitalization which they buy for their employees. They like to feel that the money they pay will be used for the benefit of their own employees should they need it. At least, they think that the funds should not be used for the benefit of workers whose past employer did not make payments on it in their behalf.

May I also observe that it is the actuarial soundness of the various State programs of unemployment compensation which have commended the program to employers generally. We have been led to believe that this actuarial feature is incorporated by providing a lower rate to employers whose employment record has been good.

I think one of the quickest ways to destroy this whole concept is to extend the period of benefits beyond that provided for by the rate struc-

ture during the base period. If the insurance concept is applicable to unemployment compensation, this would be like changing an insurance contract after a loss has occurred to require the carrier to pay a greater indemnity than that justified by the premiums.

For these reasons, we feel that States can provide whatever relief is necessary to bona fide breadwinners honestly seeking employment.

We realize that it may be necessary, for political purposes, for Congress to enact some legislation on this subject in this session. While we oppose the enactment of any bill, we feel that the House-passed bill would be preferable to other proposals that have been offered to date.

Senator FREAR. Would it be a great deal of trouble for you, Mr. Packard, to give for the record 1 or 2 or possibly 3 examples of where, in your State, which I believe it is necessary to have 20 weeks of covered employment, at a minimum of $240 to provide him with 26 weeks of compensation.

Mr. PACKARD. 26 weeks, yes.

Senator FREAR. I think the committee would like to know, if you would be so kind as to do that, how certain examples as you may describe would operate in your State, please.

Mr. PACKARD. We can supply the committee with those figures and be happy to.

Senator FREAR. I think it might be interesting, sir.

Mr. PACKARD. Our Washington office will supply them with whatever they want by way of examples.

(The material referred to is as follows:)

(The following was subsequently received for the record.)

There are six States in which unemployment benefits in a "benefit year" can, under present law, exceed two-thirds of the wages paid in the claimant's "base year."[1]

All 6 States pay the same duration to all eligible claimants, ranging from 20 to 30 weeks, as follows:

	Weeks		Weeks
Maryland	26	North Dakota	20
Montana	22	Pennsylvania	30
New York	26	Vermont	26

In my own State of Ohio, about which you inquired, it is now possible to draw unemployment benefits totaling 50 percent of total wages earned during the base period. And if H. R. 12065 were enacted, this would bring the maximum benefits in Ohio up to 75 percent of the total wages received.

To increase the benefit potential by 50 percent, as contemplated in H. R. 12065, in these States, could result in the payment of more dollars of benefits to some claimants than those same claimants had earned in their entire base year.

Senator FREAR. I am sorry there are no more members here, but I think that points up perhaps one of the very strong features of your testimony in opposition to the bill, and although I have great reservations in my own mind, I want to be fair about it, and I would like to have these things to fortify my own thinking as well as the others.

Mr. PACKARD. Thank you, Senator.

Senator FREAR. Thank you and I express my appreciation to other witnesses for permitting you to be heard now rather than at a later hour.

Mr. PACKARD. I am also grateful to them.

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[1] This information may be verified in tables 17, 23, and 25 of the Comparison of State Unemployment Insurance Laws as of Jan. 1, 1958, which is in preparation by the Bureau of Employment Security, U. S. Department of Labor.

Senator FREAR. Mr. James J. Maher.

Mr. Maher, of the Commerce and Industry Association of New York.

STATEMENT OF JAMES J. MAHER, ON BEHALF OF THE COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. MAHER. Mr. Chairman, I realize the time that has been taken up here on prepared statements.

Let me say my name is James J. Maher. I appear here as chairman of the social-security committee of the Commerce and Industry Association of New York. I am accompanied by Mr. Mahlon Z. Eubank, who is counsel to the social-security department of that association.

Senator FREAR. Are you also a vice president of the Chase Manhattan?

Mr. MAHER. I am an assistant vice president.

Mr. Chairman, I realize that a great deal of time has been taken up in the reading of statements, and if it meets with your approval, I have a prepared statement which I would like to enter into the record, and then I would like to comment on some of the highlights of that statement.

Senator FREAR. Your entire statement will be made a part of the record.

Mr. MAHER. Thank you, Mr. Chairman.

(The complete statement of Mr. Maher is as follows:)

STATEMENT OF THE COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC., CONCERNING LEGISLATION TO PROVIDE FOR AN EMERGENCY EXTENSION OF FEDERAL UNEMPLOYMENT COMPENSATION BENEFITS

Presented by James J. Maher, chairman of the social-security committee, of Commerce and Industry Association of New York, Inc., and assistant vice president of Chase Manhattan Bank

Commerce and Industry Association of New York, Inc., the largest service chamber of commerce in the East, represents approximately 8,500 employers, large and small, in all branches of industrial and commercial activity, including many corporations headquartered in New York but engaged in multi-State activities. Through its social-security committee, which includes many of the Nation's leading tax and personnel executives, and its social-security department, the association studies and actively represents management thinking on significant unemployment insurance issues at both the national and local levels. The Commerce and Industry Association appreciates the opportunity to appear before your committee for testimony on this most important proposed legislation.

We recognize the humanitarian considerations that must be given to the problem of unemployment. It is distressing that in a country like ours competent available citizens who have had a permanent attachment to the labor market are unable to find gainful employment through no fault of their own. These individuals are at this time the victims of an economic cycle.

Unemployment insurance was not designed or ever intended to compensate individuals for protracted periods of unemployment caused by economic recessions or depressions. The essential idea of unemployment insurance is the accumulation of reserves by taxes on employers in times of employment from which compensation may be paid to insured workers as a partial replacement of lost wages during temporary periods of unemployment. It is most necessary that the word "temporary" be emphasized. In keeping with the basic purpose of unemployment insurance it is appropriate that when unemployment is not temporary and unemployment benefits are exhausted by an individual claimant,

then, the State's assistance program should take over to provide necessities for those individuals who continue to be unemployed.

The distinction between unemployment insurance and unemployment relief is a vital element in American social legislation; one arises out of contract, the other out of need. To protect the concept of contract in social insurance there must be a stated relationship between wages and benefits. To extend weeks of benefits indiscriminately would undermine this basic principle. To make unemployment insurance a benevolent program which gives handouts to individuals not subject to financial distress would conflict with sound insurance principles. Moreover, it would be contrary to the whole purpose of the unemployment insurance program. It was never intended to serve the purpose of providing doles or handouts; neither was it intended to be a source of public assistance.

Having considered all factors and reasons advanced for proposed legislation under the unemployment insurance program, we believe that action at the Federal level in the field of unemployment insurance is not necessary to meet the needs of those persons experiencing hardship as a result of extended unemployment. In most States the financing of unemployment insurance is not a problem, and the States' funds themselves, comprising some $8 billion in the aggregate, are not in danger of liquidation. Certainly there are a few States in serious condition, but under present conditions we feel that the moneys available from the revolving fund set up under the Reed act can adequately meet the needs of these States. If additional funds are necessary, the moneys could be made available to the States on a loan-fund basis, but only to those States desiring to use such funds.

We believe that the soundest legislation Congress can enact to correct this problem is to permit any State, by election, to enter into a plan, under the public-assistance program, with the Department of Health, Education, and Welfare, whereby the Federal Government would provide funds on a 50–50 basis to pay unemployed individuals with a recent work history benefits on the basis of need. The passage of such a bill has certain legislative advantages. Financial assistance would be provided for individuals who need it, including those who were covered under unemployment insurance programs and exhausted their benefits, and those who were not covered. There would be no limitations on the number of payments made to qualifying individuals, except a termination date, such as April 1, 1959.

If, despite the reasons cited, Congress feels that legislation should be enacted to extend payment of unemployment insurance benefits beyond the normal periods provided by State laws, we believe that the measure which was passed by the House of Representatives (H. R. 12065 as amended) is a more appropriate and practical approach than any of the other measures which have been under consideration. This bill parallels more closely the Reed Act with its emphasis of full State controls and responsibilities than any of the other measures. In favoring the bill approved by the House, we do not believe that there is good reason to pay benefits to those who have exhausted their benefits as far back as July 1957. We feel that such a retroactive payment of benefits is not justified for the following reasons:

1. As evidenced by the number of individuals deriving benefits and the rate of exhaustion, the actual effect of the recession was not felt until the latter part of 1957.

2. Under the most favorable economic conditions there are a substantial number of claimants who exhaust their benefits, many of whom are secondary wage earners, such as wives of working husbands, seasonal workers who year after year would be unemployed at the same time, retired employees receiving pensions and social security, and many others of similar type. Many of these people who are only nominally attached to the labor market would receive a windfall for their period of nominal unemployment.

3. Individuals who have been disqualified and served a time penalty after July 1, 1957, and exhausted their benefit rights would also be the beneficiaries of a giveaway based upon their own action.

In conclusion, we again suggest that we consider it unnecessary for the Federal Government to enact any legislation in relation to the manner in which the States are meeting the demands on their unemployment insurance programs during the current economic recession; that the States themselves are best able to cope with this problem according to their individual needs; that the financial assistance which any State may need to meet the drains on its unemployment insurance fund is already available under the Reed Act and, finally, if we

must have Federal legislation in this field, that we favor H. R. 12065 in the form passed by the House as the most practical and appropriate approach to the problem.

Mr. MAHER. At the outset, there is a point that I would like to make in relation to this proposed legislation, and that, as many of the other speakers have mentioned, is the question of need.

I speak, of course, with particular reference to our situation in New York. The reserve that we have is not in danger of liquidation. I feel, too, that with regard to many of the other States considering the $8 billion in reserves that are held for the payment of benefits, that the great majority of the States are not faced with a serious problem of liquidation, and finally, for those States who may need financial assistance to meet the continuing payment of benefits under the current emergency, that the means are available to them through the fund that has been set up under the Reed Act.

For this reason, Mr. Chairman, we seriously question whether there is a need for this legislation, and we are concerned, too, not only about maintaining the sound principles of unemployment insurance, but also maintaining a sound basis for the financing of that program, the basic principle always being that benefits would be related to wages and that the funds for the payment of those benefits would be derived from payroll taxes.

Consequently, we do not favor any proposals that would tend to make grants to the States to defray the cost of unemployment-insurance benefits, and, as I repeated before, those States that do need financial assistance have the means available to them under the Reed Act.

If one of the objectives of the proposed legislation is to take care of persons in need, we, of course, feel, too, that this should not be taken care of through the unemployment-insurance program but rather under the means that have been set up to take care of welfare payments, and again, if there is any need for assistance in that direction, that the Federal Government may consider providing that assistance on some basis that would either match the amounts of the States may defray for that purpose or in the form of some degree of participation, either——

Senator FREAR. In a grant form?

Mr. MAHER. In a grant form, yes, sir, to some degree for relief purposes only under the Department of Health, Education, and Welfare. But not for the continued payment of benefits, through the unemployment-insurance program.

I think Governor Williams, when he spoke before the Ways and Means Committee, expressed some ideas along that line that in the State of Michigan this is something that could be taken care of through the welfare program in that way.

I would like to say, too, that such an approach would, of course, not only meet the fixed needs of those that are actually in need, those who have been in covered employment under their State social-insurance programs, but also those who had not been working in covered employment and are in need.

Now, we have felt that way, but if it is inevitable that Congress must enact legislation to meet this situation, of all the legislative proposals that have been advanced, we would favor H. R. 12065, as passed by the House, over any other measures that have been proposed or that have been considered.

The reason we favor that proposal is that it parallels more closely the Reed Act and preserves the control and responsibilities on the part of the States in the administration of the programs.

In effect, we feel that it merely exchanges the trigger point on borrowing from the Federal Government and it leaves the initiative with the States to borrow the funds if they need them.

It preserves the insurance principle of the program, and does not make it a system for handouts or doles.

I would like to take this occasion to go on record, Mr. Chairman, as opposing any measures that would provide an extension of benefits for a flat period of 16 weeks or any other period.

Supplementing what was stated here before, and using examples of what that could mean in New York State, an individual could collect 26 weeks of benefits for 20 weeks of employment. Now, if we add another 16 weeks—he would normally collect 26 weeks—but if we add another 16 weeks, he would collect 42 weeks of benefits for his 20 weeks of employment.

If, during the 20 weeks, he earned $80 a week for a total of $1,600, benefits at the rate of $40 a week for 42 weeks of unemployment would provide him with a taxfree income of $1,680.

Senator FREAR. Yes, I am glad you mentioned the tax-free part of it, too, because under covered employment, he of course naturally has his tax deducted.

Mr. MAHER. It is a net take-home pay after taxes.

Now, it has been said in testimony before the Ways and Means Committee that the States do not act until the Federal Government acts. This, of course, has not been true in New York.

We have already enabling legislation to give effect to H. R. 12065, as passed by the House, but the State has taken other measures to improve the unemployment-insurance program to meet changing conditions.

We have reduced coverage to 2 or more, and have increased our maximum weekly benefit by 25 percent from $36 to $45.

It has likewise not been true generally in other States, 33 of them having increased benefits in 1955, 22 having increased them in 1957, and although many of the State legislatures are not in session this year, 4 have increased benefits in 1958.

In conclusion, may I say, Mr. Chairman, that we would not agree with the approach embodied in S. 3446 which Senator Javits discussed here this morning, unless any proposal made along that line providing for grants to the States embodied a needs test to take care of those in need and not in the form of grants that would continue the payment of benefits under the unemployment-insurance program without a needs test for a duration that could extend to the end of the year 1958, as I understood his proposals.

May I say in conclusion, Mr. Chairman, that I appreciate the opportunity you have afforded me to appear here, and again say that of all the legislation that has been advanced, we would favor the enactment of H. R. 12065 in the form that it was passed by the House.

Senator FREAR. I notice in your statement, the reserves in your New York fund were about $50 million higher at the end of 1957 than they were at the beginning of 1957, although the first quarter of this year you had a substantial increase in withdrawals.

Mr. MAHER. But we haven't had the benefit of the taxes for the first quarter credited to the reserves, and I think in those figures——

Senator FREAR. You do have them?

Mr. MAHER. No, we have not as I understand them. The fund on hand here is $1,248,794,553.

Senator FREAR. As of March 31?

Mr. MAHER. As of May 2.

Senator FREAR. As of May 2.

Mr. MAHER. Yes, sir.

Now here we do have the benefit of the taxes paid in for the first quarter.

Senator FREAR. Would you read them?

Mr. MAHER. The taxes paid for the first quarter?

Senator FREAR?

Mr. MAHER. The total receipts here for the first quarter credited to the fund in April are $20,123,781.

Senator FREAR. With the reserve that you have as of May 2 of $1,248,794,553, would still give you a multiple of about 5.7, or in other words, at that ratio you have enough to last you for 5 years and some time.

Mr. MAHER. That is right, Mr. Chairman. We have figured in round terms around 5 years.

Senator FREAR. Yes.

Mr. MAHER. Now, of course, we do consider and I don't want to get into the economics of the situation, I am not an economist, but there are at least some indications that the situation will start leveling out, that is the way we feel about it.

Senator FREAR. Since you are connected with the bank, I don't see any reason why I shouldn't take the opportunity of questioning you along these lines.

I don't want you to make any statements, however, that you will——

Mr. MAHER. I understand, Mr. Chairman.

Senator FREAR. I don't want to force you into any statements you make, but I think we are all interested in where this curve is going to round out or we would not be interested in this legislation before us because the multiples in all of the States, with the exception of 1 or 2 appear to be in pretty sound fiscal position at this moment, when they run from 5 to 10 years, even 14 years.

So that, in your opinion, now, will you express it as to what this curve as you see it exists in the future?

Mr. MAHER. Yes, sir. I will express it as I hear it from, I know economists have different points of view, and they are not all in agreement.

Senator FREAR. I want your point of view not just as you hear it.

Mr. MAHER. I qualify myself by saying I am not an economist, but as we view it, the business outlook, let me say from our point of view, we feel we are reaching the low point in perhaps another month or so where we will be leveling out and we will continue on a level basis through the summer until the automobile industry or the advance tooling and replenishment of inventories and other durable goods, start to take effect, which should be some time about the end of the summer or the early fall before we would have an actual upturn in employment.

Senator FREAR. An upturn in employment?

Mr. MAHER. An upturn in general production and employment.

Senator FREAR. You are not just speaking about the State of New York, but generally?

Mr. MAHER. Generally speaking.

Senator FREAR. Your bank, I believe, publishes a little tabloid?

Mr. MAHER. Yes, Economic Outlook. Yes, sir. And I am predicting my statement on forecasts that have been derived that way in terms of the Outlook.

Senator FREAR. Senator Douglas, this is Mr. Maher of the Commerce and Industry Association of New York as the witness. He has completed his testimony, and I was just asking him a few questions.

Do you have some questions?

Senator DOUGLAS. No. I have hastily read his statement, and I have no questions to ask him.

Mr. MAHER. I don't think there is anything more I can add, Mr. Chairman.

Senator FREAR. All right, thank you very much, sir. We appreciate your testimony.

Mr. MAHER. Thank you, Mr. Chairman.

Senator FREAR. I also appreciate your being patient with us.

Mr. MAHER. It is all right, Mr. Chairman. We are very happy to do so.

Senator FREAR. Mr. Roland Jones, Jr., American Retail Federation.

STATEMENT OF ROWLAND JONES, JR., PRESIDENT, AMERICAN RETAIL FEDERATION, PRESENTED BY JAMES G. MICHAUX, COUNSEL

Mr. MICHAUX. I am James G. Michaux. I am general counsel of the American Retail Federation. Mr. Jones was unexpectedly called away by an emergency, and with your permission, I would like to file a statement that Mr. Jones was going to present.

Most of the arguments covered in here have been previously covered by other witnesses with one exception. We believe there is one consideration which the committee should give which you will find on page No. 3.

I won't discuss it. It is only a page long, but it has to do with the denial of the principle of experience rating in the extra tax which would be paid by the employers after 1963, and we just wanted to call the committee's attention to that particular fact.

Senator FREAR. Well, thank you very much, sir.

Senator Douglas?

Senator DOUGLAS. No questions.

Senator FREAR. Thank you.

(The complete statement of Mr. Rowland Jones, Jr., is as follows:)

STATEMENT OF ROWLAND JONES, JR., PRESIDENT, AMERICAN RETAIL FEDERATION, ON H. R. 12065

My name is Rowland Jones, Jr. I am president of the American Retail Federation, with offices at 1145 19th Street NW., Washington, D. C.

The American Retail Federation is a federation of 31 national retail associations and 38 statewide associations of retailers, representing through their

combined membership more than 800,000 retail establishments. Attached is a list of the associations on whose behalf this statement is submitted.

Before getting down to the specifics of H. R. 12065, I would like to make a few general observations about the American system of unemployment insurance. This background material is necessary in order to get a perspective on what Congress is trying to do in H. R. 12065.

The American system of unemployment insurance is a remarkable historical achievement. Unlike many unemployment compensation programs existing in other parts of the world, the American program, after long and vigorous debate, was conceived and established in accordance with sound insurance principles. The present system was designed not only to preserve the worker's purchasing power, but also to preserve his dignity and self-esteem.

To accomplish these important ends, the Congress developed an insurance program which pays unemployment benefits as a matter of right, without recourse to a means test and without inquiry into personal need.

In fact, it is an important and proud part of our philosophy of unemployment insurance that benefits be paid to any worker meeting the prescribed conditions of eligibility, whether he needs the money or not. He gets his benefits because he qualifies for them. The money comes out of payments which have been made by employers on his behalf into the State unemployment-insurance fund.

The system of unemployment insurance which has been developed over the years is possible only because—and only as long as—the laws which set it up adhere to certain fundamental principles. These principles are that benefits be paid in accordance with an objective formula which determines the eligibilty for payments on the basis of the unemployed worker's previous work experience. The benefits he receives depend upon the amount of his previous earnings. A sound system of insurance is possible only if the duration of benefits is limited. The unemployment-insurance benefits are limited by law to some prescribed number of weeks. If benefits were paid on an unlimited basis or for an uncertain duration, it would never be possible to operate this program on a sound financial basis, establish an adequate tax system, and balance the revenues and expenditures over the long run.

For these reasons we feel, and feel strongly, that any proposal to change, either directly or indirectly, the present system of unemployment insurance must be carefully scrutinized in the light of the basic insurance principles which serve as the foundation stone of the system.

The bill before you, H. R. 12065, which provides for temporary additional unemployment benefits, is, perhaps, the least objectionable measure which has been offered as a solution of the problem of benefit exhaustions in the several States. Nevertheless, even though it is the least objectionable, there are still several features in the bill which violate the insurance principles of the system;

1. The denial of the principle of experience rating

Every State law has a provision for experience rating, through which an employer may receive a lower rate than the State maximum if he is directly responsible for less unemployment than other employers. This is a fundamental part of the whole system of unemployment insurance. Thus, the program was not designed solely to give a worker who had lost his job through no fault of his own some temporary assistance. It was also designed to reduce unemployment by providing a real financial inducement to employers to curtail unemployment whenever possible. They do this by stabilizing the employment in their own operations.

Even with the experience rating, some types of employers still pay less than their pro rata share of the cost of the unemployment-insurance program. For example, the many seasonal employers do not pay in taxes anywhere near the amounts which their ex-employees receive in benefits. Conversely, the highly stable employers pay more in taxes than it costs to pay benefits to their laid-off employees. Even with this imperfection, it still is the best practical solution to the problem of conforming to insurance principles.

The proposal before you, H. R. 12065, completely negates this principle as it applies to the repayment of funds made available to the States under this bill. In any State which participates in the proposed program, all employers would be subjected to a uniform tax increase, regardless of their employment experience, beginning in 1963. At that time the net Federal tax on all employers would go up from 0.3 percent to 0.45, and in the following year to 0.6 and, if necessary, to 0.75 in the third year. Revenue arising from this increased tax rate will be used to reimburse the Federal Government for funds paid out this year and next in

the form of temporary additional unemployment benefits. Thus, employers who presently have caused little or no unemployment will be taxed for repayment of benefits paid at the same rate as those who have contributed substantially to present unemployment.

As I said earlier, in a sound insurance program the premium must bear a close relationship to the risk. This proposal—that the Federal Government be reimbursed by flat increases in the Federal tax rate—is like asking the man in a new, fireproof, brick house to pay the same rate as his neighbor in an old, frame tinderbox. Homeowners would never stand for insurance rates set that way; why should employers? To put it another way, is it proper for the Congress to adopt a measure which is absolutely contradictory to one of the fundamental principles on which the whole system of unemployment insurance is based?

2. The burden on new employers

Another objection to the enactment of this measure is the burden which new employers would have to bear. Between now and 1963, a large number of employers will have entered business, and a large number will have left the field. The new employers will be required to pay an increased rate of tax because of unemployment with which they had absolutely no connection whatsoever. Employers in 1963 will, in effect, be paying for benefits arising out of the employment conditions created by employers in 1958. This, also, violates sound insurance principles.

3. The time element

The third objection is the time element. If this is an emergency program, as its sponsors claim, it should be capable of being put into effect immediately. However, in spite of the claims that a simple agreement between a State official and the Secretary of Labor would be all that was needed to put the program into effect, the evidence collected so far by Senator Douglas, and as published in the newspapers, seems to indicate that most States would find legislative action necessary. In most instances, this would mean special sessions of the several State legislatures. This would be necessary because, as a practical matter, the bill permits a State official by unilateral action to put into effect a mandatory tax increase on all employees beginning in 1963. In fact, we believe that every few governors, or other State officials, would care to assume the responsibility of obligating the employer-taxpayers of their States to pay a future tax increase, whether they had the authority or not, without the advice and consent of their respective legislative bodies.

Now, gentlemen, I realize fully that unemployment today is a problem. At the same time, we don't believe that the Federal Government must try to solve every problem of every citizen of this country. The problem here is essentially one which can be coped with at the State level. The present system, which leaves the matter of unemployment benefits to the States, should be left alone.

Almost every State has a substantial reserve fund. Funds could be drawn from this reserve to pay temporary additional unemployment benefits if the State saw the need to do so without endangering the soundness of the program. One State (Connecticut) has already done so, and the matter is, we are told, under serious consideration in many other States.

There are, as has been testified here, a few States whose reserve fund is not ample. But those States still have a remedy in the Reed fund, from which they could borrow to pay additional temporary benefits, if the legislatures of those States found it necessary to enter such a program.

In conclusion, may I again say that if this committee finds that a Federal program is necessary and desirable, we believe that H. R. 12065, in its present form does less violence to the insurance principles of the unemployment program than any of the other proposals which have been advanced.

NATIONAL ASSOCIATIONS

American Retail Coal Association
Associated Retail Bakers of America
Association of Family Apparel Stores, Inc.
Institute of Distribution, Inc.
Mail Order Association of America
National Appliance and Radio-TV Dealers Association
National Association of Chain Drug Stores

National Association of House to House Installment Co's., Inc.
National Association of Music Merchants, Inc.
National Association of Retail Clothiers & Furnishers
National Association of Retail Grocers
National Association of Shoe Chain Stores
National Council on Business Mail, Inc.
National Foundation for Consumer Credit, Inc.
National Industrial Stores Association
National Luggage Dealers Association
National Retail Farm Equipment Association
National Retail Furniture Association
National Retail Hardware Association
National Retail Merchants Association
National Retail Tea & Coffee Merchants Association
National Shoe Retailers Association
National Sporting Goods Association
National Stationery & Office Equipment Association
National Tire Dealers & Retreaders Association, Inc.
Retail Jewelers of America
Retail Paint & Wallpaper Distributors of America, Inc.
Super Market Institute, Inc.
Variety Stores Association, Inc.
Women's Apparel Chains Association, Inc.

STATE ASSOCIATIONS

Alabama Council of Retail Merchants, Inc.
Arizona Federation of Retail Associations
Arkansas Council of Retail Merchants, Inc.
California Retailers Association
Colorado Retailers Association
Delaware Retailers' Council
Florida State Retailers Association
Georgia Mercantile Association
Idaho Council of Retailers
Illinois Retail Merchants Association
Associated Retailers of Indiana, Inc.
Iowa Retail Federation, Inc.
Kentucky Merchants Association, Inc.
Louisiana Retailers Association
Maine Merchants Association, Inc.
Maryland Council of Retail Merchants, Inc.
Massachusetts Council of Retail Merchants
Michigan Retailers Association
Minnesota Retail Federation, Inc.
Mississippi Retail Merchants Association
Missouri Retailers Association
Nebraska Federation of Retail Associations, Inc.
Nevada Retail Merchants Association
Retail Merchants' Association of New Jersey
New York State Council of Retail Merchants, Inc.
North Carolina Merchants Association, Inc.
Ohio State Council of Retail Merchants
Oklahoma Retail Merchants Association
Oregon State Retailers' Council
Pennsylvania Retailers' Association, Inc.
Rhode Island Retail Association
Retail Merchants Association of South Dakota
Retail Merchants Association of Tennessee
Council of Texas Retailers' Association
Utah Council of Retailers
Virginia Retail Merchants Association, Inc.
Associated Retailers of Washington
West Virginia Retailers Association, Inc.

Senator FREAR. Prof. Richard Lester of Princeton University.

STATEMENT OF PROF. RICHARD A. LESTER, PRINCETON UNIVERSITY

Mr. LESTER. Mr. Chairman, it is a pleasure to be here and have this opportunity to testify before this committee and I want to be of any help that I can.

Senator DOUGLAS. Mr. Chairman, may I say that since I know Mr. Lester is a very modest man, that he is one of the ablest authorities on the general subject of unemployment compensation in the country, and that he has had a great deal of practical experience and has been chairman of the New Jersey State Employment Security Council, and has served on Federal Commissions as well.

So that he is a highly qualified witness. He has come down here at great personal sacrifice, and I want to express my own appreciation to him for his willingness to make this sacrifice.

Senator FREAR. Well, I appreciate those remarks of the Senator from Illinois, and I can state to the witness that is is not every witness is so modest.

Mr. LESTER. Well, Mr. Chairman, perhaps for the record, I will be a little immodest and indicate my present connections.

Senator FREAR. I take it that you are a resident of New Jersey?

Mr. LESTER. Yes, I am a resident of New Jersey, and I have been a resident there for some 13 years this last time, but I have also resided in the Pacific Northwest and North Carolina.

Senator FREAR. Have you known the Senator from Illinois?

Mr. LESTER. Yes, I have known him for a great many years.

Senator FREAR. He knows wherewith he made the statement then?

Mr. LESTER. Well, he may be subject to some exaggeration, let us say, but he himself was an expert in this subject at one time at least, and he wrote a book on it.

Senator FREAR. I won't lend you that opportunity, sir.

Mr. LESTER. He probably knows much more about it than I do.

Senator FREAR. We think a great deal of him here, too, sir.

Mr. LESTER. But I might, for the record, indicate that my name is Richard A. Lester, I am professor of economics and faculty associate in the industrial relations section at Princeton University.

I have studied unemployment relief and compensation ever since I began to write my doctor of philosophy thesis on the subject in 1932. I helped to draft the original New Jersey Unemployment Compensation Act. From 1952 to 1954, I was a member of the Federal Advisory Council on Employment Security and from 1955 to date I have been chairman of the New Jersey State Employment Security Council.

I have written extensively on the subject including a report for the committee for economic development, which is a business group, which was published back in 1945, entitled "Providing for Unemployed Workers in the Transition."

I should explain, Mr. Chairman, that I am here not in my official capacity but as an individual. I am not here as representing the State of New Jersey.

I urge upon you to reject the approach of H. R. 12065. It offers practically nothing so far as the unemployed this year are concerned. It rests on the false philosophy of the laggard who argued that he never could find the right time to fix the leaky roof to his house

because he couldn't do the repair job when it was raining and when it wasn't raining the roof didn't leak.

We have to face squarely up to the reasons why the State unemployment-compensation programs are so inadequate for present needs that they are compensating only about 30 percent of the wage loss of persons in covered employment and less than 20 percent of the total wage loss from all employment—uncovered as well as covered.

The chief reasons for the present weaknesses in unemployment compensation are two:

One, the fierce competition between States in low benefit standards and low tax rates.

Two, the absence of any sharing of the risk nationally, so that States with the heaviest burden of unemployment are forced to bear that burden alone.

Having served as chairman of the employment security council for 3 years in New Jersey and being acquainted with the mail and other campaigns put on by New Jersey employers to keep their unemployment tax rates low by keeping benefit levels relatively low and benefits restricted, I can report that the interstate competition aspects of unemployment compensation represent a vicious and unfair form of tax competition, especially when recessions are so heavily concentrated in heavy industry and in certain States.

Mr. Dikovics, who appeared before you, has appeared before our council on some occasions, and, while I have great admiration for him as an individual, certainly has not come before us to request increases in benefits.

Now I want to take an example of the kind of competition that I have in mind.

Last year 3 States with the lowest employer tax rate were Colorado, Iowa, and Virginia, and in mentioning those States I don't mean any invidious comparisons, but these 3 States had the lowest tax rate, with 0.5 percent of covered payroll compared to an all-State average of 1.3 and an average of 1.7 percent for New Jersey. Tennessee had 1.7, and Nevada had a 2.0, and Pennsylvania had an average of 1.9 for the past 2 years. It varied widely from year to year.

We also have, despite this rather high employer contribution rate, in New Jersey an employee contribution rate of one-quarter of a percent. We are only 1 of 2 States that still have an employee contribution, and in New Jersey, since the law was enacted, the employees of New Jersey, on their own behalf, have contributed $320 million to unemployment compensation.

In other words, a good part of the present reserves that we have, perhaps 80 percent of it, in a sense, represents the employee contribution.

Senator FREAR. I don't quite understand that.

Mr. LESTER. Well, the total, if you will add from the time that the law was first passed until the present, until the end of last year, the employee contributions have amounted to $320 million.

Senator FREAR. The employee contribution to what?

Mr. LESTER. To the fund. We have a tax on employees as well as employers.

Senator FREAR. In New Jersey?

Mr. LESTER. That is right. We are 1 of the 2 States that has that.

Senator FREAR. I guess that is why I was unfamiliar with it.

Mr. LESTER. Yes. So I want to indicate that we do have a feeling of financial responsibility in the State.

Florida was also low with 0.7 percent average tax last year.

Now, an examination of the benefit provisions of the laws of the lowest tax States shows comparatively low benefit levels (for example, duration of only 8 to 18 weeks in Virginia, 6 to 24 weeks in Iowa, and 5 to 16 weeks in Florida).

Let me say in terms of the exhaustees, the average duration of exhaustees for Florida and Virginia was 12 weeks, for Iowa was 13 weeks, Colorado 19 weeks. New Jersey was 22 weeks, and Pennsylvania, 30 weeks.

In addition to this factor of relatively low benefit durations, of course, these 3 or 4 States have had relatively low unemployment in proportion to their covered employees.

In Colorado, Florida, and Iowa they have had only about 4 percent of their insured employment unemployed in recent weeks.

In New Jersey, Pennsylvania, and Rhode Island, the insured unemployed have been around 10 percent of covered employment in the State; in Michigan around 15 percent. So that if you look at the reports of the Department of Labor, you will see that the unemployment that we have is very heavily concentrated in certain areas, and that means that there is an unfair burden, in a sense, on these particular States. They have in this chart, in this report put out by the United States Department of Labor on the characteristics of the unemployed——

Senator FREAR. Would you just explain one thing to me, Doctor, the unfair burden; just what do you mean by that?

Mr. LESTER. I mean two things, Senator.

One is that the States have, because this unemployment is heavily in the durable goods industries——

Senator FREAR. Michigan, for instance?

Mr. LESTER. Michigan, New Jersey, Pennsylvania.

Senator FREAR. Yes.

Mr. LESTER. I was going to refer to this chart which shows for the latest month, which is March, the States in black here in this report have 9 percent or more unemployment.

Senator FREAR. What report is that, Doctor?

Mr. LESTER. I just identified the chart for the record. It is "Characteristic of the Unemployed," March 1958, put out by the United States Department of Labor.

Senator FREAR. Yes.

Mr. LESTER. And it shows that the States heavily affected are in this band along the eastern part of the country, and up here in North Dakota, and Montana, and then Washington, Oregon, and Nevada in the West. And they have 9 percent or more of their work force unemployed, whereas these other States that I mentioned have about 4 percent of their work force.

Senator FREAR. Is that covered employment?

Mr. LESTER. Yes, it is insured unemployed as a percent of average covered monthly employment.

Senator FREAR. I believe 12065, of course, does deal with covered employment.

Mr. LESTER. That is right.

Senator FREAR. Yes.

Mr. LESTER. The point I am making, Senator is that the industry most heavily affected is the industry covered by unemployment compensation. It is the heavy industry.

Senator FREAR. That is right.

Mr. LESTER. And the rate of unemployment in these States that I have mentioned is at least double the rate of unemployment in the other States—Florida, Iowa, Virginia—that I mentioned were they have not only low rate of unemployment, but they also have low-benefit levels.

Senator FREAR. As I understand you, I am not sure that I do, but is this a correct understanding, that when it is a penalty on the States that have large covered unemployment to not be able to have assistance to extend unemployment benefits for a longer period of time you have those other States assist these States in the extension of time for unemployment and thereby tax their people, if that be the word, to help the other States?

Mr. LESTER. No; my point is this, Senator, and I am coming to it in a moment, that we should have some reinsurance program at the Federal level in order to share part of this national burden of unemployment.

The State of New Jersey, as such, or the State of Michigan, as such, is not responsible, I assume, for the recession, and not responsible for the fact we have so much heavy industry in our State, and therefore, we have this heavy burden of unemployment in our State.

Not only do we have the heavy burden of unemployment which I believe in part, the excessive part, let's say above 5 or 6 percent unemployment, the part that is above that ought to have some national sharing, it seems to me, because part of the responsibility for it presumably is the kind of monetary policy the Federal Government has been following, the effect of the Federal administration on the economy when defense expenditures are cut back rather sharply as they were in the third quarter of last year, and the consequences that follow when the President makes certain statements with regard to spending or saving. Those all have an effect on employment in New Jersey.

We in New Jersey can't do a great deal to overcome our own unemployment, but the burden is on us, largely because of the kind of industry that we have.

That does not mean that we don't have a well diversified industry. We do, as I will indicate in a moment. But the second part of this burden or penalty that we are under, the second part of the unfair competition in my judgment, Senator, is that the benefit standards in these relatively—in these States with relatively little unemployment are very low, so that you get a combination of two things. Our standards are somewhat higher, and we can make them somewhat higher in part because of the employee contributions.

Senator FREAR. What is the percentage of employee contribution on their payroll?

Mr. LESTER. It is now one-quarter of 1 percent.

Senator FREAR. One-quarter of 1 percent?

Mr. LESTER. Yes. It is running about 11 or 12 million dollars a year.

Senator FREAR. What is your average on the employer in New Jersey now?

Mr. LESTER. I just gave it here. It is 1.7.

Senator FREAR. I believe you stated earlier that of your present reserves, approximately 80 percent was credited or was placed——

Mr. LESTER. You could think of it that way. The total contribution of the employees since the law began——

Senator FREAR. If there were no withdrawals?

Mr. LESTER. That is right.

Senator FREAR. But it would not be fair to assume that all the withdrawals would come from the employer if the employee made the contribution.

Mr. LESTER. No, but in the other 46 States, all of it rests on the employer.

Senator FREAR. That is true. That is true.

Mr. LESTER. All of these States have very little heavy industry. Consequently benefits paid in the calendar year 1957 in percent of taxable wages were 0.7 percent in Colorado, Florida, and Virginia, and 0.8 percent for Iowa, compared with 2.7 percent for New Jersey and 2.8 percent in Rhode Island, and 1.5 percent for the country as a whole.

In other words, we were paying out benefits at that rate compared to the rate of 0.7 and 0.8 percent for these other States.

In the first 4 months of this year, New Jersey has paid out approximately $80 million in benefits (a rate of $240 million a year). The tax intake for the first 4 months, including employee contributions is estimated at $36 million so that our outgo for the first 4 months is more than double our income.

Now, this rate of outpayments for benefits is equivalent actually to 5.2 percent of covered payroll. In other words, this year we are paying out benefits at a rate of over 5 percent of covered payroll. This large outgo is due to the fact that New Jersey has between 9 and 10 percent of its work force unemployed during the first 4 months of 1958. And that volume of unemployment is largely due to the fact that New Jersey has so much heavy industry—machinery, metals, automobiles, et cetera, and this is the point I made earlier in answer to your question, Senator, certainly New Jersey employers are not to blame for the heavy concentration of unemployment in our State.

Senator FREAR. What type of competitive disadvantage do you consider that to be.

Mr. LESTER. Well, it is a disadvantage because if you have even the same industry, whether it is the garment industry or whether it is the paper industry or what not, if they are located in another State, their tax rate would be lower, even though they had exactly the same experience.

Senator FREAR. Yes, sir. But isn't that also true of personal property and real estate by those same employers where they would be in different States? Would you consider that also a burden?

Mr. LESTER. Every tax is a burden in a sense to the taxpayer.

Senator FREAR. The one which figures in competition?

Mr. LESTER. Yes, but the local—I am on the borough council at Princeton, and we levy a real-estate tax. We levy that real-estate tax for the benefit of the people in that community in the way of

streets, sewers, garbage and trash collection and on through the different items of the local budget.

When it comes to unemployment, it seems to me you are in a little different situation. In unemployment you are dealing with a national problem, and there is very——

Senator FREAR. You wouldn't say that taxes were not a national problem?

Mr. LESTER. No, no, but I am talking about local taxes. I thought you were talking about real-estate taxes.

Senator FREAR. I meant that they are pretty general.

Mr. LESTER. But we have a very heavy real-estate tax in New Jersey.

Senator FREAR. That is a form of burden that makes it a part of the expense in which you are in competition with other States which have lower tax burdens.

Mr. LESTER. That is right. We do not have a general sales tax nor a personal income tax. But our real estate suffers very severely.

Senator FREAR. By the way, do you have a personal property tax in New Jersey?

Mr. LESTER. Yes, we do.

Senator FREAR. Do you have it in the municipalities also?

Mr. LESTER. Yes, we have a personal property tax in municipalities.

Nor are New Jersey soft-goods producers any different so far as unemployment in their industries is concerned from soft-goods firms elsewhere, but our soft-goods firms will be forced by the higher tax level in New Jersey than, say, in Colorado, Florida, Iowa, or Virginia, to face an unfair burden in interstate competition, and that despite the fact that New Jersey is only 1 of 2 States with employee contributions to unemployment compensation.

These facts clearly point to the need for the second item I stressed, namely, the national sharing of abnormal drains on particular State funds because unemployment is concentrated heavily in particular States. This could be provided by a Federal reinsurance program.

Loans to the States are no solution to this problem. H. R. 12065 offers interest-free loans till 1963 if a State wants to agree to take on the added burden of extending the duration of benefits up to 50 percent plus the State and Federal costs of administration to pay those benefits extensions.

In 1957 the New Jersey unemployment compensation trust fund took in $100 million and paid out $123 million, incurring a deficit of $23 million. For 1958 it is estimated that with no change in the law, the outpayments will amount to at least $225 million and the income will remain at $100 million, leaving a prospective deficit of at least $125 million, and perhaps more because the intake may be a little less than a hundred million since we won't draw any interest on the amount the reserve is drawn down.

Senator FREAR. Doctor, you are assuming unemployment is going to continue at the present high state.

Mr. LESTER. No, if I assumed that it continued at a present high rate, that would be $240 or $250 million rather than $225 million.

These are not my own estimates, but those made by the Employment Security Division of New Jersey, and that estimate involves some pickup in employment toward the end of the year.

Senator FREAR. You had at the end of March 1957, about $442 million, is that right?

Mr. LESTER. No, at the end of March we had a little less than $400 million, $397 million. I think——

Senator FREAR. Then my figures must not be quite accurate.

Mr. LESTER. Well my figures may not be accurate, Senator, but I have the figures, reserves as of March 31, I am sorry, I may have it wrong——

Senator FREAR. That is not too great a difference.

Mr. LESTER. I may have made a mistake—the total reserves as of March 31, $7,955 million.

Senator FREAR. Well, we are talking about the reserves in New Jersey being $442 million. The total reserves, I believe at the end of March were about $8,573 million.

Mr. LESTER. Well, I assume that this report which I have here published, put out by the——

Senator FREAR. I am sorry, Doctor; $397 million for New Jersey. $8,537 million is correct.

Mr. LESTER. That is right.

Senator FREAR. And I want the—I want to correct the other figure I gave too. At the end of March 1958, it is $7,955 million instead of $8,500 million.

Mr. LESTER. That is right.

Senator FREAR. If you use that ratio, the multiple at the end of March, you had a 2.7 multiple?

Mr. LESTER. That is right.

Senator FREAR. Or 2.7 years?

Mr. LESTER. I am sure that is right.

But, of course, our tax rate keeps going up on the employer, because as our reserve goes down, we have an automatic arrangement. It is already up for all employers three-tenths of a percent this year, because as soon as the reserve goes below 10 percent of covered payrolls, it starts jumping up automatically on all employers. So our rate this year for this year will be around 2 percent.

Senator FREAR. At the present time, you have a maximum of 3 percent?

Mr. LESTER. Yes, that is right.

It is estimated that a 50 percent extension of benefits duration would in 1958 add perhaps $30 million more to the deficit. Should New Jersey industry be asked to shoulder alone that added cost plus administrative expenses?

Senator FREAR. I am sure you are aware of the fact there is a $200 million fund in the unemployment compensation Washington Bureau account which was contributed.

Mr. LESTER. Yes, Senator.

Senator FREAR. Which was contributed by the employers of the 48 States.

Mr. LESTER. Yes.

Senator FREAR. And to which you can apply.

Mr. LESTER. Yes, but under our law, we are conservative, Senator, and the tax rate on employers goes up as our reserve goes down, so we don't anticipate having to go to that fund, and of course, that only postpones, as some of the previous witnesses indicated, that only postpones the evil day. You don't avoid the taxes.

Senator FREAR. I am conscious of that, and I think I would favor your position on that.

Mr. LESTER. It seems to me the only sound approach to this problem is that in the Kennedy-McCarthy bill (S. 3244), namely, Federal reinsurance and minimum Federal benefit standards. Only in that way will the evil of interstate competition in low-benefit standards be sufficiently reduced so that unemployed workers whose earnings normally amount to $60 a week or more can be decently compensated.

When these laws were first passed the maximum benefits in each State, the ceiling, averaged about 65 percent of the normal weekly wage.

In 1951 and ever since then it has been about 44 percent. In other words, it has dropped down because the maximum has not kept pace with the increases in earnings.

And in my judgment that has a distinct disadvantage in terms of the incentive to the individual.

Some people who appeared here as witnesses have indicated the extent to which there are some possible abuses by women and others but if you will notice the people who are chopped off the most by this ceiling they are the people in general who are getting higher wages and have in the past had fairly steady employment, have worked their way up the occupational ladder and in our State, the men, 65 percent of them, are chopped off by our $35 maximum ceiling and $35 is about the average weekly maximum for all the States, sir.

The need for such Federal reinsurance and benefit standards has been so well expressed by our Governor, Robert B. Meyner, in the short statement he recently submitted to the House Banking Committee that I suggest it appropriately could be inserted in the record in connection with my testimony, since this particular statement deals almost entirely with unemployment compensation and relief in the State of New Jersey.

I do not know whether there is any question about inserting that into the record when it is already in the——

Senator DOUGLAS. Mr. Chairman, I move it be done.

The CHAIRMAN. Without objection.

Mr. LESTER. It is six pages.

(The document is as follows:)

From: Office of the Governor, Statehouse, Trenton, N. J.
For release Monday p. m., April 14

As Governor of New Jersey, I am submitting this statement concerning the serious unemployment situation in my State and I suggest some elements in a program of action by the Federal Government to help overcome a problem of growing concern to the State and local governments.

Although the United States constitutes a single national market, certain States have borne the brunt of the current recession. New Jersey is one of the more seriously affected areas. That is because the business slump has been mainly concentrated in manufacturing lines like metals, machinery, automobiles, and other durable goods, and those industries represent a significant part of New Jersey's economy.

As a consequence, unemployment in my State reached an estimated 222,000 workers in mid-March, which is 9.4 percent of the labor force, or almost 1 out of every 10 persons normally working. That is the highest percentage of unemployment in New Jersey since 1946. Statistics for unemployment compensation indicate that the number of unemployed had increased somewhat further by the first of April.

In New Jersey, payments for unemployment benefits in March were double those for March 1957 and had reached the astounding rate of $250 million a year. That is twice the figure for the total benefit payments in the highest previous year, which was 1957. By the end of March some 140,000 disemployed workers were drawing unemployment compensation in New Jersey, and about 39,000 had exhausted their benefit rights during the first quarter of this year.

General assistance or relief payments by municipalities in New Jersey have been rising sharply since November. In February such payments exceeded $1 million, up almost 50 percent in the 4 months from October to February. With general assistance increasing at that rate, the municipalities and property taxpayers are faced with the prospect of mounting relief costs and accompanying higher tax rates.

A single State, of course, is relatively powerless to prevent recessions or to restore economic health to the Nation's business. Obviously, monetary policy is a national, not a State, matter. The same is largely true of fiscal and debt policy. The significant role of the Federal Government in maintaining high levels of employment is stressed by the Employment Act of 1946.

Although a State and its subdivisions may lack the economic instruments for preventing and overcoming national economic slumps, it may find itself heavily burdened by the financial consequences of economic downswings if it is highly industrialized. Industrial States and their subdivisions pay a good part of the bill if a general business decline is stimulated during its first 6 months, as in the latter half of 1957, by mistaken national policies of tight money and sharp cuts in defense spending. And, at the national level, erroneous forecasts, indecision, and the confusing spectacle of advice to the public simultaneously to save and to spend can, as indicated by the figures already set forth for New Jersey, prove costly to a State.

Under the circumstances, the Federal Government would seem, at the very least, to have an obligation to aid the States, especially those most severely affected, by means of Federal support for unemployment-compensation benefits and general relief payments.

In unemployment compensation, the difficulties of the States have been twofold. First, the incidence of unemployment has been quite unevenly distributed among the States. Those engaged largely in agricultural production and processing, in soft-goods manufacture, and in supplying services of various sorts have been but lightly affected by the current recession. Second, some States, for the most part the same, less industrialized ones, have kept their levels and duration of unemployment benefits relatively low.

The combination of these two factors has permitted such low-incidence, low-standard States to maintain comparatively low unemployment taxes and, thus, to compete unfairly in interstate trade and location of industry. Because of these conditions, it is possible to find 2 firms with the same experience, and yet the 1 located in a less industrialized State paying but one-half or one-third the State unemployment taxes paid by the 1 located in a highly industrial State.

The tax advantages of low-benefit standards can be illustrated by an example. Virginia for years has had one of the lowest State unemployment-tax rates—last year 0.5 percent of payrolls compared with a national average of 1.3 percent, and 1.6 for New Jersey. It also has had the lowest duration of benefits of any State; namely, 8 to 18 weeks.

The answer to this type of unfair interstate competition is to be found in two measures: (1) The provision for minimum benefit standards that the States would need to meet for Federal approval of their laws, and (2) a program of Federal reinsurance grants, provided from the 0.3-percent Federal payroll tax now levied for unemployment-compansation purposes, so that no State alone would have to meet the full burden of an excessive and prolonged drain of unemployment benefits during a national business downturn.

For the first quarter of 1958, New Jersey paid out unemployment benefits at a rate equivalent to about 5 percent of wages subject to taxes under our unemployment-compensation law. It seems no more than fair that, when a State's benefit outflow for a quarter exceeds at rate, say, of 2.7 percent of taxable payroll in covered employment, the Federal Government should share in the cost of that excess. It might, for instance, pay to a State from a Federal reinsurance fund, say, half of the cost of benefits between 2.7 and 4 percent of taxable payroll, and three-quarters of the cost in excess of 4 percent of taxable payroll, in any calendar quarter.

That is just a suggestion of one way to achieve a more fair means of meeting the uneven distribution of a heavy burden of unemployment. The Federal Government, of course, has a vital interest in assuring that the built-in stabilizer of unemployment compensation is adequate to provide the purchasing power for the economy that was intended when the Social Security Act was passed in 1935.

The two types of remedial measures that I propose are contained in the Kennedy-McCarthy bill (H. R. 10570 and S. 3244). On those grounds, I strongly support that bill in principle, without passing judgment on the merits of the detailed provisions.

There is another reason I support the Kennedy-McCarthy bill's approach. Unlike proposals before the Congress for the emergency extension of unemployment benefits, it would not serve to undermine the integrity of our present unemployment-compensation system. It aims at a continuing improvement, and does not involve a shift of benefit levels up and down or forward and backward changes in benefit duration.

Any program first to lengthen and later to shorten the duration of unemployment benefits so as to use them as a sort of temporarily expanded relief program would obliterate basic distinctions between social-insurance benefits and relief payments. Under social insurance, contributions and benefits are tied together in a contractual relationship in each individual worker's case. To disrupt that relationship would mean a weakening of the fabric of our whole social-insurance program, including old-age and survivors insurance.

In contrast, the Kennedy-McCarthy bill's program of temporary Federal grants to meet minimum Federal standards during a proper interval for the States to revise their legislation in the light of such standards, and the added provision of Federal reinsurance of State unemployment funds, would not jeopardize the contractual relationship between contributions and benefits for the individual.

All that reinsurance would do would be to help maintain a statewide relationship between benefits and contributions by pooling, nationally, a part of any heavy contingency burden falling on a particular State. Federal minimum-benefit standards would eliminate, to that extent, unfair interstate competition and injury to industry and markets by preventing a vicious spiral of low and deteriorating benefit standards, particularly in relation to advancing wage levels.

Regardless of improvements made in the level and duration of unemployment benefits, there is need for a Federal-State emergency unemployment-assistance program, under which the Federal Government would meet, say, one-half of the costs of the increase in general-assistance payments during the present recession period.

Such an emergency unemployment-assistance program is called for primarily to meet the needs of workers uncovered by and ineligible for unemployment compensation (estimated nationally at almost a million out of the total of 5.3 million unemployed), as well as those of the 800,000 jobless who have exhausted their benefit rights since last September.

An emergency assistance program should be kept entirely separate, both in its administration and financing, from the Federal-State unemployment-insurance program. Assistance is relief based on need. Unemployment compensation is social insurance, under which eligibility and benefit rights are based on previous contributions.

All experience in this country and abroad teaches the wisdom of avoiding any mixture of social insurance and assistance. However, an adequate unemployment-assistance program is necessary to protect unemployment insurance from demands that its reserves be used to pay assistance grants to needy jobless unrelated to previous contributions into the reserves.

At the Federal level, an emergency unemployment-assistance program should be administered by the Department of Health, Education, and Welfare, for that Department has had long experience with this type of program. The initiative and responsibility for determination of need should continue to be left to the localities under Federal and State financial aid. In that way, normal arrangements and existing administrative and legal machinery can be utilized with a minimum of adjustment.

Federal action with respect to unemployment compensation and emergency unemployment assistance would, of course, be providing only a stopgap of reduced income for the jobless and their families. The main effort should be to get workers off unemployment benefit or the assistance rolls and back to work.

It is paradoxical that we should have widespread idleness of men and equipment when there are so many things that badly need to be done, and at a time

when the demands for Government services are so great and growing. To mention just one example, the cold war and the sputniks have brought home the national importance of an adequate educational program at all levels.

The statistics for gross national product in real terms show that our economic growth has been slowing down since 1953. Whereas from 1948 to 1953 our economy achieved an annual increase in output averaging 4.5 percent, between 1953 and 1956 the yearly average declined to about 2.5 percent, and last year it slowed down to only 1 percent. Meanwhile, Russia's rate of real increase of output in recent years, according to the best estimates available, has averaged at least 7 percent a year.

In the face of such figures and of great and growing needs in this country, it is evident that we can ill afford the waste arising from incorrect economic diagnoses, indecision, and procrastination at the national level. And we can be sure that the longer the delay in instituting needed and corrective action, the more certain it is that drastic and less carefully considered measures will be hastily adopted at a later date.

While the focus of attention in this statement has been primarily on the immediate unemployment problem in my State, I recognize the vital significance of a proper perspective and of adequate attention to the broader issues of national economic policy. Indeed, we have reached a critical period in the affairs of this country, when effective leadership in economic matters is of prime importance.

Attached hereto you will find statistics showing unemployment-insurance data for 1958 in New Jersey.

Unemployment insurance data

Week ending	Amount of benefits	Number drawing benefits	Initial claims	Exhaustions
Jan. 4, 1958	$3,704,664	109,304	24,127	1,936
Jan. 11, 1958	4,210,818	120,807	23,054	1,990
Jan. 18, 1958	4,349,800	124,748	19,529	2,158
Jan. 25, 1958	4,323,404	124,279	19,125	2,101
Feb. 1, 1958	4,314,534	124,146	16,403	2,148
Feb. 8, 1958	4,430,265	124,978	18,476	2,036
Feb. 15, 1958	4,400,178	126,702	17,138	2,116
Feb. 22, 1958	4,526,827	130,133	20,774	2,032
Mar. 1, 1958	4,743,474	136,136	16,791	2,276
Mar. 8, 1958	4,716,784	136,898	21,[illegible]	2,765
Mar. 15, 1958	4,687,280	135,790	19,[illegible]	2,653
Mar. 22, 1958	4,582,756	132,156	19,215	2,677
Mar. 29, 1958	4,790,946	139,134	18,353	2,804

Total unemployment

Week ending nearest the 15th:

January	207,000
February	211,000
March	222,000

Mr. LESTER. As my remarks have already implied, H. R. 12065 is practically a useless gesture. Already the States have the George or Reed bill funds as you have indicated, Senator, so that another loan fund is hardly needed, particularly since it relies on States wishing to go into debt for longer benefit payments.

No one apparently knows, when I wrote this they did not—this was written a week or so ago—how many States could legally do so without legislative approval. I understand now that Senator Douglas' returns from 30-odd Governors on this issue have been put into the record.

But I doubt whether they could do so or would want to do so and few State legislatures have regular sessions before January 1959.

Consequently, the bill seems to promise much more than it will ever deliver. To that extent, it is deceptive and is apt to be labeled "fraudulent" by the unemployed who won't get any additional benefits from it.

The CHAIRMAN. May I interrupt you?

Mr. LESTER. Surely.

The CHAIRMAN. Why cannot they have a special session?

Mr. LESTER. They can, Senator.

The CHAIRMAN. You said it is fraudulent?

Mr. LESTER. Well, I doubt that there will be.

The CHAIRMAN. They can have a special session.

Mr. LESTER. I doubt there will be many special sessions but that is only my judgment.

The CHAIRMAN. It would not be fraudulent if they had a special session?

Mr. LESTER. No; if they had a special session and passed this, that is correct.

The CHAIRMAN. I think the record should be corrected because calling it fraudulent is a serious charge.

It would only be fraudulent if they themselves, if the State fails to act.

I do not say it is then but certainly there is no justification for you or any other witness to say that there will not be a special session if the need is sufficient to justify it.

Senator DOUGLAS. Mr. Chairman, I think in justice to the witness it should be pointed out that he did not label the bill as fraudulent. He said it would be labeled as fraudulent by the unemployed if no effective action resulted.

The CHAIRMAN. That was on the assumption there would not be a special session, and now he says that if they do have a special session it would not be labeled as fraudulent.

Mr. LESTER. If they did have a special session, Mr. Chairman, and they did pass this legislation at the special session.

The bill has nothing to offer the 2 million unemployed not covered, nor does it do anything to raise the level of unemployment protection for any workers on a continuing basis. Basically it is an ineffective effort at patchwork on one facet of unemployment compensation in a way that promises to do some damage to the whole social insurance concept, by seeking to move the benefit duration forward and back again without relation to the employment possibilites for the individual thus tending to destroy any contractual relationship in the State unemployment compensation laws.

This danger to the whole social insurance concept and the need for permanent improvement were pointed out in a statement issued by 21 academic economists specializing in the field of social insurance and released to the press on April 13.

I would like, Mr. Chairman, to submit a copy of that statement along with the signatures for inclusion in the record, and I might say, that this statement was prepared by a group at Princeton, was sent to 26 people who were considered to be the academic experts in the field of social insurance, people who teach in the field and who have written in the field, and of those 26, 22 signed it. Four of the nonsigners were in Michigan. They thought at that time that there would be quick action by the Congress, and that there would be a grant arrangement provided, and I talked with one of them the other day at a meeting and he said they were disillusioned now in the results of the House action on H. R. 12065.

(The document is as follows:)

STATEMENT ON FEDERAL SUPPLEMENTARY UNEMPLOYMENT BENEFITS

(The following statement has been subscribed to by 21 academic economists with interests in the field of social insurance, whose names are attached)

The shortcomings of our State-Federal system of unemployment insurance do not arise out of a lack of Federal funds, but rather out of a long-standing lack of Federal standards designed to strengthen the capacity of the system to protect our citizens in a period of heavy unemployment.

Without Federal standards in respect to minimum contribution rates, States have competed in reducing such rates. The effect of this competition has been (*a*) inadequate benefit scales, (*b*) inadequate durations, (*c*) arbitrary eligibility requirements, and (*d*) arbitrary disqualifications. Such interstate competition in standards has seriously weakened our unemployment insurance system as our first line of defense against distress due to protracted unemployment and as an element of stability in our economy.

Any attempt to repair the damage caused by a lack of Federal standards in the past by putting a further premium on State inertia in the future would seriously undermine the effectiveness of our unemployment insurance system. A Federal supplementary benefit, provided without a fundamental revision in State standards, would be in effect a relief payment to the individual without a means test—that is a dole. It would also be an indication to the States that their unemployment insurance programs could be further weakened with impunity.

Even with sound national standards in our Federal-State system of unemployment insurance, some States may need help in meeting heavy and continuing unemployment. With such standards to assure full effort on the part of the States, Federal reinsurance of State programs is justified and appropriate. Federal reinsurance grants should not be made even then to individual beneficiaries, however. Reinsurance grants should be made to qualified State systems as such, where in the proper fulfillment of their legal obligations to their eligible citizens, they have impaired their capacity to continue to meet such obligations.

In the present emergency, some States may have insufficient reserves to liberalize their programs immediately in respect to benefit rates and duration. It would still be possible to assist such States through Federal reinsurance grants, provided they justified their status as a reinsurable risk by legislative acceptance of Federal standards with respect to contributions, benefits, and eligibility for benefits. No State need be compelled to establish reinsurance eligibility; but no State should receive Federal reinsurance grants without establishing Federal standards.

Regardless of any action in respect to a Federal reinsurance plan, it is high time that the Federal Government moved to establish adequate Federal standards for State unemployment insurance systems. Such standards were strongly recommended in 1949 by the Advisory Council on Social Security to the Senate Finance Committee (see report, pp. 166–180) after a thorough, objective study. Without such standards, the United States is ill prepared for recurrent recessions. Both individual workers and the economy generally are without the effective protection of an adequate unemployment insurance program. A hasty and plausibly generous gesture of Federal relief payments under the guise of insurance benefits does not make up for essential weaknesses in the established program.

The distinction between unemployment insurance and unemployment relief is a vital element in American public policy. One arises out of contract. The other out of need. To destroy the concept of contract in social insurance because of past errors in its administration is to destroy the integrity of a hard-won and valuable social instrument. In social insurance, there must be a stated relationship between contributions and benefits. To swing from inertia and timidity to unplanned generosity in our attack on the ever-recurring problem of unemployment, would do little to impress a watching world of our wisdom, intelligence, or foresight. But more serious to our citizens, it would undermine the basic principles of our whole social-insurance program.

Signers:

Prof. Charles W. Anrod, Loyola University
Prof. E. Wight Bakke, Yale University
Prof. Douglass V. Brown, Massachusetts Institute of Technology
Prof. J. Douglas Brown, Princeton University

Prof. Earl F. Cheit, St. Louis University
Prof. Frank T. de Vyver, Duke University
Prof. Robert R. France, University of Rochester
Prof. Frederick H. Harbison, Princeton University
Prof. Seymour E. Harris, Harvard University
Prof. Clark Kerr, the University of California (Berkeley)
Prof. Richard A. Lester, Princeton University
Prof. David A. McCabe, Princeton University
Prof. John W. McConnell, Cornell University
Prof. Charles A. Myers, Massachusetts Institute of Technology
Prof. Frank C. Pierson, Swarthmore College
Prof. Fred Slavick, State University of Iowa
Prof. Sumner H. Slichter, Harvard University
Prof. Herman M. Somers, Haverford College
Prof. Sidney C. Sufrin, Syracuse University
Prof. Albion G. Taylor, College of William and Mary
Prof. John G. Turnbull, University of Minnesota
Prof. Dale Yoder, University of Minnesota

MARCH 24, 1958.

The CHAIRMAN. What legislation do you favor?

I was not here during your statement.

Mr. LESTER. Mr. Chairman, I favor the type of legislation embodied in S. 3244. I want to make clear that I do not favor a number of the details in S. 3244.

I do favor the two ideas in S. 3244, the idea for reinsurance and the idea for some kind of minimum Federal benefit standards which the State laws should meet but I think I would agree that the standards, a number of the standards in S. 244 are tight and some of them are unnecessary.

The CHAIRMAN. Is that the Kennedy bill?

Mr. LESTER. That is right; that is the Kennedy-McCarthy bill.

In conclusion, it appears to me that there will be a fairly long period of time that workers in steel, autos, nonferrous metals, and heavy machinery, various kinds of business equipment, will be unemployed.

The drop in our employment in those lines was very severe in December, and although the exhaustion rate is not so high for the first quarter of this year, in New Jersey, it has jumped from an average of 2,300 a week in the first quarter to 3,300 a week for the month of April.

And it will be true, I think, that the exhaustions of these people who are regularly employed in steel, autos, and other heavy industry will begin to show up particularly this month and next month.

Many have been out of employment since November or December and with not much prospect of reemployment in these particular industries on any large scale until the fall.

The Federal Reserve Board has just reported that its index of industrial production fell 2 more points from March to April, which was the eighth consecutive month of decline, and it is down now to 126 from a peak of 146 for December of 1956.

In other words, it is down 14 percent, and in answer, in partial answer to some of the questions that were raised by the previous witnesses, in April, 1.9 million unemployed had been jobless in this country for 15 weeks or longer.

That is all unemployed; it does not confine it to covered employment. The latest census figures show 1.9 million unemployed jobless had

been out of work for 15 weeks or longer and this was a very sharp increase in that category since December.

Some 1.6 million fewer jobs exist now in manufacturing in this country than existed a year ago.

I should think that with the wisdom in this committee, you could come up with a much better bill than the one passed by the House; and in your search for a constructive approach, I respectfully suggest that you consider seriously the two main provisions of the Kennedy bill; namely, reinsurance and some kind of Federal minimum standards.

The CHAIRMAN. Thank you, Mr. Lester.

Are there any questions?

Senator DOUGLAS. Mr. Lester, I appreciate your statement very much. There is one point I would be grateful if you would develop in more detail.

At previous sessions of this committee I have tried to emphasize what seemed to me to be true; namely, that separate State action under the existing laws in increasing benefits or extending duration will tend to put the employers of that State at a competitive disadvantage with the employers of other States which do not so act, and that hence it is very difficult to raise standards State by State.

I wonder if your experience in New Jersey bears that out.

Mr. LESTER. Well, Senator, we have this advisory council which consists of not only public members but employer and labor representatives and each year we hold hearings in advance of making recommendations, and although the employers recognize the problem, normally the Chamber of Commerce of New Jersey and the New Jersey Manufacturers Association do not come in with any proposals with increases in benefits.

They come with proposals for tightening up the law and some for those proposals we have agreed with and made recommendations in connection therewith.

But we have now in our legislature—our legislature has passed three acts. The senate, which is Republican, has passed an act extending the duration of benefits one-third.

The Assembly has passed 2 acts, 1 the act recommended by the Government which raises the tax base from $,3000 to $3,600, which tightens up the law, and reduces the amounts that would be paid out in partial benefits, provides for no benefits during certain periods of pregnancy, and tightens the law in other ways, and it is assumed that the income and savings under that law would just about balance the added cost of benefits resulting from extending benefits to a maximum of 30 weeks and raising the maximum weekly benefits to $40 this year and making the maximum a sliding scale of 50 percent of average weekly wages, taking effect the year after. It was assumed that law, because the taxes would increase so much, would not cost the State fund this year anything on net balance.

There is another temporary bill which was passed by the Assembly, which would extend benefits to 39 weeks for everyone, at roughly $43 a week, and it is estimated that bill would cost us about $60 million more a year.

Now in connection with the consideration of any legislation the Governor's office and the legislators, but I am particularly acquainted with the Governor's office, the Governor's office literally has received

from the manufacturers in New Jersey drawers full of letters objecting to any increase in the tax rate and benefits in New Jersey.

Just the volume of correspondence to answer those letters is something.

Senator DOUGLAS. Is it your feeling, therefore, that if H. R. 12065 is passed when the State legislatures convene the State legislatures will be reluctant to elect to borrow the money because ultimately this will mean a higher tax burden upon their employers?

Mr. LESTER. I think if a special session would be called, Senator, they would be under considerable pressure to take some kind of action in some States.

I am sure that the State of New Jersey, the legislature, which is in regular session now and is pretty much in regular sessions, it is one of the few States which is in regular session throughout the year—I am sure that there is a great deal of pressure on our State legislature to extend benefits but I am sure also as I have indicated there is terrific pressure by the employers to prevent that extension because it will mean—they can read the figures as well as I can, when you are paying out benefits the first 4 months of this year at the rate of 5.2 percent of payroll, they can read those figures as well as I can as to what is going to happen to industry in New Jersey with respect to this particular tax.

We have already had some employers, because we are in the process of having to levy other taxes to finance State government, we have already had employers threatening to leave New Jersey and one of our biggest employers, Johnson & Johnson, whose headquarters are in New Jersey, has said he will not build any more plants in New Jersey because of the tax situation and that refers in part to this unemployment tax.

The CHAIRMAN. Your tax is slightly in excess of the average, is it not?

Mr. LESTER. The average last year was 1.3, our tax last year was 1.7.

Senator DOUGLAS. Pardon me?

Mr. LESTER. I am sorry—it was 1.3 for the country as a whole—1.7 for New Jersey and this year it will go up, it is estimated, 2.0 in New Jersey, but if we keep paying out at this rate, Senator, our tax rate will automatically go up under our law by another 0.3 percent as soon as our reserve falls below 7 percent of covered payroll on March 31 of any year, and the tax rate goes up another 0.3 percent of covered payroll for all employers if our reserve on March 31 is under 4 percent of covered payroll. Then the tax minimum would be 0.9 and the maximum 3.3 percent.

The CHAIRMAN. Do you think it would be better to have the Federal Government raise Federal taxes on everyone everywhere and furnish the money and save the State of New Jersey, or rather the employers of the State of New Jersey from an increase in their unemployment taxes to pay their own unemployed?

Mr. LESTER. Senator, I would say that I do not propose to have the Federal Government pay but a portion of the abnormal amount of unemployment.

My suggestion would be if our out-payments for benefits exceeded, say 2.7 percent of covered payroll, then the Federal Government

might share 50–50, all that amounted to over 2.7, because it does seem to me that the industry in New Jersey is not, the industrialists in New Jersey are certainly not personally responsible for the loss of employment in New Jersey.

It is largely because although New Jersey industry is very well diversified, we have a fairly significant concentration of industry in durable goods. As I recall the figures, about 350,000 employees in New Jersey are in the metalworking industries, including automobiles, nonferrous metals, steel and machinery of various kinds.

Now other industries in New Jersey, mainly the soft-goods lines which are no more affected in New Jersey than they are in Oklahoma or elsewhere, they, nevertheless, are going to have a relatively heavy tax in New Jersey.

They will have a tax that will be 2 or 3 times what it might be, say in your State of Virginia, and, in a sense, they are not responsible for that. They are penalized by the effect of the recession on other industries in the State.

The CHAIRMAN. You think then it ought to be federalized?

Mr. LESTER. No; I think the abnormal part of the burden ought to be shared by the Federal Government under reinsurance.

The CHAIRMAN. When does it become abnormal?

Mr. LESTER. I would say when the outpayments in a State exceeded 2.7 or 3 percent of payroll in that State, then, it seems to me, the State is in an abnormal situation, and there ought to be some sharing.

The CHAIRMAN. Then do you think it ought to be paid out of the Federal Treasury?

Mr. LESTER. Yes, but I would recoup it in the same way that you are recouping for the Reed bill and recouping this way under H. R. 12065.

I think you would have to do it in terms of the payroll tax.

The CHAIRMAN. Won't that ultimately fall back then on the States?

Mr. LESTER. Yes; all of them.

The CHAIRMAN. That will fall back upon the employers of the State?

Mr. LESTER. That is right.

The CHAIRMAN. I just do not exactly follow your line of reasoning.

Mr. LESTER. What is that?

The CHAIRMAN. If it is going back to the States to be paid later, what is going to be accomplished under your proposal? I am not yet entirely familiar with the Kennedy bill.

Does that provide for taking the funds out of the general fund of the Treasury or are you speaking of——

Mr. LESTER. It provides for reinsurance; yes.

The CHAIRMAN. Are you speaking of the Mills bill?

Mr. LESTER. No; I am speaking of the Kennedy bill. It does provide for reinsurance. But it does seem to me this is a national problem, as I tried to explain earlier.

I submitted some material, at your request, in connection with the questionnaire that this committee sent out in February on "the financial condition of the United States", and it does seem to me that if thereis any blame to be laid for this recession, it certainly is very difficult to liy it in proportion to the unemployment in the individual States.

The individual States have no control over monetary policy——

The CHAIRMAN. How do you define your line of demarcation? When does it cease to be a State problem and become a national problem?

Mr. LESTER. Well, I suggested that it ought to be defined in terms of the abnormal amount of unemployment which I said would be, perhaps, in terms of the benefit outpayments in a State exceeding 3 percent of covered payroll of 2.7 percent.

I am not saying that the Federal Government should pay all that additional. I would still want to keep part of the responsibility on the States.

The CHAIRMAN. New Jersey has not exceeded 3 percent, has it?

Mr. LESTER. I said the first 4 months of this year we have been paying out at the rate of 5.2 percent of payroll and I think you ought to quarter by quarter——

The CHAIRMAN. I am speaking of the tax end of it.

What is the highest tax you pay—not the average?

Mr. LESTER. The average tax last year was 1.7 percent and the highest rate 3 percent.

The CHAIRMAN. Is that what it is now?

Mr. LESTER. This year it will average about 2 percent because it is stepped up automatically for all employers.

The CHAIRMAN. You think that three-tenths of 1 percent is going to keep New Jersey from holding its present industry or getting any new industries?

Mr. LESTER. It is likely to go up further in another year.

The CHAIRMAN. Aren't there other taxes in New Jersey that are more burdensome on the industrial people than this particular tax?

Is the complaint entirely on this tax going up?

Mr. LESTER. No, it is not.

The CHAIRMAN. Is this the only tax involved?

Mr. LESTER. No, it is a whole group of taxes.

The CHAIRMAN. It is the aggregate?

Mr. LESTER. But this one is the one that can be compared with other States more readily than some of your other taxes can be.

This one is really a very carefully compared tax because you have all the figures for all the other States quarter by quarter.

The CHAIRMAN. You think there ought to be uniformity then?

Mr. LESTER. No, Senator, I don't think there ought to be uniformity. I think there ought to be sharing——

The CHAIRMAN. I do not exactly understand when you propose that the Federal Government take over.

Mr. LESTER. I am not proposing for the Federal Government to take over anything except a share of the abnormal outpayments.

The CHAIRMAN. Could you furnish a memorandum showing exactly what share, when it stops and so forth?

You say it shared?

Mr. LESTER. I would be pleased to.

A PROPOSAL FOR REINSURANCE IN UNEMPLOYMENT COMPENSATION TO PROVIDE NATIONAL SHARING OF EXCESSIVE BENEFIT DRAINS

The present Federal-State system of unemployment compensation is deficient in that it has no national support for a State whose industry is hard hit by national recessions or depressions, except for the Reed loan fund which does not

relieve the State of any of the excessive burden. Experience clearly indicates that the impact of business downswings differs widely among States.

Reinsurance is an arrangement for providing partial protection or sharing of abnormal risk whose incidence is heavily concentrated on certain segments of the insured area. A national reinsurance arrangement would help to spread the burden of excessive compensation costs. It would mean the establishment of a national fund to afford support in time of economic slump to States that may experience an undue or extraordinary total of claims or outpayments.

The plan of reinsurance here suggested is based on an outflow concept. It would provide partial reimbursement to a State in which total benefit payments in any calendar quarter exceeded a certain percentage of covered payroll subject to the Federal unemployment tax.

It is proposed that (1) where a State's benefit total paid out in any calendar quarter amounted to no more than 2.7 percent of such covered payroll, the State would not be eligible to receive any reinsurance payment or reimbursement from the national reinsurance fund; (2) where a State's total benefit outpayments in a quarter exceed 2.7 percent of covered payroll, the State would receive a reinsurance reimbursement of one-half of the excess above 2.7 percent; and (3) for any excess of total benefit payments above 4 percent of covered payroll, the State would receive a reinsurance reimbursement of three-quarters of the excess above 4 percent.

This program has the coinsurance safeguard that the State financially shares part of the cost of excessive outpayments and the full cost up to an abnormal amount. If any additional safeguards seem desirable, the plan could provide that State benefits in excess of a weekly maximum of two-thirds of average weekly wages in covered employment in the State or in excess of a maximum duration of 30 weeks would be excluded from eligibility for reinsurance reimbursement.

An actuarial study would be required to determine the long-run cost of this reinsurance proposal. It could be financed, at least in part, from the excess of the Federal unemployment tax receipts over the cost of administration for unemployment compensation and the employment service (both State and Federal administrative costs), which excess is now returned to the States in the form of so-called Reed bill moneys. If necessary, the Federal unemployment tax, which is 0.3 percent of covered payrolls with the remainder of 2.7 percent fully offset by State taxes, could be raised the minor amount that might be required to cover the liabilities of the reinsurance program.

The CHAIRMAN. But a share of what, you do not say what the share is.

Mr. LESTER. A share of the cost of benefit payments that amount to more than 2.7 or 3 percent of payroll in any quarter in a State.

The CHAIRMAN. Has that point been reached now?

Mr. LESTER. In my State it is almost double that.

The CHAIRMAN. I am speaking of the taxation end of it.

Mr. LESTER. I think you ought to do it in terms of outpayments because, as I have already explained, Senator, we are 1 of the 2 States that has employee contributions and from the time this program went into effect until the present time employees in New Jersey have paid $320 million into the fund.

We are 1 of the 2 States that have employee contributions and I helped put that in our law because we wanted to make sure that the law was financially sound.

That is not taken into account in the figures on the employer. That is in addition to what the employer pays. We levy an employee contribution.

The CHAIRMAN. Well, you had $439 million on hand in rough figures December 31 and on March 31 you had $397 million?

Mr. LESTER. That is right.

The CHAIRMAN. You lost $46 million in 3 months?

Mr. LESTER. That is right.

The CHAIRMAN. Is that a serious depletion of your balance?

Mr. LESTER. Senator, before I believe you came in, I gave some figures that the division in the State estimated that over this year, assuming some upturn late in the year, they estimated that we would have a net deficit of about $125 million.

The CHAIRMAN. You would not have a net deficit, would you?

Mr. LESTER. For the year, yes. The income——

The CHAIRMAN. You mean you are going to expend this $307 million you have on hand?

Mr. LESTER. There would be that much net drawn out of the reserve but our employer taxes automatically go up as the reserve goes down in terms of percent of covered payroll.

The CHAIRMAN. It is not a deficit as long as you have a reserve?

Mr. LESTER. But our taxes automatically go up as that reserve fund goes down.

When it went below 10 percent of covered payroll we put on a uniform addition of 0.3 percent of payroll on all employees.

The CHAIRMAN. What do you mean by having a deficit?

Mr. LESTER. A deficit in terms of the outpayments relative to the income, and, of course, as the fund goes down, our interest income falls down.

We get about $11 million a year interest income.

The CHAIRMAN. Are there any further questions?

Senator DOUGLAS. There is just one question. I would like to ask the witness to comment on this point.

Is this provision which exists in New Jersey that as the reserve falls the current assessments upon employers increase; is that a common provision in the State laws?

Do you know?

Mr. LESTER. I do not know whether many other States have our arrangement but most of them have some tax increase when the State fund is low. We put it in in order to make our State law fairly safe, and, of course, it really is—the whole thing works backward because what you do is add to the employers tax in the time when he is least able to meet it. It works out wrong cyclically because in a recession, his tax tends to go up.

Senator DOUGLAS. I see. Well, I want to express my appreciation to Dr. Lester for his testimony, Mr. Chairman.

The CHAIRMAN. Thank you, Dr. Lester.

Mr. LESTER. Thank you, sir.

The CHAIRMAN. We will adjourn until 10 o'clock tomorrow morning.

Senator DOUGLAS. Mr. Chairman, before the next witness takes the stand, may I make a further report on the replies which I have had from governors?

I received letters or telegrams from four additional governors since I reported yesterday, namely, the Governors of Oklahoma, Rhode Island, Michigan, and Minnesota.

The Governors of Oklahoma and Rhode Island say that in their judgment they would not be able to act by themselves to accept H. R. 12065, and that action by the legislature would be necessary.

The Governor of Rhode Island adds that probably it would require not merely action by the legislature but approval by popular referendum.

The Governors of Michigan and Minnesota are in doubt as to whether or not they could accept without additional State legislation.

So this makes the complete box score to date that only 2 States, the Governors of only 2 States indicate that they can, under H. R. 12065, make such an agreement without new State legislation.

The Governors of 22 States say that new legislation is probably required. Governors of 4 States say that constitutional changes may be necessary, and in 5 States the officials are in doubt.

I ask unanimous consent that there may be printed at the end of the testimony for today the replies by these governors and I would like permission to read a passage from the memorandum of Gov. Dennis Roberts to me in which he says:

> With regard to bill H. R. 12065 passed by the House of Representatives on May 1, 1958, this bill in its present form could compound Rhode Island difficulties rather than solve them. Rhode Island unemployment reserves are not in a strong enough position to permit repayment of loans necessitated by the present unemployments needs.
>
> Moreover Rhode Island employers are already paying a maximum tax rate of 2.7 percent. In addition 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 which should be a national rather than a local responsibility.

And if I may read a passage from his final paragraph:

> To sum up there is still a question as to whether Rhode Island would be in position to accept Federal loans for this purpose. Rhode Island's reserve position is such that a loan of this character would almost certainly impose eventual additional taxes on employers already paying the maximum rate because of the economic transition which the State has been experiencing, and the resultant high average level of unemployment. The only sound solution for Rhode Island, and the only way to avoid adding further burdens to already distressed areas, would be to provide outright Federal grants for extension of unemployment benefits.

Mr. Chairman, I ask further permission that in the transcript of the record of the first day's hearings in my colloquy with the Secretary of Labor on page 54 of the typewritten transcript that I may be permitted to insert the following statement:

(Senator Douglas later submitted for the record the following additional information: that as shown in the full text of his telegram to the governors he advised the governors:

> I am sending by airmail copy of the bill itself, H. R. 12065,

and also that copies of H. R. 12065 were in fact sent by airmail to all the governors on May 7, 1958.)

This is to deal with the contention of the Secretary of Labor that I had worded my telegram in such a way that they did not know what they were responding to, and to indicate that I sent a copy of the bill to them and they therefore should have been informed at the time of reply.

The CHAIRMAN. Did the Senator make that statement when the Secretary of Labor questioned the——

Senator DOUGLAS. This was during the colloquy with the Secretary of Labor, when I had read my telegram to the governors. I omitted in my reply to him the fact that in that telegram I mentioned that I was sending a copy of the bill to them by airmail, and I am asking permission that this be—that that section of my telegram, the full

text of which is already in the record, be—inserted within parentheses to indicate that it was later submitttted by me although not stated at the time.

The CHAIRMAN. Did the original telegram cite the bill?

Senator DOUGLAS. Yes; it did, sir.

The quotation which I gave was from the original telegram.

The CHAIRMAN. And the original telegram has been inserted in full?

Senator DOUGLAS. Yes, sir.

The CHAIRMAN. Without objection the insertion will be made.

(The additional telegrams referred to are as follows:)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
EXECUTIVE CHAMBER,
Providence, May 13, 1958.

Hon. PAUL DOUGLAS,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR: I am enclosing a short statement in reply to your recent telegram which requested information on the State's authority to accept Federal funds for temporary additional duration of unemployment compensation.

I am also attaching herewith a copy of an opinion of the attorney general for the State of Rhode Island which deals specifically with this question. I hope that this information will be useful to you.

With kind personal regards, I am,

Sincerely yours,

DENNIS J. ROBERTS,
Governor.

STATEMENT OF GOV. DENNIS J. ROBERTS ON THE NEED FOR FEDERAL AID TO EXTEND THE DURATION OF EMPLOYMENT SECURITY BENEFITS, MAY 13, 1958

Rhode Island unemployed workers greatly need extension of the duration of unemployment compensation. In the first quarter of this year, 7,200 exhausted their unemployment benefits, and in the month of April alone there were an additional 3,400 benefit exhaustions. The need for action is thus growing progressively greater.

The current recession, and the resulting unemployment crisis, emphasizes again that unemployment is a national problem, calling for prompt and adequate Federal action. It also plainly demonstrates the need for strengthening the system of unemployment compensation by better Federal minimum standards, and more flexible, fair, and realistic provisions for financing.

With regard to bill H. R. 12065, passed by the House of Representatives on May 1, 1958, 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, which should be a national rather than a local responsibility.

According to a recent opinion of the State attorney general, Rhode Island's constitution prohibits incurring repayable obligations in excess of $50,000 without approval by a popular referendum. 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 and I have had the necessary legislation introduced to permit borrowing of up to $10 million for emergency extension of unemployment benefits. However, I cannot say at this time what the prospects are for passage of this legislation, and in any case

there is the necessity for a referendum, which would be held in June if the legislation is passed in its present form.

To sum up, there is still a question as to whether Rhode Island will be in a position to accept Federal loans for this purpose. Rhode Island's reserve position is such that a loan of this character would almost certainly impose eventual additional taxes on employers already paying the maximum rate because of the economic transition which the State has been experiencing, and the resultant high average level of unemployment. The only sound solution for Rhode Island, and the only way to avoid adding further burdens to already distressed areas, would be to provide outright Federal grants for extension of unemployment benefits.

(NOTE.—This opinion relates to earlier bills, not H. R. 12065.)

STATE OF RHODE ISLAND,
DEPARTMENT OF THE ATTORNEY GENERAL,
Providence, April 8, 1958.

THOMAS H. BRIDE,
Director, Department of Employment Security,
State of Rhode Island and Providence Plantations,
Providence 8, R. I.

DEAR MR. BRIDE: His Excellency, the Governor, has transmitted to this office the request for an opinion contained in your letter of March 27, 1958, together with a copy of a bill introduced in Congress. You seek the opinion of the attorney general as to the propriety of the Department of Employment Security entering into an agreement with the Secretary of Labor of the United States pursuant to the proposed act of Congress making appropriations for the payment of temporary additional unemployment compensation.

An examination of the bill submitted indicates that the proposed legislation authorizes the Secretary of Labor to enter into an agreement with a State or with the agency administering the unemployment compensation law of the State, by which the State or the agency will, in cooperation with the Secretary of Labor, and as agent of the United States make payments of teemporary additional unemployment compensation on the basis provided in the act of Congress. The bill further provides that if no such agreement is entered into by the State or the State agency, the Secretary of Labor may enter into an agreement with any Federal agency to carry out the provisions of the temporary additional unemployment compensation act within such State. Under the proposed congressional act the United States will turn over moneys to the State either by way of advance or reimbursement for the payment of such additional unemployment compensation.

Your question apparently arises because the provisions of title I, section III, of the bill provides for adjustment in the credits allowed to taxpayers with respect to wages attributable to the State for the taxable years beginning January 1, 1958, in the same manner as provided by section 3302 (c) (2) of the Federal Unemployment Tax Act (the Reed bill, so-called) concerning which we rendered an opinion on December 8, 1954. In that opinion we advised you that the provisions of the Reed bill could not be accepted in this State because of serious doubts as to the constitutionality of the acceptance of advances by this State. The basis of our opinion was that since the Reed bill was calculated to bring about eventual reimbursement to the Federal fund out of the State's account, it created a State debt without consent of the people upon use of an advance by the State.

The proposed temporary additional unemployment compensation act does not subject the State to any obligation to repay the funds advanced, and accordingly the bill is clearly distinguishable from the Reed bill which conflicted with the constitutional prohibition against incurring obligations on the part of the State without the express consent of the people.

We know of no constitutional impediment to the State accepting the provisions of the temporary additional unemployment compensation bill and entering into an agreement with the Secretary of Labor in pursuance of its terms. We further advise you that it is our opinion that the department of employment security has the power and authority to enter into such an agreement. The provisions of title 28, chapter 42, section 28 of the General Laws of Rhode Island, 1956, provide for payment into the employment security administration account of all Federal money allotted or apportioned to the State by the Federal Social Security

Administration. Section 42 of said chapter designates the director of employment security as the agent of this State to cooperate with the appropriate agencies and departments of a Federal Government with relation to the payments of unemployment compensation and specifically authorizes the director "to enter into any agreement with such agency or department, relative to the administration of such laws in this State, and to accept any sums of money, pursuant to such agreements, and to accept any sums of money allotted or appropriated to the director or to this State for such administration."

Respectfully submitted.

J. JOSEPH NUGENT,
Attorney General.

STATE OF MICHIGAN,
Lansing, May 9, 1958.

Hon. PAUL H. DOUGLAS,
Senate Office Building,
Washington, D. C.

DEAR SENATOR DOUGLAS: Thank you for your telegram of May 7 requesting my views on H. R. 12065 as it passed the House of Representatives.

The question of whether or not this legislation could be utilized in Michigan to extend unemployment compensation benefits, without legislative authorization, is complex. 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 such an agreement.

Michigan is fortunate in that its legislature is still in session. Legislation is now being drafted which will enable us to take advantage of whatever Federal legislation is enacted. There will be no need to call a special session of the Michigan Legislature, if proper action is taken before it adjourns its session now in existence.

For the record, though, I should like to express my disapproval of the provisions of H. R. 12065, as it passed the House. I believe that the section requiring the States to repay the money advanced by the Federal Government is unsound, and will impose an undue burden on employers, since the repayment funds will have to eventually be raised from an increased tax on employers.

It is my understanding that, prior to the enactment of the Reed bill in 1953, funds in excess of $000 million were taken from the Federal employment security fund and turned over to the general fund of the Federal Treasury. This $000 million represented excess taxes collected from employers under the Federal unemployment compensation tax laws. This money was extracted from the employers for a specific purpose, unemployment insurance, and should have either been used for that or an allied purpose. Certainly the emergency extension of unemployment insurance benefits contemplated by H. R. 12065 represents such a purpose.

Instead, this money was turned over to the general fund. And now H. R. 12065 proposes to impose an additional tax upon employers to finance its provisions. I firmly believe that the Federal Government has an obligation to finance any emergency extension of benefits with Federal funds, and should not enact legislation requiring State repayment.

Secondly, I believe the House made a mistake when it eliminated title II from H. R. 12065, leaving the problem of the uncovered worker unsolved. I would urge that legislation be enacted providing for the purposes of title II or providing for Federal participation in the general assistance programs of the States. I believe that such a program would be consistent not only with traditional American fairness, but would also be consistent with a sound program of economic recovery.

It is my hope that this letter answers your requirements. If I can be of further assistance, plase call upon me. I know I speak for the citizens of Michigan when I pledge you our support in your efforts to enact an equitable and effective program of relief for the unemployed.

Sincerely,

G. MENNEN WILLIAMS,
Governor.

ST. PAUL, MINN., *May 14, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate, Washington, D. C.:

In the absence of a definitive opinion for the attorney general, I must answer your wire re H. R. 12065 by stating that our best legal advice indicates that 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 results. Therefore I urge as strongly as possible that you work to amend the bill so that unemployment can be extended without State action.

ORVILLE L. FREEMAN,
Governor of Minnesota.

OKLAHOMA CITY, OKLA., *May 13, 1958.*

Hon. PAUL H. DOUGLAS,
United States Senate, Washington, D. C.:

In reply to your telegram requesting information H. R. 12065 unemployment compensation as passed by House, please be advised 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. The repayment provisions are the lethal parts. The Oklahoma congressional delegation is well informed on our State laws and should be able to advise further with you on this important matter.

With kind regards,

RAYMOND GARY, *Governor of Oklahoma.*

The CHAIRMAN. We will adjourn the hearing until 10:10 o'clock tomorrow.

(By direction of the chairman the following is made a part of the record:)

GRAND RAPIDS, MICH., *May 6, 1958.*

ELIZABETH SPRINGER,
Chief Clerk, Finance Committee,
Senate Office Building, Washington, D. C.:

The Employers Association of Grand Rapids, Mich., urges that the Senate Finance Committee hold hearings upon legislative proposals to extend through a Federal program the benefit period of State unemployment compensation benefits. Unemployment compensation programs are properly a State function and the States have reserve funds sufficient to extend benefits if the extension of benefits appears advisable.

STANLEY BENFORD, *Executive Manager.*

COLORADO STATE CHAMBER OF COMMERCE,
Denver, Colo., March 28, 1958.

Hon. GORDON ALLOTT,
Room 444, Senate Office Building, Washington, D. C.:

DEAR GORDON: It is with grave concern that the Colorado State Chamber of Commerce has been studying the many proposals submitted advocating the use of Federal funds to supplement State unemployment compensation benefits.

After considerable thought and discussion on the matter, we strongly desire to maintain Colorado's extremely favorable experience and position in the meeting of its unemployment problems and, therefore, we are in opposition to any proposed Federal legislation whereby Colorado's trust fund might be raided or otherwise endangered.

While much proposed Federal legislation is intended to serve only as a temporary measure to relieve the situation that exists in some parts of the country, we believe it, like many other temporary measures, will undoubtedly remain on the books long after the so-called "crisis" is past.

We also believe that this matter is one to be left in the hands of each State to determine its needs and to handle its own problems. To place unemployment compensation in the hands of the Federal Government is a further encroachment upon State responsibility and control.

To consider Colorado and its present situation, we have found that the exhaustion of State benefits is not an emergency problem in Colorado. While claims have almost doubled between February 1957 and February 1958, the number of persons exhausting their benefits is quite low—398 in February of 1957 and 787 in February of 1958. This 787 is certainly a small percentage of a total work force of 603,815, and a number which this State is thoroughly capable of caring for without running to the Federal Government. While law permits 26 weeks of benefits, the actual average duration of benefits being received in Colorado is under 12 weeks.

Moreover, our present experience does not indicate a crisis calling for drastic Federal action. Most Colorado benefits are still payable from the interest on the invested $70 million trust fund. Federal supplementation is against the public policy of the State of Colorado. This policy is that unemployment insurance should be extended for 26 weeks, but that welfare beyond that point should be accomplished on a needs and assistance basis.

If the Federal Government determines that an emergency exists, a true relief program to cover all the unemployed should be set up, independent of State unemployment insurance programs.

Realizing that possibly a few of the 48 States are in a precarious situation brought about by the lack of a stable or exhausted unemployment compensation program, we respectfully submit that those individual States be considered separately and apart from the remaining States whose unemployment situations are being adequately handled by the existing State programs of compensation and public assistance.

The Colorado State Chamber of Commerce strongly urges your sincere consideration of the complete picture in the unemployment compensation proposals. We strongly urge that these matters be left in the capable hands of the individual State administrators. We strongly urge that each State be allowed to study its own problems and arrive at its own solutions of how best the problem, if one exists in its State, can be met.

Sincerely yours,

A. WAYNE DENNY, *President.*

S. S. KRESGE CO.,
LEGAL DEPARTMENT,
Detroit, Mich., May 7, 1958.

MRS. ELIZABETH B. SPRINGER,
Chief Clerk, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MRS. SPRINGER: Thank you for your telegram of May 6, granting us permission to be heard on unemployment compensation bill, H. R. 12065, on Thursday, May 15.

It is my understanding that the Michigan Employers' Unemployment Compensation Bureau, of which we are a member, has requested permission to testify on behalf of its membership with respect to this bill. The testimony will be presented by Frank E. Cooper, attorney. The statements made by Mr. Cooper are endorsed by the S. S. Kresge Co. and he will offer our views on the subject. This will conserve the time of your committee.

We ask that this letter be made a part of the record.

Yours very truly,

W. G. WALTERS, *Secretary.*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
EXECUTIVE CHAMBER,
Providence, May 7, 1958.

HON. THEODORE FRANCIS GREEN,
United States Senate, Washington, D. C.

DEAR SENATOR: I have been advised by the Rhode Island Department of Employment Security that they have reviewed the provisions of H. R. 12065, providing temporary additional unemployment benefits, which has passed the House of Representatives.

As you know, outright Federal grants for this purpose would be the most beneficial for Rhode Island. H. R. 12065 provides that benefit costs would be reimbursed through an increase in the Federal unemployment tax commencing in 1963, if the State has not previously reimbursed the Federal Government. In

addition to the repayment of additional benefit costs, this bill also requires that the administrative costs would also be reimbursed.

It is my feeling that it is not equitable for the States to assume the administrative costs for this program which they do not assume under the regular program.

I thought I would send this comment along to you for your information when the bill is considered by the Senate.

With kindest personal regards, I am,

Sincerely yours,

DENNIS J. ROBERTS, *Governor.*

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
May 7, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: It has recently come to my attention that greenhouse workers in Pennsylvania, as in the other 48 States, have been classified as agricultural workers and, on that basis, have been excluded from the unemployment-insurance program under the Federal Employment Tax Act.

Like many other Senators, I feel that the current recession has dramatized the need for extending protection to as many of the employed as can feasibly be covered. Greenhouse workers, in my own State at any rate, could be more justifiably classified as retail workers than as agricultural workers.

I realize the difficulties in administering unemployment insurance for certain type of farmworkers, but I feel that we can delimit the group more sharply than is done under the present law.

I hope that your committee will take this point of view into consideration when it looks into the problem.

Sincerely,

JOSEPH S. CLARK.

MISSOURI STATE CHAMBER OF COMMERCE,
Jefferson City, Mo., May 9, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: You are reported in the May 6, 1958, Wall Street Journal as wanting to get the answer to certain questions concerning the need for Federal legislation extending unemployment benefit duration. We would like to suggest the following answers to these questions, based on the situation as it appears in and from Missouri:

1. Missouri does not need Federal funds to extend the duration of unemployment benefits, and there is now provision in the Federal law for advances to States that may need them. Missouri's unemployment reserve fund, which as of April 30, 1958, stood at $218,107,891.67, is in better shape to pay for any extension of benefits than is the Federal Treasury. There are automatic tax-rate-increase provisions in the Missouri law which assure that the reserve will remain in sound condition. We understand that the funds of most other States are in a similarly sound condition. If there are States with inadequate reserve balances, there is now a provision in the Federal law under the Reed Act for advances to such States (Oregon has just recently borrowed $14 million under this program, but other States, apparently, have not needed to use it thus far).

2. The exhaustion of unemployment benefits has not become serious enough to warrant the extension of the duration of benefits in Missouri, but, if it does become that serious, it should be done by State legislative action—not Federal.

As was pointed out in a detailed statistical statement by the Missouri State chamber, which appears on pages 353–358 of the House Ways and Means Committee hearing on extension of unemployment benefits, there have been at least five previous periods in Missouri when the number of claimants exhausting their benefits were greater than the current period. One reason for this is that Missouri increased its maximum duration just last year from 24 to 26 weeks which, after all, is a half a year.

The Missouri Legislature was in special session from February 8 to April 8 this year, but Missouri Gov. James T. Blair, Jr., wisely decided that the unemployment situation in Missouri did not warrant asking the legislature to take any action. The Governor can, if necessary, however, call the legislature back into special session at any time State legislation is needed.

3. We believe it would be a bad precedent and a violation of sound principle for Congress to pass any legislation relating to the duration of unemployment benefits, since this is properly a matter solely for State determination. Nevertheless, H. R. 12065, as amended and passed by the House, is very much preferable to either the bill proposed by the President or the original Ways and Means Committee version of H. R. 12065 in that it does not do as much violence to State rights. In fact, if the political situation demands that Congress pass something, H. R. 12065, as amended and passed by the House, provides the best approach.

In any case, the most important objective should be to avoid the type of Federal standards proposed by the AFL-CIO and Senator Kennedy in S. 3244. While H. R. 12065 is a bad precedent and a step toward federalization of State unemployment benefit programs, these so-called standards being urged on the Senate Finance Committee provide for considerable federalization in themselves. They would result in the destruction of the sound insurance and experience rating tax principles incorporated in the State programs and substitute a dole which would be much worse than current public-assistance programs since it would not be based on need.

We respectfully request that you file this letter with the Senate Finance Committee for inclusion in the printed record of the hearings scheduled on H. R. 12065 for May 13, 14, and 15.

Sincerely yours,

JOHN R. THOMPSON,
Executive Vice President.

EMPIRE STATE CHAMBER OF COMMERCE, INC.,
Albany, N. Y., May 9, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: I know you will be interested in the position taken by the Empire State Chamber of Commerce on the question of extension of duration of benefits for the unemployed. I would appreciate the following comments being made a part of the record of your hearings:

The Empire State Chamber of Commerce is a federation of approximately 150 local chambers of commerce and statewide trade associations with an underlying membership of more than 80,000 business firms. In addition to our organization members, we have a large number of associate members which are business firms doing business in the State of New York. They represent a good cross section of business as to kind, size, and geographical location.

At the outset, I should like to say that the Empire State Chamber of Commerce is a member of the Council of State Chambers of Commerce and we indorse the testimony which has been made by the council and would like the record to so indicate. It seems to us, however, that this issue is of such importance that we should supplement the council's testimony with that of our own organization.

The New York State Legislature has just completed its annual legislative session. In New York, as you may know, there is a standing joint legislative committee on unemployment insurance which conducts studies throughout the year in an effort to improve our own unemployment-insurance law. The New York Legislature had before it the question of extension of duration of benefits at this past session and has decided that at the present time New York State is not warranted in amending the State law to increase the period of duration beyond 26 weeks.

The Empire State Chamber of Commerce has opposed any extension of duration in New York law for these two basic reasons. First, the information that we were able to obtain from the New York Division of Employment led us to the belief that exhaustions in New York State will not run any higher than they have in other postwar recession years. Second, and even more important, we are convinced that the unemployment-insurance law should provide benefits for only a temporary period, to those unemployed through no fault of their own. We believe that this temporary period should not extend beyond 26 weeks.

Needless to say, we recognize that in some cases families will need financial help beyond the 26 weeks' period, but because duration of benefits is not extended does not mean that these families will go uncared for. For those who need supplemental help either while they are on unemployment insurance benefits or after they have exhausted their benefits, New York stands ready and willing in the form of general assistance, to make sure that these families do not suffer unnecessary hardships. To consider extending duration to one who has exhausted benefits whether there is need or not, with no relationship to weeks worked or taxes paid, destroys the objectives and standards which the New York Legislature has deemed appropriate to include in the law. Basically, it is our belief that the Federal Government should not superimpose Federal standards upon the States which, in our opinion, are competent to judge the needs of their own citizens. We strongly oppose any imposition of further Federal standards on State laws because we are convinced that this will be the first major step toward federalization of State programs.

Although H. R. 12065, in our opinion, is the least objectionable of the various bills that have been considered at this session, we must in all candor oppose the passage of this bill also.

Speaking for New York (and I am certain most other States are in the same position), it is not lack of funds which has caused the New York Legislature to question and reject extending duration; but the decision was made on entirely different grounds. At the present time, as you probably know, in New York the unemployment insurance fund amounts to roughly $1,800 million. For us to consider favorably the President's proposals that New York be allowed to borrow from the Federal Government is something like the rich nephew borrowing from the poor uncle. To make available Federal funds out of general revenues in the face of the Federal Government's present deficit financing in order to make those funds available to States which are in much better financial position than the Federal Government seems to us to be incongruous. As Senator Byrd has already pointed out, the question of Federal Government's lending funds to States which have ample reserves in their unemployment insurance trust funds needs serious consideration.

In addition, in New York State as in many other States, State legislators must seriously consider whether it is desirable to grant a Federal bonus of 13 weeks or some other number of weeks to those who exhaust their benefits without inquiring as to what this would mean in their particular area. For example, in New York State we have sizable seasonal hotel and canning industries. Many workers in these industries are employed for only 20 weeks and consist mainly of housewives and secondary breadwinners who work for the period necessary to qualify for unemployment insurance benefits and then draw them for the duration of the New York law. It does not seem to us that these workers should be given additional benefits without regard to payroll taxes which have been planned to meet unemployment insurance expenditures under the State law, or without regard to their actual needs.

We are in full agreement that it is proper for the Federal Government to extend some form of help to those States which find that they have a serious unemployment problem and find that they are unable to cope with the financing of those problems at the State level. Even in making this statement we must point out that in some instances the inability of States to cope with the problem results from lack of planning for the inevitable rainy day.

We in New York have been challenged on many occasions by those who would like to see either less unemployment insurance taxes raised or argue that the fund in New York is too large. It is pleasant, however, to know that during a period of recession, New York's unemployment insurance fund is among the strongest in the country.

Sincerely yours,

JOHN J. ROBERTS, *Counsel.*

SOUTH CAROLINA TEXTILE MANUFACTURERS' ASSOCIATION,
Columbia, S. C., May 7, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Our association, which represents approximately one-third of the Nation's spinning, weaving, and finishing of textiles, strongly opposes any change insofar as South Carolina is concerned in the unemploy-

ment compensation program. We feel that if there are States which want extended or enlarge benefits, it is up to those States to provide for themselves.

In South Carolina we have an adequate reserve fund for our benefit program, and I can tell you honestly that our industry has been in recession for more than 4 years during which we have maintained employment, despite the absence of profits.

The South Carolina Legislature recently adjourned its annual session and there was not one single indication of any demand for changing the unemployment compensation status quo. We feel that times should get much worse before any drastic changes are made in a program which already is very costly to employers.

Knowing your sound position through the years for good government, we offer any assistance we can give in helping to control this situation. If you need witnesses from South Carolina at the hearings, we will be glad to provide them.

Respectfully yours,

JOHN K. CAUTHEN,
Executive Vice President.

SCHENECTADY CHAMBER OF COMMERCE,
NATIONAL AFFAIRS COMMITTEE,
Schenectady, N. Y., May 9, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is our understanding that the Senate Finance Committee will be considering next week the subject of extension of duration of unemployment benefits with particular attention to H. R. 12065. A continuing study of the subject of unemployment compensation over the years by our national affairs committee prompts us to respectfully request that you thoroughly consider factual information before recommending any Federal intrusion in the payment of unemployment benefits under State unemployment compensation laws.

Based upon latest information released by the Bureau of Employment Security of the United States Department of Labor, State administrations have about $8 billion to their credit for the sole purpose of payment of unemployment benefits. Even on the basis of the benefit payments during the first 4 months of 1958 there are probably only 4 States which could not go on paying benefits at the same rate of outgo for at least 2 years more. No legislation should be forced on all of the States because of this situation in four of the States. Your own State of Virginia could probably go on paying benefits at the recent rate for 5 or 6 years more.

Let's take a look at the figures. In addition to the amounts available to the credit of each State, they may borrow from the Reed loan account of $200 million, set up by Congress for advances to the States in case of emergency requirements. Alaska and Oregon are the only jurisdictions which have ever borrowed. Pennsylvania, Rhode Island, and Michigan, which do not currently have funds sufficient to pay benefits at the same rate for the next 2 years, could all continue payment of unemployment benefits at the recent rate for over a year. Even if the payments increased over the present level and these three States needed additional funds, they could obtain advances from the Reed loan account.

All of the other State administrations have sufficient balances to meet a continuance of the present level of benefit payments for anywhere from 2 years to upward of 35 years. Consequently, there is no real necessity for action by this session of Congress. The payment experience in the rest of the year will be available to Congress next year—long before any nationwide emergency has occurred in the depletion of the amounts available to the various States.

Over the years several times similar efforts to extend the duration of payments and in some instances the rate of benefits has not resulted in congressional action. All of those so-called emergencies have passed and the balance in the State funds have met all requirements. State legislatures should be left with the past responsibility of determining rates of benefits and duration of benefits even though such jurisdictions as Alaska and Oregon have encountered some difficulties because of overliberal legislation.

The New York State Legislature which adjourned in March decided to raise the maximum benefit rate to $45, giving practically no consideration to an extension in duration. In a special session of the Connecticut Legislature,

effective April 16, 1958, a temporary extension in duration up to 13 weeks was enacted, dependent on the amount of benefit payments to the claimant in the benefit year immediately preceding the current benefit year. The Massachusetts Legislature is still in session. Special sessions of the Michigan and Maine Legislatures have been called. Thus, State legislatures may meet their own particular problems without any help from Federal funds which the Federal Government would have to borrow.

Straitjacket provisions enacted by Congress for the entire country would not take into consideration the local problems. It should be kept in mind that thousands of claimants in Pennsylvania who voluntarily quit have exhausted their benefits. Similarly, prior to a decision in the superior court of Pennsylvania last month thousands of pensioners, who were not out for lack of work, had collected unemployment benefits and had exhausted their benefit rights. In Pennsylvania, as in some other States, a claimant can again apply for benefits a year after he first claims and obtain a second round of benefits even though he may not have done a tap of work in the meantime. With an additional 13 weeks of benefits, many Pennsylvania claimants would collect total benefits exceeding 100 percent of wages paid in the base period—which benefits are all income-tax free. Why compound the liberal policies from which the legislatures of such States as Pennsylvania and Michigan must extract themselves?

A great deal has been published about the increasing number of claimants exhausting benefits. The records show that even in the first 6 months of 1950, the highest on record, some 1,248,000 claimants exhausted benefits. An estimate of exhaustions for the first 4 months of 1958 is 700,000, or less than some 730,000 claimants who exhasted benefits in the first 8 months of 1950.

In New York State, according to the New York State Advisory Council on Employment and Unemployment Insurance, 99,466 claimants exhausted their benefits in the first 8 months of 1950, while only 29,158 exhausted their benefits in the first 8 months of 1958. Even if the figures for the first 6 months of 1958 should approach those of the first 6 months of 1950 that, of course, would be an even lower percent of the increased number of workers in 1957. The number of exhaustions is no doubt being overplayed. Certainly the percent of exhaustions should be in excess of the 2.3 percent in the first quarter of 1950, the previous maximum percent of covered employment, before any emergency can be justified.

Although we can see no reason for taking any action in Congress at this session with respect to extended duration of benefits or straitjacket provisions covering the benefits to be paid by the various States when such a huge amount of funds is available to the States for payment of benefits in accordance with the judgment of their own legislatures, if some action is determined to be politically expedient, we suggest that the action be limited to the terms of H. R. 12065, permitting the borrowing of funds for the extension of duration of unemployment benefits if a State so desires, but certainly not forcing a State to do anything which its State legislature does not consider necessary.

Yours very truly,

J. G. HODGE,
Chairman, National Affairs Committee.

PENNSYLVAINA STATE CHAMBER OF COMMERCE,
Harrisburg, May 9, 1958.

HON. HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Pennsylvania State Chamber of Commerce has been hesitant in taking a position on the controversial proposals to extend, by Federal law, the duration of unemployment-compensation payments, until it had carefully reviewed all aspects of the problem.

That review having been carefully made and completed, the Pennsylvania State chamber believes that any Federal intervention in the State unemployment-compensation programs would result in the ultimate destruction of such programs.

It sincerely opposes, therefore, the enactment of H. R. 12065, or any similar legislation.

With deep appreciation for your long, faithful, and devoted services in the welfare of our Nation, I am,

Sincerely,

ARNOLD L. EDMONDS,
Executive Director.

ALASKA EMPLOYMENT SECURITY COMMISSION,
Juneau, Alaska, May 7, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: At their recent meeting in Fairbanks, the Alaska Employment Security Commission made the following recommendations:

"The Commission, having been aware of the unemployment problem in Alaska in the early fall of 1957, at that time took measures to explore all possible avenues for obtaining aid from the Federal Government, and now being concerned over the continued Alaska unemployment problem as well as the national emergency which has arisen, recommends first, that immediate measures for more construction of badly needed new roads, public building, and other public works be undertaken; secondly, it also recommends that temporary additional benefits be granted. However, any additional expenditures over and above those authorized by the Alaska act that are authorized or occasioned by Federal legislation should be met by the Federal appropriation."

Very truly yours,

REV. GEO. BOILEAU, S. J., *Chairman.*

SHERMAN CHAMBER OF COMMERCE,
Sherman, Tex., May 10, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: For the board of directors of the Sherman Chamber of Commerce I attach herewith copy of resolution passed by this board with the recommendation that same be forwarded to you for your consideration.

Respectfully yours,

DEWAYNE DAVIS, *Manager.*

FEDERAL INTERVENTION IN STATE UNEMPLOYMENT PROGRAMS

Whereas the data furnished by the Bureau of Employment Security, United States Department of Labor, and by the United States Treasury Department show that the separate States are able to meet any present need for extension of unemployment compensation; and

Whereas the major danger of Federal intervention in any aspect of this program, which has previously been left to State control, is that it will lead to Federal usurpation of other phases of State authority in unemployment compensation: Now, therefore, be it

Resolved, That the board of directors of Sherman Chamber of Commerce, meeting this 9th day of May 1958, does implore the members of the Senate Finance Committee where hearings on H. R. 11679 are now scheduled, not to bring out such a bill to the floor of the Senate; and be it further

Resolved, That a copy of this resolution be incorporated in the minutes of the board, and that copies be sent to Senator Harry F. Byrd, chairman of the Senate Finance Committee, to Congressman Sam Rayburn, to Senator Lyndon Johnson and to Senator Ralph Yarborough.

Respectfully submitted for board of directors, Sherman Chamber of Commerce, Sherman, Tex.

W. S. DORSET, *President.*

Attest:

DEWAYNE DAVIS, *Manager.*

WEST VIRGINIA CHAMBER OF COMMERCE,
Charleston, W. Va., May 10, 1958.

Senator HARRY F. BYRD,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Recognizing that time could not possibly be assigned to all those seeking to be heard on the several unemployment compensation measures now pending before the Senate Finance Committee, we request that this statement be presented to the committee and incorporated in the record of the hearings on these proposals.

We oppose these measures as a group and separately because the end result sought by the advocates of all these proposals is federalization of unemployment compensation and destruction of the State systems of administration which have so clearly proved their worth.

Let us first look at the relevant West Virginia statistics. The year 1957 was the most prosperous in the history of the State. New alltime records were established in 13 of the 20 major segments of trade, production, and finance which are regularly surveyed as a means of measuring the trend of the State's economy. Nonagricultural employment reached its peak of 513,000 in September of that most prosperous year. From this employment peak, the decline during the 6 months following has been substantial, but by no means disastrous or catastrophic. Average nonagricultural employment for the first 3 months of the current calendar year has been 474,200 which compares to average employment of 493,767 for the same months of prosperous 1957, a decline when fairly measured on the quarterly basis of only 4 percent in total employment including the workers covered by unemployment compensation as well as those not so covered.

It is peculiarly pertinent to the proposals under consideration that on September 30, 1957, when employment reached its peak for that year, the surplus or balance in the West Virginia unemployment compensation fund was $67,071,254, and that on April 30, 1958, after 7 consecutive months of heavy drafts upon this fund, the surplus or balance remained at the relatively high level of $57,892,422.

At this point we desire to emphasize a most significant fact, namely, that after 7 months' experience with a relatively heavy unemployment load, this fund surplus remains a safe $7,892,422 above the $50 million mark where the so-called escalator provision of the West Virginia Unemployment Compensation Act begins to function and automatically replenishes the fund by increasing subscribers rates across the board.

Authorities agree that even if present unemployment levels persist the point at which the escalator provision is brought into play will not be reached for at least 6 months, perhaps not before January 1, 1959. We, therefore, respectfully submit that no emergency exists or threatens which justified Federal intervention in or Federal aid to West Virginia.

It is the settled view of all West Virginians who are fully informed in this field that unionists, fellow-traveling Socialists, and expedient politicians alike who for years have jointly sought the destruction of the State unemployment compensation systems are now making a concerted effort to use the present slump or recession as a means of establishing so-called Federal standards in the unemployment compensation acts of the 48 States. We sincerely hope you and the other members of the Senate Finance Committee will steadfastly resist this effort to destroy the State systems.

While our statements above relate exclusively to the principle of State responsibility for sustaining and administering an established and intimate governmental function, we desire to protest most vigorously also against the effort to make virtual relief agencies of the unemployment compensation departments of the 48 States, this as originally proposed in title II of H. R. 12065. In the event the hearings of the Senate Finance Committee should extend to this proposal we desire to be recorded as unqualifiedly opposed to legislation of that character. In this respect we heartily endorse the majority views of the directors of State employment security agencies which are set out on pages 7092–7094 of the Congressional Record for May 1, 1958.

Respectfully yours,

H. A. STANSBURY, *Managing Director.*

FANWOOD, N. J., *May 8, 1958.*

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

SIR: When hearings begin on the proposed Federal unemployment compensation program—particularly as proposed in H. R. 12065, please register my personal objection to Federal intervention in what is now and must be basically a State matter.

From what I am given to understand, most of the States have satisfactory reserve funds at present and to add a Federal grant for purposes of paying unemployment compensation claims would not, in my opinion, create a single job except possibly with the State or Federal Government for administrative people to handle this increased burden.

Social insurance programs of this nature are, I repeat, are, a State problem, and the States have a tough time administering these plans as it is now. Also, if the proposed bill is passed by the Senate the Federal Government would have little control over how the money is spent since it would be up to the State to administer the increased benefits. We would have the phenomenon where in New Jersey, for example, an employee who quits without good cause or has been discharged, would be awarded benefits which may be paid from a State loan, whereas in Illinois or other States, individuals in these categories would be denied benefits from the start. Lacking a uniform unemployment compensation program among the States it goes without saying that some of the money involved would be misspent. At the same time the reason why each State has its own program is that this is again a question of individual State need, economics, and enforcement.

Please give my thoughts some consideration in your committee meetings scheduled to begin the 12th.

Very truly yours,

DONALD W. TOBIN.

SWIFT MANUFACTURING CO.,
Columbus, Ga., May 9, 1958.

Hon. HARRY F. BYRD,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is my understanding that in the very near future the Senate Finance Committee will begin consideration of H. R. 12065 having to do with the extension of unemployment compensation benefits.

Frankly, we do not feel that any Federal legislation is necessary or even desirable at this time. We would much prefer that the Federal Government not interfere with the programs in the various States almost all of which are efficiently and effectively administering their programs. Our program here in Georgia is covered by adequate reserve funds and any interference in the program by the Federal Government would simply muddy up the water and be another case of the loss of some of our States rights.

However, if it seems that for political reasons something must be done, I believe that the Herlong bill (H. R. 12065) is the least objectionable of all of the proposals that have been made. It preserves the integrity of our State program and is fairly well consistent with existing law covering the advancing of Federal funds to those States that need assistance.

We hope very much that you will use all of your influence to either kill the entire idea or at least to pass the less objectionable Herlong bill.

Sincerely yours,

PAUL K. MCKENNEY, JR.

WALTON COTTON MILL CO.,
Monroe, Ga., May 9, 1958.

Senator HARRY F. BYRD,
Washington, D. C.

DEAR SENATOR BYRD: It is our understanding that the Herlong bill which recently passed the House is being considered by your committee. The writer was very much interested in the Mills bill which would have taken the unemployment insurance out of the hands of the States and turned it over to the Federal Government, and we think the House of Representatives is greatly to be commended for having killed this undesirable piece of legislation. We think the Herlong bill is very much preferable to that which was originally proposed, though we still feel that no legislation is needed at this time.

There seems to be a sentiment in this country that cost can be increased indefinitely if the date of payment is somewhat delayed. The majority of our citizens run their own affairs on this basis and seem content for the Federal Government to follow a bad example. However, it is our opinion that when payment is long delayed an expenditure is even more dangerous than if immediate payment is exacted, and the present legislation falls in that category. Therefore, we hope that any change of the unemployment laws will be killed by Congress but we feel that if it is necessary to enact some legislation the Herlong bill (H. R. 12065) is very much less objectionable especially to the people of the South who are trying to preserve some semblance of States rights. We sincerely hope that your own thinking is in accordance with these sentiments.

Though I am from a different State I was educated in Virginia and have followed your career with a great deal of pleasure. Your contribution to our country through these changing times is probably beyond estimation and certainly has been the equal of anyone in our Nation's Capitol.

Please accept the sincere thanks of one private citizen.

Respectively yours,

HENRY MCD. TICHENOR.

GRANITEVILLE CO.,
Graniteville, S. C., May 9, 1958.

Senator HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: This is an urgent suggestion that you oppose Senate bill 3244 by Senator Kennedy of Massachusetts, with 16 coauthors, and House bill 10570 by Representative McCarthy of Minnesota with 54 coauthors. The effect of these two identical bills would be to greatly increase federalization of State unemployment compensation.

The bill would prohibit States from imposing the qualification requirement of more than 30 times weekly benefits, more than 1½ times high quarter wages, or more than 20 weeks of employment, and also to pay benefits up to a maximum of 39 weeks to anyone satisfying these requirements. We feel sure that this would encourage "loafing" and also jeopardize the entire structure of the State's employment security law.

The bill also proposes to set the average weekly wage within the State, based on earnings of all employees—not just the prior earnings of those claiming benefits. We are sure in our own minds this is socialistic and not democratic—the masses paying for the minority.

The bill would also permit Federal grants to States to support unemployment benefits. After adopting the required increase in benefit schedules, a State could reduce employment taxes to a rate of 1.2 percent and still receive Federal grants. The present law permits employers to earn a possible rate of 0.25 percent of the taxable payroll. We are now paying in our Georgia plants a 0.25 percent rate and a 0.60 percent rate in our South Carolina plants. The passage of this bill would increase our unemployment compensation payroll tax rate in Georgia nearly 400 percent, and would exactly double our South Carolina tax rate. This would seem to us to be in direct conflict with the news report that the present administration is considering tax cuts to help stabilize the economy of the country.

If these bills are approved, Federal grants would be three-fourths of the excess of benefits payable over 2 percent of the taxable payroll. We would like to call your attention to exhibit A, attached, from the Tennessee Manufacturers Association dated September 1957, which shows for the year 1956 that only 1 of the 13 Southern States listed on the exhibit was paying as much as 2 percent on its annual payroll (this report included all industries). This would mean that the entire cost of the additional benefits proposed would be charged directly to the States concerned.

Exhibits B and C are also attached as a matter of information. These exhibits were made possible through the courtesy of the Georgia Department of Labor.

In conclusion there is an old saying that history repeats itself and, in this instance, we would like to quote a statement made by Mr. Swint in a letter to President Eisenhower dated July 26, 1953, in regard to a proposal to change the Taft-Hartley law which also expresses our feeling toward these proposed bills. Mr. Swint said, "This bill would further serve to minimize rather than extend the individual freedom of our citizens and the strengthening of the State and local governments as against a central Federal authority accomplishments which would be in direct conflict with your expressed objectives as stated on numerous occasions."

We would like to call to your attention that there has been no demand in South Carolina for extended or enlarged benefits, that we have an adequate reserve fund to take care of our own needs, and that we think conditions today do not justify hasty and extravagant action in this connection.

Abraham Lincoln's tailor asked him on one occasion how long his shirttail should be. Mr. Lincoln's reply was, "It should cover the subject." We feel that the present State employment security laws do this and do it well.

We would appreciate you using every ounce of influence at your disposal in opposing this bill.

With kind personal regards,

Sincerely yours,

S. C. THOMAS, *Employment Manager.*

TABLE A.—*Unemployment compensation, 1956*

State	Trust fund reserve [1]	Average tax rate [2]	Average cost rate [1]	Total contributions [2]	Total payments [2]	Total covered employees [2]	Total covered unemployed [3]	Percent	Maximum weeks [4]	Average weekly check [2]	Maximum weekly duration [4]	Average weekly duration [2]	Average cost per worker [5]
	Percent	*Percent*	*Percent*	*Thousands*	*Thousands*								
Kentucky	10.4	2.05	2.0	$22,664	$24,366	447,425	122,612	27	$22	$21.58	26	14.2	$54
Louisiana	9.8	1.2	.8	18,263	11,916	548,052	88,416	16	25	22.66	20	12.2	22
North Carolina	9.1	1.33	1.3	26,695	25,602	844,122	190,682	23	22	17.38	26	10.5	30
Georgia	8.8	1.28	1.0	22,515	16,886	712,469	141,658	20	20	20.62	22	10.5	24
Missouri	8.7	.82	.9	20,948	21,843	957,225	194,675	22	26	21.36	26	9.2	23
Arkansas	8.2	1.2	1.2	6,643	6,795	248,209	57,152	23	26	18.73	18	9.9	27
South Carolina	8.0	1.15	1.2	10,988	10,606	385,431	91,252	24	26	20.68	22	11.5	28
Mississippi	7.0	1.14	1.5	6,259	8,012	228,762	61,057	25	26	19.42	20	10.7	26
Alabama	6.7	[6] 1.4	1.0	18,322	12,494	512,115	114,964	23	26	19.60	20	11.0	26
Texas	6.7	.65	.5	29,926	22,290	1,853,796	195,198	11	26	21.56	26	10.3	14
Tennessee	5.9	1.71	1.8	25,985	28,927	624,052	162,874	26	30	19.80	22	13.9	46
Virginia	5.8	.62	.6	10,178	8,678	648,089	91,750	14	26	19.67	18	7.7	14
Florida	5.2	.78	.7	13,757	11,528	729,181	97,956	13	26	21.33	16	9.1	16

[1] Percent of yearly taxable wages (Research and Education, Bulletin 24).
[2] Statistics obtained from direct questionnaires.
[3] Number of employees filing new claims during year.
[4] Research and Education, Bulletin 23.
[5] Average annual benefit cost based on total employment.
[6] Employer 1.07 percent; employee, 0.33 percent.

NOTE.—We thought the comparative figures on unemployment compensation contained in this summary made by the Tennessee Manufacturers Association would be of interest to our membership and we are grateful to the Tennessee association for a copy of it—John K. Cauthen.

Source: Tennessee Manufacturers Association, September 1957.

TABLE B.—*Contribution rates at which Georgia textile mill employers paid their unemployment taxes under the experience rating plan for the year of 1958*

Rate (percent)	Number of mills	Percent of all mills	Number of spindles	Percent of all spindles
0.25	8	7.6	365,980	12.6
0.50	15	14.3	666,876	23.0
0.75	15	14.3	550,674	19.0
1.00	19	18.1	740,732	25.5
1.25	9	8.6	247,924	8.5
1.50	10	9.6	178,092	6.2
1.75	3	2.8	15,276	.5
2.00	2	1.9		
2.25				
2.50	3	2.8	10,346	.3
2.70	21	20.0	117,036	4.1
Total	105	100.0	2,909,676	100.0

SUMMARY

(*a*) Eight mills earned the lowest rate possible (0.25 percent), compared with only three mills that had earned this low rate a year ago.

(*b*) Fifteen mills earned the second lowest rate (0.50 percent). This is a gain of 4 mills over last year.

(*c*) The majority of the Georgia mills (76 or 72.5 percent) and the major concentration of spindles (2,750,118 or 94.8 percent) fall within the first 6 lowest tax brackets (0.25 percent through 1.50 percent).

(*d*) Twenty-one mills, compared with 22 a year ago, are paying UC taxes at the rate of 2.7 percent, having failed to earn reductions. Two of these mills, however, are new in Georgia and do not have sufficient employment history to earn a computation.

CANTON COTTON MILLS,
Canton, Ga., May 9, 1958.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

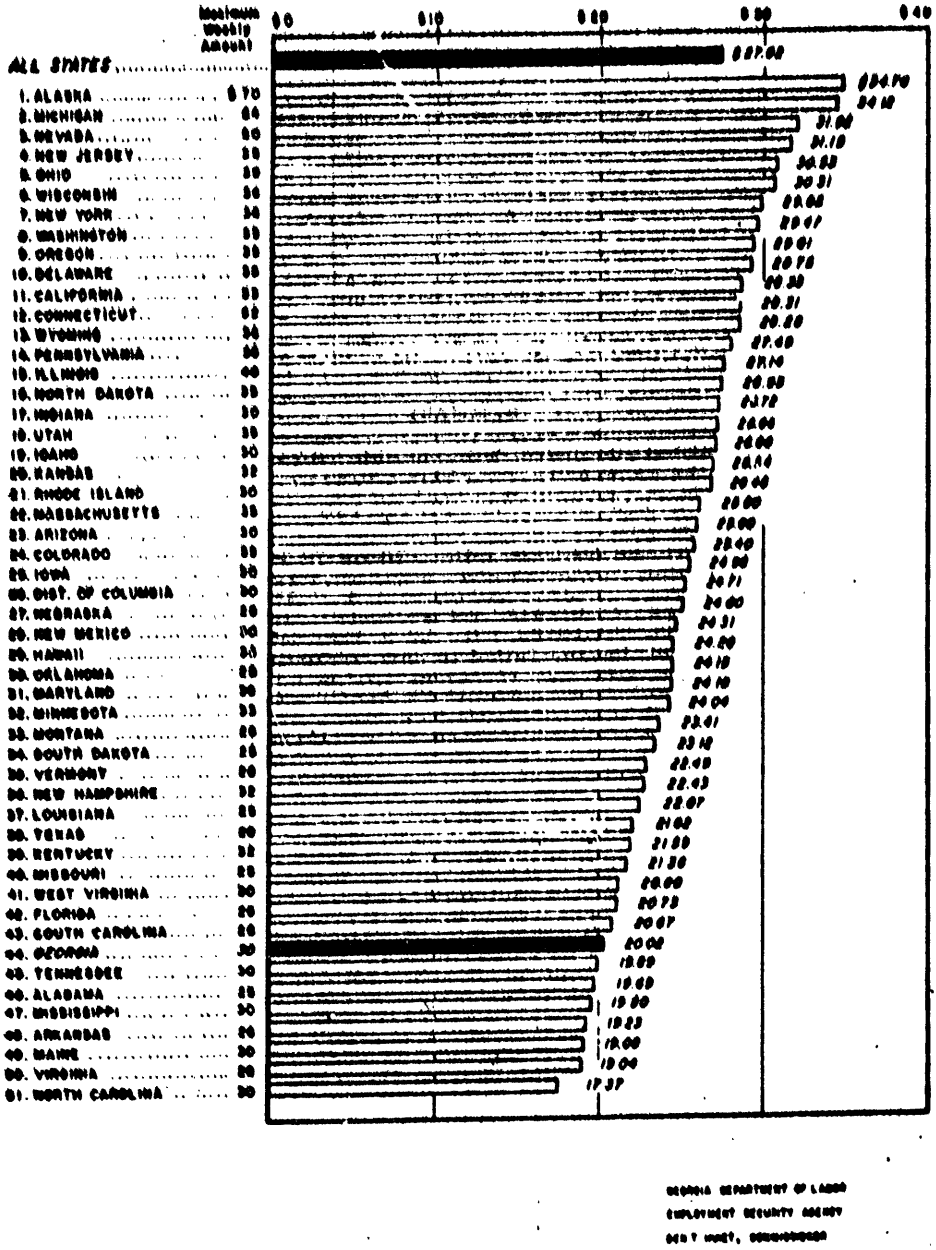
DEAR SENATOR BYRD: We have been following recently the comments attributed to you in the newspapers and feel we would like to write you and state our position in this matter of unemployment compensation.

We do not feel that we are in need of any legislation in this field at the moment. We do feel that present legislation when administered properly and in the spirit of the law will take care of the unemployment situation. There are some States who are not administering these laws carefully and naturally show quite a bad experience. We feel, however, that our State has a very good administrative department and that claims are weighed according to the spirit of the law.

We further do not feel that the economic situation of our country would require any drastic legislation regarding unemployment compensation by the Federal Government at this time. We would much prefer that no legislation be passed at this session of Congress with regard to federalizing the unemployment compensation law. However, we feel that the least obnoxious of these would be the Herlong bill (H. R. 12065) which was recently passed by the House. It preserves the integrity of the State administered system of unemployment compensation and is generally consistent under existing laws. It provides Federal assistance to those States who need and request such assistance.

In a situation where a country's manufacturing costs are higher than any other country in the world, even with our advanced technology, we need an entirely different type of legislation than the kind of legislation that is being considered in this particular instance. There are very, very few things in our country which cannot be produced with less man-hours of work than other countries; however, due to the many taxes and the artificial conditions created by our Government, we find our economy in the throes of a recession. It is our humble opinion that we really need fewer laws and fewer controls over a great number of our operations.

AVERAGE WEEKLY JOB INSURANCE PAYMENT FOR TOTAL UNEMPLOYMENT UNDER STATE EMPLOYMENT SECURITY LAWS IN 1956



GEORGIA DEPARTMENT OF LABOR
EMPLOYMENT SECURITY AGENCY

We ask that you will support our views concerning unemployment insurance, and we know from past experience that your feeling is the same as ours.

Thank you for permitting us to express our thoughts to you, and we hope that your committee may see fit to bring a favorable report in regard to State-administered unemployment compensation.

Very truly yours,

LOUIS L. JONES, Jr.,
President.

RIEGEL TEXTILE CORP.,
Trion, Ga., May 12, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. BYRD: We understand that the Senate Finance Committee will begin hearings on H. R. 12065 tomorrow, May 13. Accordingly, we are writing to you to express our views on this vital issue.

We have not felt, nor do we feel now, that any Federal legislation, changing or extending unemployment compensation benefits, is necessary or desirable. There must be a more practical and healthy solution to the unemployment problem—a solution which would be lasting.

As a whole, the States are administering the unemployment compensation program effectively and efficiently, and the administration of the system should be retained under State control.

Covered employers will eventually pay the full cost of extended compensation, which can and will be disastrous to many companies. Many are fighting for their very existence.

We object to federalization of the unemployment compensation system; but if there is a determination to pass such legislation, then we feel that H. R. 12065 is the least objectionable of proposed bills.

To be able to evaluate the impact of Federal unemployment compensation legislation, we are sure that you wanted as many expressions obtainable. Your conscientious consideration of the effects on industry will be appreciated.

Yours very truly,

P. H. DAVID, *General Manager.*

LOS ANGELES CHAMBER OF COMMERCE,
Los Angeles, May 12, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: As an organization representing many employers of this area, the Los Angeles Chamber of Commerce is deeply concerned over attempts to authorize Federal intervention in local unemployment compensation plans.

Several of the measures which have received consideration on the House side would make unemployment insurance nothing more than a relief dole and, as you know, the plan was set up not for that purpose at all, but to help unemployed workers bridge the gap between jobs.

We agree with your published statements that the States are much better able to solve their own problems in this field. We much prefer to have these problems left up to the States where they can be solved in the light of conditions at home rather than to have the Federal Government intervene and usurp the fixing of standards and determination of length and amount of benefits. Our present plan gives incentive to the employer to stabilize his employment and incentive to the worker to find another job. These incentives are swept away under the more drastic proposals which have been considered.

Actually, we prefer to have this field untouched by Federal legislation. If it is a question of having to accept something, for the sake of political considerations involved, we should prefer to see adoption of the Herlong amendment which passed the House of Representatives and at least gives the States the right to accept or reject financial assistance.

Respectfully yours,

GEORGE B. GOSE, *President.*

IDAHO STATE CHAMBER OF COMMERCE,
Boise, Idaho, May 12, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: In respect to the hearings on H. R. 12065, scheduled to commence before the Senate Finance Committee tomorrow, I have this day sent to you a telegram reading as follows: "The Idaho State Chamber of Commerce is opposed to any Federal law extending unemployment compensation benefits

since (*a*) need therefor does not exist and (*b*) such a law would weaken and otherwise damage sound existing Federal-State system, and increase Federal debt without justification. Letter follows."

After careful examination of the hearings conducted by the House Committee on Ways and Means in this matter, we are convinced that no showing has been made to warrant Federal action in the area of unemployment compensation. In fact, this record establishes beyond question that should the Congress of the United States adopt legislation authorizing further Federal intervention into the field of unemployment compensation it would do so in the face of compelling facts demanding a forthright stand by the Congress against any Federal action on this subject at this time.

Although we recognize that the record compiled by the House Committee is not controlling on your committee, we submit that the facts contained in that record must be accepted. Those facts demonstrate conclusively that any unemployment condition which existed at the time of the House committee hearings which might be properly characterized as serious was localized in scope and that these local points of unemployment were so widely scattered that a "Federal cure" would be completely out of order. Further, information as to unemployment published since the House committee hearings were concluded indicates there has been a substantial upward trend in employment in many of the localities where a troublesome unemployment problem had developed.

We submit that all facts today point up only one conclusion, namely, that a "need" for a Federal law to extend unemployment compensation benefits does not presently exist.

Under the Federal-State unemployment compensation program as presently constituted, there is the sound principle that insurance against probable unemployment compensation needs of workers in each individual State must be kept in full force and effect. The amount of insurance and the benefits covered by it are matters tailored to meet the needs of each State based on its employment experience and judged by its duly elected legislators. Any Federal intervention to extend benefits and to provide funds for this purpose must necessarily weaken this insurance principle.

We doubt, of course, that the Congress would deliberately federalize the unemployment compensation program at this time as a substitute for the Federal-State system now in effect. Nevertheless, it must recognize that adoption of any proposal in line with H. R. 12065 would constitute a first and big step in that direction. That such a step would tend to weaken and otherwise damage the existing system is inescapable.

One final point too frequently overlooked is that any new Federal expenditures in this area must be made from borrowed funds. Deficit financing for proposed expenditures shown to be unnecessary can hardly be justified at this or any other time, no matter what the political climate may be. If no other reasons were present, the added debt feature of the proposal under consideration by your committee should compel it to disapprove H. R. 12065 and any similar proposals before it.

It is requested that this letter be incorporated in and made a part of the record of hearings in this matter.

Very truly yours,

EARL W. MURPHY,
Secretary.

EAGLE & PHENIX DIVISION,
Columbus, Ga., May 9, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: It is known that there will soon be a public hearing by the Senate Finance Committee, of which you are chairman, on the Herlong bill which extends unemployment compensation, but keeps administration of the unemployment compensation in the States.

Even though business has been somewhat stifled in more recent months, and in the textile industry in particular for quite some time, I do not feel that extended unemployment benefits is the answer or even a significant part of the answer toward reviving the economy. Once again we think this comes under the heading of "Artificial Stimulation" and the cost must be borne by someone, and in this case it would be additional expense for the industry that may be sick on account of curtailment for any number of reasons.

Practically speaking, I am opposed to any extended socialistic benefits and think that our future could best be guided by a trend back to basic economics and principles involved. The writer is most anxious to see the return of government to the States and localities rather than a furthered continuation of big centralized Federal Government. To face in this direction would possibly call for some sacrifice but in our opinion it would be worth it. I do not believe that our forefathers fought for highly specialized Federal control but rather the opposite.

The Herlong bill is certainly better than the highly socialistic Mills bill which would federalize the unemployment compensation program. Even though I do not find either bill desirable, the Herlong bill would certainly be the lesser of two evils and retain future administration for the States. It is known that you will handle this pending legislation with all of the importance it deserves. It is further known that you are an advocate of States rights and will preserve this in the face of any pending legislation.

Sincerely,

JAMES A. BYARS.

NASHVILLE, TENN., *May 12, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

It is our position the unemployment situation should be handled at the State level. We are unalterably opposed to federalization of the agencies. If it is the wisdom of Congress to enact a law, the least objectionable bill would be H. R. 12065, without amendments, now under consideration by your committee. We thank you for your continued efforts in the best interest of our country.

G. FREEMAN FLY,
President, Southern Garment Manufacturers Association.

MIAMI BEACH, FLA., *May 11, 1958.*

Senator HARRY BYRD,
Washington, D. C.:

Front Royal, Va., delegation to textile union convention requests that you do whatever you can to report from Finance Committee some legislation improving unemployment insurance benefits.

WILLIAM LILLARD, JR.,
E. K. WHITE,
KERMIT NICHOL,
E. G. WERTZ,
RALPH HILL,

WASHINGTON, D. C., *May 13, 1958.*

Hon. HARRY F. BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: On May 13, the Senate Finance Committee according to its announced schedule begins a week of hearings on H. R. 12065, the House-passed bill providing for emergency extension of Federal Unemployment Compensation Act benefits.

The life insurance business has no views to express on this bill as it is pending before your committee. There have been recurring indications, however, that efforts will be made to amend the bill along the lines of the provisions of S. 3244 introduced by Senator Kennedy and others. We have noted reports of your earlier statements to the effect that all bills dealing with unemployment compensation should originate in the House and that the Senate Finance Committee would not hold hearings on S. 3244 until such bill is received from the House.

Nevertheless, we feel that we should make it a matter of record that we are opposed to that provision of S. 3244 which would blanket in, as employees, life insurance agents who are independent contractors. This would result from substituting the statutory definition applicable to "full-time life insurance salesmen" used in the Social Security Act for the present common law definition in use under the Unemployment Compensation Act.

We believe that any proposed extension of coverage to all full-time life insurance salesmen is neither justifiable nor practical.

They are independent contractors. They should not be covered under the Unemployment Compensation Act because they are compensated by commission and their time is not controlled by the insurance company. There is no hazard of wage loss arising from unemployment due to lack of work—the basic hazard covered by unemployment compensation. Their coverage would create practical administrative problems and impose expensive, burdensome, and sometimes impossible requirements on life insurance companies.

Should the committee decide to go beyond the question of a temporary benefit extension to consider permanent changes, specifically changes in the definition of "employee" as it may apply to life insurance salesmen, we would appreciate having the opportunity to appear and be heard.

Sincerely,

AMERICAN LIFE CONVENTION,
CLARIS ADAMS,
Executive Vice President and General Counsel.
LIFE INSURANCE ASSOCIATION OF AMERICA,
EUGENE M. THORE,
Vice President and General Counsel.

COATS & CLARK, INC.,
Acworth, Ga., May 12, 1958.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SIR: We are quite concerned about the unemployed of our Nation and have thought considerably about it but we do not feel that any Federal legislation is necessary, either in changing or extending the unemployment compensation benefits. We also feel that it is not desirable to change the benefits as the present economic situation does not justify any Federal interference with the unemployment compensation program. It seems to us that the medium of exchange is the basic factor involved in our present economic situation and that if a tax cut would not help the situation then certainly having the Federal Government control another agency certainly isn't going to relieve our present situation.

We think the Government controls enough departments, agencies, and items already and if something must be done to relieve the situation we think it should come out of a department, agency, or unit that they are already controlling.

For the sake of our great Nation let's try to preserve some of the States rights but if, for obvious political reasons, Congress is determined to pass some sort of unemployment compensation legislation please use your influence to pass the Herlong bill (H. R. 12065) as we are going to have to pay the full cost of any such program.

At least the Herlong bill will preserve the integrity of the State administered unemployment compensation system and it is generally consistent with the existing law (under the Reed Act) which provides a method of advancing Federal funds to those States that need and request such assistance.

Any consideration you can give this situation will be greatly appreciated.

Very truly yours,

E. D. HEMBREE.

STATEMENT OF GOV. DENNIS J. ROBERTS ON THE NEED FOR FEDERAL AID TO EXTEND THE DURATION OF EMPLOYMENT SECURITY BENEFITS

Rhode Island unemployed workers greatly need extension of the duration of unemployment compensation. In the first quarter of this year, 7,200 exhausted their unemployment benefits, and in the month of April, alone, there were an additional 3,400 benefit exhaustions. The need for action is, thus, growing progressively greater.

The current recession, and the resulting unemployment crisis, emphasize again that unemployment is a national problem, calling for prompt and adequate Federal action. It also plainly demonstrates the need for strengthening the

system of unemployment compensation by better Federal minimum standards, and more flexible, fair, and realistic provisions for financing.

With regard to bill H. R. 12065, passed by the House of Representatives on May 1, 1958, 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, which should be a national rather than a local responsibility.

According to a recent opinion of the State attorney general, Rhode Island's constitution prohibits incurring repayable obligations in excess of $50,000 without approval by a popular referendum. 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, and I have had the necessary legislation introduced to permit borrowing of up to $10 million for emergency extension of unemployment benefits. However, I cannot say at this time what the prospects are for passage of this legislation, and, in any case, there is the necessity for a referendum, which would be held in June if the legislation is passed in its present form.

To sum up, there is still a question as to whether Rhode Island will be in a position to accept Federal loans for this purpose. Rhode Island's reserve position is such that a loan of this character would almost certainly impose eventual additional taxes on employers already paying the maximum rate because of the economic transition which the State has been experiencing, and the resultant high average level of unemployment. The only sound solution for Rhode Island, and the only way to avoid adding further burdens to already distressed areas, would be to provide outright Federal grants for extension of unemployment benefits.

PACOLET MANUFACTURING CO.,
New Holland, Ga., May 12, 1958.

Senator HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SIR: Feeling that you would want to hear some expressions from employers before the hearing on the Herlong bill, we are sending our views for your consideration.

As an employer of over 1,200 people, we do not feel that any Federal legislation changing or extending unemployment compensation benefits is either necessary or desirable. If, however, Congress seems determined to pass some sort of unemployment-compensation legislation, we, as covered employers who, in the final analysis, will pay the full cost of the program, prefer the House-passed Herlong bill (H. R. 12065).

This bill preserves the integrity of the State-administered unemployment-compensation system and is generally consistent with the existing law (under the Reed Act).

We have full confidence in your committee's ability to handle this situation, and hope that our views will have weight when you reach a decision.

Very truly yours,

J. M. JACKSON, *Manager.*

ALABAMA STATE CHAMBER OF COMMERCE,
Montgomery, Ala., May 12, 1958.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is our understanding that your committee will begin hearings on the House-approved unemployment-benefits extension bill, H. R. 12065, on May 13.

This organization has gone on record in opposition to the many proposed measures providing Federal supplementation of unemployment-compensation

benefits. While we recognize the fact that the extensions of benefits contained in H. R. 12065 are left to the States on a voluntary basis, and that the bill is a definite improvement over any of the previously proposed measures, we still do not feel that such legislation is desirable or necessary. We have taken this stand in all of our previous statements regarding this subject.

Mr. Leslie J. Dikovics, who is representing the Council of State Chambers of Commerce before your committee in opposition to this bill, also speaks for the Alabama State Chamber of Commerce. We endorse his statement.

With all good wishes, I am,

Yours sincerely,

JOHN M. WARD,
Executive Vice President.

ORANGE, CONN., *May 18, 1958.*

Hon. H. F. BYRD,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: May I take this opportunity to express my views concerning the modified administration proposal on unemployment compensation which passed the House a few days ago.

As you may recall, the House-approved bill, now before the Senate, in effect authorizes the Secretary of Labor to lend money to any State desiring to provide extended benefits. The money would be paid under the State benefit and eligibility rules to individuals who had exhausted their benefits. The total extra-benefit entitlement would equal 50 percent of the amount they had received prior to exhaustion.

In view of the fact that State reserves now total over $8.5 billion, and with a $200 million Federal loan fund in existence for States to draw upon in emergencies, it is difficult to understand why any State would be interested in borrowing Federal money. Further, State unemployment-compensation programs are constantly improving benefit payments and State legislatures have shown themselves well equipped to meet changing conditions.

Senator Kennedy's bill, S. 3244, if enacted, would federalize the State unemployment-compensation system—a goal of the CIO and other labor unions since 1939. His Federal unemployment standards approach, in effect, substitutes congressional determination for the present State determination of benefit levels and eligibility rules for benefits. It seems to me that this type of Federal standards approach would undermine the generally sound State unemployment-compensation programs that have been operating for 20 years.

In conclusion, I believe that the satisfactory solution to unemployment-compensation problems lies within the existing framework of the State unemployment-compensation plan and not in any Federal dole, Federal unemployment-benefit standards, or other Federal assistance programs. May I urge your serious consideration of these implications and your support of the State-program approach. I am taking the liberty of marking my Congressmen for a copy of this letter, as well as House Ways and Means Committee Chairman Wilbur D. Mills, since I did not have an opportunity to write to them sooner—even though I realize the House has already endorsed the modified administration proposal.

Sincerely yours,

P. M. LUBIN.

HOTEL HARRINGTON,
Washington, D. C., May 15, 1958.

UNITED STATES SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D. C.

For May 16, 1958, hearing on H. R. 12065 unemployment insurance extensions:

1. As former mayor of Binghamton, N. Y., one of the State's leading industrial cities, and as former consultant for various congressional committees, the following is respectfully submitted:

In enacting H. R. 12065 the House rejected any provision for extending insurance benefits to presently unemployed workers whose employers were not within the unemployment insurance program, arguments being advanced that to do so would constitute a dole and would confuse the State's administration of such

program. The number of these unemployed persons who cannot benefit by passage of H. R. 12065 has been variously estimated at from 600,000 to a million throughout the Nation.

There can be little argument but that these unfortunate persons are victims of the same economic recession which created the national situation requiring passage of legislation such as H. R. 12065. It is through no fault of their own that because of national unemployment conditions they now find themselves out of work and in financial distress. They strongly feel that the Federal Government has some obligation to do something to help their plight.

2. It is suggested that the following plan might satisfactorily meet the needs of this unfortunate, and it is to be hoped, temporary situation of human distress:

(*a*) Enact legislation providing that the Federal Government will guarantee to banks, personal loans made to unemployed workers qualifying in the foregoing class.

(*b*) Such loans to be made at 4 percent interest, in the amount and in installments the same as the extended unemployment insurance benefits provided in H. R. 12065.

3. Congress is now considering having the Government guarantee bank loans to the railroads—it would seem that our distressed unemployed workers are no less important to a sound national economy. Being out of work this class of unemployed has difficulty in obtaining any loans from personal loan concerns, and even if successful might have to pay as high as 12 percent interest. The Government would not be likely to sustain any great loss from any defaulted loans as payment of same could be later deducted from social security benefits when these became due.

Respectfully submitted,

CHARLES KEESS, *Consultant.*

STATEMENT OF NATIONAL LAWYERS GUILD RE TEMPORARY UNEMPLOYMENT COMPENSATION ACT OF 1958 (H. R. 12065)

The first substantial postwar decline in the economic growth of our country has dramatically exposed the inadequacy of our existing unemployment insurance system, which has been counted upon as an economic stabilizer. Five and a quarter million workers, constituting 7.7 percent of the entire labor force, were reported by the Census Bureau as unemployed in March 1958. The Secretary of Labor reports that in the first 3 months of this year 2,700,000 workers received unemployment insurance benefits and about 700,000 exhausted their benefits in this period. The unemployed who have exhausted their benefits still need funds to meet urgent living needs; indeed, their need may be greater at this point, in view of the depletion of savings; they still cannot find jobs, and the economic effect of their unemployment continues. Since unemployment insurance benefits replaced not more than one-fifth of the total earnings lost in the recession, the result has been that not only have millions of workers and their dependents suffered the loss of income needed for the maintenance of their living standards, but the stores, landlords, and farmers, who depend upon the maintenance of purchasing power, and the whole economy, have felt the effect of unemployment and the inadequacy of unemployment insurance.

To relieve the serious situation created by the short-comings in the existing system of unemployment insurance, the Congress is now considering emergency legislation. The House of Representatives has passed H. R. 12065, which reflects the administration's proposals, and has rejected this bill in the form in which it was originally approved by the House Ways and Means Committee. Both bills proposed the payment of unemployment compensation benefits to those workers who had exhausted their benefit rights for an additional period of time and both bills furnished immediate Federal funds for such purpose.

The three basic differences between the bill as passed by the House and the bill as approved by the House Ways and Means Committee are as follows:

1. The committee's bill would have provided benefits for an additional period of 16 weeks, whereas the bill, as passed, would permit the payment of benefits equaling one-half of the amount previously paid during the benefit year to unemployed workers who have exhausted their benefits;

2. The committee's bill would have provided benefits for approximately 600,000 workers who were not originally covered under existing State laws by reason of various disqualifying and noncoverage provisions, whereas the bill, as passed, omits any provision for such noncovered or nonqualifying unemployed persons.

3. The committee's bill would have provided these benefits through a Federal grant out of general funds without any obligation for repayment thereof, whereas the bill, as passed, imposes an obligation upon the States and the employers of such States to repay the amount advanced out of unemployment taxes after January 1, 1963.

The National Lawyers Guild urges the Senate Finance Committee and the Senate to substitute for the House bill, as passed, the House bill in its original form as approved by the House Ways and Means Committee for the following reasons:

1. *As to duration of additional benefits.*—The exhaustion of benefits is largely due to the shortness of the duration period for the payment of benefits in most of the States. Only 15 States provide for a flat duration of between 20 and 30 weeks; the remaining 36 jurisdictions, with 68 percent of all workers covered, provide for variable duration periods, from a 5-week minimum in Florida to an 18-week minimum in Minnesota, and from maximums of 16 weeks to 26 weeks. Under the bill, as passed, a worker who orginally qualified for the receipt of benefits for 10 weeks would be entitled to receive benefits for 5 weeks more. This would be of small help to such a worker, who has, by this time, been probably out of work for many months, and who may have had to support a family on an average weekly benefit of approximately $20. The workers and the States with the most inadequate provisions would receive the most inadequate supplementation. Thus, the inequities and inadequacies of the State provisions would be compounded. Clearly, what is needed is to provide the greatest amount of help for those most in need. From this standpoint, the bill as originally approved by the House Ways and Means Committee would, by providing for benefits for an additional 16 weeks, be preferable.

2. *As to noncovered and noqualifying workers.*—It is estimated that some 2 million unemployed persons are not covered by unemployment insurance laws of the States. The plight of these workers is primarily due to the fact that archaic and inexcusable disqualification and coverage provisions have been permitted to remain in the State laws. The House Ways and Means Committee estimated that there were approximately 600,000 unemployed persons who would meet the minimum wage experience requirements of the various States except for the fact that some or all of their wages were not earned while employed by a firm covered by the State's unemployment compensation laws.

The House Ways and Means Committee would have extended unemployment compensation benefits for 16 weeks to such workers as well. To contend that this would be a "dole" is to overlook the fact that the bill, as approved by the House Ways and Means Committee, would require such persons to qualify under existing State laws by showing attachment to the labor market, qualifying amount of minimum earnings, ability and willingness to work, that the only reason for noncoverage is exclusion by reason of the type of employment. As to the contention that to provide benefits for noncovered workers is to depart from actuarial principles, the truth of the matter is that our system has never been and need never be on a strictly actuarial basis, as witness the fact that benefits have never grown proportionately with the increase in working population, wages and taxes. We consider that the national interest in maintaining purchasing power and economic and social stability is the first consideration, and for this reason, deem that the bill, as approved by the House Ways and Means Committee, is preferable to the bill in the form in which it was passed by the House.

3. *As to the provision of the funds through Federal grant or repayable loan.*—The House Ways and Means Committee, in its report No. 1656 accompanying the bill in the form in which it was approved by it, pointed out that:

"The administration proposal (reflected in the bill as finally passed by the House) would have the effect of imposing an additional tax burden upon employers in the future to finance unemployment benefits for the presently unemployed."

The committee pointed out that this would "be a serious deterrent to efforts by the States to improve their unemployment compensation plans" and "would tend to defeat the administration's proposal that all States increase their maximum benefits." The committee further pointed out that the employers of some States are now paying unemployment taxes at a maximum rate of 2.7 percent as a result of high unemployment experience, while the employers of other States are paying much less, and that "the repayment of amounts used to provide emergency unemployment benefits would * * * place them in an adverse competitive position."

We agree entirely with the observations made by the House Ways and Means Committee that "it is impossible for unemployment to exist in one segment of the economy without affecting another" and "it is this multiplier effect which requires immediate action by the Federal Government at this time to help offset losses in purchasing power and which requires that any steps taken to offset such losses be directed to the relief of both those covered by State unemployment compensation plans and those who are not covered by such plans."

The National Lawyers Guild, while supporting the enactment of emergency legislation to provide some additional assistance to the unemployed, in their interest and in the national interest, wishes to call the attention of Congress to the fact that such legislation, while temporarily helpful, does not solve the basic problem arising out of the generally conceded inadequacy of the existing State unemployment compensation laws. The Congress would be derelict in its duty if it were merely to enact a temporary palliative measure without at the same time taking the steps urgently required to improve the existing 51 unemployment compensation systems. The means for doing this lie at hand. All that Congress need do is to amend the existing statutes which already contain minimum Federal standards by revising those standards so as to compel improvement of the State systems in accordance with such standards.

What is needed is the enactment of Federal standards which will require the States to provide:

1. Universal coverage, or at least coverage equal to that provided by the old-age and survivors insurance system, insofar as employed persons are concerned;
2. Adequate benefits, taking into account increases in the cost of living, and providing for additional allowance for dependents;
3. Adequate duration, taking into account the actual duration of unemployment;
4. Removal of inequitable disqualifying provisions; and
5. Most significantly, the elimination of so-called "merit rating" which, by itself, has reduced unemployment taxes in some States to 0.05 percent and has served as the single most effective barrier to the improvement to unemployment compensation in our country.

Congress now has before it for consideration a proposed Federal minimum standards of unemployment insurance bill S. 3244, H. R. 10570. The guild urges the Congress to give this bill its immediate consideration. The guild expects to complete its study of this bill shortly, and will submit its comments thereon in the near future.

The seriousness of the present emergency requires that Congress enact temporary legislation immediately. We urge that the Congress enact the temcomplete its study of this bill shortly, and will submit its comments thereon in it was originally approved by the House Ways and Means Committee.

WISCONSIN STATE CHAMBER OF COMMERCE,
MADISON, WIS., *May 9, 1958.*

Hon. HARRY BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: Our organization wishes to express itself on the various proposals on unemployment compensation upon which your committee will hold public hearings beginning May 13, 1958. We recognize that there are many groups who have consolidated their testimony with others because of the limitation of time on the part of the Senate Finance Committee; we, under the same handicap of time, have not had full advantage to search out a group (or groups) with whom our thoughts may coincide. Thus, we respectfully submit these views in the hope that the committee will consider them and enter them into the committee hearing record.

(1) We express our objections to S. 3244 (and similar bills) because it proposes to replace the present jurisdiction of the States and permanently preempts their responsibility and experimentations. It proposes that eligibility and disqualification matters be placed under congressional authority; permits a flat rate tax to replace the present experience rating system here in our State (which we pioneered); and places the entire burden on Congress to maintain a reasonable and adequate national unemployment compensation system without regard to local conditions or situations.

This country is too big and Washington, D. C., is too far away for average citizens to help control a national unemployment compensation system, no matter how closely it affects their daily lives. Employment security issues should be left to the citizens and legislators of each State where the law can be tailored to the local conditions, even if the National Government is both benevolent and wise.

(2) We oppose the original administration bill, H. R. 11670 (and similar bills) because they make it compulsory for the States, no matter how able with existing unemployment compensation reserves, to finance their own liberalities, to accept Federal repayable loans.

(3) We oppose the original H. R. 12065 as it was recommended out of the House Ways and Means Committee (and similar proposals) because it superimposes a relief-type payment system upon the present systems under which insured workers "earn" their benefits based on their past work and wages. The House Ways and Means Committee bill proposed that payments be extended to uninsured (noncovered) workers. If there are to be payments to uninsured workers they should be made pursuant to the present welfare systems.

(4) We oppose original H. R. 11326 (companion to H. R. 11327) or similar bills because they propose to establish Federal benefit standards both as to amount and flat duration.

Our objections to the bills (and types of bills) mentioned are met in the principles of H. R. 12065, as passed by the House and now before your committee. This bill permits a State to determine the number of its unemployment compensation exhaustees and to accept or reject the Federal money; it permits a State to reexamine its short- and long-term unemployment compensation costs in relation to its current State reserves and decide whether to accept or reject Federal funds.

H. R. 12065, as passed by the House, does not establish Federal standards as to eligibility, disqualification, or benefits. It risks permanent imposition of an additional duration on the States, but it still allows them to decline it, if they choose.

In summary, we oppose bills S. 3244, H. R. 12065 (as recommended by House Ways and Means), H. R. 11670 (the original administration bill), and H. R. 11326 (companion H. R. 11327), or similar bills which invade the present jurisdiction of the States and weakens their responsibility, discourage their experimentations, and encourage future federalization of the State programs. H. R. 12065, as passed by the House, meets these objections and makes it possible to maintain an insurance-type system under full State control.

We will appreciate your favorable consideration of these views.

Sincerely,

S. L. HORMAN,
Social Security Committee, Wisconsin State Chamber of Commerce.

STATEMENT BY ILLINOIS MANUFACTURERS' ASSOCIATION IN OPPOSITION TO H. R. 12065, FEDERAL SUPPLEMENTATION OF STATE UNEMPLOYMENT COMPENSATION BENEFITS

The Illinois Manufacturers' Association, with offices in Chicago, Ill., registers opposition to H. R. 12065, which would pay unemployment compensation benefits for an additional period of weeks to unemployed individuals who have exhausted the benefits which are provided under existing State laws.

These proposals provide that the Federal Government would loan money to the States to finance these additional payments, at the weekly benefit rates established by the States.

The Illinois Manufacturers' Association is comprised of 5,000 manufacturing firms in Illinois—small, large, and medium sized.

The Illinois Manufacturers' Association is opposed not only to H. R. 12065 but also S. 3244 and any other legislation which would impose Federal standards and domination of the State unemployment compensation laws. The Illinois Manufacturers' Association believes that any bill, no matter what the details are, whereby the Federal Government endeavors to dictate to the States regarding the provisions of their unemployment compensation laws is objectionable. Such a program is indifferent to the real needs of the workers, as well as to the welfare of the employers, and the integrity and stability of State unemployment compensation systems.

Would lead to federalization

The proposal now before your committee, if enacted, would be a long step toward federalization of the unemployment compensation programs of the various States.

For many years there have been bureaucratic pressures to establish strict Federal dictation over State unemployment compensation programs. In event this were accomplished the States would have to comply with Federal standards of lower eligibility provisions, higher benefits and more rigid controls by Federal authorities.

Four proposals to pay increased benefits with Federal funds have been considered in previous years by Congress—and rejected. These attempts occurred in 1942, 1944, 1945, and 1952. This new proposal should also be rejected.

The development of unemployment compensation laws and their administration have, from their inception, been the function of the legislatures of the individual States. The amounts which should be paid in benefits, the eligibility provisions which claimants must meet, and the number of weeks of benefits which they can draw have been related to the economic situation in each State. The State laws have been periodically revised to reflect changes in economic conditions.

In Illinois and in many other States, changes in the laws have been made as the result of mutually satisfactory agreements between representatives of employers, employees, and the public on duly constituted advisory boards. Accordingly, the individual States are in position to determine what is best for themselves.

Experience rating would be destroyed

A serious result of federalization would be the destruction of experience rating and the incentive for employers to stabilize their employment.

In the introductory declaration of policy in nearly all of the State unemployment compensation laws there appears the statement that one of the purposes of the laws is to encourage employers to provide more stable employment. Employers have an incentive for stabilization of employment through experience rating, whereby they can earn a lower tax rate.

The unemployment compensation laws have, to a great degree, accomplished this purpose. Because of experience rating employers have stabilized their employment and have provided steadier work for their employees. This is proven by statistics which show that a large percentage of employers have earned the minimum tax rate.

Experience rating would be impossible in a program in which benefits are paid from Federal funds and in which the amount of benefits paid would be unrelated to prior work experience. Destroying experience rating would result in a flat tax rate for all employers.

Where would the money to pay the higher benefits come from. The answer is—from the employers. Employers would be forced to pay higher unemployment compensation taxes to provide this money, since unemployment compensation is entirely financed by employers.

Destruction of experience rating would remove the incentive to stabilize employment; in fact it would have the opposite effect and would lead to intermittent layoffs, unsteady employment, and higher costs of unemployment compensation.

If the money for the extended payments were furnished by the Federal Government, the duration of benefits would not be based upon the amount of prior earnings, length of employment nor proper qualification requirements, as required in State laws at present. These proposals would change the entire concept upon which the unemployment compensation program is based.

The problem is magnified

Concern about the number of unemployed workers who have exhausted their unemployment benefit rights has led to the introduction of this legislation. The facts indicate that the problem is magnified and there is no need for a panic approach for legislation. The number of persons who have exhausted their benefits is not excessive when compared with prior years.

During the 3 months, December 1957 through February 1958, 430,00 persons exhausted their State benefits in their benefit year. This amounts to only about 1.1 percent of the covered workers.

Let us compare the number of exhaustees during these 3 months with previous years. In the first 3 months of 1950, 2.3 percent of the covered workers had exhausted their benefits. In the first quarter of the prosperous year of 1955 the figure was 1.34 percent; in the third quarter of 1954, 1.38 percent.

A large percentage of the exhaustees are secondary wage earners and intermittent workers who are not regularly attached to the labor force. They exhausted their benefits because their qualifying earnings entitled them to only a limited number of weeks. This situation is not new—it happens every year.

Paying 1 percent or even 2 percent of the workers who are covered by unemployment compensation programs in the country a few extra weeks of benefits will not have any appreciable effect on stimulating business or increasing the purchasing power of the country.

Unemployment is above normal in only a few States and in certain localities. The number of claimants for unemployment compensation benefits has decreased during recent weeks and unemployment is now leveling off. The States should not be forced into a drastic program such as this in order to provide additional relief for a favored few.

Illinois does not need, and does not want, any Federal interference in our unemployment compensation program in the way of money or imposition of Federal standards. The Illinois unemployment compensation trust fund is in good fiscal condition.

Likewise nearly all of the States have reserves which are substantial enough to cover demands for benefits and need no Federal help. The States have accumulated reserves of almost $9 billion for this purpose. However, for those States which might need help, there is now in existence a revolving trust fund of $200 million established under the provisions of the Reed bill (Public Law 567 of 1954) from which the States can borrow whenever it is found necessary. Borrowing from this fund would require no additional Federal legislation.

Discriminates against one-third of the unemployed

These proposals to provide payments to a small select group of workers who are unemployed, through the medium of extended unemployment benefits would be grossly unfair, inequitable, and discriminatory against one-third of the workers who are unemployed at the present time. These unemployed workers have not been eligible for unemployment benefits, due to the fact that they have not worked in covered employment and would not benefit in any manner from the proposal that duration of benefits be extended. These persons are individuals who have worked for employers having less than four employees, farmworkers, domestic workers, certain Government employees and self-employed workers. If additional relief is needed for those people who are out of work, it should be provided locally for everyone, on the basis of need.

Would have permanent adverse effects

It is contemplated that this program to extend unemployment benefits would be an emergency or temporary measure. But history his shown that in government, temporary measures become permanent. There are many examples of this, such as the public-assistance program, temporary taxes on transportation, telephones, cosmetics, etc., and the 52 percent corporation tax which was to last but a single year.

Even on the assumption that this measure would be temporary and Federal payments would be discontinued after 1 year, it would have a very serious effect on State benefit levels and benefit duration. It would be exceedingly difficult for the States to recede from the higher payments made under the Federal program. There could be no turning back. It would force the States to enact special legislation to extend benefit duration to 39 weeks, instead of the 26 weeks which is considered by most of the States to be adequate.

Confuses unemployment compensation with relief

If it is found that in any State, or in a section of any State, relief is needed for any of the citizens who have lost their jobs, due to adverse business conditions, such relief should be furnished by the State or local government. Machinery is now in operation for this purpose. Such a program should be entirely separate from the State unemployment compensation programs and should be operated entirely on the basis of need.

The purpose of unemployment compensation is to provide a cushion of protection for those workers who are unemployed for a limited period of time and who have proved through regular previous employment that they are a part of the labor force. Unemployment compensation is not a social program to provide long-term public assistance. It must not become a dole.

The extension of unemployment compensation benefits in the manner contemplated by this legislation would furnish an irresistible temptation to un-

necessary and prolonged idleness in many cases. The malingering inherent in the existing State systems would be greatly aggravated.

This proposal is a reversal of the principle of the Eisenhower administration that more responsibilities should be delegated to the States rather than being concentrated in Washington.

The employers of the State of Illinois object to the Federal Government injecting itself into this matter and usurping the prerogatives of the States.

The Illinois Manufacturers' Association respectfully urges that this legislation be rejected.

GREATER WASHINGTON CENTRAL LABOR COUNCIL, AFL–CIO,
Washington, D. C., May 13, 1958.

Hon. HARRY FLOOD BYRD,
United States Senate, Washington, D. C.

MY DEAR SENATOR BYRD: With the problem of unemployment affecting so many of the people in Virginia today, many of whom are members of our affiliated organizations, we feel that the need for Federal standards to raise unemployment compensation benefits and to extend the period in which these benefits may be paid and also to provide benefits for those not now covered by the unemployment compensation laws, is readily apparent.

We respectfully request that you use your good offices to work for enactment of this legislation which would be of such great assistance to the unemployed workers and their families.

Respectfully,

F. H. MCGUIGAN, *Secretary.*

J. P. STEVENS & CO., INC.,
WOOLEN AND WORSTED DIVISION,
Milledgeville, Ga., May 12, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: We have noticed that the House of Representatives passed the Herlong bill (H. R. 12065) and that it is now in the Senate where it will soon be the subject of a hearing by the Senate Finance Committee, of which you are the chairman.

We believe that you are interested in expression of opinion from those who are vitally concerned with the proposed program.

We do not feel that any legislation that would change or extend unemployment compensation benefits is necessary or desirable. Neither do we think that there should be any interference with the unemployment compensation programs that are being efficiently and effectively administered by the States. The present economic situation, in our opinion, does not justify Federal extension or interference with this program.

We are pleased to see that the House passed the Herlong bill rather than any of the other measures considered. And, if for political reasons Congress is determined to pass some sort of legislation concerning extension of unemployment compensation benefits, we consider the Herlong bill (H. R. 12065) the least objectionable, since it will preserve the integrity of our State-administered unemployment compensation system and it is in general consistent with the existing Reed Act which provides a method of advancing Federal funds to those States that need and require such assistance.

We sincerely hope that your committee will carefully study the various measures proposed and will act so as to preserve State-administered unemployment compensation programs as it now exists.

Yours sincerely,

JOHN P. BAUM.

J. P. STEVENS & CO., INC.,
WOOLEN AND WORSTED DIVISION,
Milledgeville, Ga., May 12, 1958.

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United States Senate,
Washington, D. C.

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where it will soon be the subject of a hearing by your committee, the Senate Finance Committee.

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We sincerely hope that your committee will carefully study the various measures proposed and will act so as to preserve State-administered unemployment compensation program as it now exists.

Sincerely yours,

HERBERT C. ERVIN.

MUSCOGEE MANUFACTURING CO.,
Columbus, Ga., May 13, 1958.

Senator HARRY F. BYRD,
Senate Office Building, Congress of the United States,
Washington, D. C.

DEAR SENATOR BYRD: It is my understanding that the matter of extension of unemployment compensation benefits will soon be brought up for a hearing before the Senate Finance Committee. As a businessman and taxpayer, I would like to state my position as being strongly opposed to any Federal extension or interference with the unemployment compensation program. The present economic situation does not justify such action at this time. Furthermore, it is my opinion that all but 2 or 3 States are administering the program efficiently and effectively from adequate State reserve funds; however, if Congress does see fit to pass some sort of unemployment compensation legislation, being covered employers who actually must pay for the full cost of such a program, we would prefer the House-passed Herlong bill (H. R. 12065) as being the least objectionable of any pending proposal.

First of all, under this bill the integrity of the State administered unemployment system would be preserved and secondly, it is consistent with the existing law under the Reed Act, which provides a method of administering Federal funds to those who need and request such assistance.

It is unfortunate that the Federal Government continues to seek more and more bureaucratic control of the entire economy. We of the Southeast take pride in the fact that you, along with most of the other southern Senators and Congressmen, have had the courage to stand up for States rights and constitutional government.

With best wishes, I am,

Sincerely,

WILLIAM D. SWIFT, *Vice President.*

GRANITEVILLE CO.,
Augusta, Ga., May 12, 1958.

Senator HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I am taking the liberty of writing to you as chairman of the Senate Finance Committee and for the purpose of expressing my views regarding the Herlong bill (H. R. 12065), that will shortly receive the attention of your committee. This bill was passed by the House about 2 weeks ago

after the defeat of the so-called Mills bill and provides for the extension of unemployment compensation benefits with Federal money.

Although the Herlong bill does have the virtue of maintaining the integrity of State administered programs, it is my feeling that no additional legislation is needed at this time and that the Senate Finance Committee will not recommend any. However, if a majority of the committee thinks otherwise I would much rather have them report favorably on the Herlong bill than on some of the more radical measures that have been proposed.

Your continuing efforts to protect the Federal Treasury are well known and highly appreciated throughout the country, and I trust that you do not object to having those outside of your constituency communicate with you directly in a matter of this nature; and I wish to thank you sincerely for your consideration.

Yours sincerely

FRANK S. DENNIS,
Assistant Vice President.

THE GOODYEAR TIRE & RUBBER CO.,
Cartersville, Ga., May 12, 1958.

Senator HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I have been informed that the Herlong bill (H. R. 12065) which covers extension of unemployment compensation benefits with Federal money is now in the Senate where it will soon be the subject of a public hearing by the Senate Finance Committee. I would like to give you my opinions on this matter.

Since all covered employers must pay the full cost of any compensation program and because of the fact that we feel that Georgia, and I assume other States, are handling the unemployment compensation program efficiently without Federal aid, I would object strenuously to any Federal legislation which would involve extending unemployment compensation benefits by using Federal money.

If it becomes evident that the Congress will pass some sort of legislation covering this problem, then it would seem that the Herlong bill is the least objectionable of any that have been presented. However, if the program could be left entirely in the hands of the States I think it would be effective and certainly less costly.

Yours very truly,

W. E. FLOYD, *Superintendent.*

HAWKINSVILLE DIVISION,
OPELIKA MANUFACTURING CORP.,
Hawkinsville, Ga., May 12, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: We understand the Herlong bill is now in the Senate, where it will soon come before the Senate Finance Committee, of which you are chairman.

In our opinion, no Federal legislation, extending employment compensation, seems necessary or desirable.

It would seem that the present economic situation would not warrant any Federal extension of this program, and it seems that all but 2 or 3 States are administering efficiently and effectively, from adequate State reserve funds.

However, if for political reasons, Congress seems to feel it necessary to pass some sort of unemployment compensation legislation, we as covered employers, who must in the final analysis pay for the full cost of such a program, prefer the House-passed Herlong bill, as it seems to be the least objectionable of the pending proposals.

As employers, we have a vital stake in the program, and earnestly solicit your support in passing the Herlong bill.

Sincerely,

W. P. NORRED, *Plant Manager.*

CALIFORNIA FERTILIZER ASSOCIATION,
San Marino, Calif, May 18, 1958.

Hon. HARRY BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: At a regular meeting of the board of directors of this association, held in Fresno, Calif., on May 8, 1958, concern was expressed about legislation now before your Senate Finance Committee, and I was directed, by resolution, to express our opposition to it.

I refer to H. R. 12065, which has been adopted by the House of Representatives. This bill would change the historical and relatively sound unemployment insurance formula in a rather socialistic way. We are informed that it would force upon the several States, whether they desired them or not, loans to enhance the existing insurance program, at a cost of about $600 million.

This seems to us to be a form of forced relief, coming at a time when the economy is well on its way to full recovery. Taxes on both businesses and individuals are far too high, and we feel that every effort should be made to keep down Government spending of this nature, unless we are faced with a real emergency.

We appeal to you, as chairman of the Senate Finance Committee, to use your influence to see that this bill does not reach the floor of the Senate.

Sincerely,

SIDNEY H. BIERLY, *General Manager.*

VALDOSTA, GA., *May 10, 1958.*

Senator HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: I understand that the Senate Finance Committee has under consideration H. R. 12065, which is known as the Herlong bill.

I do not feel that any Federal legislation changing or extending unemployment compensation benefits is necessary or desirable. The present economic situation does not justify any Federal extension or interference with the unemployment compensation programs, which all but 2 or 3 States are administering efficiently and effectively from adequate State reserve funds.

I can understand for political reasons why this bill would be feasible; however, I think the Government has its fingers into too many pies now, and I certainly am against the socialistic trend which is on the horizon.

If Congress seems determined to pass some sort of unemployment compensation legislation, the Herlong bill (H. R. 12065) is perhaps the least objectionable of the pending proposals as it preserves integrity of the State-administered unemployment compensation system and it is generally consistent with the existing law, which provides a method of advancing Federal funds to those States that need and request such assistance.

I am vice president and treasurer of Strickland Cotton Mills and as such, since our company is going to be called on to pay our share of the cost of such a program, I thought it in order that my opinions be expressed to you. We have a vital stake in this program, and I am sure most all manufacturers feel the same as I, in that we do not need any of this type legislation.

Any consideration you can give this correspondence will be appreciated.

Very truly yours,

A. J. STRICKLAND III.

MOHAWK PAPER MILLS, INC.,
Cohoes, N. Y., May 14, 1958.

Hon. HARRY F. BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR: I note that there will soon be pending before the Senate a bill providing for an additional 13 weeks of unemployment benefits over and above the 26 weeks generally available. I would like to suggest for your consideration that there be a limitation on this extension.

We have 2 men who recently retired from our employ, one aged 72 and the other aged 69. They have qualified for, and are receiving, the top amount of

old-age pension under the social-security law. They are also receiving from us our company pension amounting to $56.25 per month.

Under the policies followed in this State, they have applied for unemployment benefits and have been enjoying them ever since their retirement. I talked with the local manager of the Division of Employment, New York State Department of Labor. He advises that it is their practice to allow this even though the men have voluntarily retired and are receiving both pensions.

There is one other man who is over 65 and who left our employ voluntarily. He is over 65 years of age but could not qualify for our pension. He applied for and is receiving an old-age pension under the social-security law. He also applied for and is receiving unemployment benefits.

It would seem proper to provide in the bill which you now have pending before you that this additional 13 weeks should not be allowed any claimant who is at the same time receiving an old-age pension under the social-security law.

We realize that there are a great many people in this country who are going to need this additional period of unemployment benefits. We feel, therefore, that the money available should be paid out to those who need it and should not be diverted to those already receiving pensions.

Yours very truly,

G. E. O'CONNER, *President.*

MIAMI BEACH, FLA., *May 11, 1938.*

Senator HARRY BYRD,
Washington, D. C.:

Textile mill closings all sections Virginia and general short-time work creating widespread distress and helplessness among our people. Hope you can vote for distressed areas legislation and especially bring out some measure for increasing and extending unemployment benefits.

LESTER H. JAY,
Local No. 1101, Bridgewater, Va.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS CONCERNING UNEMPLOYMENT COMPENSATION LEGISLATION

In view of some of the legislation that is before your committee, we feel it is important to call attention to some of the original purposes and basic principles of unemployment compensation embodied in title III and title IX of the Social Security Act at the time they were passed by Congress.

The chairman of the Senate Finance Committee, Mr. Harrison, reported the social-security bill, H. R. 7260, to the Senate on May 13, 1935. Your report stated:

"The essential idea in unemployment compensation is the creation of reserves during periods of employment from which compensation is paid to workmen who lose their positions when employment slackens and who cannot find other work. * * *

"Such unemployment compensation is not a complete safeguard against the hazard of unemployment. In periods of prolonged depression, many workmen will exhaust their compensation benefits before they find other employment. This will hold true of some workmen even in periods of propserity. * * *

"In normal times most workers will secure other employment before exhaustion of their benefit rights. * * * While unemployment compensation will not do away entirely with the necessity for relief, it should very materially reduce the costs of relief in future years. * * *

"Partial compensation during a relatively short period following unemployment, while a workman is seeking other employment or waiting to return to his old job, is very properly to be regarded as a part of the legitimate costs of production to be paid for by the consumers.

"This bill does not set up a Federal unemployment compensation system. What it seeks to do is merely to make it possible for the States to establish unemployment compensation systems and to stimulate them to do so. * * *

"Except for a few standards which are necessary to render certain that the State unemployment compensation laws are genuine unemployment compensation acts and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington. * * *

"Under the bill, as we recommend that it be amended, the States will also have freedom of choice with regard to the type of unemployment compensation law they wish to enact. * * *

"To effectively carry out this purpose, we propose, as a further amendment, a provision that the Federal Government shall recognize credits in the form of lower contribution rates which may be granted by the States to employers who have stabilized their employment. Provision for such credits are included in the New Hampshire, Utah, and Wisconsin laws."

It was clear to your committee as early as 1935 that unemployment compensation could not solve the problem of recession or depression by providing benefits beyond a period of limited duration.

This was in accordance with the principles that had previously been outlined in the report made to President Roosevelt in 1935 by his Committee on Economic Security:

"* * * In any event, the maximum number of weeks of benefits that may be drawn is definitely limited through a ratio of weeks of benefit to weeks of previous employment (1 to 4, in our calculations) and by absolute limitations. (We suggest to the States, in framing their laws, that on the basis of 3-percent-contribution rate the maximum benefit period cannot safely exceed 16 weeks and should be reduced to 15 weeks, if it is desired to give workers who have been long employed without drawing benefits an additional (maximum) week of compensation for each 6 months they have been employed without drawing benefits, up to a maximum of 10 additional weeks.)

* * * * * * *

"While the maximum-benefit periods, set forth in table I, are mere approximations, they very clearly indicate that on a contractual basis, benefits can be paid only for periods which, to many people, will seem short. The benefits are small, although considerably higher on the average than relief grants. While unemployment compensation is far from being a complete protection, it is a valuable first line of defense for the largest group in our population, the industrial workers ordinarily steadily employed. Unemployment compensation should permit such a worker, who becomes unemployed, to draw a cash benefit for a a limited period during which there is expectation that he will soon be reemployed. This should be a contractual right not dependent on any means test. Normally the insured worker will return to his old job or find other work before his right to benefits is exhausted. * * *

"That unemployment compensation is also valuable in depressions. If the benefits are kept within the limits we suggest, the funds should prove adequate for all minor depressions. In a depression of such depth as that which has prevailed since 1929 the funds are likely to be exhausted but will prove very helpful in the early stages. * * *

"Some economists urge that, instead of using a tax on payrolls, unemployment compensation should be paid through Federal Government borrowings, to be repaid hereafter out of other types of Federal taxes. Without expressing any judgment on that contention, we deem it desirable, at the present time, to employ a payroll tax for unemployment compensation, although it may be possible that experimentation under the proposed statute will show that at some time in the future a plan built upon the other alternative suggestion should be substituted, in whole or in part, for that which we are proposing."

It was clearly contemplated in 1935 that most of the folks who have had regular employment in covered industries would find jobs before exhausting their unemployment compensation eligibility. This hope was apparently well justified. The year 1940 is the only year for which we have records in which more than half of the beneficiaries exhausted their benefits. During recent years the ratio of exhaustions to beneficiaries has ranged between 20 and 30 percent, as indicated by the following table:

Year	Number of new beneficiaries	Claimants exhausting benefits	Percent of beneficiaries who exhausted	Year	Number of new beneficiaries	Claimants exhausting benefits	Percent of beneficiaries who exhausted
1938				1948	4,008,393	1,027,520	27.5
1939		3,108,846		1949	7,363,886	1,934,789	29.1
1940	5,220,073	2,600,183	50.6	1950	5,211,883	1,853,336	30.5
1941	3,439,321	1,643,533	45.6	1951	4,127,133	810,580	20.4
1942	2,815,127	1,077,699	34.9	1952	4,384,030	931,362	20.3
1943	664,015	193,891	25.5	1953	4,227,616	764,420	20.8
1944	533,406	101,745	20.2	1954	6,580,464	1,708,927	26.8
1945	2,822,922	284,271	18.1	1955	4,607,894	1,272,232	20.1
1946	4,401,032	1,985,028	38.7	1956	4,728,000	1,020,005	22.1
1947	3,983,003	1,271,821	30.7				

It must be borne in mind that in your committee's original report you were thinking in terms of benefit payments continuing for a maximum of 16 weeks after a normal waiting period of 2 to 4 weeks. Your report used the illustration of the then existing New York law and pointed out that under that law "1 week of benefits are payable for each 15 days of previous employment with a maximum limit of 16 weeks of benefits during any year." These benefits were paid under that law after a 3-weeks' waiting period.

Since that time the States have made great strides in extending the duration of benefits. In the major industrial States, the waiting periods that were originally 2 to 4 weeks for each spell of unemployment have now been cut to 1 week per year, and the original maximum of 16 weeks has now been increased to 26 weeks, so that today an applicant with a substantial work record can anticipate receiving his benefits from 1 to 3 weeks sooner and 10 weeks longer than he could have at the time these laws were enacted.

Even so, some people still exhaust their benefits in every year. Here is the record of exhaustions for the first quarters of several recent years:

First quarter	Labor force	Exhaustion	Percent of covered employees	Labor force
	Millions			
1950	65	730,000	2.3	1.1
1955	69	473,000	1.3	*0.7
1958	72	484,000	1.2	0.7

Parenthetically, it should be pointed out that it would be impossible to eliminate benefit exhaustions (unless benefit duration were made permanent) because the exhaustions include many people who have, in fact, left the labor market and are not, in fact, applicants for employment. Desire for employment is a matter of individual intent; no Administrator has been able to find a method of reading men's minds. In a number of States this fact is even recognized by statutes and regulations under which unemployment benefits are paid to pensioners.

There is always a tendency to think of unemployment benefit recipients as family heads. But it would be erroneous to assume that all of those new exhausting their benefits are family heads.

It is unfortunate that while the State unemployment compensation systems have been in effect for 2 decades and a great deal of money has been spent on research, there are many areas in which no adequate national statistics have ever been gathered.

This is one of those areas. We do know that about half of the benefit claimants are usually young people—and women—most of whom are not family heads. We know also that these people, because of short work experience, normally exhaust their benefits more rapidly than do the family heads, so it follows that they make up a larger percentage of those exhausting benefits.

As a matter of fact, a very large proportion of exhaustions come about because of low qualifying requirements of State laws. The States normally pay benefits on the basis of very little work experience. Three or 4 weeks of work can qualify many individuals for benefits. Benefits are then paid to those people for only short periods. Consequently they soon exhaust their benefits.

The exhaustion figures include the "fringe" employees who work only for short periods (as during the Christmas season) and many people who are actually not seeking work at all. Furthermore, there are in the exhaustion figures many duplications, for the same people may exhaust their benefits several times within a year.

These facts are demonstrated by figures from the States indicating that a large percentage of "exhaustees" are people who did not draw benefits for the maximum duration provided under the State laws.

There are many people who come into the labor market to seek work only in a particular occupation and during a short season of the year and who look upon the unemployment benefits that follow this work period each year as a part of their pay for the work they do. There are also some employers who entertain the same viewpoint and who encourage seasonal employees to take full advantage of unemployment benefits—not to tide them over while they are seeking work, but as a supplement to their regular seasonal incomes.

These people exhaust their benefits—not because legal benefit duration is inadequate—but because they are not regularly in the labor market.

THE INSURANCE PRINCIPLE

Attention should be directed to the Senate Finance Committee statement that "the essential idea * * * is the creation of reserves * * * from which compensation is paid."

Unemployment compensation is frequently called "unemployment insurance"—and this is with some justification because unemployment compensation has many of the characteristics of insurance—though, of course, not all.

The building of reserves prior to the payment of benefits was, in fact, one of the few requirements that the original Social Security Act imposed upon the States. This provision is still carried in the current law. It is the requirement "that * * * no compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required" (sec. 3304 (a) of the Federal Unemployment Tax Act—originally Social Security Act, title IX).

Before making its 1935 report, the President's Committee on Economic Security made careful statistical studies to determine the probable relationship between tax revenues at various rates, reserves, and benefit costs. These were all based on the insurance principle of first building the reserves and then paying benefits out of these reserves. In recognition of the insurance principle, the taxes levied on employers by title IX of the Social Security Act, which has since become the Federal Unemployment Tax Act, were called "contributions" rather than taxes in the law itself.

The Senate Finance Committee went further than this by adding to the House bill an amendment including what are now sections 3302 and 3303 of the Federal Unemployment Tax Act. These are the so-called "additional credit" provisions. They authorize the States to modify the "contributions" that must be paid into the unemployment reserve funds by various employers according to the employment experience of these employers. In most States the employment experience is, in turn, measured in terms of reserves. Account is kept of employers' contributions to the fund and of all withdrawals from the fund for benefits to the employees of the employer. The excess of contributions over benefits paid constitutes the employers' reserve, and the ratio of the employer's accumulated reserve to his payroll may determine his contribution rate.

This adoption of a quasi-insurance principle is one of the most important characteristics of unemployment compensation. It is one of the characteristics that distinguishes unemployment compensation from a relief system or from the so-called Bristish dole system under which the Government simply appropriates out of current or future revenues enough money to pay current relief costs.

The possibility of establishing and carrying out a program of "unemployment insurance" has often been questioned on the ground that unemployment benefits, unlike death, fire, accidents, etc., are not subject to actuarial analysis and advance determination of costs. But the record shows that the States over a period of 20 years have been able to forecast benefit costs and to adjust rates sufficiently well so far to maintain the solvency of every State fund.

Alaska has had to borrow from the Federal loan fund, and at one point Rhode Island funds declined to the borrowing point. It is anticipated that the current recession will reduce some of the other State funds. Oregon has borrowed from the fund this year to avoid a current tax increase under its own fund, and it is

anticipated that the current recession will reduce some of the other State funds to the borrowing point during 1958. But it is significant that 1958 will be the first year in which any State has found it necessary to borrow in order to protect its reserve.

Your committee and other committees recognized when passing the original law that "unemployment compensation is not a complete safeguard" and that all that could be offered under such an insurance program is "partial compensation during a relatively short period." The current exhaustions of unemployment benefits are certainly not an unexpected development: nor do they justify any indictment of State unemployment compensation systems.

The real danger today is not at all the danger that unemployment compensation will not do the job it was intended to do because the unemployment compensation program is doing this job and doing it well. The real danger is that the unemployment compensation system may be converted into a dole.

The American workman should be able to look forward to the kind of a program that was contemplated by your committee in 1935. He is justified in looking to his State for the continuance of a sound, well-rounded, quasi-insurance program that will give him and his family real protection during future periods of temporary unemployment.

He cannot look forward with any confidence to the continuation of an insurance program in future years if the program is to be distorted and twisted in each temporary emergency to accomplish purposes for which it was never intended.

To blanket thousands of people into a program of this sort simply on the basis of need, actually means abandoning the system.

Breadwinners buy life insurance to protect their families in event of their death. The amount of the insurance benefits paid to a widow depends upon the amount of premiums paid in under the policy. Once these benefits have been paid to the widow, she has no further coverage under the policy and to expect the insurance company to continue paying benefits simply because of the need of the recipient would be nonsense. Society may feel it has an obligation to a needy widow, but, if so, this obligation is not met by passing a law requiring additional payments under an insurance policy.

There is little difference in this respect between life insurance and unemployment insurance. Under the unemployment insurance program a State law is, in effect, the policy. The premiums are paid by employers in the form of payroll taxes. The benefits to be met out of these taxes are prescribed by statute. When the benefits due to a beneficiary have been paid, there is no further obligation on the part of this system, and, as in the case of the widow, if such relief is necessary, it should be paid under a separate program which recognizes the factor of need.

The statutory provisions of State laws like the provisions of any insurance policy are not only somewhat complex, they are closely interrelated.

WORK REQUIREMENTS

As noted above, the "premiums" for unemployment compensation are the employers' payroll taxes. These are paid with respect to the wages earned by every covered employee. The employee in earning his wages over a period of weeks earns also a certain entitlement to benefits when unemployed. The extent of entitlement varies from State to State.

Some States prefer to require considerable work experience—or, as it is called in unemployment compensation parlance, "attachment to the labor market." For example, to become eligible for any benefits in California an applicant must have earned covered wages amounting to at least $600 within a base year.

Some other jurisdictions, on the other hand, require very little attachment to the labor market. For example, in Mississippi an individual can qualify for some benefits after having earned only $90. The District of Columbia has a very weak requirement. Here an applicant must have earned only $276 in a base year.

To some extent, the variation in qualifying requirements is reflected in the duration of benefits.

Some of the State laws provide for uniform duration for all applicants. New York, for example, offers all eligible applicants a uniform duration of 26 weeks; but this State, on the other hand, is one of the very few States that require a specific period of prior employment. To become eligible for the 26 weeks of

benefits in New York State, an individual must have had at least 20 weeks of employment.

To some extent, the weekly benefit rates also reflect differences in the ease of obtaining benefits. In some States people who qualify on the basis of very low earnings may receive very small weekly benefits—as small, for example, as $3 a week in Mississippi.

On the other hand, the minimum benefit in the State of Washington is $17 a week; but Washington requires earnings of $800 in a base year in order to qualify for benefits.

These interrelationships of qualifying requirements, computation of weekly benefit amounts, minimum and maximum amounts, duration of benefits, and the like, have been worked out through careful consideration and many years of study by the 48 State legislatures.

FEDERAL BENEFIT STANDARDS

A nationwide uniform benefit plan cannot be superimposed over the varying pattern of State laws without upsetting these balances.

The claim has, of course, been made that the laws should be uniform in all parts of the country, but this claim is no more valid in the field of unemployment compensation than in any other field of law.

Most of the nations of the world do operate under a system of law that is universal and uniform and is determined by a single central government. This is an area in which the American type of government differs most radically with those of European nations. We believe the debate as to whether, in America, power should be centralized or should be divided between the central Government and the States is too broad an area to be covered or solved in the single narrow field of unemployment compensation.

We do believe firmly that the maintenance of a sound unemployment compensation program in the United States depends upon protection of the integrity and independence of State systems.

Your committee agreed with this viewpoint in 1935 when it said: "Except for a few standards * * * the States are left free to set up any unemployment compensation system they wish without dictation from Washington."

The standards required by Federal law relate primarily to administration and security of reserve funds. The Federal law permits employers to credit State taxes against the Federal tax. It also permits employers to take credit for the amounts by which their State taxes have been reduced through experience rating.

The Federal law does not impose any benefit standards, nor does it place a maximum on State taxes. The 90 percent credit provision has the effect of permitting an employer to take credit against the Federal tax for an amount equal to 2.7 percent of his pay roll, but the States are permitted to impose taxes on employers in excess of 2.7 percent. Many of the States have increased their maximum taxes to levels above 2.7 percent, and in these States, such higher tax rates have normally been supported by employer groups.

Our varying pattern of unemployment compensation has many features—some good and some bad. One of the bills before your committee would substitute for this varying State pattern a uniformly bad national pattern.

This bill, S. 3244, would require the States to pay benefits to all eligible applicants for 39 weeks, no matter how little prior work experience they may have had. It would forbid the States to require more than 20 weeks of work experience. This means the States would be required to pay benefits to individuals for almost twice as long as their work periods. Few States actually require any number of weeks of work for benefit qualification. Where the normal formula is used the bill would have the effect of limiting qualifying requirements to about 15 weeks of work. This is far from a reasonable measure of so-called attachment to their labor market.

The States would be compelled to pay weekly benefits so high, in many cases, as to leave very little margin between weekly benefits and the amount of take-home pay an individual might expect to earn if he should seek a job.

The States would be prohibited from denying benefits to applicants who have quit their jobs without cause and have refused to accept suitable jobs. They would thus be prevented from confining benefit eligibility to those who are involuntarily unemployed.

The States would be invited to reduce their own taxes, to finance benefits from Federal funds and to confine their experience rating programs within such a

narrow range as to severely limit, if not eliminate, the existing incentives for employment stabilization.

AN UNJUSTIFIED INDICTMENT OF STATE GOVERNMENTS

The Federal standard bill—S. 3244, introduced by Senator Kennedy and others—declares that "the systems of unemployment compensation as now constituted and administered throughout the several States are failing to carry out the purposes and objectives of employment stabilization and security against unemployment which were sought to be achieved by the enactment of the Social Security Act of 1935."

The facts are that the States are now paying far more in benefits than was originally contemplated; they are paying these benefits far sooner, and they are paying these benefits much longer.

The States have adopted experience rating systems which have contributed substantially toward the stabilization of employment. As noted above, the effect of S. 3244 would be to severely curtail existing incentives for employment stabilization. By inviting universal reduction of State tax rates it would, in fact, suggest that the States offer a reward for instability.

Senator Kennedy's bill, S. 3244, states further that "there are substantial categories of employees who, though needful of the benefits afforded by unemployment compensation, are not covered for such benefits." The fact is that the States have included in their coverage many groups of people not covered by the Federal Act.

Limitations in coverage are based largely upon administrative considerations. The best example of this is the case of the self-employed worker whose earnings depend solely on how hard he works. There are also many occupations in which it would be almost impossible in administering this act to determine the proper basis for either the premium or the insurance benefits.

The bill states further that the "amounts of unemployment compensation payable to unemployed persons who are covered are, in most cases, inadequate to provide the worker and his family with the basic necessities of life." This is a statement of opinion of the authors of the bill rather than a measurable fact.

The bill contemplates paying benefits amounting to half the prior weekly wages. Its authors seem to ignore the fact that States now pay benefits substantially in excess of half the weekly wage. The States, in fact do not normally base benefits upon weekly wages. They use several types of formulas. The most common are quarterly formulas and these are so weighted as to provide weekly benefits in excess of half the weekly wage except in the case of people who have not worked for a full calendar quarter in any part of their base periods and for people at the maximum level.

Maximum benefits in the States vary considerably. These variations reflect both the economy of the States and the viewpoint of their people.

The State laws have been developed and constantly liberalized over the years by the responsible bodies of the 48 States. These State legislatures are far closer to the people of the States (and this also is an opinion not measurable by statistics but one we feel few will dispute) and have a much clearer and more detailed knowledge of the local legislative needs of the people in their respective States than the Senate of the United States can ever have.

In the 48 States there are 7,613 men and women serving in legislatures. Each of these is elected by the people. We believe they are representative of the people by whom they are chosen. They have dealt with unemployment compensation for over 20 years. They have held thousands of hours of hearings on the many details and technicalities of this legislation. Among them there are many able men and women who are thoroughly familiar with the exceedingly complicated and technical field of unemployment compensation.

If the technicalities—the details—of unemployment compensation legislation were to be developed by the Congress of the United States, one of two things would have to be done. Either the Senate Finance Committee and the House Ways and Means Committee would have to delegate to other committees much of the other legislation now handled by these groups, or special committees on unemployment compensation would have to be established by the Congress. The writing, in Washington, of an unemployment benefit law to satisfy all sections of the country would require the same long, painstaking consideration that has been given to the problem by legislative committees of the 48 States.

The bill, S. 3244, states further that "many, and in some cases, unreasonable terms and conditions are imposed upon eligibility to receive unemployment

compensation, thus depriving many unemployed workers and their families of the benefits of unemployment compensation."

The unemployment compensation program is intended to pay benefits to people who are involuntarily unemployed and who are normally dependent upon wages for a livelihood. If the eligibility provisions of State laws are to be criticized, the criticism should be that they require too little work experience.

Many of the provisions of State laws seem to overlook the presumption that beneficiaries have been dependent upon wages for a livelihood. When a State pays benefits to an individual who has earned, through his entire lifetime, only $200, $300, or $500, it is covering people who cannot be presumed to have been dependent upon wages but must, on the other hand, be presumed to have had other sources of income—in most cases, probably either their fathers or their husbands.

The fifth indictment of the State laws is based on the fact that "there are great disparities between the States." There are great disparities in unemployment compensation laws as there are in other State statutes. This is characteristic of the American type of government.

UNEMPLOYMENT COMPENSATION AND THE LABOR MARKET

Perhaps the chief hazard that is met in unemployment compensation is the hazard of destroying the balance in labor market incentives. These important incentives are the employee's incentive to keep himself employed and the employer's incentive to provide steady jobs.

As we pointed out in our testimony before the House Ways and Means Committee, "arbitrary federalization can be destructive of sound unemployment compensation * * * and it also could be injurious to the labor market itself. It could become a vehicle for immobilization of the labor force and the creation of giant pools of idle men living on Government subsidy."

There is in every type of insurance a substantial moral hazard. There is always a temptation for people to seek the insurance benefit on its own account.

Senator Vandenberg, during a hearing before this committee, once pointed out that while the American workingman is not lazy, "he is smart enough to recognize a bargain when he sees one." And unemployment compensation can offer substantial bargains. A recipient of unemployment compensation benefits pays no taxes on this income, he incurs no work costs, such as transportation, meals, and the like, and under many statutes his benefits may come within a few dollars of what a job would offer him. From his standpoint, if benefits while unemployed are within $10 of his take-home pay when working, he is likely to ask himself: "Why do a week's work for $10?"

This hazard is well illustrated by section 2 of S. 3244. This section would prohibit any State from imposing a disqualification of over 4 weeks' postponement with respect to an individual who quits his work without good cause, refuses to accept suitable work without good cause, or is discharged for misconduct.

This provision seems to be designed to protect the unemployment benefits of people who prefer not to work.

All of the unemployment compensation laws technically limit benefits to folks who are available for work. In other words, benefits are supposed to be paid only to those who are "involuntarily unemployed." Determining whether unemployment is voluntary or involuntary is the most difficult job of an administrator of an unemployment benefit law. The only positive tests that can be applied are to offer an applicant a job, or to determine whether the applicant has quit a suitable job and, if so, why. It is generally agreed that benefits should not be paid to those whose unemployment is voluntary, and it is for this reason that the State laws generally impose some restriction upon those who have quit their jobs without cause or who have refused to accept suitable employment when offered.

It is exceedingly difficult to write a disqualification provision which is at the same time fair to the benefit applicant and protects the integrity of the unemployment compensation system. The proposal in S. 3244 satisfies neither of these objectives.

This one section is mentioned simply to illustrate the complexity of the problems involved in unemployment compensation. It is illustrative of the type of problem that has been before State legislatures during the "thousands of hours of hearings" referred to above. Members of 48 legislatures have in good conscience explored the many reasons why people quit their jobs, what is suitable

work, why people may or may not refuse a job offer, what is good cause, what is misconduct, and what is meant by "in connection with his work." These legislatures have arrived at different conclusions—some more liberal and some more strict.

We honestly do not believe that we, as a national organization, are competent to judge precisely which provisions of the State laws are best and which are worst. We doubt seriously that a committee of Congress is competent to make the final judgment as to which of these provisions is right and which is wrong. We believe that 23 years ago this Congress arrived at the only sound solution. That solution was to leave these problems to the members of the State legislatures who are closest to the many different types of conditions found in the different labor markets of the United States.

If the Congress were to consider seriously the enactment of a bill like S. 3244, every section, every line, and almost every word of this bill would have to be carefully analyzed from the standpoint of its effect on the unemployment compensation program and the labor market.

FEDERAL LOANS TO EXTEND DURATION

The bill passed by the House, H. R. 12065, does not go nearly as far as does S. 3244 in substituting the judgment of Congress for that of State legislatures.

The original administration bill, H. R. 11679, would have made acceptance of Federal loans by the States compulsory. This would have established a principle of government more serious in its implications than any effect it might have had with respect to unemployment compensation.

The current bill, H. R. 12065, does not contain this compulsory provision. Its acceptance by the States would be voluntary.

The bill as reported by the House Ways and Means Committee, in addition to authorizing use of Federal grants to pay unemployment benefits, would have violated sound unemployment compensation principles in two respects:

1. It would have applied this program to people who had had no covered employment. This proposed dole would not only have violated all of the insurance principles previously mentioned, it would have been impossible for the States to administer.

2. The bill required a uniform extension of benefits, amounting to an additional 16 weeks for all beneficiaries. When the States have already given as much as 5 or 10 weeks of benefits to people who have only worked for as little as 6 weeks, there can be no sound reason for giving these people an additional 16 weeks of benefits from Federal funds.

When an individual exhausts his benefits before receiving the maximum provided by State law, the reason is not to be found in any shortcoming of the law; the reason is simply that the individual has not had any substantial attachment to the labor market.

Extension of the benefit duration of people who have not yet received the maximum provided by the State law cannot be justified on the basis of unemployment compensation objectives.

If extension can be justified at all, it can be justified only with respect to people who have had enough work experience to have been eligible for the maximum benefits already provided. There is no State that requires an individual to work more than 20 weeks to be eligible for maximum duration.

In this respect, the compromise bill, H. R. 12065, follows the original administration bill and is a substantial improvement over the House committee bill. While the bill would provide some extension of benefits to people with almost no work experience, this extension would be limited to half of what they have received under State laws.

While we believe that even H. R. 12065 is an unnecessary step toward the substitution of Federal for State policy determination, we believe this bill is far superior to any other that is now before your committee.

In conclusion, we would like to offer the following comments regarding the probable effects of H. R. 12065 if adopted:

Most of the States presently have substantial and adequate reserves. It is difficult for us to understand why a State legislature having been induced by a Federal act or any other reason to extend its unemployment benefits for an additional period would then seek a loan from the Federal Treasury for this purpose. Reason would seem to dictate that the benefits be paid out of current reserves and that the current State taxes be adjusted, if necessary, in order to support the higher benefit costs.

The original program required that the States first build up reserves out of employment taxes and then pay the benefits out of reserves. If any State at that time had attempted to pay benefits first and collect the taxes later it would have violated the requirements of the Social Security Act. What the bill before you asks, in effect, is that the States borrow money they do not need from a Federal Treasury that cannot now meet its own obligations out of current taxes, and spend the money for purposes not provided by State laws.

The only congressional action that is likely to be necessary this year is an additional appropriation to the present loan fund.

Most States need no help at the present time; a few need some financial support. Legislation providing this financial support has already been enacted. Originally your committee initiated amendments which established the so-called George fund providing for advances to States. Subsequently, this law was superseded by the present loan fund, in which there is now $200 million available to be lent to any State whenever its unemployment compensation reserve declines to a level equivalent to 1 year's benefit payments.

Without any legislation whatever, the demands against this loan fund this year are likely to exceed substantially the $200 million in the fund. It is, in fact, quite possible that before the end of the current calendar year the States might ask for amounts aggregating more than twice the present loan fund.

Additional appropriations are already authorized by law. The statute establishing the loan fund authorizes appropriation to the fund of the excess of the previous revenue from the Federal unemployment tax over the amount previously paid by the Federal Government for employment security administration. (Social Security Act, sec. 904 (h)). This amount was estimated at $830,665,000 during the Appropriations Committee hearings of March 1953 on the labor-social security appropriation bill (p. 300).

Demands upon the loan fund within the next 12 months could require the appropriation of all of this money.

The potential loans we refer to would be requested merely to maintain the present level of benefits. The bill, H. R. 12065, proposes to extend loans in the amount of $640 million (according to the Secretary of Labor) for benefits over and beyond the present levels.

To be sure, we hope that most of the States, regardless of H. R. 12065, will wisely continue to finance their own unemployment benefits. If this is the case, the borrowing under H. R. 12065, if passed, may be substantially less than the current estimate.

But on the other hand, there is no assurance that the States will not borrow more than is now anticipated. Before the Congress passes H. R. 12065, consideration should be given to the possibility (which is quite real) that State borrowing under the present law, plus the additional borrowing authorized by H. R. 12065, may add as much as $1½ billion to the Federal deficit in the fiscal year 1959.

In conclusion, we do not believe that placing pressure on the States to extend unemployment benefits is a proper responsibility of the Congress. But if such action is to be taken, at least the final decision should be left to the voluntary action of the States, as it is in H. R. 12065.

STATEMENT BY W. EARL MILLER ON BUREAU OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION REGARDING PROPOSED LEGISLATION TO PROVIDE FOR FEDERAL SUPPLEMENTATION OF STATE UNEMPLOYMENT BENEFITS BEFORE THE SENATE FINANCE COMMITTEE

INTRODUCTION

My name is W. Earl Miller. I am vice president of Ed. Schuster & Co., Inc., Milwaukee, Wis., and chairman of the social security committee of the National Retail Merchants Association with offices at 100 West 31st Street, New York, N. Y.

The National Retail Merchants Association has a membership of over 10,300 department and specialty stores located in every State in the Union and abroad. Its members provide employment for several hundred thousand of our citizens and do an annual volume of business in excess of $18 billion.

STATEMENT OF PRINCIPLE

This association wishes to emphasize that it has in the past and reiterates its support for the principle of unemployment insurance to provide a means of security to the workingman who, through conditions beyond his control, is unable to find gainful employment.

During the great depression of the 1930's, the Congress became acutely aware of the plight of millions of men and women who were unemployed through no fault of their own. Congress, therefore, in 1935, enacted the Unemployment Compensation Act to provide unemployment insurance for a large proportion of the industrial and commercial labor force. It is noteworthy that Congress, in 1935, at a time when action to alleviate financial hardships of the unemployed was far more imperative than it is now, did not set up a single Federal system of unemployment insurance. Rather, through a tax-offset device, it encouraged the States to establish their own systems conforming to a few broad Federal standards. Within 2 years, the 48 States, the District of Columbia, Alaska, and Hawaii had enacted State unemployment insurance laws adopted to fit the economies and special conditions of their respective States. Amendments to these laws have been made over the years so as to best serve the needs of the States.

WHAT H. R. 12065 PROPOSES

H. R. 12065 in brief, provides for the granting of Federal loans to the States that elect to extend their benefits. Those States electing to participate would be required to pay the loans within 4 years. The Federal loans would have the effect of financing a 50-percent extension of the benefits currently being received under State laws. The amount and duration of benefits will, of course, vary from State to State.

It is the considered view of the National Retail Merchants Association that—

1. The economic situation is not sufficiently serious so as to require the payment of Federal funds to unemployed individuals.

2. Any Federal assistance, however, which Congress deems necessary in the area of State unemployment compensation should be made on the basis of improving the general assistance systems of the States and not dedicated to specific individuals who may have exhausted their benefit payments under State law.

DOES THE ECONOMIC SITUATION CALL FOR FEDERAL FUNDS?

The figures indicate that much is being done by the States to alleviate the financial difficulties of the unemployed. The States are dispensing benefits at a present rate of $15 million every day, and have paid out over $1 billion since the first of the year or at a projected rate of $4 billion for the entire year.

Recipients of benefits average about $2,750,000 weekly and receive about $30 average weekly benefit.

State reserves stand at an impressive figure of $8 billion or enough to pay benefits at current rates (without increasing taxes) for at least 3 years. Federal money available for loans to the States under Public Law 567 (Reed Act) exceeds $200 million. Alaska has already borrowed from these funds. Oregon is eligible and it is anticipated that Michigan and Pennsylvania, more aggrieved from unemployment than the other States, will be eligible to borrow very shortly.

In brief, the States are performing the tasks laid out for them as the draftsmen of the 1935 act had envisaged they would. It is clear that if the States see the need to increase benefits to the workers, sufficient State funds are available in reserve to accomplish this objective.

SUMMARY AND CONCLUSION

A review of the operation of the State unemployment compensation laws since their enactment demonstrates that the States have carried out the mandate of Congress in the dispensing of unemployment benefits. These laws have been amended where local conditions warrant to provide increased benefits necessary without the intervention of the Federal Government.

The States have more than sufficient funds to extend benefit payments if and when necessary, without incurring additional debt or increasing taxes. The Federal Government must borrow every nickel necessary to finance the additional benefits.

The States have demonstrated that they are just as mindful, if not more so, of the needs of its citizens as is the Federal Government. If conditions require it, the legislatures can be expected to act promptly to extend benefits.

The need for Federal assistance has not, in our opinion, been demonstrated. If, however, Congress sees fit to extend such benefits, they should be directed toward improving the State's general assistance systems and not restricted solely to individuals who have exhausted their benefit rights.

I wish to express my gratitude and appreciation to the committee for giving me the opportunity to present these views.

Sincerely yours,

W. EARL MILLER,

Vice President, Ed. Schuster & Co., Inc., Milwaukee, Wis., and Chairman, Social Security Committee, National Retail Merchants Association.

(The following information subsequently submitted by Senator Jacob Javits relates to interrogation on pages 207 and 209:)

Under the New York unemployment-insurance law an employer's individual tax rate is assigned each year from 1 of 8 different schedules of rates based on the condition of the unemployment-insurance fund as determined by the size of the fund index, which is the relationship between the fund reserve on July 1 and the States total taxable payrolls for the preceding calendar year. For 1959 the schedule to be used will involve higher tax rates than in 1958 because the size of fund index on July 1, 1958, will be between 8 and 9.5 percent, whereas a year earlier it was above 9.5 percent. This change in schedule is independent of other changes made by legislation enacted in 1958.

(The following information, referred to on p. 247, was subsequently submitted by Mr. Stam:)

It is estimated that nationally as of the midweek of April 540,000 persons who had previously exhausted unemployment-insurance benefits were unemployed. This estimate was developed on the basis of information obtained in post-exhaustion studies conducted by the State employment security agencies, on the duration of unemployment of claimants after they exhausted unemployment-insurance benefits.

(Source: United States Department of Labor.)

(The following information, referred to on p. 186, was subsequently submitted by Mr. Stam:)

COST OF ADMINISTERING THE UNEMPLOYMENT TRUST FUND

The Federal unemployment tax is a 3-percent tax levied upon the payrolls (up to the first $3,000 of annual income of workers) of all employers of 8 or more workers during 20 weeks in the year in all but certain specified categories of employment. The employer is permitted to offset up to 90 percent of the Federal tax (2.7 percent of taxable payrolls) with any taxes paid to an unemployment-insurance system under the laws of the State in which he does business. The Federal law also permits the employer to include in his offset any State tax savings that are allowed him under the laws of his State.

When the Congress passed the unemployment-taxing provisions of the Social Security Act of 1935 it was believed that 10 percent of the total cost of the unemployment-compensation program would be needed for administrative expenses. For this reason the law provided the maximum offset of 90 percent (2.7 percent of taxable wages) and reserved 10 percent of the tax for the Federal Government. Federal tax collections from this source were not earmarked for employment-security purposes prior to 1954 but went into the general fund of the Treasury. Each year Congress appropriated money for grants to the States to cover the administrative expenses of this program. The amount of the appropriation was determined by the administrative needs of the States and not by the estimated collections of the Federal unemployment tax.

Contrary to the original intent and expectation of Congress, the three-tenths of 1 percent tax has proved to be excessive and through fiscal year 1953 has yielded approximately $760 million in excess of the funds that have been disbursed to the States to meet the Federal-State administrative costs of the program.

The George loan fund, enacted in 1944 (Public Law 458, 78th Cong.), provided for the establishment of the Federal unemployment account in the unemployment trust fund. It authorized appropriations to that account in an amount equal to the excess of unemployment taxes collected prior to July 1, 1948, over the total unemployment administrative expenditures made prior to July 1, 1948. It also authorized appropriations to the Federal unemployment account for the fiscal year 1945 and for each fiscal year thereafter, a sum equal to any excess of taxes collected in the preceding fiscal year under the Federal Unemployment Tax Act over the unemployment administrative expenditures made in such year and further sums necessary to carry out the purposes of title XII relating to advances to State unemployment funds. It further provided that any amounts in the Federal unemployment account on October 1, 1947, be covered into the general fund of the Treasury.

This fund was established to carry out the recommendations of the Special Committee on Post-War Economic Policy and Planning that the unemployment compensation law be amended to "guarantee the solvency of State unemployment compensation funds through the setting up of a revolving loan fund to make loans to the States at any time the compensation reserves of a State prove to be inadequate" (S. Rept. 539, pt. 5, 78th Cong., 2d sess.). In connection with consideration of the George loan fund, the report of the Senate Finance Committee stated:

"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 Post-War 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.

"The committee concurs in the conclusions of the Post-War 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."

The act establishing the fund was amended in 1947 by Public Law 379 of the 80th Congress which continued the authorization of the appropriation of the excess of taxes collected prior to July 1, 1946, over the unemployment administrative expenditures made during the same period, plus the excess of taxes collected in the period between June 30, 1946, and ending on December 31, 1949, over the administrative expenditures made during that period. Public Law 379 also provided that any amounts in the Federal unemployment account on April 1, 1950, be covered into the general account of the Treasury.

The provision was again amended in 1950 to provide for an authorization of appropriations to the Federal unemployment account of the excess of taxes collected in the period June 30, 1946, to December 31, 1951, over the unemployment administrative expenditures during that period. It was further provided by the 1950 amendments that any funds in the Federal unemployment account on April 1, 1952, be covered over into the general fund of the Treasury.

The present language of the loan fund provision was added to the statute in 1954 by Public Law 567 of the 83d Congress, the so-called Reed Act which provided for a permanent authorization of appropriations to the Federal Unemployment Act of the excess of taxes collected from the inception of the unemployment compensation system through June 30, 1953, over the administrative expenditures made during the same period. It further provided, in the case of fiscal years beginning after June 30, 1953, that the excess of tax collections over administrative expenditures be earmarked and placed in the unemployment account until that account reached a balance of $200 million. The excess of tax collections over whatever is necessary to maintain the balance at $200 million is then returned to the States.

The $200 million balance in the Federal unemployment account is retained as a loan fund which is available to States with depleted reserve accounts for the purpose of assisting them in financing their unemployment benefit payments.

Repayment of advances obtained by States may be made by either (*a*) transferring funds from the trust account of the borrowing State to the Federal unemployment account, or (*b*) a decrease in the 90 percent allowable credit against the 3 percent Federal unemployment tax. This decrease in the allowable credit

will begin after the fourth January 1 on which the outstanding advances have not been repaid by transfer of funds from the States trust fund. The decrease in the credit will be at a accumulative rate of 5 percent of the tax for each year in which the advance is still outstanding. This repayable feature was recommended by the Conference of State Officials administering State operations of the unemployment compensation program and was designed to eliminate much of the States discretion as to whether they would revise their tax structures so as to make any advances from the fund, in fact, repayable. The report of the Senate Finance Committee stated:

"The provision of a loan account, as established under H. R. 5173, from which States with depleted accounts may secure repayable advances, recognizes the Federal interest in protecting the solvency of State trust accounts in a manner consistent with the original intent that States be charged with ultimate responsibility in financing the benefits which they elect to provide."

Breadlines Grow Longer

Testimony In Support Of Legislation To Improve and Extend Unemployment Insurance Benefits Filed with the Senate Committee on Finance By William Pollock, General President Textile Workers Union of America, AFL-CIO, New York 3, New York

Mr. Chairman and members of the committee, my name is William Pollock. I am the general president of the Textile Workers Union of America, AFL-CIO, on whose behalf this statement is presented. The Textile Workers Union of America represents over a quarter of a million workers in 30 States.

Nelson Cruikshank, representing the AFL-CIO, has testified before your committee and has made specific recommendations regarding the pending legislation dealing with the problem of unemployment insurance. On behalf of the Textile Workers Union of America, I endorse and support Mr. Cruikshank's statement. My purpose in offering this testimony is not to add emphasis by repetition but to strike a note of urgency by citing certain cruel facts about the impact of unemployment in the textile industry.

For the first time since the darkest days of the great depression there are breadlines in the twin towns of Biddeford and Saco in Maine.

Twice daily lines form outside the offices of the Biddeford and Saco overseers of the poor and Government surplus foods are distributed, as well as provisions donated from neighboring cities. A couple of months ago almost 1,000 persons stood in line during a heavy snowstorm in the hope of obtaining some part of a shipment of fish that had been donated by merchants in Portland and in Massachusetts for distribution. More than 1,000 Maine national guardsmen have joined together to donate canned goods and staples to the hungry people of Biddeford, Saco, and the surrounding area, and the Girl Scounts in the region have been collecting food on a weekly basis to help meet the crisis situation. Other groups in other cities in New England reading of the plight of the people in Biddeford-Saco area have made donations of food and clothing.

While our people are grateful for the help they have received and are receiving, they do not want charity; they want jobs. If and when jobs are unavailable, they want an adequate and dignified program of unemployment insurance to help tide them over periods of slack employment.

Let me give you a brief bit of background on this critical situation in these twin cities in the State of Maine.

According to the local chambers of commerce, in July of 1948 there were 8 principal employers in the labor market area employment over 10,000 persons whose joint weekly payroll came to around $508,000. About the same time last year, with the big Bates Manufacturing Co.'s Biddeford plant—the largest employer—a textile plant—shutdown, employment had dropped to 6,400 and payroll to $456,000. In March of 1958, however, the number of persons employed in the 7 remaining plants was just a little over 3,700 persons with total payroll down to $200,350.

As you will readily note from these overall figures, this is an area where employment has shrunk to almost a third of what it was 10 years ago and payroll is down to less than half of its former figure. What this means in terms of human suffering and misery can perhaps be guessed at when you look at the following figures on the relief rolls in these two cities.

Two weeks ago in Saco there were 145 families on complete relief. On so-called general relief there were 1,395 persons. In the general relief category are those who get handouts of surplus foodstuffs supplied by the United States Department of Agriculture, plus whatever extra donations happen to arrive from sympathetic citizens not so hard hit by unemployment.

In Biddeford last November there were 92 families on full relief. Two weeks ago 108 families (with a total of 740 individuals) were on full relief. Over 3,000 persons were on general relief. In the two cities, therefore, there are today about 4,200 persons who are getting some form of public and private assistance simply because they have no employment and are in dire straits.

One other figure which will indicate the trend in this area—which is steadily going from bad to worse—is this:

For the week ending May 10, 1958, the State employment office reported 2,397 receiving unemployment benefits. A week later, on May 17, this figure had risen to 2,500 drawing benefits. The number of exhaustees—those who have drawn the maximum number of weeks of benefits—is roughly 1,100.

In Biddeford there is an institution where the destitute aged are cared for called the City Homestead. Last April there were 12 inmates of this home; now there are 26 inmates and the city is dividing rooms in half by building partitions to take care of a long list of new applicants. All of these new cases, I am informed, are of aged parents whose children or relatives are so hard pressed that they have been obliged to turn over the care of these elderly persons to this public institution.

Even if there should be a general business pickup in the country as a whole which would reach the Biddeford-Saco area in due course, this would not help the bulk of the unemployed because the mill in which most of them worked has shut down completely and will not reopen. For these persons even an extension of benefits as proposed in the McCarthy-Kennedy bills would not be a solution—although a very important aid. Obviously these displaced textile workers cannot and will not find alternative employment until there is a quite marked improvement in economic conditions in the region in which they live. But meanwhile the community as a whole suffers from crippling effects of the large number of textile unemployed. A more adequate system of unemployment insurance benefits is imperatively needed to alleviate the sufferings of those whose jobs have disappeared altogether but also to limit the crippling economic effects in the area as a whole of the central core of unemployment.

There may be a disposition to minimize the plight of the unemployed in Biddeford-Saco by saying their case is unique—that other areas are not hit as hard. But the hard fact is that the figures will show other labor market areas in the United States where the percentage of unemployment is not strikingly different from the percentages in these particular places in the State of Maine. Unemployment is severe in virtually every textile center in the United States—both in the North and the South. Relief rolls are doubling, and more than doubling, in most of those cities and towns where textile mills have closed down or where there are prolonged and severe layoffs. Impartial surveys made in recent years show that the average current duration of benefits nowhere near covers the length of time it takes until displaced textile workers find other jobs. Indeed, the facts demonstrate that a growing percentage of these workers are permanently forced out of the labor market.

In North Carolina a couple a weeks ago a laid off textile worker shot and killed himself. It is really a wonder that more such cases have not been reported. The anguish and desperation which these jobless men and women suffer is so evident and real that it should induce prompt and effective action by the Congress of the United States. Even if Biddleford-Saco were the only really bad trouble spot of its kind in the United States today—and it is not—the Congress should take appropriate steps to alleviate and correct such a situation. It is actually degrading to force people to stand in line week after wek to enable them to get a meager and insufficient ration. As a proud and capable people we must not permit this deplorable and unnecessary condition to continue.

In the name of the unemployed in Biddeford-Saco and in the name of the tens of thousands of unemployed textile workers throughout the United States, the Texile Workers Union of America calls upon Congress to move promptly and resolutely to adopt adequate measures to relieve human suffering and distress and to strengthen our total economy.

(Whereupon, at 4:15 p. m. the committee was adjourned, to reconvene at 10:10 a. m., Friday, May 16, 1958.)

UNEMPLOYMENT COMPENSATION

FRIDAY, MAY 16, 1958

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Frear, Douglas, Anderson, Gore, Martin, Williams, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk; and Colin F. Stam, chief of staff, Joint Committee on Internal Revenue Taxation.

The CHAIRMAN. The committee will come to order.

I submit for the record the following telegram which I have just received from Don Robinson, editor of the American Press, Stanton, N. J.

MAY 14, 1958.

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.:

First 300 replies to recession survey now being made among grassroots newspaper editors by the American press show 83 percent opposed extension of unemployment insurance to be paid for by Federal Government: 50 percent opposed extension through loans to States: Opinion equally divided on grants to communities for work projects. This preliminary data on survey to be complete next week. May be helpful in debate on these matters now going on in Senate.

DON ROBINSON,
Editor, The American Press, Stanton, N. J.

The Chair recognizes Senator Martin, for introduction of Mr. Batt.

Senator MARTIN. Mr. Chairman, with apologies to Senator Kennedy, my idea is to have Mr. Batt testify after Senator Kennedy.

I want to present to you William L. Batt, who is the secretary of industry and labor of the Commonwealth of Pennsylvania.

Mr. Chairman, he is not only testifying on his own behalf but he is representing our distinguished Governor, George L. Leader, who originally intended to come but matters have come up which make it impossible for him to do so, and I also apologize to Mr. Batt that I will not be able to hear his testimony or the testimony of our distinguished colleague, Senator Kennedy.

The CHAIRMAN. Mr. Batt, will you sit over on this side, please, sir.

The first witness is Senator Kennedy.

Senator Kennedy, we are delighted to have you appear before this committee.

Please, proceed in your own way.

Senator KENNEDY. Thank you, Senator.

STATEMENT OF HON. JOHN F. KENNEDY, UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KENNEDY. Mr. Chairman and members of the Finance Committee.

I appreciate this opportunity to testify on pending legislation dealing with unemployment compensation.

This is a national problem, the result of national economic forces—and it requires nationwide action on the Federal level.

H. R. 12065 as passed by the House, will do nothing whatsoever for the following unemployed workers:

1. Unemployed workers in States which lack statutory or constitutional authority to participate in this voluntary program.

The CHAIRMAN. Do you have a copy of your statement for the committee?

Senator KENNEDY. It is being printed up.

The American Law Division of the Library of Congress informs me that it can find no State constitution in which the governor is granted the power to obligate the State in fiscal matters.

I have here their statement, which says that we have examined the constitution of the States listed as to the constitutional powers of the governor to obligate the States in fiscal matters and found no instance in which such power is granted to the governor.

In many States, even if the legislature could be summoned to pass enabling legislation, the State constitution has been interpreted to prevent the incurrence of this kind of obligation.

I question how many States will accept Secretary Mitchell's paradoxical legal opinion that no State is "obligated" to repay.

They simply face a higher Federal tax on their employers if they do not.

2. Unemployed workers in States financially unable or unwilling to accept the harsh repayment features of this bill. Many States constitutionally able to enter into this program may refuse because its ultimate effect would be worse than their present circumstances.

This program gives them no money. It simply makes money available now which will have to be repaid later, either by the State or its employers.

The latter is clearly undesirable, when employers in other States not joining the program will be paying lower taxes, and we will have a continuation of this competitive feature which has been discussed by previous witnesses.

And repaying these funds from State sources, including the payment of a share of Federal administrative expenses as well, is not as advantageous as paying for extended benefits now from their own resources, without paying the Federal administrative costs.

States that do not have the funds to do so now can always obtain a loan from the Reed fund enacted in 1954.

In short, few, if any, States will find any financial advantage in joining this plan—most will decline because of financial disadvantages—and their unemployed workers will get no benefit from it either.

3. Unemployed workers in States whose authorities are opposed to participation in this program for policy reasons, will not receive any benefit from this bill.

Even if there are States where it would be legally feasible and financially desirable to request these funds, there is no assurance of their participation.

The bill leaves that decision entirely up to the political processes of each State—to individual governors or legislatures that may, for reasons ranging from conscientious belief to partisan maneuvers, decline to participate.

This will leave their unemployed workers out of this program, too.

I am afraid, Mr. Chairman, that most States will fall into one of the above three categories, that this Congress will be embarrassed a year from now to see its bill to help the unemployed helping no one because their States have not participated for legal, financial, or policy reasons.

But that is not all. Even if a State should participate, this bill offers no help whatsoever to unemployed workers in these categories also:

4. Unemployed workers ineligible for any benefits at all.

Perhaps Congress would not now attempt to make uniform the crazy quilt, inconsistent pattern of disqualification requirements that now deny benefits to many workers.

My own bill, S. 3244, attempts to do so in a fair and uniform manner. The Congress has no reason whatever for refusing to extend coverage to employees in shops of one or more.

The President has long requested it. Eight States have successfully adopted it though in various forms.

How can we justify paying benefits to the worker losing his job in a shop of 4 employees and paying no benefits at all to his neighbor who lost a job in a shop of 3 employees, particularly when just across the State line we will be paying benefits to the man who worked in a shop of 3.

5. Unemployed workers now receiving benefits so inadequate their families cannot subsist on it.

The man drawing a benefit of less than $20 a week and forced to turn now to public relief or private charity, is not helped by extending that small benefit a few more weeks.

Neither to any extent are the taxpayers or relatives supporting him, the merchants waiting for their bills to be paid.

The President has long urged recognition of a decent standard of 50 percent of a man's wages, up to a maximum of two-thirds of the State's average wage.

This is small enough to prevent deliberate idleness and large enough to make possible a decent standard of living and health. But the pending bill ignores this problem entirely. It ignores the fact that the cost of living has more than doubled since the present act was passed. That wages have likewise increased—but that unemployment benefits, which once met the President's standard, have not kept pace and will not unless Congress acts.

The prevailing bulk of our unemployed workers fall into 1 of these 5 categories I have described. They will receive no help whatsoever from this bill. They cannot possibly have benefits in the next few months when they urgently need benefit.

Whom then does the bill help?

It purports to help one remaining group—unemployed workers who have exhausted their benefit rights. But it offers practically no help whatsoever to this group either, for three reasons:

(*a*) There is no assurance that their State will participate, for the reasons previously outlined. At best a legislative session and lengthy litigation will be required before the benefits can be paid—and the man who has exhausted his benefit rights now cannot simply stand by and wait.

(*b*) There is no assurance that their State, even if participating, will offer any substantial change.

For the extension of the benefit period in participating State is not, as Secretary Mitchell implied, 50 percent of the existing period, but whatever amount the State decides—up to a maximum of 50 percent.

A State that wishes can extend its program by only 1 percent or 1 day under this program and it could do so. Yet a State with a very short period that wished to meet the President's request by doubling its benefit period could not receive the fund to do so under this bill.

(*c*) Finally, even a maximum 50 percent extension is of little value in many States . A worker now eligible to receive benefits for only 5 or 10 weeks is not helped much by adding 50 percent to that period.

President Eisenhower long ago urged a concept of uniform duration, who set the minimum standard 5 years ago at 26 weeks, and who this year urged a uniform 39-week period for all States presently offering 26 weeks.

In short, H. R. 12065 accomplishes nothing whatsoever. It simply permits each State legislature, if it so wishes, to use its own resources or credit to extend its own benefit period by as much as it likes up to 50 percent—all of which it can do now, without paying any Federal administrative costs.

The bill does nothing for the great bulk of our unemployed workers—it does nothing to restore purchasing power in the current recession—it is wholly inadequate even as an emergency bill.

If it extended coverage, raised benefits, more substantially extended duration, made participation automatic and substituted the concept of reinsurance for repayment, it would be a more adequate stopgap solution for the emergency.

But I believe that we need more than a stopgap solution. I think the inequities and inadequacies of our present unemployment compensation system preceded this emergency and will long outlive it if Congress does not take the opportunity to correct them now.

If the system is not adequate to the test of this recession, it will not be adequate for any future recession. If it offers little help to unemployed workers and their creditors now, it will offer them no more help in better times.

I would urge, therefore, that your committee consider the provisions of S. 3244, which I introduced in February along with 17 other Senators. This bill establishes permanent and immediate nationwide standards:

(*a*) For coverage of employees in shops of one or more, as recommended by the President;

(*b*) For benefits meeting the President's recommendation of one-half a worker's wage, up to two-thirds the State's average wage; and

(*o*) For a uniform duration period of 39 weeks, the same period the President recommended this year for all States with 26-week periods (a majority).

This bill restores our unemployment compensation system to the role it was intended to play in the life of our economy and in the life of our jobless workers.

Instead of discouraging or postponing State and congressional action on the system's defects, it provides for such action now.

Instead of perpetuating the weaknesses and inequities of the present program, it removes them. Instead of bypassing the $8 billion now in State unemployment reserves, it draws on them.

Instead of widening the gaps in employers' taxes in the various States, it narrows them.

Instead of ignoring the various categories of unemployed workers mentioned, it offers them real help until they are back on the job.

Instead of endangering the status of our State reserves by requiring them to repay funds or face a higher tax regardless of their financial ability—a far cry from the old George loan fund established by the late ranking member of this committee—it backs them up through reinsurance.

Instead of delaying relief while legislatures debate and lawyers argue, it puts money into the hands of the unemployed immediately.

In short, it preserves our unemployment insurance system instead of bailing it out. It puts it back on a sound basis instead of forcing workers to ask for a dole.

It offers a nationwide solution, for all States, for a national problem.

The issue is not, as some suggest, a loan versus a grant. That is almost irrelevant.

The real issue, I think, is the question of whether this Congress will take affirmative action.

I am grateful for this opportunity to testify on this issue.

The CHAIRMAN. Senator Kennedy, on page 27 of your bill I see this language: "Hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated such sums as may be necessary to carry out the provisions of this section."

Would your bill draw the money out of the Federal Treasury?

Senator KENNEDY. There is a period, while the State legislatures are meeting, of slightly more than a year when the Federal funds will be available for this purpose.

The CHAIRMAN. What will be the cost to the Treasury?

Senator KENNEDY. Well, I think it would be about a billion two hundred million.

The CHAIRMAN. $1,200 million—that is for 1 year?

Senator KENNEDY. Yes. The problem is——

The CHAIRMAN. One second, please.

Senator KENNEDY. Yes.

The CHAIRMAN. Suppose the States do not meet these new standards?

Senator KENNEDY. They would be obliged to do so under these new standards.

The CHAIRMAN. You would force the States to change their present standards?

Senator KENNEDY. That is correct.

The CHAIRMAN. In other words, you federalize completely this system?

Senator KENNEDY. No; I do not think to provide for a national minimum is a federalization of the unemployment compensation system.

I think——

The CHAIRMAN. Where is there anything in the bill that limits it? The cost of $1.2 billion for the first year.

What is going to happen after that?

Senator KENNEDY. After that—it is now figured that the average unemployment compensation tax is about 1.3 percent nationwide.

It is estimated that the cost of this program would raise the national tax to about 1.7 percent. Once this program goes into effect after July 1, 1959, then the States would be providing a payment of 50 percent of the workers wage up to two-thirds of the average wage for a duration of 39 weeks.

The CHAIRMAN. What clause in the bill confines the Federal contribution to 1 year?

Senator KENNEDY. It confines it to July 1, 1959.

The CHAIRMAN. Where is that?

Senator KENNEDY. Page 24.

It says on page 24: No agreement under this section shall be effective before 60 days after the date of enactment of this act, or after July 1, 1959.

In other words, the payments to July 1, 1959, are payments by the Federal Government during the period when the States are changing their tax system in order to provide the minimum benefits that we suggest.

I think that there has been a good deal of talk in the Congress about making this whole program a grant program in order to take care of the emergencies because the bill that passed the House is so inadequate.

My feeling is that the Federal Government, when there are over $8 billion in the reserve fund, should not offer a grant program unless it provides for an overhaul of the whole system.

I think it would be a great mistake for the Federal Government to bail the States out, when, as I say, many States have sufficient funds of their own, without requiring the States to take affirmative action. That would mean that in the future no State need really improve its unemployment compensation system because they would feel they could always come to the Federal Government in moments of difficulty and get a renewal of this grant program.

So that I think if we are going to talk about a grant program, I would not object to a grant program up to July 1959, if it required the States really doing something substantial about their own level of benefits.

I think the Governor of Georgia, when the Unemployment Compensation Act was put into effect, greeted it because he said the States, because of the competitive position, would never do it themselves.

The fact is that I think only Wisconsin had really done something substantial about it. I think at the present time when States are competing for industry and the tax varies from Rhode Island with

around 2.5 to other States with as little as 0.4 percent, we will never find the States doing anything substantial to increase their own benefits and durations because they feel that that will put them at a competitive disadvantage with other States. It is for that reason, in order to prevent this competition between the States as to who will pay the least, in order to attract industry, it would be much sounder to have the Federal Government set minimums. That is the whole purpose of my bill, and I am just afraid that the bill that is before us will do nothing. I think it is very clear, from the——

The CHAIRMAN. I would like to understand fully what you propose. Is this a Federal tax you are proposing?

Senator KENNEDY. Yes. It will maintain——

The CHAIRMAN. A Federal tax?

Senator KENNEDY. It will maintain the same principle of the present law except it will set a national minimum.

The CHAIRMAN. It is not a State tax but it would be a Federal tax?

Senator KENNEDY. It would maintain the same financial provisions as the present law but set a national minimum.

The CHAIRMAN. At the present time the States impose or regulate the tax.

Senator KENNEDY. Yes; but we would obligate the States to impose a tax——

The CHAIRMAN. How can you force a State, a sovereign State, to raise taxes or fix taxes unless they want to do it?

Senator KENNEDY. Well, the whole program has been a Federal program in a sense from the beginning.

The special arrangements made for taxation were made, I think, in the beginning in order to protect the—at the time when the constitutionality of the provision might have been in doubt.

The CHAIRMAN. Taxes have been fixed, have they not, by State law?

Senator KENNEDY. Yes, but an allowance is made against the Federal tax for the tax that a State pays.

The CHAIRMAN. There is a tax of three-tenths of 1 percent?

Senator KENNEDY. That is right, administrative costs.

The CHAIRMAN. But suppose a State declines then to increase their taxes.

Let's say this is a matter for State jurisdiction and not Federal jurisdiction.

Would the Federal Government step in and impose it?

Senator KENNEDY. Yes.

The CHAIRMAN. Does the bill provide for that?

Senator KENNEDY. Yes.

The CHAIRMAN. What section is that?

Senator KENNEDY. For the taxpayer to participate in the tax exempting at the present time the State must participate; isn't that correct?

The CHAIRMAN. That is correct.

Senator KENNEDY. Well, they would just be obliged, they could not——

The CHAIRMAN. I am trying to understand this. Wherein does it permit the Federal Government to impose a tax to finance these additional benefits?

Senator KENNEDY. Well, Senator, it makes it compulsory for a State to provide a benefit equal to what I have suggested.

The CHAIRMAN. You think then that the Federal Government can compel a State to levy a tax?

Senator KENNEDY. Yes, I think it is, definitely.

The CHAIRMAN. That it is constitutional?

Senator KENNEDY. Yes; I think it is constitutional.

The CHAIRMAN. Has anybody given an opinion on it?

Senator KENNEDY. I have not got an opinion on it, but I do not think there is any doubt about it. Every State is in the program at the present time.

The CHAIRMAN. A State cannot levy a tax unless the State desires to do so?

The States would have to increase their taxes in order to——

Senator KENNEDY. That is right.

The CHAIRMAN (continuing). Comply, and if they did not increase them, what would happen then?

Senator KENNEDY. Well, the law makes it impractical for the States not to meet the minimum standards.

The CHAIRMAN. In other words, the Federal Government would undertake to tax a State that declined of its own accord to raise its taxes; is that correct?

Senator KENNEDY. That is correct.

The CHAIRMAN. You think it is constitutional for the Federal Government to pick out one State and levy upon it a direct Federal tax which is not uniform on all the 48 States?

Senator KENNEDY. I think that there is not any doubt about the power of the Federal Government to compel a State, if that is the will of the Congress, to pay a benefit in this program equal to the one that I have endorsed.

The CHAIRMAN. In other words, the Federal Government can control the taxation. If they can do it in this field they can do it in other fields.

You think they can compel States to levy State taxes?

I can understand the Federal Government can take benefits away from a State. I am not a lawyer——

Senator ANDERSON. It is not done just that way, Mr. Chairman. I can recall the early discussions of situations at the beginning of this in 1936.

They had, for example, a provision that the Federal tax on payrolls would be so much.

The State did not have to come in at all, but if it did not, all the money went into the Federal Treasury, and I can recall rushing into Washington to try to get approval of the State system in order that the money should not go to the Federal Treasury but go to the State fund.

The CHAIRMAN. I understand.

Senator ANDERSON. I am not trying to say I am arguing for uniformity. I am only saying they do not do it by saying the Federal Government has the right to levy taxes against a State.

The CHAIRMAN. I still contend the Federal Government cannot compel the legislature of a State to levy certain taxes.

Senator ANDERSON. I think that is correct.

The CHAIRMAN. I think that is fundamental.

Senator KENNEDY. But I think as the Senator has said, they can make it economically unwise for them not to.

The CHAIRMAN. They can coerce a State, threaten a State to take away money that the Federal Government contributes. But they cannot issue a direct order to a State and say "You legislate."

Senator KENNEDY. But I think as Senator Anderson has stated, it can take action which would make it desirable for a State to take the action that we want them to take.

The CHAIRMAN. You see no field in which this $8 billion could be used to meet this present emergency even though the States are willing to act?

Senator KENNEDY. I understand that Mr. Cohen testifying yesterday, suggested that it might be possible in a way for the States——

The CHAIRMAN. In other words, this $8 billion is lying idle; we are told a great emergency is confronting us and you would use no part of it to relieve present conditions?

Senator KENNEDY. No, I think it would be eminently desirable if it could but I am not aware of any method where it could be used.

The CHAIRMAN. Could not the State legislatures meet—take in New York, the Governor of New York recommended to the legislature of New York to increase the duration.

Senator KENNEDY. That is right.

The CHAIRMAN. And the legislature defeated it.

Senator KENNEDY. That is right.

The CHAIRMAN. What about a case like that?

Suppose the legislature had adopted it, then New York, with $1.2 billion on hand could certainly have financed this program for a long time to come on an extended duration for benefits, could it not?

Senator KENNEDY. Yes.

The CHAIRMAN. This, up to this time has been a State responsibility, has it not?

Senator KENNEDY. Yes.

That is right; the amount of benefits, that is correct.

The CHAIRMAN. The very basis of this?

Senator KENNEDY. That is right.

The CHAIRMAN. Is a State-controlled operation.

The money all comes from employers through the States. It is not subsidized either by the Federal Government or the State Government.

I was wondering if you had made any study of these large sums that are available in this trust fund.

Senator KENNEDY. Yes, that is right.

The CHAIRMAN. Do you think if a State legislature was willing to meet and enact laws, that relief would not be given in these areas where relief is so badly needed.

Senator KENNEDY. One of my objections to the present bill is that I do not think it makes obligatory that the States increase their benefits up to 50 percent.

The fact of the matter is that I think any State now could do the same things out of its present reserves that this law gives them the opportunity to do, except for a few, like Rhode Island, and a few others which are hard pressed and they have available the Reed loan fund.

The CHAIRMAN. Would not that be a preferable way to do it, with the money on hand instead of putting on the extra burden of a billion—what did you say—$1.2 billion?

Senator KENNEDY. But, Senator, I do not think that the bill that is before us does anything that a State is not able to do now.

The CHAIRMAN. I am not speaking of that, Senator.

Senator KENNEDY. Well, the question is——

The CHAIRMAN. I am talking about the program.

Senator KENNEDY. The question is whether we should do anything.

The CHAIRMAN. Here we have got a great deficit, which you know about just as I do.

The budget director estimated yesterday that the deficit next year is going to be $10 billion. Your bill would add $1 billion—what was it—$200 million?

Senator KENNEDY. Yes, sir.

The CHAIRMAN. That would be deficit for all the taxpayers to pay——

Senator KENNEDY. That is correct.

The CHAIRMAN. Every big man, every little man, everybody would pay. With $8 billion on hand—already collected from the employers—could that not be used in these areas where this can be used?

Senator KENNEDY. I would say, Senator, in 1954 when this question was up in connection with the Reed plan, and I think Senator Millikin was chairman of the committee, I offered an amendment which would have provided for the national minimums along the lines the President suggested.

If we had not provided for the redistribution of these funds from the three-tenths of a percent that the Federal Government was taking in and not using completely for administrative costs, we would have had a reserve now which we could have drawn upon.

But I know no way that it is possible for us to draw on the $8 billion or force the States to draw on it.

The question, it seems to me, is whether we should permit the States to meet and handle this problem or whether the Federal Government should take any action.

The CHAIRMAN. Well, the States have always handled it.

Senator KENNEDY. That is correct. Now, the question is——

The CHAIRMAN. From 1938, when it was adopted.

Should we take the position that the States are totally unresponsive to a critical condition of unemployment in their areas?

Senator KENNEDY. Well, what is of concern to us is——

The CHAIRMAN. When they have the money on hand to make these additional benefits available without additional taxation?

Senator KENNEDY. Yes. My feeling now is that the Federal Government, when there is so much national interest in this problem, should set a nationwide minimum. That is a problem that has been with us for 15 years because the ratio of the benefits to the wage has been going down.

I think we should set minimums of duration. I think the Federal Government does that in other programs.

The point I would like to make is that I think the bill that passed the House is a useless bill. That rather than pass it to the Senate we might just as well do nothing about the problem and let the States

continue to maintain completely their jurisdiction because it only provides that the States shall do what they can do anyway, and which they will have to pay for anyway.

There is no obligation for them to participate in this program and legally and constitutionally most of them will be unable to do so.

So I would hope the Senate would not pass this bill because I think it would give the appearance of action without the substance of action.

I would not object to a grant fund if it were tied to a real overhaul of the State laws.

In answer to your question, Senator, I do not think we should continue to permit the States to exercise sole jurisdiction in this regard because I think they failed to meet their responsibility because of the competitive feature of these taxes.

I would hope that this is the chance to do a complete job and not pass a bill like the one before us or just a grant program.

The CHAIRMAN. Your plan is offered as a permanent plan, it is not an emergency plan to meet this present situation?

Senator KENNEDY. No, it is something I have been interested in since 1954 but I do think the emergency has made more obvious, to a great many more people, the inadequacies of our present program.

The CHAIRMAN. Thank you very much, Senator Kennedy, for your contribution.

Senator Frear?

Senator FREAR. No questions.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Senator, just this question: I have listened to the colloquy between you and the chairman, and I take it that, maybe I am in error, but just listening to this colloquy that you are more concerned about getting these benefits and based on the length of duration of payments and the amount of the payments from a competitive standpoint than you are for any other, is that correct?

Senator KENNEDY. Well, I do think, Senator, that, as I say, in about 1938 or 1939, most of the unemployment compensation benefits were around 60 percent of the wage.

Now they have fallen to an average of around 30 percent and I think the reason the States have not kept up with the increase in wages has been because of the competitive feature.

If you have a State like Massachusetts, which has a tax of around 2.4 percent or Rhode Island, with 2.7 percent, and a State comes along and says, "Come to our State, this is a tax that is harmful to you and you only have to pay four-tenths of a percent," the employer is tempted. I think that makes the States reluctant to add to the burden of employers and that is why I think that, for the same reason that the States, except Wisconsin, did not enact unemployment compensation laws of their own prior to 1935, they do not increase the benefits. I think it was made very clear by the statements of the governors in 1935. They said we cannot afford to enact laws because it will just add a burden to our employers that the States next to us are not meeting.

At least that has been our theory for the last 15 years. So that is my feeling that we ought to really do something about a minimum standard for these unemployment compensation benefits. Otherwise we are going to have to continue to have this competition to see who can assess the lowest tax. That is my feeling.

Senator CARLSON. Senator, having served as a governor of a State and having urged the legislature to enact and they did enact increased periods of duration for payments and increased benefit payments—in fact there was a time that Kansas was ahead of the great industrial States—I noticed recently we are back some but we still have what I think is a substantial payment and a very good weekly period of duration, and I believe the people of Kansas feel they have, because we just concluded a special session of the Legislature in Kansas.

A bill was introduced in the House of Representatives to increase the payment based on the proposal before the Federal Government, and it did pass the House of Representatives, it was defeated in the Senate and I cannot help but believe having served in the Kansas Legislature having been the Governor of the State that those people are not concerned about the people. They really are, and I think I see our point, the point of your bill, it is more from a competitive standpoint than trying to take care of a situation out in the local States.

Senator KENNEDY. I am just saying that the purpose of it is to give workers a more substantial benefit for longer periods of time. I am just using the competitive tax illustration because I think that explains why the States have been reluctant to do it.

Now in Kansas the average weekly benefit paid in January of 1958 was, I think, $27, the maximum was $34, and the average monthly—the average weekly wage in manufacturing was about $76.

The benefit that was being paid as of percentage of payroll in 1939 was 67 percent.

Today it is 47 percent—41 percent. So in other words, your unemployment compensation was 67 percent of your average wage in 1939, and now it is 41 percent. This is a good deal higher than some States, but I think it demonstrates the deterioration, at least comparatively speaking in your unemployment compensation benefits.

Senator CARLSON. In other words, the average weekly wage in Kansas was $67, and the payment was $34.

It is not 50 percent.

Senator KENNEDY. I am not talking about average but maximum.

Senator CARLSON. Of course Senator, you know this is handled by a board in Kansas and these individual applications for unemployment compensation, when a man loses his job, is based on many things, they just do not come in here and say: "Here is a check of $34"—they study the case and make payment.

Senator KENNEDY. As a percentage of his wage.

Senator CARLSON. Not only as a percentage.

They take in other conditions. As a matter of fact, I think there are instances where payments are very low in some instances, and some are for very short duration.

Senator KENNEDY. That is right; where the base period has been inadequate or has been extremely low.

Senator CARLSON. There are some real problems with this, I assure you, as one who has had some very close connections with it.

We have a situation now that I want to mention and I intend to, but here is an actual case, and there are many like it.

We had some problems in the aircraft factories at Wichita, Kans.; there is some unemployment there.

A wife is working in one of these factories, she moves to a city, her husband gets a job in another town, he is not working in the

aircraft factory. She moved to another town. It is a hundred miles away from the factory. There is no like employment anywhere near that city, nobody in that town, and yet there she is drawing and going to continue to draw, 20 weeks at $34 a week.

Now if we add 13 more weeks or 16 more weeks at $34 a week, we are not doing anything to help unemployment because she left that section.

Now those are some of the problems which you run into.

Senator KENNEDY. Did she present herself at the unemployment office that she desires——

Senator CARLSON. That is right. She is eligible.

Senator KENNEDY. She desires to work?

Senator CARLSON. She desires to work, but there is no work of that character in the communities where she now lives.

Senator KENNEDY. Is she married?

Senator CARLSON. Yes.

Senator KENNEDY. I suppose is it difficult for her to get similar work. That is a judgment of the unemployment compensation office and the definition is of similar work or comparative work. I would think it is difficult for her to leave her husband.

Senator CARLSON. No, they moved to this other town and she is going to draw those benefits now for the full 20 weeks and there is no way of stopping those benefits and if you want to give her 15 or 16 weeks more—now there are cases, I mean——

Senator KENNEDY. I know, Senator, in every general piece of legislation there are opportunities for abuse but I would think the employment offices in the State could offer her comparable work, not similar but comparable. You do not think there is any such job in the State in that area?

Senator CARLSON. There is none anywhere near.

She is entitled to the same type of work she has been in and if there is none of it available she is going to draw compensation. I do not think the law should be changed but there are problems.

Senator KENNEDY. I know, but I can give you other cases where, as you know, a fellow has honestly been trying to work and exhausts his benefits.

Your benefits go as low as 7 weeks, as you know.

Senator CARLSON. That is right.

Senator KENNEDY. Up to 24.

If you think the problem is a national one, and I assume it is, or we would not be considering this bill, and if you are going to have as many people exhaust their benefits this year as you figure, I would think it is up to us to provide for some minimums.

Senator CARLSON. Senator, I am sympathetic to these people out of work but I still get back to the basis that the people in the State know more of the needs and I think they are closer to them and I believe I can say, more sympathetic to them than people in Washington, or somewhere else, and I think you have made a good statement and I appreciate it.

Senator KENNEDY. Thank you, Senator.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. Do I judge correctly from your statement that you would prefer to just postpone the House bill and have longer hearings on your Senate bill?

Senator KENNEDY. Well, I would really—I do not think the House bill is really worth anything, Senator, and that is my considered judgment.

I do not think it is as good as the first administration bill and I do not think it is of any use and I would therefore be hopeful other bills would be considered at greater length as alternatives to the House bill.

There is no value in speeding it up to the floor because I think it would bring little relief.

Senator ANDERSON. Don't you think your Senate bill would bring on a great deal of hearing and consideration and discussion before it could be enacted?

Senator KENNEDY. Yes; I think so.

Senator ANDERSON. For instance, you have a provision for the coverage of shops of one or more?

Senator KENNEDY. That is right.

Senator ANDERSON. Is that pretty controversial?

Senator KENNEDY. Yes, but the President has recommended it. The difficulty is that the President since 1953 has recommended standards such as I am suggesting. This year he suggested the duration that I am recommending.

He also talked of 18 States having laws applying to one or more employees. It is, therefore, in existence in many States, and, as I say, it is a recommendation he has made.

It might be controversial, but at least it has support from responsible people.

Senator ANDERSON. How long have these 18 States had it? Do you recall?

Senator KENNEDY. They vary in time.

I would say in most of them in the last few years.

Senator ANDERSON. At the time the original bill was set up with provisions for, say, 3 or more or 4 or more, there was no real experience on unemployment compensation in this country.

I can remember people who were brought in were mainly from Germany.

Some of them spoke a little English; most of them spoke no English, but they had had experience with unemployment compensation for a hundred years, and it was their strong recommendation not to bring it down as low as one.

I was just wondering what the experience with the States who have had it as low as one has been.

Senator KENNEDY. Well, I think there were problems of administration and problems of constitutionality. As the Senator suggested, when this act was passed there was a substantial question of constitutionality and that is why the rather back-door way of the arrangement of the financing was worked out.

I think the fact that 18 States continue to carry out similar provisions, and no States have repealed it, indicates they find it satisfactory.

Senator ANDERSON. I think the constitutional question was rather easily solved.

The Federal Government put down a tax. The State did not have to be prepared to take the money that came from that tax that it did not want to, but any executive of a State that did not take it probably

would have been retired to private life by a large and enthusiastic majority and they wanted to take it and set it up just as this would work here.

But I do believe it would take quite a while on this bill. That is the only question I am raising.

Do you think there is any temporary amendment that can be suggested to the House bill that will improve it in the meantime without waiting the rather long process of trying to adopt these things?

The President has been recommending it since 1953 and we have gone 5 years without doing anything with regard to them and the probability is we will go maybe some more.

Is there anything that you think can be done to the House bill that makes it a possible vehicle for some relief?

Senator KENNEDY. Unless you just change the whole House bill, I do not really think the House bill would provide any benefits.

Senator ANDERSON. You do not believe in tinkering with it?

Senator KENNEDY. I think the bill is really useless.

The President made the recommendation, but I do not think any State will carry out the President's recommendation because they just cannot face the increased costs on a unilateral basis.

So I would say, Senator, between the two, between giving further consideration to the proposal I have submitted, with some minor improvement, and tinkering with the House bill, it would be far better to give the proposal submitted considered thought than it would be to report this bill out as it is now.

Senator ANDERSON. That is all I am trying to get from you, Senator. I am trying to find out which way you think this committee might go, if it faced the possibility of no bill at all, as against the House bill, you think the House bill is sufficiently lacking in merit so we could face the possibility of no bill at all?

Senator KENNEDY. I do because I think it will bring no relief in its present form.

Senator DOUGLAS. Senator, would not a better way be to substitute your bill for the House bill with perhaps certain changes?

Senator KENNEDY. I would think that would be far preferable because I would hate, as I said, to have the impression go around we have done something about unemployment compensation and not do it.

Senator ANDERSON. I do not mean to say you did not think it was preferable to support your bill.

You and I recognize there are many things desirable that are a little bit difficult to pass through the Senate.

Senator DOUGLAS. Not with determined hearts, Senator.

Senator ANDERSON. Well, I don't know; I spent an awful long time on the tideland proposal and I think my heart was determined as was the Senator beside me. We had a hard time and did not succeed. I do not mean to discourage you that much. I think with the fine sponsors you have you might get somewhere with it.

But I think you face the possibility if you tried to substitute S. 3244 when it came to adjournment date in August it would still be before the Senate Finance Committee.

Senator KENNEDY. It seems to me, Senator, we have four general possibilities: First, taking the bill which came from the House just as it is. I see no advantage in passing this; second, using that bill as

a vehicle on the floor. But I do not think it is going to be of any use to the States.

Thirdly, I would be hopeful that the bill that I have suggested would be considered, and fourth, adopt a grant program, just outright grants.

I might vote for that finally, but I would be reluctant to see that pass because you would be giving the States a large sum of money, and not requiring them to take action of their own.

I think you would insure that no action would ever be taken, because after they have exhausted this grant, rather than trying to increase their standard, as the President has requested, on their own, they will feel that when things get serious, the Federal Government will always bail us out.

So we would have started federalization in a much more general sense by giving a loan without the States taking any action.

I think in the long run it will really hurt the unemployment insurance concept.

Senator ANDERSON. Thank you.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, I am just curious about one phase of the testimony, which has not been limited to the testimony of my friend from Massachusetts, and that is this phase of interstate competition.

Do you believe that is of sufficient importance to require every State to use a minimum—a uniform tax of 2.7 percent, the maximum permitted under the bill, and if you do not how can you ever eliminate the idea of interstate competition if you still allow one State with a good record of low unemployment to reduce the tax on its employers.

Senator KENNEDY. Well, I would certainly provide in the bill I propose there be a variance in the amount of benefits from State to State because it is tied to the worker's wage and the average weekly wage in the State. There would be some variance in at least the amount of the benefits although not in the duration under the proposal I made.

Senator BENNETT. I am not talking about duration but taxes.

Senator KENNEDY. I understand there would be some variance in the tax too.

Senator BENNETT. You cannot eliminate the variance in the tax.

Senator KENNEDY. That is correct.

Senator BENNETT. So this argument that we cannot—we must legislate in order to eliminate competition between the States is one that cannot be completely handled.

Senator KENNEDY. Well, I think, Senator, that there will be—there may be some difference in the State but at least every State will be making what I would consider a satisfactory effort.

Now, you might still have some competition but is would not be the kind of competition which results in very short and limited benefits. As long as the States meet the standard that I have set, I would think any competition that would result therein would be rather minor and not be a competition to see who would pay the lowest benefits.

Any time we attempt to raise benefits in Massachusetts, Senator, the word goes out as it does in any other State. This affects the influx of industry, to and from our State.

Senator BENNETT. I just wanted to get that clear because it seems to me that you can't have it both ways, you either have got to have some competition and in terms of the difficulty in the tax that is levied on the employer or else you have got to levy a uniform tax and let the fund pile up probably to a point where it is not necessary.

Senator KENNEDY. Well, I think you ought to have some differences in the State based on the wages, anyway. I think that amount of difference in taxes would not be harmful.

Senator BENNETT. Don't you think there should be some difference in relation to the volume of unemployment that may be generated as between different employers? Don't you think that an employer who has stability of employment should be given some tax advantage over the man who contributes to the level of employment, of unemployment?

Senator KENNEDY. Yes. I provided in this bill that there would be experience ratings and also power would be given to the States to reduce the tax through experience rating.

Senator BENNETT. It is interesting to me; I just have done this very quickly, and you have a schedule there that you might refer to, my State of Utah, the average presentation is something like one and one-tenth percent.

Senator KENNEDY. Yes, I had 1—1957, I had 1.3.

Senator BENNETT. All right, 1.3, which is much less than 2.5.

Senator KENNEDY. That is right.

Senator BENNETT. We do have your condition that it covers one or more employees.

Senator KENNEDY. That is correct.

Senator BENNETT. According to this schedule I have before me—and we pay a maximum of 26 weeks, don't we?—yes, 26 weeks, and $37, so we are not one of the States that could be considered in the lower class.

Senator KENNEDY. That is correct.

Senator BENNETT. And yet we are able to do it on 1.3.

Senator KENNEDY. That is correct.

Senator BENNETT. And yet people in Massachusetts could say Utah has a competitive advantage.

Senator KENNEDY. Well, I would say that in 1939 your benefit as a percentage of wage was 65 percent. Now it is down to 37 percent.

I am not attempting to do anything about the variation in State benefits, based on their wage structure. But all I am saying is, Senator, I think that a minimum amount and duration is needed for every State, even though in each State there may be a different wage structure. That is the problem.

Senator BENNETT. My point is you are not going to eliminate this variation in tax burden then by any program because in many respects inherent in the employment pattern of each State.

Senator KENNEDY. Well, I agree that there will be some distinction. I am not saying you will have uniformity. The question is whether the distinction should come about as a result of the competition to keep benefits low and keep limited duration.

I agree that the pattern of unemployment, say in Rhode Island or in Massachusetts is bound to be higher than in Utah. Agricultural employees, as you know, are exempt, and that might have some effect

on the number of unemployed in Utah, but the question is whether every State should not have a minimum standard, and then permit differences to exist. At least you would be sure anybody who gets thrown out of work has a living income.

I don't think, of course, they do today.

Senator BENNETT. My chief point is that this argument about competition is only a partial argument because you are not going to attempt to impose a uniform tax to eliminate the competitive feature of the bill.

Senator KENNEDY. I know, but the degree would be substantial. It would lessen the competition substantially as well as doing something about benefits.

Senator BENNETT. Seems to me when you have a situation here when our State, with what I assume is far better than the average amount of benefits is still approximately half the highest, that the degree is going to exist anyway and and a broad difference of degree.

But, of course, the only people, the people on whose experience, on whose experience the employer ratings and the tax level is determined in Utah do not include agricultural employees. They are out anyway.

These are employers covered under the national standard and we still have an experience that makes it possible.

Senator KENNEDY. That is the only reason I brought it in because it does mean agricultural employees, I am sure, are highly employed. It does mean there are a good many differences in State structures and wage patterns which would explain why there would be continuing differences in amount.

But there would be uniformity of duration if we provided 39 weeks. But merely because it does not completely end competition, I am not sure it is an argument against attempting to end competition because of lower benefits and lower duration.

Senator BENNETT. You are willing to receive competition based on one set of facts and not on other sets of facts, but the competition will still exist, and your bill will not eliminate it.

Senator KENNEDY. Well, Senator, the competition to see who can get the lower tax by lessening benefits and the lowering duration will not exist. There will still be differences in tax due to the general wage structure and experience in the State.

Senator BENNETT. You think, I was going to say, sufficient, but let's say a powerful argument for elimination for the right of the State to set its own program; is that right?

Senator KENNEDY. I do because I think and experience has shown the States will not do it. The President, who is extremely influential, has made the request now for 6 years, and no State has felt able to do it.

Senator BENNETT. That is all, Mr. Chairman.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Senator, you have made a very fine statement. I want now to pick up a theme which was developed by our colleague from Utah.

Utah's unemployment compensation law is just about the average low. The average assessment rate of 1.3 percent is the countrywide average. The duration of benefits for those exhausting their benefit

rights is a little over 20 which is still the countrywide average. But is not the fact that their assessment rate is lower in Utah than it is in Rhode Island and Massachusetts, due primarily to the fact that they have a different set of industries? Industries of Massachusetts and Rhode Island have been largely based on textiles which have been going through a very severe recession.

So that you do not propose to eliminate the differences in rates of assessment which may be caused by different groups of industries. But what you are saying is that they should not lower their assessments by keeping their ratio of benefits or the duration of benefits below national minimum standards.

Isn't that true?

Senator KENNEDY. Yes, that is correct.

Senator DOUGLAS. And you would not prescribe as a matter of fact any uniform dollar rate of benefits. You would merely have the rate 50 percent of the individual's earnings, subject to a maximum of two-thirds of the State average.

Isn't that true?

Senator KENNEDY. That is correct.

Senator DOUGLAS. So that a State with lower wages would pay lower benefits in terms of dollars?

Senator KENNEDY. Yes.

Senator DOUGLAS. But you are merely trying to prescribe certain ratios of benefits to wages and certain minimum durations, isn't that true?

Senator KENNEDY. That is correct, yes.

Senator DOUGLAS. So far as the constitutional basis is concerned, of course, the Supreme Court in 1937 held this method of tax device used to be constitutional—and indeed held the old-age-security system constitutional—and would have approved of a direct connection between a central levy of excise tax and payment of benefits.

The unemployment compensation device was a Federal tax which will be levied if the States do not levy the tax. This gave to the States nominal freedom not to levy the tax but, as you say, exerted some economic pressure on them to do it.

That merely carried out the principle, did it not, which was established in the Federal inheritance tax in the preceding decade under the Coolidge administration?

As I remember that situation, the State of Florida passed a constitutional amendment which prohibited the Florida Legislature from ever passing an inheritance tax. They were out to attract wealthy people to come to Florida and die under the sunshine. And that was popular with the heirs who had a father or mother who had to die. It was desirable that they should die not only in the sunshine, but in a State which had no inheritance tax.

Maine then tried to get in the act with a similar measure—not for the winter trade, but for the summer trade—and it looked as though the State system of inheritance taxes was going to break down.

So, in the 1920's, under the administration of Calvin Coolidge, when the Republican Party controlled both Houses of Congress, they passed a Federal inheritance tax law which provided that if States did not pass such laws, then the Federal Government was to get all the tax. If the States did pass such acts, then the States would get a given percentage of the Federal tax.

Florida very speedily repealed its law, after the constitutionality of this Federal law was upheld. Florida speedily repealed its constitutional amendment prohibiting the inheritance tax and passed such a tax, but, wishing to be in the real estate business, it then passed another constitutional amendment exempting, as I remember it, the first $3,000 or $5,000 of homes from taxation, the effect of which was to build up the west coast of Florida rather than the east coast of Florida.

But I merely cite this an an illustration that this taxing device, which you propose to use, is a soundly rooted American custom, and it has Republican antecedents. [Laughter.]

What you are saying is that we should revert to the original principle of the unemployment compensation law, because it was originally intended that the States would not satisfy their obligations by levying less than 2.7 percent. It was only in the later developments that this occurred.

So you would try to use this power of the Federal Government to tax, to provide for satisfactory national minimum standards for what is, after all, a national problem.

Senator KENNEDY. That is correct.

Senator DOUGLAS. Thank you.

Senator KENNEDY. It certainly is not the problem of a single employer or a single State.

Senator DOUGLAS. In many cases a State which has low unemployment, that is not an indication of the virtue of that State, but simply that they happen to be lucky in the type of industry which is there; isn't that true?

Senator KENNEDY. That certainly is true. While this bill permits experience rating, the fact, of course, is that in most cases it is not the fault of the employer if he has a bad run, as in the textile industry in Rhode Island or Massachusetts, where the industries—or the industries in southern Illinois or in Kentucky—it is not his fault. I would be hopeful that the National Government would attempt to take some action to improve this matter, which I think is overdue.

The CHAIRMAN. Senator Kennedy, just one more question, please. When would your bill require legislatures of the States to meet?

Senator KENNEDY. Well, it would provide that this should go in effect in the States in 1959, which would permit all State legislatures to meet.

The CHAIRMAN. After the expiration date there would have to be a session of the legislature?

Senator KENNEDY. By July 1959, it is assumed in this the State legislatures would have met and have taken the action.

The CHAIRMAN. But some of them don't meet.

Senator KENNEDY. Before July 1959?

The CHAIRMAN. So the point raised against the House bill would apply to some extent at least to your bill.

Senator KENNEDY. I would be hopeful they would meet. That would give them more than a year. I would be hopeful in the meantime the Federal Government would be taking care of the problem and I would be hopeful that if possible every State would meet.

The CHAIRMAN. I think it is possible for them to meet now. They can meet in 24 hours.

Senator KENNEDY. This puts stronger pressure on them to meet. I know it is possible for them to meet, but there is no incentive to meet. The way this bill is, it would permit incentive taxation.

The CHAIRMAN. There are 7,613 men and women who serve the legislatures. Your feeling is they are not responsive to a critical situation whereby many people are out of employment and have ceased to draw benefits.

Do you think they would not respond to those situations in their respective States?

Senator KENNEDY. I think the fact of the matter is that they have not. State legislatures have not taken action in States to extend the benefits in any State that I know of to help those who have exhausted their benefits.

The CHAIRMAN. In other words, you are distrustful. I don't say it in an offensive way of the legislatures of States, but you think they are not keenly alive to the fact that their own constituents, who are close to them, are out of employment and there is a fund available down here in Washington they can draw upon.

You think they will not take action?

Senator KENNEDY. I don't know why. The fact of the matter is—there is no evidence of action by any of the States.

The CHAIRMAN. Several States have met, though.

Senator KENNEDY. I know that, but there is no evidence of action, certainly, in the States affected.

The CHAIRMAN. Don't you think there is an indication there in a good many States that there is no immediate need for the State to take action?

Senator KENNEDY. First, I think there is some need and will be for the rest of the year. Second, even though action was needed, since 1953, the President has made recommendations and no States have met his standards, so my impression is that the States have not met this problem satisfactorily.

The CHAIRMAN. I think Missouri has taken action, Michigan has been in session, and could take action. New York has been in session, Connecticut has been in session.

Senator KENNEDY. Well, New York has adjourned, I believe, have they not? The New York Legislature has adjourned?

The CHAIRMAN. They adjourned, it is true, but they met. The point I am making is that unemployment, of course, is not uniform.

Senator KENNEDY. I would say since March 1952 when the administration made its recommendations, I suppose many States had hoped some Federal action which would be taken would meet the problem.

I am not responsible—none of us, of course, is—for what the States do or do not do. The question is what the problem is and what course of action we should take to assist. We should take action, and I think the action contemplated in the bill before the Senate Finance Committee is inadequate and, therefore——

The CHAIRMAN. Did I understand you to say, in answer to Senator Anderson, you would prefer no bill to the House bill?

Senator KENNEDY. I believe Senator Anderson—somebody offered the choice of a more thorough consideration of the bill that I have offered as opposed to not passing the House bill, and I would prefer

very definitely a more thorough consideration of the bill that I have offered rather than the House bill, which I do not feel to be of any benefit.

The CHAIRMAN. I understood you to say that the House bill was of no value whatever.

Senator KENNEDY. That is correct.

The CHAIRMAN. Therefore, I assume you would not favor its passage in any circumstances.

Senator KENNEDY. If the Senate Finance Committee is not going to do anything, Senator, I would prefer they send it to the Senate floor, where it might be possible for a more affirmative approach to be substituted. Thank you, Senator. [Laughter.]

The CHAIRMAN. We have been very glad to have you, Senator.

Senator KENNEDY. Thank you.

The CHAIRMAN. We hope to have you before the committee again, soon.

(In compliance with the request made by Senator Douglas in the following letter, the chairman authorized the insertion of the material printed below:)

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
May 19, 1958.

HON. HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: You will recall that on the last day of our hearings on unemployment compensation legislation, May 16, a question was raised as to the constitutionality of the method proposed by Senator Kennedy for the adoption of minimum Federal standards.

It occurred to me that members of the committee and of the Senate who might be interested to pursue this question would be helped by the decision of the Supreme Court on this issue in 1937, in the case of *Steward Machine Co.* v. *Davis* (301 U. S. 548).

I therefore request that the controlling opinion, by Mr. Justice Cardozo, which appears on pages 573–598 of volume 301 of United States Reports be printed in the record of our hearings at the conclusion of Senator Kennedy's interrogation, where this discussion took place.

This was an important milestone in the development of our unemployment compensation system. In my opinion it will help to shed light upon the issues before us in 1958.

With kindest regards,

PAUL H. DOUGLAS.

STEWARD MACHINE CO. *v.* DAVIS (301 U. S. 548)

Messrs. Edward F. McClennen and *Jacob J. Kaplan* filed a brief as *amici curiae*, challenging the validity of the Act.

Mr. JUSTICE CARDOZO delivered the opinion of the Court.

The validity of the tax imposed by the Social Security Act on employers of eight or more is here to be determined.

Petitioner, an Alabama corporation, paid a tax in accordance with the statute, filed a claim for refund with the Commissioner of Internal Revenue, and sued to recover the payment ($46.14), asserting a conflict between the statute and the Constitution of the United States. Upon demurrer the District Court gave judgment for the defendant dismissing the complaint, and the Circuit Court of Appeals for the Fifth Circuit affirmed. 89 F. (2d) 207. The decision is in accord with judgments of the Supreme Judicial Court of Massachusetts (*Howes Brothers Co.* v. *Massachusetts Unemployment Compensation Comm'n*, December 30, 1936, 5 N. E. (2d) (720), the Supreme Court of California (*Gillum* v. *Johnson*, 7 Cal. (2d) 744; 62 P. (2d) 1037), and the Supreme Court of Alabama (*Beeland Wholesale Co.* v. *Kaufman*, 174 So. 516). It is in conflict with a judgment of the Circuit Court of Appeals for the First Circuit, from which one judge dissented. *Davis*

v. *Boston & Maine R. Co.*, 80 F. (2d) 308. An important question of constitutional law being involved, we granted certiorari.

The Social Security Act (Act of August 14, 1935, c. 531, 49 Stat. 620, 42 U. S. C., c. 7 (Supp.)) is divided into eleven separate titles, of which only Titles IX and III are so related to this case as to stand in need of summary.

The caption of Title IX is "Tax on Employers of Eight or More." Every employer (with stated exceptions) is to pay for each calendar year "an excise tax, with respect to having individuals in his employ," the tax to be measured by prescribed percentages of the total wages payable by the employer during the calendar year with respect to such employment. § 901. One is not, however, an "employer" within the meaning of the act unless he employs eight persons or more. § 907 (a). There are also other limitations of minor importance. The term "employment" too has its special definition, excluding agricultural labor, domestic service in a private home and some other smaller classes. § 907 (c). The tax begins with the year 1936, and is payable for the first time on January 31, 1937. During the calendar year 1936 the rate is to be one per cent, during 1937 two per cent, and three per cent thereafter. The proceeds, when collected, go into the Treasury of the United States like internal-revenue collections generally. § 905 (a). They are not earmarked in any way. In certain circumstances, however, credits are allowable. § 902. If the taxpayer has made contributions to an unemployment fund under a state law, he may credit such contributions against the federal tax, provided, however, that the total credit allowed to any taxpayer shall not exceed 90 per centum of the tax against which it is credited, and provided also that the state law shall have been certified to the Secretary of the Treasury by the Social Security Board as satisfying certain minimum criteria. § 902. The provisions of § 903 defining those criteria are stated in the margin.[1] Some of the conditions thus attached to the allowance of a credit are designed to give assurance that the state unemployment compensation law shall be one in substance as well as name. Others are designed to give assurance that the contributions shall be protected against loss after payment to the state. To this last end there are provisions that before a state law shall have the approval of the Board it must direct that the contributions to the state fund be paid over immediately to the Secretary of the Treasury to the credit of the "Unemployment Trust Fund," Section 904 establishing this fund is quoted below.[2] For the moment it is enough to say that the Fund is to be held by the

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[1] Sec. 903. (a) The Social Security Board shall approve any State law submitted to it, within thirty days of such submission, which it finds provides that—

(1) All compensation is to be paid through public employment offices in the State or such other agencies as the Board may approve;

(2) No compensation shall be payable with respect to any day of unemployment occuring within two years after the first day of the first period with respect to which contributions are required;

(3) All money received in the unemployment fund shall immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by Section 904;

(4) All money withdrawn from the Unemployment Trust Fund by the State agency shall be used solely in the payment of compensation, exclusive of expenses of administration;

(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6) All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

The Board shall, upon approving such law, notify the Governor of the State of its approval.

(b) On December 31 in each taxable year the Board shall certify to the Secretary of the Treasury each State whose law it has previously approved, except that it shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Board finds has changed its law so that it no longer contains the provisions specified in subsection (a) or has with respect to such taxable year failed to comply substantially with any such provision.

(c) If, at any time during the taxable year, the Board has reason to believe that a State whose law it has previously approved, may not be certified under subsection (b), it shall promptly so notify the Governor of such State.

[2] Sec. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund," hereinafter in this title called the "Fund." The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund. Such deposit may be made directly with the Secretary of the Treasury or with any Federal reserve bank or member bank of the Federal Reserve System designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment

Secretary of the Treasury, who is to invest in government securities any portion not required in his judgment to meet current withdrawals. He is authorized and directed to pay out of the Fund to any competent state agency such sums as it may duly requisition from the amount standing to its credit. § 904 (f).

Title III, which is also challenged as invalid, has the caption "Grants to States for Unemployment Compensation Administration." Under this title, certain sums of money are "authorized to be appropriated" for the purpose of assisting the states in the administration of their unemployment compensation laws, the maximum for the fiscal year ending June 30, 1936 to be $4,000,000, and $49,000,000 for each fiscal year thereafter. § 301. No present appropriation is made to the extent of a single dollar. All that the title does is to authorize future appropriations. Actually only $2,250,000 of the $4,000,000 authorized was appropriated for 1936 (Act of Feb. 11, 1936, c. 49, 49 Stat. 1109, 1118) and only $20,000,000 of the $49,000,000 authorized for the following year. Act of June 22, 1936, c. 689, 49 Stat. 1597, 1606. The appropriations when made were not specifically out of the proceeds of the employment tax, but out of any moneys in the Treasury. Other sections of the title prescribe the method by which the payments are to be made to the state (§ 302) and also certain conditions to be established to the satisfaction of the Social Security Board before certifying the propriety of a payment to the Secretary of the Treasury. § 303. They are designed to give assurance to the Federal Government that the moneys granted by it will not be expended for purposes alien to the grant, and will be used in the administration of genuine unemployment compensation laws.

The assault on the statute proceeds on an extended front. Its assailants take the ground that the tax is not an excise; that it is not uniform throughout the United States as excises are required to be; that its exceptions are so many and arbitrary as to violate the Fifth Amendment; that its purpose was not revenue, but an unlawful invasion of the reserved powers of the states; and that the states in submitting to it have yielded to coercion and have abandoned governmental functions which they are not permitted to surrender.

The objections will be considered seriatim with such further explanation as may be necessary to make their meaning clear.

First. The tax, which is described in the statute as an excise, is laid with uniformity throughout the United States as a duty, an impost or an excise upon the relation of employment.

1. We are told that the relation of employment is one so essential to the pursuit of happiness that it may not be burdened with a tax. Appeal is made to history. From the precedents of colonial days we are supplied with illustrations of excises common in the colonies. They are said to have been bound up with the enjoyment of particular commodities. Appeal is also made to principle or the analysis of concepts. An excise, we are told, imports a tax upon a privilege; employment, it is said, is a right, not a privilege, from which it follows that employment is not subject to an excise. Neither the one appeal nor the other leads to the desired goal.

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may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition.

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly on March 31, June 30, September 30, and December 31, of each year, to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date.

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment.

As to the argument from history: Doubtless there were many excises in colonial days and later that were associated, more or less intimately, with the enjoyment or the use of property. This would not prove, even if no others were then known, that the forms then accepted were not subject to enlargement. Cf. *Pensacola Telegraph Co.* v. *Western Union*, 96 U. S. 1, 9; *In re Debs*, 158 U. S. 564, 591; *South Carolina* v. *United States*, 199 U. S. 437, 448, 449. But in truth other excises *were* known, and known since early times. Thus in 1695 (6 & 7 Wm. III, c. 6), Parliament passed an act which granted "to His Majesty certain Rates and Duties upon Marriage, Births and Burials," all for the purpose of "carrying on the War against France with Vigour." See *Opinion of the Justices*, 196 Mass. 603, 609; 85 N. E. 845. No commodity was affected there. The industry of counsel has supplied us with an apter illustration where the tax was not different in substance from the one now challenged as invalid. In 1777, before our Constitutional Convention, Parliament laid upon employers an annual "duty" of 21 shillings for "every male Servant" employed in stated forms of work.[5] Revenue Act of 1777, 17 George III, c. 39.[6] The point is made as a distinction that a tax upon the use of male servants was thought of as a tax upon a luxury. *Davis* v. *Boston & Maine R. Co.*, *supra*. It did not touch employments in husbandry or business. This is to throw over the argument that historically an excise is a tax upon the enjoyment of commodities. But the attempted distinction, whatever may be thought of its validity, is inapplicable to a statute of Virginia passed in 1780. There a tax of three pounds, six shillings and eight pence was to be paid for every male tithable above the age of twenty-one years (with stated exceptions), and a like tax for "every white servant whatsoever, except apprentices under the age of twenty one years." 10 Hening's Statutes of Virginia, p. 244. Our colonial forbears knew more about ways of taxing than some of their descendants seem to be willing to concede.[8]

The historical prop falling, the prop or fancied prop of principle remains. We learn that employment for lawful gain is a "natural" or "inherent" or "inalienable" right, and not a "privilege" at all. But natural rights, so called, are as much subject to taxation as rights of less importance.[9] An excise is not limited to vocations or activities that may be prohibited altogether. It is not limited to those that are the outcome of a franchise. It extends to vocations or activities pursued as of common right. What the individual does in the operation of a business is amenable to taxation just as much as what he owns, at all events if the classification is not tyrannical or arbitrary. "Business is as legitimate an object of the taxing powers as property." *Newton* v. *Atchison*, 81 Kan. 151, 154 (per Brewer, J.); 1 Pac. 288. Indeed, ownership itself, as we had occasion to point out the other day, is only a bundle of rights and privileges invested with a single name. *Henneford* v. *Silas Mason Co.*, 300 U. S. 577. "A state is at liberty, if it pleases, to tax them all collectively, or to separate the faggots and lay the charge distributively." *Ibid.* Employment is a business relation, if not itself a business. It is a relation without which business could seldom be carried on effectively. The power to tax the activities and relations that constitute a calling considered as a unit is the power to tax any of them. The whole includes the parts. *Nashville, C. & St. L. Ry. Co.* v. *Wallace*, 288 U. S. 249, 267, 268.

The subject matter of taxation open to the power of the Congress is as comprehensive as that open to the power of the states, though the method of apportionment may at times be different. "The Congress shall have power to

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[5] The list of services is comprehensive. It included: "Maitre d'Hotel, House-steward, Master of the Horse, Groom of the Chamber, Valet de Chambre, Butler, Under-butler, Clerk of the Kitchen, Confectioner, Cook, House-porter, Footman, Running-footman, Coachman, Groom, Postillion, Stable-boy, and the respective Helpers in the Stables of such Coachman, Groom, or Postillion, or in the Capacity of Gardener (not being a Day-labourer), Park-keeper, Game-keeper, Huntsman, Whipper-in . . ."

[6] The statute, amended from time to time, but with its basic structure unaffected, is on the statute books today. Act of 1803, 43 George III, c. 161; Act of 1812, 52 George III, c. 93; Act of 1853, 16 & 17 Vict., c. 90; Act of 1869, 32 & 33 Vict., c. 14. 24 Halsbury's Laws of England, 1st ed., pp. 692 *et seq.*

[8] See also the following laws imposing occupation taxes: 12 Hening's Statutes of Virginia, p. 285, Act of 1786; Chandler, The Colonial Records of Georgia, vol. 19, Part 2, p. 88, Act of 1778; 1 Potter, Taylor and Yancey, North Carolina Revised Laws, p. 501, Act of 1784.

[9] The cases are brought together by Professor John MacArthur Maguire in an essay, "Taxing the Exercise of Natural Rights" (Harvard Legal Essays, 1934, pp. 273, 322).

The Massachusetts decisions must be read in the light of the particular definitions and restrictions of the Massachusetts Constitution. *Opinion of the Justices*, 282 Mass. 619, 622; 186 N. E. 490; 266 Mass. 590, 593; 165 N. E. 904. And see *Howes Brothers Co.* v. *Massachusetts Unemployment Compensation Comm'n*, *supra*, pp. 730, 731.

lay and collect taxes, duties, imposts and excises." Art. 1, § 8. If the tax is a direct one, it shall be apportioned according to the census or enumeration. If it is a duty, impost, or excise, it shall be uniform throughout the United States. Together, these classes include every form of tax appropriate to sovereignty. Cf. *Burnet* v. *Brooks*, 288 U. S. 378, 403, 405; *Brushaber* v. *Union Pacific R. Co.*, 240 U. S. 1, 12. Whether the tax is to be classified as an "excise" is in truth not of critical importance. If not that, it is an "impost" (*Pollock* v. *Farmers' Loan & Trust Co.*, 158 U. S. 601, 622, 625; *Pacific Insurance Co.* v. *Soule*, 7 Wall. 433, 445), or a "duty" (*Veazie Bank* v. *Fenno*, 8 Wall. 533, 546, 547; *Pollock* v. *Farmers' Loan & Trust Co.*, 157 U. S. 429, 570; *Knowlton* v. *Moore*, 178 U. S. 41, 46). A capitation or other "direct" tax it certainly is not. "Although there have been from time to time intimations that there might be some tax which was not a direct tax nor included under the words 'duties, imposts and excises,' such a tax for more than one hundred years of national existence has as yet remained undiscovered, notwithstanding the stress of particular circumstances has invited thorough investigation into sources of powers.' *Pollock* v. *Farmers' Loan & Trust Co.*, 157 U. S. 429, 557. There is no departure from that thought in later cases, but rather a new emphasis of it. Thus, in *Thomas* v. *United States*, 192 U. S. 363, 370, it was said of the words "duties, imposts and excises" that "they were used comprehensively to cover customs and excise duties imposed on importation, consumption, manufacture and sale of certain commodities, privileges, particular business transactions, vocations, occupations and the like." At times taxpayers have contended that the Congress is without power to lay an excise on the enjoyment of a privilege created by state law. The contention has been put aside as baseless. Congress may tax the transmission of property by inheritance or will, though the states and not Congress have created the privilege of succession. *Knowlton* v. *Moore*, *supra*, p. 58. Congress may tax the enjoyment of a corporate franchise, though a state and not Congress has brought the franchise into being. *Flint* v. *Stone Tracy Co.*, 220 U. S. 107, 155. The statute books of the states are strewn with illustrations of taxes laid on occupations pursued of common right.[7] We find no basis for a holding that the power in that regard which belongs by accepted practice to the legislatures of the States, has been denied by the Constituton to the Congress of the nation.

2. The tax being an excise, its imposition must conform to the canon of uniformity. There has been no departure from this requirement. According to the settled doctrine the uniformity exacted is geographical, not intrinsic. *Knowlton* v. *Moore*, *supra*, p. 83; *Flint* v. *Stone Tracy Co.*, *supra*, p. 158; *Billings* v. *United States*, 232 U. S. 261, 282; *Stellwagen* v. *Clum*, 245 U. S. 605, 613; *LaBelle Iron Works* v. *United States*, 256 U. S. 377, 392; *Poe* v. *Seaborn*, 282 U. S. 101, 117; *Wright* v. *Vinton Branch Mountain Trust Bank*, 300 U. S. 440. "The rule of liability shall be the same in all parts of the United States." *Florida* v. *Mellon*, 273 U. S. 12, 17.

Second. The excise is not invalid under the provisions of the Fifth Amendment by force of its exemptions.

The statute does not apply, as we have seen, to employers of less than eight. It does not apply to agricultural labor, or domestic service in a private home or to some other classes of less importance. Petitioner contends that the effect of these restrictions is an arbitrary discrimination vitiating the tax.

The Fifth Amendment unlike the Fourteenth has no equal protection clause. *LaBelle Iron Works* v. *United States*, *supra*; *Brushaber* v. *Union Pacific R. Co.*, *supra*, p. 24. But even the states, though subject to such a clause, are not confined to a formula of rigid uniformity in framing measures of taxation. *Swiss Oil Corp.* v. *Shanks*, 273 U. S. 407, 413. They may tax some kinds of property at one rate, and others at another, and exempt others altogether. *Bell's Gap R. Co.* v. *Pennsylvania*, 134 U. S. 232; *Stebbins* v. *Riley*, 268 U. S. 137, 142;

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[7] Alabama General Acts, 1935, c. 104, Art. XIII (flat license tax on occupations); Arizona Revised Code, Supplement (1936) § 3138a *et seq.* (General gross receipts tax); Connecticut General Statutes, Supplement (1935) §§ 457c, 458c (gross receipts tax on unincorporated businesses); Revised Code of Delaware (1935) §§ 192–197 (flat license tax on occupations); Compiled Laws of Florida, Permanent Supplement (1936) Vol. I, § 1279 (flat license tax on occupations); Georgia Laws, 1935, p. 11 (flat license tax on occupations); Indiana Statutes Ann. (1933) § 64–2601 *et seq.* (general gross receipts tax); Louisiana Laws, 3rd Extra Session, 1934, Act No. 15, 1st Extra Session, 1935, Acts Nos. 5, 6 (general gross receipts tax); Mississippi Laws, 1934, c. 119 (general gross receipts tax); New Mexico Laws, 1935, c. 73 (general gross receipts tax); South Dakota Laws, 1933, c. 184 (general gross receipts tax, expired June 30, 1935); Washington Laws, 1935, c. 180, Title II (general gross receipts tax); West Virginia Code, Supplement (1935) § 960 (general gross receipts tax).

Ohio Oil Co. v. *Conway*, 281 U. S. 146, 150. They may lay an excise on the operations of a particular kind of business, and exempt some other kind of business closely akin thereto. *Quong Wing* v. *Kirkendall*, 223 U. S. 59, 62; *American Sugar Refining Co.* v. *Louisiana*, 179 U. S. 89, 94; *Armour Packing Co.* v. *Lacy*, 200 U. S. 226, 235; *Brown-Forman Co.* v. *Kentucky*, 217 U. S. 563, 573; *Heisler* v. *Thomas Colliery Co.*, 260 U. S. 245, 255; *State Board of Tax Comm'rs* v. *Jackson*, 283 U. S. 527, 537, 538. If this latitude of judgment is lawful for the states, it is lawful, *a fortiori*, in legislation by the Congress, which is subject to restraints less narrow and confining. *Quong Wing* v. *Kirkendall*, *supra*.

The classifications and exemptions directed by the statute now in controversy have support in considerations of policy and practical convenience that cannot be condemned as arbitrary. The classifications and exemptions would therefore be upheld if they had been adopted by a state and the provisions of the Fourteenth Amendment were invoked to annul them. This is held in two cases passed upon today in which precisely the same provisions were the subject of attack, the provisions being contained in the Unemployment Compensation Law of the State of Alabama. *Carmichael* v. *Southern Coal & Coke Co.*, and *Carmichael* v. *Gulf States Paper Corp.*, *ante*, p. 495. The opinion rendered in those cases covers the ground fully. It would be useless to repeat the argument. The act of Congress is therefore valid, so far at least as its system of exemptions is concerned, and this though we assume that discrimination, if gross enough, is equivalent to confiscation and subject under the Fifth Amendment to challenge and annulment.

Third. This excise is not void as involving the coercion of the States in contravention of the Tenth Amendment or of restrictions implicit in our federal form of government.

The proceeds of the excise when collected are paid into the Treasury at Washington, and thereafter are subject to appropriation like public moneys generally. *Cincinnati Soap Co.* v. *United States*, *ante*, p. 308. No presumption can be indulged that they will be misapplied or wasted.[8] Even if they were collected in the hope or expectation that some other and collateral good would be furthered as an incident, that without more would not make the act invalid. *Sonzinsky* v. *United States*, 300 U. S. 506. This indeed is hardly questioned. The case for the petitioner is built on the contention that here an ulterior aim is wrought into the very structure of the act, and what is even more important, that the aim is not only ulterior, but essentially unlawful. In particular, the 90-per-cent credit is relied upon as supporting that conclusion. But before the statute succumbs to an assault upon these lines, two propositions must be made out by the assailant. *Cincinnati Soap Co.* v. *United States*, *supra*. There must be a showing in the first place that separated from the credit the revenue provisions are incapable of standing by themselves. There must be a showing in the second place that the tax and the credit in combination are weapons of coercion, destroying or impairing the autonomy of the states. The truth of each proposition being essential to the success of the assault, we pass for convenience to a consideration of the second, without pausing to inquire whether there has been a demonstration of the first.

To draw the line intelligently between duress and inducement there is need to remind ourselves of facts as to the problem of unemployment that are now matters of common knowledge. *West Coast Hotel Co.* v. *Parrish*, 300 U. S. 379. The relevant statistics are gathered in the brief of counsel for the Government. Of the many available figures a few only will be mentioned. During the years 1929 to 1936, when the country was passing through a cyclical depression, the number of the unemployed mounted to unprecedented heights. Often the average was more than 10 million; at times a peak was attained of 16 million or more. Disaster to the breadwinner meant disaster to dependents. Accordingly the roll of the unemployed, itself formidable enough, was only a partial roll of the destitute or needy. The fact developed quickly that the states were unable to give the requisite relief. The problem had become national in area and dimensions. There was need of help from the nation if the people were not to starve. It is too late today for the argument to be heard with tolerance that in a crisis so extreme the use of the moneys of the nation to relieve the unemployed and their dependents is a use for any purpose narrower than the promotion of

[8] The total estimated receipts, without taking into account the 90-percent deduction, range from $225,000,000 in the first year to over $900,000,000 seven years later. Even if the maximum credits are available to taxpayers in all states, the maximum estimated receipts from Title IX will range between $22,000,000, at one extreme, to $90,000,000 at the other. If some of the states hold out in their unwillingness to pass statutes of their own, the receipts will be still larger.

the general welfare. Cf. *United States* v. *Butler*, 297 U. S. 1, 65, 66, *Helvering* v. *Davis*, decided herewith, *post*, p. 619. The nation responded to the call of the distressed. Between January 1, 1933, and July 1, 1936, the states (according to statistics submitted by the Government) incurred obligations of $680,291,802 for emergency relief; local subdivisions an additional $775,675,366. In the same period the obligations for emergency relief incurred by the national government were $2,020,807,125, or twice the obligations of states and local agencies combined. According to the President's budget message for the fiscal year 1938, the national government expended for public works and unemployment relief for the three fiscal years 1934, 1935, and 1936, the stupendous total of $8,681,000,000. The *parens patriae* has many reasons—fiscal and economic as well as social and moral—for planning to mitigate disasters that bring these burdens in their train.

In the presence of this urgent need for some remedial expedient, the question is to be answered whether the expedient adopted has overlept the bounds of power. The assailants of the statute say that its dominant end and aim is to drive the state legislatures under the whip of economic pressure into the enactment of unemployment compensation laws at the bidding of the central government. Supporters of the statute say that its operation is not constraint, but the creation of a larger freedom, the states and the nation joining in a cooperative endeavor to avert a common evil. Before Congress acted, unemployment compensation insurance was still, for the most part, a project and no more. Wisconsin was the pioneer. Her statute was adopted in 1931. At times bills for such insurance were introduced elsewhere, but they did not reach the stage of law. In 1935, four states (California, Massachusetts, New Hampshire and New York) passed unemployment laws on the eve of the adoption of the Social Security Act, and two others did likewise after the federal act and later in the year. The statutes differed to some extent in type, but were directed to a common end. In 1936, twenty-eight other states fell in line, and eight more the present year. But if states had been holding back before the passage of the federal law, inaction was not owing, for the most part, to the lack of sympathetic interest. Many held back through alarm lest, in laying such a toll upon their industries, they would place themselves in a position of economic disadvantage as compared with neighbors or competitors. See House Report, No. 615, 74th Congress, 1st session, p. 8; Senate Report, No. 628, 74th Congress, 1st session, p. 11.[*] Two consequences ensued. One was that the freedom of a state to contribute its fair share to the solution of a national problem was paralyzed by fear. The other was that insofar as there was failure by the states to contribute relief according to the measure of their capacity, a disproportionate burden, and a mountainous one, was laid upon the resources of the Government of the nation.

The Social Security Act is an attempt to find a method by which all these public agencies may work together to a common end. Every dollar of the new taxes will continue in all likelihood to be used and needed by the nation as long as states are unwilling, whether through timidity or for other motives, to do what can be done at home. At least the inference is permissible that Congress so believed, though retaining undiminished freedom to spend the money as it pleased. On the other hand fulfillment of the home duty will be lightened and encouraged by crediting the taxpayer upon his account with the Treasury of the nation to the extent that his contributions under the laws of the locality have simplified or diminished the problem of relief and the probable demand upon the resources of the fisc. Duplicated taxes, or burdens that approach them, are recognized hardships that government, state or national, may properly avoid. *Henneford* v. *Silas Mason Co.*, *supra*; *Kidd* v. *Alabama*, 188 U. S. 730, 732; *Watson* v. *State Comptroller*, 254 U. S. 122, 125. If Congress believed that the general welfare would better be promoted by relief through local units than by the system then in vogue, the cooperating localities ought not in all fairness to pay a second time.

Who then is coerced through the operation of this statute? Not the taxpayer. He pays in the fulfillment of the mandate of the local legislature. Not the state. Even now she does not offer a suggestion that in passing the unemployment

[*] The attitude of Massachusetts is significant. Her act became a law August 12, 1935, two days before the federal act. Even so, she prescribed that its provisions should not become operative unless the federal bill became a law, or unless eleven of the following states (Alabama, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Maine, Maryland, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Rhode Island, South Carolina, Tennessee, Vermont) should impose on their employers burdens substantially equivalent. Acts of 1935, c. 479, p. 355. Her fear of competition is thus forcefully attested. See also California Laws, 1935, c. 352, Art. I, § 2; Idaho Laws, 1936 (Third Extra Session) c. 12, § 26; Mississippi Laws, 1936, c. 176, § 2-a.

law she was affected by duress. See *Carmichael* v. *Southern Coal & Coke Co.*, and *Carmichael* v. *Gulf States Paper Corp.*, *supra*. For all that appears she is satisfied with her choice, and would be sorely disappointed if it were now to be annulled. The difficulty with the petitioner's contention is that it confuses motive with coercion. "Every tax is in some measure regulatory. To some extent it interposes an economic impediment to the activity taxed as compared with others not taxed." *Sonzinsky* v. *United States*, *supra*. In like manner every rebate from a tax when conditioned upon conduct is in some measure a temptation. But to hold that motive or temptation is equivalent to coercion is to plunge the law in endless difficulties. The outcome of such a doctrine is the acceptance of a philosophical determinism by which choice becomes impossible. Till now the law has been guided by a robust commonsense which assumes the freedom of the will as a working hypothesis in the solution of its problems. The wisdom of the hypothesis has illustration in this case. Nothing in the case suggests the exertion of a power akin to undue influence, if we assume that such a concept can ever be applied with fitness to the relations between state and nation. Even on that assumption the location of the point at which pressure turns into compulsion, and ceases to be inducement, would be a question of degree—at times, perhaps, of fact. The point had not been reached when Alabama made her choice. We cannot say that she was acting, not of her unfettered will, but under the strain of a persuasion equivalent to undue influence, when she chose to have relief administered under laws of her own making, by agents of her own selection, instead of under federal laws, administered by federal officers, with all the ensuing evils, at least to many minds, of federal patronage and power. There would be a strange irony, indeed, if her choice were now to be annulled on the basis of an assumed duress in the enactment of a statute which her courts have accepted as a true expression of her will. *Beeland Wholesale Co.* v. *Kaufman*, *supra*. We think the choice must stand.

In ruling as we do, we leave many questions open. We do not say that a tax is valid, when imposed by act of Congress, if it is laid upon the condition that a state may escape its operation through the adoption of a statute unrelated in subject matter to activities fairly within the scope of national policy and power. No such question is before us. In the tender of this credit Congress does not intrude upon fields foreign to its function. The purpose of its intervention, as we have shown, is to safeguard its own treasury and as an incident to that protection to place the states upon a footing of equal opportunity. Drains upon its own resources are to be checked; obstructions to the freedom of the states are to be leveled. It is one thing to impose a tax dependent upon the conduct of the taxpayers, or of the state in which they live, where the conduct to be stimulated or discouraged is unrelated to the fiscal need subserved by the tax in its normal operation, or to any other end legitimately national. The *Child Labor Tax Case*, 259 U. S. 20, and *Hill* v. *Wallace*, 259 U. S. 44, were decided in the belief that the statutes there condemned were exposed to that reproach. Cf. *United States* v. *Constantine*, 296 U. S. 287. It is quite another thing to say that a tax will be abated upon the doing of an act that will satisfy the fiscal need, the tax and the alternative being approximate equivalents. In such circumstances, if in no others, inducement or persuasion does not go beyond the bounds of power. We do not fix the outermost line. Enough for present purposes that wherever the line may be, this statute is within it. Definition more precise must abide the wisdom of the future.

Florida v. *Mellon*, 273 U. S. 12, supplies us with a precedent, if precedent be needed. What was in controversy there was § 301 of the Revenue Act of 1926, which imposes a tax upon the transfer of a decedent's estate, while at the same time permitting a credit, not exceeding 80 percent, for "the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory." Florida challenged that provision as unlawful. Florida had no inheritance taxes and alleged that under its constitution it could not levy any. 273 U. S. 12, 15. Indeed, by abolishing inheritance taxes, it had hoped to induce wealthy persons to become its citizens. See 67 Cong. Rec., Part 1, pp. 735, 752. It argued at our bar that "the Estate Tax provision was not passed for the purpose of raising federal revenue" (273 U. S. 12, 14), but rather "to coerce States into adopting estate or inheritance tax laws." 273 U. S. 12, 13. In fact, as a result of the 80 percent credit, material changes of such laws were made in 36 states.[10] In the

[10] Perkins, State action under the Federal Estate Tax Credit Clause, 13 North Carolina L. Rev. 271, 280.

face of that attack we uphold the act as valid. Cf. *Massachusetts* v. *Mellon*, 262 U. S. 447, 482; also Act of August 5, 1861, c. 45, 12 Stat. 292; Act of May 13, 1862, c. 66, 12 Stat. 384.

United States v. *Butler*, *supra*, is cited by petitioner as a decision to the contrary. There a tax was imposed on processors of farm products, the proceeds to be paid to farmers who would reduce their acreage and crops under agreements with the Secretary of Agriculture, the plan of the act being to increase the prices of certain farm products by decreasing the quantities produced. The court held (1) that the so-called tax was not a true one (pp. 56, 61), the proceeds being earmarked for the benefit of farmers complying with the prescribed conditions, (2) that there was an attempt to regulate production without the consent of the state in which production was affected, and (3) that the payments to farmers were coupled with coercive contracts (p. 73), unlawful in their aim and oppressive in their consequences. The decision was by a divided court, a minority taking the view that the objections were untenable. None of them is applicable to the situation here developed.

(a) The proceeds of the tax in controversy are not earmarked for a special group.

(b) The unemployment compensation law which is a condition of the credit has had the approval of the state and could not be a law without it.

(c) The condition is not linked to an irrevocable agreement, for the state at its pleasure may repeal its unemployment law, § 903 (a) (6), terminate the credit, and place itself where it was before the credit was accepted.

(d) The condition is not directed to the attainment of an unlawful end, but to an end, the relief of unemployment, for which nation and state may lawfully coöperate.

Fourth. The statute does not call for a surrender by the states of powers essential to their quasi-sovereign existence.

Argument to the contrary has its source in two sections of the act. One section (903 [11]) defines the minimum criteria to which a state compensation system is required to conform if it is to be accepted by the Board as the basis for a credit. The other section (904 [12]) rounds out the requirement with complementary rights and duties. Not all the criteria or their incidents are challenged as unlawful. We will speak of them first generally, and then more specifically in so far as they are questioned.

A credit to taxpayers for payments made to a State under a state unemployment law will be manifestly futile in the absence of some assurance that the law leading to the credit is in truth what it professes to be. An unemployment law framed in such a way that the unemployed who look to it will be deprived of reasonable protection is one in name and nothing more. What is basic and essential may be assured by suitable conditions. The terms embodied in these sections are directed to that end. A wide range of judgment is given to the several states as to the particular type of statute to be spread upon their books. For anything to the contrary in the provisions of this act they may use the pooled unemployment form, which is in effect with variations in Alabama, California, Michigan, New York, and elsewhere. They may establish a system of merit ratings applicable at once or to go into effect later on the basis of subsequent experience. Cf. §§ 909, 910. They may provide for employee contributions as in Alabama and California, or put the entire burden upon the employer as in New York. They may choose a system of unemployment reserve accounts by which an employer is permitted after his reserve has accumulated to contribute at a reduced rate or even not at all. This is the system which had its origin in Wisconsin. What they may not do, if they would earn the credit, is to depart from those standards which in the judgment of Congress are to be ranked as fundamental. Even if opinion may differ as to the fundamental quality of one or more of the conditions, the difference will not avail to vitiate the statute. In determining essentials Congress must have the benefit of a fair margin of discretion. One cannot say with reason that this margin has been exceeded, or that the basic standards have been determined in any arbitrary fashion. In the event that some particular condition shall be found to be too uncertain to be capable of enforcement, it may be severed from the others, and what is left will still be valid.

We are to keep in mind steadily that the conditions to be approved by the Board as the basis for a credit are not provisions of a contract, but terms of a statute, which may be altered or repealed. § 903 (a) (6). The state does not

[11] See note 1, *supra*.
[12] See note 2, *supra*.

bind itself to keep the law in force. It does not even bind itself that the moneys paid into the federal fund will be kept there indefinitely or for any stated time. On the contrary, the Secretary of the Treasury will honor a requisition for the whole or any part of the deposit in the fund whenever one is made by the appropriate officials. The only consequence of the repeal or excessive amendment of the statute, or the expenditure of the money, when requisitioned, for other than compensation uses or administrative expenses, is that approval of the law will end, and with it the allowance of a credit, upon notice to the state agency and an opportunity for hearing. § 903 (b) (c).

These basic considerations are in truth a solvent of the problem. Subjected to their test, the several objections on the score of abdication are found to be unreal.

Thus, the argument is made that by force of an agreement the moneys when withdrawn must be "paid through public employment offices in the State or through such other agencies as the Board may approve." § 903 (a) (1). But in truth there is no agreement as to the method of disbursement. There is only a condition which the state is free at pleasure to disregard or to fulfill. Moreover, approval is not requisite if public employment offices are made the disbursing instruments. Approval is to be a check upon resort to "other agencies" that may, perchance, be irresponsible. A state looking for a credit must give assurance that her system has been organized upon a base of rationality.

There is argument again that the moneys when withdrawn are to be devoted to specific uses, the relief of unemployment, and that by agreement for such payment the quasi-sovereign position of the state has been impaired, if not abandoned. But again there is confusion between promise and condition. Alabama is still free, without breach of an agreement, to change her system overnight. No officer or agency of the national Government can force a compensation law upon her or keep it in existence. No officer or agency of that Government, either by suit or other means, can supervise or control the application of the payments.

Finally and chiefly, abdication is supposed to follow from § 904 of the statute and the parts of § 903 that are complementary thereto. § 903 (a) (3). By these the Secretary of the Treasury is authorized and directed to receive and hold in the Unemployment Trust Fund all moneys deposited therein by a state agency for a state unemployment fund and to invest in obligations of the United States such portion of the Fund as is not in his judgment required to meet current withdrawals. We are told that Alabama in consenting to that deposit has renounced the plenitude of power inherent in her statehood.

The same pervasive misconception is in evidence again. All that the state has done is to say in effect through the enactment of a statute that her agents shall be authorized to deposit the unemployment tax receipts in the Treasury at Washington. Alabama Unemployment Act of September 14, 1935, § 10 (1). The statute may be repealed. § 903 (a) (6). The consent may be revoked. The deposits may be withdrawn. The moment the state commission gives notice to the depositary that it would like the moneys back, the Treasurer will return them. To find state destruction there is to find it almost anywhere. With nearly as much reason one might say that a state abdicates its functions when it places the state moneys on deposit in a national bank.

There are very good reasons of fiscal and governmental policy why a State should be willing to make the Secretary of the Treasury the custodian of the fund. His possession of the moneys and his control of investments will be an assurance of stability and safety in times of stress and strain. A report of the Ways and Means Committee of the House of Representatives, quoted in the margin, develops the situation clearly.[18] Nor is there risk of loss or waste. The

[18] "This last provision will not only afford maximum safety for these funds but is very essential to insure that they will operate to promote the stability of business rather than the reverse. Unemployment reserve funds have the peculiarity that the demands upon them fluctuate considerably, being heaviest when business slackens. If, in such times, the securities in which these funds are invested are thrown upon the market for liquidation, the net effect is likely to be increased deflation. Such a result is avoided in this bill through the provision that all reserve funds are to be held by the United States Treasury, to be invested and liquidated by the Secretary of the Treasury in a manner calculated to promote business stability. When business conditions are such that investment in securities purchased on the open market is unwise, the Secretary of the Treasury may issue special nonnegotiable obligations exclusively to the unemployment trust fund. When a reverse situation exists and heavy drains are made upon the funds for payment of unemployment benefits, the Treasury does not have to dispose of the securities belonging to the fund in open market but may assume them itself. With such a method of handling the reserve funds, it is believed that this bill will solve the problem often raised in discussions of unemployment compensation, regarding the possibility of transferring purchasing power from boom periods to depression periods. It will in fact operate to sustain purchasing power at the onset of a depression without having any counteracting deflationary tendencies." House Report No. 615, 74th Congress, 1st session, p. 9.

credit of the Treasury is at all times back of the deposit, with the result that the right of withdrawal will be unaffected by the fate of any intermediate investments, just as if a checking account in the usual form had been opened in a bank.

The inference of abdication thus dissolves in thinnest air when the deposit is conceived of as dependent upon a statutory consent, and not upon a contract effective to create a duty. By this we do not intimate that the conclusion would be different if a contract were discovered. Even sovereigns may contract without derogating from their sovereignty. *Perry* v. *United States*, 294 U. S. 330, 353; 1 Oppenheim, International Law, 4th ed., §§ 493, 494; Hall, International Law, 8th ed., § 107; 2 Hyde, International Law, § 489. The states are at liberty, upon obtaining the consent of Congress, to make agreements with one another. Constitution, Art. I, § 10, par. 3. *Poole* v. *Fleeger*, 11 Pet. 185, 209; *Rhode Island* v. *Massachusetts*, 12 Pet. 657, 725. We find no room for doubt that they may do the like with Congress if the essence of their statehood is maintained without impairment.[14] Alabama is seeking and obtaining a credit of many millions in favor of her citizens out of the Treasury of the nation. Nowhere in our scheme of government—in the limitations express or implied of our federal constitution—do we find that she is prohibited from assenting to conditions that will assure a fair and just requital for benefits received. But we will not labor the point further. An unreal prohibition directed to an unreal agreement will not vitiate an act of Congress, and cause it to collapse in ruin.

Fifth. Title III of the act is separable from Title IX, and its validity is not at issue.

The essential provisions of that title have been stated in the opinion. As already pointed out, the title does not appropriate a dollar of the public moneys. It does no more than authorize appropriations to be made in the future for the purpose of assisting states in the administration of their laws, if Congress shall decide that appropriations are desirable. The title might be expunged, and Title IX would stand intact. Without a severability clause we should still be led to that conclusion. The presence of such a clause (§ 1103) makes the conclusion even clearer. *Williams* v. *Standard Oil Co.*, 278 U. S. 235, 242; *Utah Power & Light Co.* v. *Pfost*, 286 U. S. 165, 184; *Carter* v. *Carter Coal Co.*, 298 U. S. 238, 312.

The judgment is *Affirmed*.

Separate opinion of MR. JUSTICE MCREYNOLDS.

That portion of the Social Security legislation here under consideration, I think, exceeds the power granted to Congress. It unduly interferes with the orderly government of the State by her own people and otherwise offends the Federal Constitution.

The CHAIRMAN. Now, the next witness is Mr. William Batt, secretary of industry and labor of the State of Pennsylvania.

Proceed, Mr. Batt.

STATEMENT OF WILLIAM L. BATT, JR., SECRETARY OF LABOR AND INDUSTRY OF THE STATE OF PENNSYLVANIA, ACCOMPANIED BY JOHN ADAMS, DIRECTOR OF THE BUREAU OF EMPLOYMENT SECURITY

Mr. BATT. Thank you, Senator. I would like to introduce to the committee, also, Dr. John Adams, director of the bureau of employment security, whom I asked to come with me in case we have some specific questions involved in the operation of our system.

The CHAIRMAN. Yes, sir; come forward.

Mr. BATT. Governor Leader was sorry he was unable to be here today, but asked me to present this statement in his name.

It is a real privilege to appear before this committee to present our position on the proposed legislation to extend unemployment-insur-

[14] Cf. 12 Stat. 503; 26 Stat. 417.

ance benefits to workers whose benefit rights have been exhausted because of this national recession. Many of these workers have exhausted their savings and their few remaining resources. They aren't interested in who gets the credit for this legislation; they are interested in getting meat and potatoes and milk on the table for their families.

More than 50,000 unemployed workers have exhausted their benefit rights since December in Pennsylvania alone; some 8,000 since last September, when recession unemployment began to rise. Of the over 500,000 unemployed reported for mid-April in the Commonwealth, over 50,000 had already exhausted their benefit rights. Another 70,000 were unemployed, but were not entitled to any benefits, either because they had worked in noncovered employment or because they had insufficient wages in covered employment.

As long as the national recession continues, we will add nearly 20,000 Pennsylvania workers per month to this already large total. Workers laid off last fall have exhausted their benefits this spring, because the national recession became very obvious to us, Senator, when the orders from the automobile industry on the steel industry were canceled, and the steel industry canceled their shipments on the railroads, and the railroads on the coal mines, and we got this relaying effect, and these folks were laid off September, October, and November.

We have very adequate, what we thought were adequate, as compared to the rest of the country, very generous extension of 30 weeks, but even that is quite inadequate to handle a national recession as long and as severe as this one.

Our position is simple and forthright. We want and need prompt action by Congress to provide authority for, and funds to pay, benefits not now available to these thousands of our citizens who are in need. The need for this immediate. It has already been too long delayed.

My State is in no position to extend benefits to these workers without Federal assistance. Pennsylvania now provides unusually wide insurance coverage to its workers. We have, as you have in Utah, Senator, benefit coverage for 1 or more, and one of the longest duration periods among the States, 30 weeks.

Our disbursements are now running at an annual cost rate of 4 percent of taxable wages, a figure which may be compared with a maximum tax rate of 2.7 percent. Our payments in the first quarter of 1958, for example, were $102 millions, and currently average in excess of $1.5 million a day. Our office is on the two-shift basis, and we are working Saturdays to get these checks out.

Our reserve is at its postwar low, $232 million on May 1, 1958, or enough to pay benefits at present rates for a little over 2 quarters.

The CHAIRMAN. Does it allow for income?

Mr. BATT. Pardon me, sir?

The CHAIRMAN. Does it allow for the income?

Mr. BATT. It does not include the May credits, Senator, but our credits, of course, are falling far below our payments out.

The CHAIRMAN. I understand, but when you make a statement of that kind, you ought to make allowance.

Mr. BATT. We will make a revised estimate, sir, for the record, on how long they last with the expected income.

(Before the conclusion of his testimony, Mr. Batt subsequently said:)

Mr. Chairman, you asked a question, sir, how long would this fund balance last, taking into account the incoming taxes, and Dr. Adams estimated it would be a little over 1½ years at the present rate of benefits.

The CHAIRMAN. The interest earned should be included also.

Mr. BATT. Obviously, we need help in dealing with this problem, financially, for our fund cannot assume additional liabilities under these conditions. This drain has been the result of the national recession, and we believe it should be shared nationally.

We do not have 48 separate State economies which work independently; we have 1 national economy. This is not 48 different recessions; it is 1 national recession.

It seems to us, the problem, then, must be attacked nationwide, not piecemeal by States.

Our criticism, sir, of the legislation you are now considering, this H. R. 12065, is that it does not attack this problem nationwide. It does deal with it piecemeal by States. It tends to Balkanize the United States.

It provides that each State will determine whether or not it wishes to participate. It contains provisions that may make it legally difficult, if not impossible, for some States to participate. Other States who may agree to take part may be long delayed in making payments to the workers by individual court actions, testing legality.

We have already been told that we will get some in our State.

I would like to comment here, in passing, on Senator Douglas' telegram and the replies and on the opinion that Senator—reported on this morning from the Library of Congress, which indicates that our situation is not unique in this regard.

It is considerably weaker than either the original Mills bill or the original administration proposal. The first would have provided grants—the second, mandatory loans.

It seems to us, Senator, that this bill tends to penalize States which choose to come in under it. Their employees will have to pay higher taxes some years hence to be sure, or their legislatures will have to appropriate funds to repay the loan, and in any case, we may require, it is not clear, a special session, or Governor's action which may incur possible long legal litigation.

It certainly would tend to penalize those States that come in under it.

If the Congress recognizes the present unemployment as a national problem, the extension of unemployment insurance should be made applicable to workers who have exhausted their benefits in whatever State or Territory they happen to live in.

Let it be mandatory, as the President originally proposed, and let the States administer it as we now administer insurance programs for Federal employees and Korean war veterans, as agents for the Federal Government. And let the Federal Government provide the funds to finance the program as grants, not as loans. This would assure Congress, the States and the unemployed that the bill's professed objectives would be realized promptly.

Pennsylvania wishes to make its position clear on another important phase of this program. We believe we have achieved a relatively

broad standard of benefits for our insured workers. We are high on most, fall short on a few.

Our standards for program solvency and assured revenue to meet our high benefit provisions appear to be less than satisfactory at this time. We know we are not alone among the States, as to deficiencies in coverage, benefits, eligibility, and financing.

It is our firm conviction that it is time for the Congress to help to improve the program and to equalize costs and performance by developing and prescribing minimum standards as to:

1. Coverage requirements.
2. Financial eligibility requirements.
3. Qualifications.
4. Benefit amounts and duration.
5. Financial solvency, including reserves, tax bases, and tax rates.

I urge you, therefore, to establish Federal standards that will insure an adequate benefit formula for the maximum number of our workers, and a sound financial base for raising the money to meet the obligations in good and in bad times.

This recession, it seems to us, has proved the inadequacy of the present system.

And those, I might add, would certainly be minimum standards. I do not think the Federal Government should prescribe maximum standards, and a State could improve on these minimum standards as it wished.

The argument has been raised that proposals for Federal financing of the program are unreasonable in light of the fact that approximately $8 billion are now available in the State's reserve funds, which would be used before Federal funds are requested. One fallacy of this argument, it seems to us, Senator, is that the big reserves are not necessarily in the States with the big unemployment.

Much of that 8 billion is in the wrong places to meet the Nation's need. Undoubtedly some States have reserves of such magnitude that payment of these benefits would present no problems, and I dare say that is where the unemployment and recession has hit lightest.

The CHAIRMAN. They still have a loan fund available.

Mr. BATT. Others, and these include Pennsylvania and other highly industrialized States where unemployment is greatest, have had their reserves so depleted that they will face serious financial problems in the not too distant future if this national recession is not ended.

That is quite right, Senator. We do, of course, have the Reed bill fund. At the same time, that also incurs an obligation on the part of the State, and I would seriously doubt if the legislature would feel free to extend benefits when we were having to apply for Reed bill funds.

In hearings before the Ways and Means Committee of the House of Representatives several weeks ago, testimony was introduced to the effect that if payments continue at the present rate, and even if all tax revenue stopped, there are sufficient reserves to their respective credits to permit Louisiana to continue payments to claimants for more than 38 years, Arizona and New Mexico for more than 20 years.

These States are in such excellent financial condition and I congratulate them on their success in building such large fund balances. On the other hand, Pennsylvania hard it by this national recession has reserves for only about 1 year.

This low balance in the Pennsylvania account exists in spite of the fact that our average tax is at the comparatively high rate of 2.5 percent, and whether or not this recession is halted quickly, will reach the maximum of 2.7 percent for 1959.

Unfortunately, the States that are hardest hit by this national recession, whose unemployed workers are in the greatest need of financial assistance, and whose employers are already in a relatively high tax bracket, are States least able to assume additional burdens in their unemployment insurance systems, and I would like to make reference to Senator Douglas' comment on Senator Kennedy's testimony that this is not because of any particular virtue or vice on the part of any State, Senator. This is because of the industrial complexion which our State has, and Massachusetts and Rhode Island, which Senator Kennedy was talking about, have.

We are—we have as our industrial backbone the steel industry which has been enormously hit by this recession, the railroad industry. We have the coal industry, coal mining industry, both soft coal and anthracite coal. We have the textile industry, and it just so happens that this national recession has hit these industries hard on top of long-term, chronic unemployment in a number of these industries, that has stretched for many, many years.

If Congress intends to aid those unemployed workers who have already exhausted their benefit rights and aid them promptly, as well as the many others not now eligible for coverage under the act, to bolster the national economy by increasing purchasing power where it is most needed and to raise the standards in the unemployment insurance program, which we feel is long overdue, we strongly recommend amendment of the legislation before you to provide for a mandatory uniform nationwide program, effective immediately, to cover the maximum number of workers in need and financed by Federal grants, not by loans.

In this manner, administrative, legal, and legislative delays can be eliminated, and this program be made operative on the widest possible scale quickly.

Similarly, we believe this is the best means to secure quickly the needed improvements in this program. This would deal a real blow to the national recession. It would be a forthright assumption of responsibility by the Congress for a national program to meet a national program.

If there is one thing that I would like to emphasize and reemphasize, it is this, Senator: if some way could be found by your committee or by the entire Senate, to make these extended unemployment benefits available to States without a special session of their legislatures, and without a long and confusing and expensive litigation in the courts, which might follow in case Governors act without such special sessions of their legislatures, if you could somehow get over that hurdle, so that it would clearly—these funds would be clearly available to extend benefits for our workers who have exhaused their benefits——

The CHAIRMAN. You mean funds under the House bill?

Mr. BATT. Yes, sir; the funds contemplated under the House bill, if you could somehow get over that hurdle and make it clear which is not now clear, that is the thing we would like to emphasize.

The CHAIRMAN. How would you suggest making it clear?

Mr. BATT. Sir, I present the problem. We haven't—my dad has a story about this—I don't know how you do it, but if this could somehow be made clear, we would—if you would like us to, we will take a crack at drafting some language, although I am sure you folks could do it much better——

The CHAIRMAN. You want to make it clear that you could use the funds without a session of the legislature, is that right?

Mr. BATT. Yes, sir.

The CHAIRMAN. Why do you think it is so dangerous to call a special session of the Legislature of Pennsylvania?

Mr. BATT. I feel that if you want to get funds in a hurry, Senator, to the people who need them so badly, I think you, in effect, install a barrier between your will and your means by requiring special sessions of 48 legislatures in the United States.

The CHAIRMAN. I don't assume you would not trust the members of the Pennsylvania Legislature. Don't you think they would take such steps within reason to alleviate those conditions?

Mr. BATT. Well, sir, I have no way of knowing and I must say they would face the same facts I have presented to you if they were asked to extend the benefits, and that is that the fund balance is exceedingly low, and they would face a very real problem.

I can't guarantee the operation of the State Legislature, and if we don't know what ours—how ours would act, of course, I assume that is true in every one of the 48 States and in the Territories.

In any case, sir, it would certainly delay and very possibly stop altogether the payments, the extension of these benefits that the Congress presumably seeks.

The CHAIRMAN. Why is that?

Mr. BATT. Well, it would certainly delay them because you would have to wait for 51 legislatures to meet and act and it might endanger them because many of the legislatures might not act favorably.

The only State, sir, that I know, and I think this was made clear in the replies to Senator Douglas' telegram, that has forseen this is New York State who passed a law, with this law in mind, so they are the only one I know which would be able to put it into effect promptly without a session of the legislature.

The CHAIRMAN. Why wouldn't other States do the same thing?

Mr. BATT. Because the legislature, sir, has met in New York State and has——

The CHAIRMAN. It has met and adopted legislation it believed necessary to meet the situation. Why don't you think that Pennsylvania wouldn't do the same for the unemployed there?

Mr. BATT. I don't know whether they would or would not, sir. But I know New York State took 3 years to pass this legislation, and this is the kind of delay I would hope we would avoid.

The CHAIRMAN. I understood it was emergency legislation that passed in view of this situation.

Mr. BATT. Well, sir, as I remember the argument in New York State between the—the argument between the Governor and the legislature has been going on for 2 or 3 years.

The CHAIRMAN. There was certainly some emergency involved in it if they passed legislation in anticipation of what Congress was going to do.

Mr. BATT. Yes, sir, and, of course, they also have a fund balance which is substantially in better shape than ours or than many of the States that have been the hardest hit.

New York State has not been hard hit.

The CHAIRMAN. You discussed the legislatures not meeting responsibility. We in Congress are trying to meet our responsibility.

Mr. BATT. Well, sir, "distrust" is not the word. It is not my word. I certainly say I can't guarantee their performance.

The CHAIRMAN. What you have said indicates to me if the legislature of Pennsylvania did meet, they may not take action to make effective the legislation that we pass here in Washington.

Mr. BATT. I think certainly the Congress, sir, would have to envision that possibility.

The CHAIRMAN. You know much more about Pennsylvania than the Congress does. You are more familiar with that situation, I imagine.

I don't want to embarrass you, but that question—I do think that many of these States are just as conscious of the situation as we are here in Washington.

Mr. BATT. That is quite correct, sir, but I must point out again that these States which are most conscious of the situation have it, have been hit hardest, as in our case, and I believe in other cases as well, also, those in which their funds balances are in the worse condition, where the State faces the toughest problem in terms of the fund, and the system taking on additional obligations when they are having a tough time meeting the obligations they have already got.

The CHAIRMAN. Are there any questions?

Senator DOUGLAS. Mr. Batt, you have said that you prefer Federal grants to Federal loans because of the financial position in Pennsylvania, to which we would add the difficult financial position of Rhode Island, Oregon, and Michigan. Those are the four States, I think, which are in the greatest difficulty.

But when this proposal is put forward we meet the objection that there are other States with ample reserves that do not need grants for the payment of these emergency benefits.

I wonder if one could work out, not a compromise, but a synthesis of these two conflicting points of view. I would like to ask your judgment on the following possibility:

You would have a mandatory Federal loan to pay these families which would be repaid by the States able to do so, let's say, beginning in 1963. But in the States which were not able to do so, they would have the cost met by a reinsurance fund or by an outright Federal grant. You could make the test as to whether or not a State was able or not able to do so, the same test as in the Kennedy bill, namely, if the reserves at that time were or were not in excess of 6-month current benefits. This would mean that the States which by 1963, or some other date, had ample reserves would repay. States which did not have ample reserves, namely, 6 months benefits in their fund, would not have to repay, and the cost would therefore be recouped either from a general levy under the original administration bill, or by Federal subvention.

Have you given that any thought?

Mr. BATT. No, sir, I would like a chance to think that over. My general reaction is positive, and I tried to point out that the original

administration bill, it seems to me, Senator, is a vast improvement over the one that was passed by the House, in that the mandatory provision would obviate the necessity, it seems to us, of a special session of the legislature and would make it far more national in scope, and would clarify the legal situation and make it get to us a lot faster.

I would prefer either, we would prefer either the mandatory proposal or the loan proposal, or if possible—pardon me, the grant proposal, or, if possible, both.

So that it would be quite clear on the one hand, that action had to be taken by the governors, and secondly, that, so that the load for this long duration of unemployment which is the result of the national recession would be nationally shared.

I would like to study it.

Senator DOUGLAS. Yes.

Yesterday, Professor Lester of Princeton, who is chairman of the advisory committee on unemployment compensation for the State of New Jersey, testified before us and stated that in New Jersey, when the reserve fell below 10 percent of current payrolls, they had to increase the assessment rate upon employers.

Do you have such an automatic provision in the State of Pennsylvania?

Mr. BATT. Dr. Adams, do we have?

Mr. ADAMS. We have a series of points. At $300 million and below, all employers' tax, pay tax rates of 2.7 percent. From $300 million to $350 million, they pay tax rates on what we call schedule C, which produces an average revenue of about 2.3 percent.

Mr. BATT. An average rate, you mean?

Mr. ADAMS. Average rate, yes.

From $350 million to $450 million, they pay at 1.6 percent.

Above $450 million, our average yield is about 1 1/10 percent.

Senator DOUGLAS. So that as a general rule, as your reserve falls, the rate of taxation upon your employers increases?

Mr. ADAMS. Increases automatically.

Senator DOUGLAS. Therefore, there is an inducement upon the employers to keep the reserve high?

Mr. ADAMS. As high as possible.

Senator DOUGLAS. Do you find this also leads to opposition to liberalization of benefits?

Mr. ADAMS. Yes, sir.

The CHAIRMAN. Thank you very much, Mr. Batt.

Senator BENNETT. Mr. Chairman, I had a question.

I am very much interested in the recurring use of the word "national" in your testimony. You use it every time you refer to the recession.

Mr. BATT. Yes, sir.

Senator BENNETT. Do you believe that the whole system of unemployment compensation should be nationalized?

Mr. BATT. No, sir. I believe——

Senator BENNETT. The States should be taken out?

Mr. BATT. No, sir. I believe that we should have—you said I referred to the word "national" when referring to the word "recession."

It is quite correct. It is a national recession in our judgment.

Senator BENNETT. In my opinion from a State whose unemployment rate is only 4.2 percent, and restricted to 2 industries, it is

not a national recession. We are having a reasonably good business in the State of Utah. And our unemployment problem is not serious. Our number of exhaustees is 637 men.

So that I don't want to argue the interpretation of the word "national," but it seems to me it points up other statements that you make. You see the word "Balkanize." You said we do not have 48 separate State economies. We have one national economy.

Mr. BATT. Yes, sir.

Senator BENNETT. Well, then, you say, one argument has been raised in the proposals for Federal financing of the program are unreasonable in light of the fact there are approximately $8 billion in the fund.

One fallacy in this argument is that the big reserves are not necessarily in the States with big employment.

Mr. BATT. Big unemployment, pardon me.

Senator BENNETT. Then you say in your statement, "We strongly recommend amendment of the legislation before you to provide for mandatory, uniform, nationwide program."

What I am asking you is, aren't you arguing to this committee for the nationalization of the whole unemployment compensation insurance program?

Mr. BATT. No, sir.

Senator BENNETT. So that there will be a national fund, so that there will be uniform nationwide programs? so this concept of yours that we do not have 48 separate State economies, but we actually have 1 national economy can be brought to bear on this problem?

Mr. BATT. No, sir. We feel that the competition, we feel there should be all the freedom in the world for the States to improve their systems of unemployment compensation just as they can improve many other systems that are under Federal-State programs, by so much as they wish.

What we do feel is that there ought to be Federal standards, minimum standards below which they shouldn't be allowed to fall so that you wouldn't have the competition that Senator Kennedy referred to.

Senator BENNETT. Then you don't believe in a mandatory, uniform, nationwide program? That sentence isn't an accurate statement?

Mr. BATT. No, sir, you can read it anyway you wish, but as we see it, we would like to see, as far as on this question to which we are addressing ourselves this morning, of extending benefits for a uniform number of weeks, we would like to see that put on a uniform basis across the country, yes, made mandatory.

Senator BENNETT. In other words, you want the basic program to be separate for each State on the present basis, and then you want the additional program to be mandatory and uniform. I am using your own words.

Mr. BATT. We would like to see, as we made clear, the improvement that you are proposing, the Congress is proposing, made mandatory, and we have also said in here we would like to see improvements in Federal standards generally.

But again these are minimum standards.

Senator BENNETT. Then you don't believe in a mandatory nationwide program?

Mr. BATT. Well, sir, we can argue semantics. We do believe that this extension, that certain minimum standards of minimum decency,

if you please, or certain standards of minimum—certain basic minimums should be made national in character, yes, and this, in terms of extension of benefits is one of them.

Senator BENNETT. But you still want to preserve the individual rights of each State to have some leeway in its own program?

Mr. BATT. To improve the system as much as they want to, yes, above the national minimums.

Senator BENNETT. You are really not concerned, as you said on page 4, that the $8 billion in reserves are not in the States where the need is greatest. That is just semantics.

Mr. BATT. No, sir. I am very much concerned that we don't have some of that $8 billion.

Senator BENNETT. You call it a fallacy. You say here "The fallacy of this argument is that the big reserves are not necessarily in the States with the big unemployment."

You are not concerned in correcting that so-called fallacy?

Mr. BATT. Well, sir, I think anything that you did to improve minimum standards in the program would tend to correct that. I didn't tackle the problem of the $8 billion, no, sir.

Senator BENNETT. So, to say it again, in order that I can clearly understand you, you are going to preserve States rights on the basic program, but as soon as a man exhausts his rights under the State program, you want a mandatory, uniform Federal program to come into operation?

Mr. BATT. We would like to see, sir, minimum standards all the way across the board, as we made clear in this testimony.

Senator BENNETT. Will you answer my question?

Mr. BATT. Well, you have not stated it, you have answered it yourself in asking it.

We would like to see mandatory standards in extension of benefits. We would like to see mandatory standards in a number of other areas, as we made clear in the testimony. I don't think there is any cut-off point at which mandatory standards should come in, no.

Senator BENNETT. I still can't understand you.

As far as the bill before us and as far as the program of extra benefits for those who have exhausted their benefits under the present program, you want Federal funds, you want it mandatory. You don't want it optional, and you want it uniform.

Is that the way I am to interpret your testimony with respect to this present legislation?

Mr. BATT. Yes, that is correct, sir.

Senator BENNETT. Then you want to preserve the existing program for the normal benefits, and you want a mandatory federalized program for people who have exhausted their benefits?

Mr. BATT. We would like to see, sir, the whole system improved, but as far as—in that sense, you say we want to preserve the existing program, the status quo. I didn't say that in the testimony, and I don't say that now.

Senator BENNETT. I wasn't talking about the level of benefits. I am talking about the basic pattern of the present program.

Senator DOUGLAS. Senator, if you would look in Mr. Batt's testimony, you will find that he dealt with this issue.

Senator BENNETT. Well, I still think that is beside the point, Senator.

I am trying to get through my head that you want two parallel systems, programs, for unemployment insurance. You want the present State-centered system for the normal benefits, and you want a mandatory, uniform, federalized system for those who have exhausted their normal benefits, is that a fair statement of your point of view?

Mr. BATT. We would like improvements to the State-Federal system for the——

Senator BENNETT. I will grant that you would like that, but you would still like it to be retained as a State-operated system.

Mr. BATT. That is correct, sir.

Senator BENNETT. But you want a Federal system for the benefit of people who have exhausted their benefits under the State system.

Mr. BATT. That is correct, sir.

Senator BENNETT. Which you want mandatory, and uniform.

Is that right, sir?

Mr. BATT. Yes, sir.

Senator BENNETT. Thank you very much, Mr. Chairman. That is all.

Senator DOUGLAS. Well, didn't you really admit too much in this last statement. You are not proposing that the Federal Government should pay out the benefits for extended durations in the present emergency, are you?

The States would pay out the benefits, but they would derive their funds from the Federal Government. So the States would act as disbursing agents for the Federal Government?

Mr. BATT. Yes, sir, the same way as we do now under the Korean war beneficiaries and under the unemployment insurance system for Federal employees.

Senator DOUGLAS. So you are not really proposing to set up duplicate machinery?

Mr. BATT. No, sir; the machinery would be exactly the same.

Senator DOUGLAS. It would utilize the existing State machinery, but merely provide some form of Federal financing of the emergency benefits, isn't that true?

Mr. BATT. That is correct, sir.

Senator BENNETT. But it is a complete form of Federal financing. All the financing for the emergency system to come from the Federal Government.

Senator DOUGLAS. And so far as the permanent system is concerned, you are saying, Let there be national minimum standards. But then above that, which will be State administered, let the States experiment. But let them not compete against each other by narrowing the qualifications or lowering the duration, benefit amounts, eligibility and so forth—let them not compete against each other lowering those standards below the national minimum.

Mr. BATT. That is right, sir.

Unless you do some financing like that, Senator Bennett, I do not see how you are going to achieve the objectivity that Congress professes to want to achieve in those States where the unemployment is existing.

Senator BENNETT. Once you adopt that, you are setting up two systems of unemployment insurance.

Mr. BATT. I thought, sir, you wanted this to end in February——

Senator BENNETT. If you had been in Congress as long as some of us, you would realize that once you set up a system by which a person who exhausts his benefits can expect additional funds from the Federal Government it is going to be hard to end it. There are always people who exhaust their benefits, is that true?

Mr. BATT. It may be, sir, that the two systems, that some such suggestion as Senator Douglas made might achieve both objectives.

Senator BENNETT. It would be very interesting to see Senator Douglas' proposal in the text. It is hard for me to remember what he said.

Mr. BATT. Well, as I understand it, he was suggesting mandatory loans.

Senator BENNETT. He was suggesting mandatory grants for those States that come up to 1963, if I remember correct, Senator, whose funds then are not in shape to pay back the loans that they have.

Senator DOUGLAS. And mandatory loans for the others.

Senator BENNETT. Mandatory loans for the others.

I can see a situation if Senator Douglas' proposal is followed out, which would encourage the States to dispose and wear down their present funds in order that in 1963 they could qualify for Federal grants.

There is no incentive to operate a——

Senator DOUGLAS. I have much more faith in the States than the Senator from Utah has. [Laughter.]

Senator BENNETT. It is interesting that one of the great States is here now saying they have got to have Federal help, and I would imagine that this position, if carried over to 1963, would still be the same and they would be back here asking for the grant rather than the loan.

Mr. BATT. Pardon me, sir, but that would depend probably on whether there was a national recession at that time.

If you could sort out the national economy so we are not in the middle of a national recession, the fund balance would probably be quite satisfactory.

Senator BENNETT. I hate to continue to argue with you; but, with that kind of an incentive before you, the opportunity to have the Federal Government bail out your unemployment compensation fund in 1963, and your desire to liberalize the benefits, I can see a situation in which you could make very sure that there would be little or no money in your fund in 1963, and have the satisfaction along the line of saying, "Our benefits are the most liberal in the United States."

It would not take a recession or depression to produce that kind of a situation.

That is enough, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Batt.

Senator DOUGLAS. May I ask another question of Mr. Batt?

You refer to this as a national recession, and you were taken to task by my good friend from Utah when he pointed out the unemployment rate in Utah was very low. Therefore, he seemed to contend it was not a recession in Utah.

The same could be said for Texas, because the rate of unemployment is low in Texas.

On the other hand, unemployment is very high in your State and Michigan, and so forth. But is it not true that the failure—I would

not say "failure," but the abstention of the people in Utah from buying automobiles this year has contributed to the unemployment in Detroit and in Michigan?

Mr. BATT. I would think so, sir; yes.

Senator DOUGLAS. So that the location of the incidence of unemployment is not necessarily the location of the cause, is that not true?

Mr. BATT. Yes, sir.

Senator DOUGLAS. It is a well-established rule in the study of business cycles that slight changes in demand for consumers' goods would cause great changes in the demand for capital goods. So that, let there be a slight contraction in the demand for consumers' goods over the country as a whole, and then the States which have high concentrations of facilities producing iron, steel, machinery, and so forth, would suffer very greatly.

That is not their fault. They have not caused it. It has been caused by movements in the country as a whole but they have to take the rap for it, isn't that true?

Mr. BATT. Yes, sir. I am sure that our steel industry which has now been operating at less than 50 percent of capacity with hundreds of thousands of unemployed in this industry alone, and this is the basic industry of the western part of our State, depends on the entire United States and the entire world for its markets and when those markets fall off, unemployment in that industry, as well as in the railroad industry which ships that steel, and is a big employer in our State, and the soft coal industry of which much is mined in captive mines in the western part of our State, falls off strictly as a result of national and international decrease in demand for consumer goods over which we have no control in our State.

Senator DOUGLAS. I think that comment is very necessary to offset the general tendency to regard high unemployment as a fault either of that State or of the industries in that particular State.

The CHAIRMAN. Thank you very much, Mr. Batt.

Mr. BATT. Thank you, Senator Byrd.

The CHAIRMAN. Our next witness is Mr. Nelson H. Cruikshank, AFL-CIO.

Will you proceed, please, sir, as you will.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR OF DEPARTMENT OF SOCIAL SECURITY OF THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY MRS. KATHERINE ELLISON AND RAYMOND MUNTS, ASSISTANTS TO MR. CRUIKSHANK

Mr. CRUIKSHANK. Mr. Chairman and members of the committee, I have a rather extended statement here which, in the interest of time of the committee, I would prefer not to read in its entirety, if it is agreeable, sir, to have it introduced into the record.

The CHAIRMAN. Without objection, the statement will be printed in full in the record.

(The statement is as follows:)

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

My name is Nelson H. Cruikshank and I am director of the department of social security of the American Federation of Labor and Congress of Industrial Organizations. My office is at the headquarters of the AFL–CIO, 815 16th Street NW., Washington, D. C. I am here with some of my associates representing the AFL–CIO on the designation of President Meany in support of proposals for Federal action to strengthen the Federal-State unemployment insurance program by providing temporary additional unemployment benefits together with what we deem necessary corollary action. I am accompanied by Mr. Andrew J. Biemiller, director, AFL–CIO legislative department. With me also are two assistants in my department, Mrs. Katherine Ellickson, and Mr. Raymond Munts.

We appreciate the opportunity of presenting our views regarding the various proposals now before your committee and concerning improvements in the Federal-State system of unemployment insurance which are needed to enable that system more nearly to meet the objectives it was designed to meet.

We believe that the Congress should enact additional standards which all States would be required to meet, and which would remove the barriers to effective State action. These standards should cover the very essentials of the program, namely, coverage, benefit amounts and duration, the conditions under which these are paid, and the methods of financing the program. We also fully support the enactment of an emergency program to meet the immediate needs of the unemployed and the economic needs of the communities and States where they live and work, even if such legislation falls short of meeting all of our long-term objectives. But we cannot support the measure passed by the House (H. R. 12065) in its present form for the very simple reason that, in our opinion, it meets neither the immediate nor the long-term needs. It holds out great promise, but accomplishes practically nothing.

Our reason for taking this position is based on the proposition, which we shal demonstrate in detail, that the needs for action arises not out of lack of money available to the States for paying higher benefits for longer periods. With a few exceptions, the States have the money. The need arises from the unwillingness or inability of the States to act separately. Since this bill provides for the payment of additional benefits only in instances where a State has voluntarily entered into an agreement to act as the agency of the Federal Government for this purpose, and since such an agreement carries the obligation for repayment of amounts paid out for benefits within the State, the net effect of its enactment would be that we would be left almost exactly where we are now. Most States could not pay the additional benefits set forth in this bill without specific authorization from their legislatures. Most States now could pay the same benefits if their legislatures would only agree.

There are those who advocate doing nothing in this crisis. We disagree with that view, but it is one course which the Congress can take if, in its considered view, no action is necessary. We earnestly hope this committee will not recommend that course. Furthermore, we trust in view of the fact that a very large number of governors have stated that the House-passed bill would not give any immediate relief, that this committee will not recommend adoption of the present provisions of H. R. 12065 which give the appearance of action but actually accomplish nothing for millions of unemployed workers.

NEED FOR ACTION

This is the worst economic decline since the nineteen thirties. Unemployment at 7 percent of the labor force, after adjusting for seasonal and other factors, is greater than either of the other 2 postwar declines at their worst.

The progress of this recession is best illustrated by showing the steady rise in the rates of total unemployment and insured unemployment since last September when the AFL-CIO began calling attention to our declining economy:

	Unemployment as percent of civilian labor force (seasonally adjusted)	Insured unemployment as percent of covered employment		Unemployment as percent of civilian labor force (seasonally adjusted)	Insured unemployment as percent of covered employment
September	4.5	2.8	January	5.8	5.1
October	4.7	2.8	February	6.7	7.0
November	4.9	5.0	March	7.0	7.9
December	5.0	3.6	April	7.5	8.1

Source: Economic Indicators, Council of Economic Advisers.

The rate of unemployment in the 149 major labor market areas has continued to rise until 70 are in the "substantial labor surplus" category (over 6 percent unemployment):

Distribution of labor-market areas by percentage of labor force unemployed

	March 1957	January 1958	March 1958
Ratio of unemployment to total labor force:			
Less than 1.5 percent	2	0	0
1.5 to 2.9 percent	41	13	0
3 to 5.9 percent	87	91	79
6 to 8.9 percent	18	36	45
9 to 11.9 percent	4	7	18
12 percent or more	2	2	7

Source: Area Labor Market Trends, March 1958, Department of Labor.

The same report also describes 122 smaller areas with over 6 percent unemployment and, it is significant to note, on April 25, 31 additional areas were added to this category.

The total number of unemployed is now over 5.1 million. This is more than all the people working on all the farms in the United States. It is more than all of the people living in the States of Wyoming, Vermont, Utah, South Dakota, Rhode Island, North Dakota, New Mexico, New Hampshire, and Nevada put together. Using the Federal Government description, the entire United States is an area of substantial labor surplus.

HAS THE UPTURN STARTED?

We do not see as yet any ray of hope in the statistics. The March rise of 25,000 in unemployment and the increase of 320,000 in employment has been hailed as evidence of an upturn. The April rise of 600,000 in employment and 78,000 drop in unemployment is also being interpreted as a reversal in the downward drift of the economy. But this slackening in the unemployment rise and the upturn in employment are less than normal for this time of year, and the seasonally adjusted rate of unemployment continues upward.

Data compiled by the Bureau of Labor Statistics and released by the Board of Governors of the Federal Reserve System on May 8 show that total employment in nonagricultural establishments continued to decline through April. In manufacturing, both durable and nondurable goods, employment in April was 167,000 less than in March.

The recent slight increase in housing starts and retail sales were glowingly reported in the press, as was the seasonal decline in insured unemployed. It is not at all clear that these are harbingers of better times; the first robin in Washington this year had a hard time of it.

Seasonal revival in outdoor work has brought greater employment in agriculture and construction. However, total unemployment declined only about one-sixth the usual seasonal amount.

The best economic judgment suggests that while some advance indicators have leveled off, we are very probably in for a long, sustained period of heavy unemployment which will probably extend into next year. Until recently the Department of Labor has been assuming an average unemployment this year of 2.6 million; it has recently revised this estimate to nearly 3 million.

In January and February the Federal Government surveyed overall business capital investment plans. A recent survey by McGraw-Hill indicates no improvement since the Federal Government survey. Businessmen reported to McGraw-Hill that they planned to cut plant and equipment expenditures 12 percent in 1958 for the 1957 rate, and 8 percent less in 1959. In manufacturing, expansion programs originally scheduled by 1959 are now being cut back approximately 30 percent.

SOME MISCONCEPTIONS ABOUT THE UNEMPLOYED

There are prevalent misconceptions in the minds of those who see no urgency for Federal improvement in unemployment insurance.

One of these is that the unemployed tend to be young, single men, women, and secondary wage earners who can afford to "wait it out." The fact is that a great many plants have closed altogether, throwing hundreds of thousands of older people into the streets. It is estimated that 1,500,000 of the unemployed are over 45. In plants still working, the layoffs have cut so deep that it is not uncommon for men with 20 years' seniority to get their layoff notice. It is equally untrue that most of the unemployed are women: there are 3.7 million men unemployed, nearly three-fourths of the total.

The young single men among the unemployed are having a hard time too: It is reported that there has been a significant decline in the number of marriages as a result of layoffs and hard times. This is especially important in its impact on the economy: These people would otherwise be buyers of homes, housefurnishings, and hard goods. You can't get married on unemployment insurance.

The most significant fact, however, is that among those without jobs in March there were 2.3 million married men (Bureau of the Census, Current Population Reports, April). Average unemployment insurance payments of $30 do not go very far toward supporting a family.

The second common misconception is that laid-off workers like the opportunity for a rest. Unemployment insurance is called rocking-chair pay by some who think people are more likely to work if they are starved into it. This has been proved untrue by surveys made in New Hampshire, Oklahoma, New Mexico, South Carolina, Arizona, and New York.

The most recent of these, that made in New York for example, showed that of 993,000 applicants for unemployment benefits, 6 percent waited 14 weeks or longer before seeking payments from the insurance fund. New York's Industrial Commissioner, Isador Lubin, said the study confirmed the belief that collecting benefits was secondary to finding new jobs in the minds of many idle workers. Twenty percent of the applicants waited at least 4 weeks, and 40 percent were out of work a week or more before they put in their first claim. The average delay in filing was slightly over 3 weeks. An earlier survey had showed that 31 percent put off filing because they expected to locate new jobs quickly.

It is also usually overlooked that under every State law a worker, to be eligible for benefits, must be registered at the local employment office, and he cannot refuse a suitable job and keep on drawing benefits. Any person who believes the unemployed prefer benefits to a job, has only to offer jobs to the beneficiaries. If the offer is bona fide and the worker refuses, he will no longer draw benefits.

A third misconception, which has been developed by recent newspaper reports, is that the unemployed have a big backlog of savings to help them through this period. The New York Times reported "Cash Savings Gain Spectacularly in 1957 to $262,100,000,000." The Advertising Council was reported as saying, "Personal savings are at a record $300 billion." A Wall Street Journal headline read, "Savings Speedup." The Federal Government reported that holdings of United States savings bonds are rising.

The fact is that very little of this money is available to the unemployed Much of the reported total "savings of individuals" is not "personal" savings. Billions that belong to thousands of nonprofit organizations and to 3 million

unincorporated businesses are included in the figures. So are tremendous sums in Government and private life insurance, pension and welfare reserves.

Most of the truly liquid savings owned by individuals in the form of bank accounts, United States savings bonds, saving and loan and credit shares and postal savings actually belong to a minority of wealthy families. For example, 18 million of the 57 million consumer spending units in the United States held less than $500 of these liquid assets at the beginning of 1958; another 14 million owned none. Only 11 percent of all families own any Government bonds or corporate securities.

The fourth misconception is that people on unemployment insurance wait until they have used up their benefits and then go back to work. The fact is that State laws require a beneficiary to be able and available for work, registered for work at the employment office, and seeking work. Studies by the Department of Labor of those who have exhausted their benefits show that the rate of withdrawal from the labor force does not increase after benefit exhaustion. Almost without exception, the proportion withdrawn from the labor force was less than 15 percent 8 weeks after exhaustion of benefits. Nor does the rate of reemployment increase after exhaustion of benefits. In the great majority of States, the proportion of those unemployed and seeking work 2 months after exhaustion ranged from 50 to 60 percent. This study was made in early 1956 during a high employment period and suggests the need for longer duration of benefits even in good times. (See Experience of Claimants Exhausting Unemployment Insurance Benefit Rights, April 1957, Department of Labor.) This evidence is especially important in any proposal to extend the duration of unemployment insurance benefits, since it shows that extension of benefits will not adversely affect the rate of reemployment.

A fifth common misconception, repeatedly put forward by employer representatives during the current crisis, has to do with the scope and intent of unemployment insurance. It is argued that unemployment insurance was never intended to cover the kind of prolonged unemployment we are now experiencing. The only evidence advanced for this point of view is that originally unemployment insurance provided benefits for a shorter period of duration than it does now. General statements by authorities on the subject are also cited—statements to the effect that unemployment insurance is not the answer to prolonged depression and cannot be expected to cope with it within the cost assumptions. This is offered as an argument against Federal extension of duration at the present time.

It must be remembered that unemployment insurance was inaugurated at a time when all the evidence suggested that prolonged depression was a regular feature of our economy. Some economists developed a stagnation thesis, and were surprised when a full-scale depression did not follow World War II.

This uncertainty about the future made it necessary to put unemployment insurance on a tentative, experimental basis. No one knew exactly how nearly an employer contribution tax rate of 2.7 percent of payroll would suffice. High wartime employment and experience after the war when our economy performed better than expected brought demands for experience rating and lower tax rates. Little by little our unemployment insurance became a cheaper program than anticipated. But instead of raising the benefit levels and extending duration, State legislatures under pressure from employers, continued to allow unemployment compensation to cost less and less, until last year the average employer contribution was only 1.3 percent of taxable payroll or only 0.9 percent of total payroll. (Originally, the first $3,000 of annual wages was almost equal to total payroll; today it is only 65 percent of total payroll.) Table I shows the actual tax rate paid by employers in 1956. Even with a tax only one-third of what was originally intended, reserves have climbed until they now total more than $8 billion.

Those who argue that unemployment insurance was not intended to cover the unemployed in a recession such as we are now experiencing are actually arguing for the cheap program we now have rather than one of the scope originally intended. We now have enough information about business cycles and the cost of unemployment insurance to reestablish benefit levels and duration at a much higher level and still be well within the cost assumptions on which unemployment insurance was originally established. The estimated cost of higher benefits and 39 weeks of potential benefits are furnished below in the discussion on Federal standards. It suffices here to say that this can be done for slightly over half the originally intended cost of unemployment insurance, or approximately 1.5 percent of actual payrolls.

TABLE I.—*Percentage distribution of active accounts eligible for rate modification, by contribution rate and experience-rating plan, rate years beginning in 1950*

Type of plan and State [1]	Total number of active accounts [2]	Active accounts eligible for rate modification							
		Number	Percent of all active accounts	Percentage distribution by employer contribution rate					
				Below standard rate				At standard rate	Above standard rate
				0	0.1-0.9	1.0-1.8	1.9-2.6	2.7	2.75-4.0
Total, 49 States [3]	1,630,647	1,226,193	74.8	5.9	44.1	18.7	14.7	15.1	1.5
Reserve-ratio plan	1,069,740	795,629	75.1	8.5	38.5	20.4	12.3	19.1	1.2
Arizona [4] [5]	10,365	7,130	68 9	.....	51.6	37.4	5.0	6 0	.....
Arkansas [5]	29,618	19,908	67.4	.....	70 3	16 2	7.1	6 4	.....
California	259,887	161,225	62.5	20.4	25.6	18.9	9.8	25 3	.....
Colorado [5]	7,836	6,089	77.7	95.2	1.8	.....	.....	3.0	.....
District of Columbia	18,846	14,907	78.6	.....	79.6	8.1	1.8	10.5	.....
Georgia [4]	14,110	13,038	92.4	.....	45.1	41.2	7.3	6.4	.....
Hawaii [5]	8,021	7,416	87.0	57.2	15.0	9.4	2.3	16 1	.....
Idaho	14,404	9,478	65 8	.....	52 3	24.0	21.0	2 7	.....
Indiana [5]	18,394	15,202	82 0	.....	67.3	20.2	3.9	8 6	.....
Iowa [5]	11,922	9,285	77.9	56.4	36 6	.....	.....	7.0	.....
Kansas	9,381	8,449	90 1	7.6	75.6	6.2	5.8	5.0	.....
Kentucky [5]	18,233	16,018	87 9	.....	.....	62 1	.....	27.5	10.4
Louisiana	21,071	16,029	76 1	.....	60.8	13 8	3 3	22 1	.....
Maine [5]	8,174	3,932	48 1	.....	41.8	40.8	6 2	11.3	.....
Massachusetts	102,346	78,175	76 4	.....	35.8	21.1	13 9	29 1	.....
Michigan [5]	31,563	26,587	84.2	.....	67.1	11.3	6 8	3.2	11.7
Missouri [5]	20,038	16,167	80 6	26.9	44 2	20.0	3 9	.....	5.0
Nebraska [5]	9,740	9,026	89 4	.....	87.6	3 8	1.4	7.4	.....
Nevada	5,873	3,214	54 7	.....	29 6	43 0	12 9	14 6	.....
New Hampshire	6,154	5,229	85 0	.....	47.5	12 5	18 7	21 3	.....
New Jersey [5]	50,948	38,267	75 1	.....	29 0	22.0	17.0	22 0	.....
New Mexico	13,405	8,447	63 0	.....	78 2	11.8	3.1	6 9	.....
North Carolina [5]	15,099	13,749	91 1	.....	60.5	23 4	7.6	8 5	.....
North Dakota [5]	2,999	2,513	83 8	.....	50.5	27.1	5.1	17.3	.....
Ohio [5]	87,576	66,740	76 2	.....	73 7	14 8	1.6	9 9	.....
Oregon [5]	17,154	14,621	85 2	.....	47.2	27.3	8.4	6 9	10.2
Pennsylvania [5]	192,828	161,539	83.8	.....	19 5	23 2	28.4	29 0	.....
South Carolina [4] [5]	6,496	6,152	94 7	.....	50.5	17.2	9.4	13 9	.....
South Dakota [5]	3,044	2,231	73 3	80.2	11.5	3.5	2 0	2 8	.....
Tennessee	21,252	10,369	48.8	.....	29 7	41.6	10.0	8.9	9.8
West Virginia [5]	7,035	5,512	78.4	43 8	19 2	11.7	7.7	17.7	.....
Wisconsin [5]	24,428	21,937	89 8	45.3	15.7	22.4	8.9	.....	7.7
Benefit-wage ratio plan	160,914	130,756	81.3	.....	72.3	13.9	4.6	3.0	6.3
Alabama [4]	17,439	9,414	54.0	.....	66 0	20.4	5.1	6.6	.....
Delaware	8,141	5,751	70.6	.....	90 5	5.6	1.8	.1	2.1
Illinois	62,475	54,353	87.0	.....	59 8	18 5	6 8	.....	14.9
Oklahoma	10,797	9,502	88 0	.....	64.0	15.7	6 2	14.2	.....
Texas	46,874	37,129	79.2	.....	86.2	8.6	2 1	3.1	.....
Virginia	15,188	14,607	96.2	.....	84.4	8.0	2.1	5.5	.....
Benefit-ratio plan	107,448	87,793	81.7	5.5	74.6	5.9	2.2	11.7	.....
Florida [4]	17,927	15,998	89 2	30.4	56 7	6.1	1.3	5.5	.....
Maryland	45,210	32,886	72 7	.....	80 2	8.1	2.9	8 8	.....
Minnesota [5]	33,530	30,957	92.3	.....	79 1	1.5	1.2	18.2	.....
Vermont	2,318	2,031	87.6	.....	58 7	24 6	7.3	9 3	.....
Wyoming	8,463	5,921	70.0	.....	74 2	9.6	4.1	12.0	.....
Payroll variation plan [5]	80,345	63,557	79.1	.....	12.6	11.5	70.9	4.9	.....
Mississippi	6,644	5,395	81.2	.....	72.9	25.2	1.7	.3	.....
Rhode Island [5]	.....	.....	.....	.....	.....	.....	.....	.....	.....
Utah	15,105	10,624	70.3	.....	38.3	56.3	3.5	1.9	.....
Washington [5]	58,596	47,538	81.1	.....	.....	.....	93.8	6.2	.....

TABLE I.—*Percentage distribution of active accounts eligible for rate modification, by contribution rate and experience-rating plan, rate years beginning in 1956*—Continued

Type of plan and State [1]	Total number of active accounts [2]	Active accounts eligible for rate modification							
		Number	Percent of all active accounts	Percentage distribution by employer contribution rate					
				Below standard rate				At standard rate	Above standard rate
				0	0.1-0.9	1.0-1.8	1.9-2.6	2.7	2.75-4.0
Compensable-separation plan: Connecticut	24,840	22,101	90.4	.....	57.2	34.2	.....	8.6	.....
Payroll variation and reserve ratio: New York	191,244	115,083	60.2	.....	40.8	23.2	25.0	10.5	.....
Payroll variation and benefit ratio plan: Montana	15,410	11,204	72.7	.....	59.4	20.8	3.4	16.5	.....

[1] Classified by type of plan in effect at end of 1950.
[2] All rated and unrated accounts; excludes accounts newly subject after State cutoff dates for preparation of reports.
[3] National totals and totals for payroll variation plan exclude data for Rhode Island, which did not assign employers any reduced rates for 1956 rate year. National totals also exclude data for Alaska, which repealed experience rating provision as of Jan. 1, 1955.
[4] For Alabama, Arizona, Florida, Georgia, and South Carolina, data exclude newly qualified employers assigned reduced rates after computation date.
[5] Includes effects of voluntary contributions made toward credit for 1950 rates.
[6] When reduced rates are assigned in Washington, the rate variations are achieved through the use of tax credit offsets. Employer accounts in this State are classified by rate for current rate year on the assumption that each employer's taxable payroll would remain the same as in the preceding year.

Source: U. S. Department of Labor.

THE INSUFFICIENCY OF WEEKLY BENEFIT PAYMENTS

Present benefit payments are wholly inadequate. The average payments State by State are presented on table IV.

The Department of Labor has conducted studies on the adequacy of benefit levels so that we have accurately controlled research investigations. One such study just published was made in Florida. It shows that a great many claimants did not receive benefits equal to 50 percent of their weekly earnings. This study carefully tabulates the financial adjustments families had to make when forced to live on jobless pay. It showed that the normal income of these families was so low that when laid off they were unable to reduce substantially their expenditures, with the result that benefits from unemployment insurance represented only 60 percent of the expenditures these people had to make while unemployed. The benefits received fell far short of covering nondeferrable expenses.

The study concluded as follows: "As a result of the inadequacy of benefit payments, substantial numbers of the claimants were forced to postpone purchases, to reduce or liquidate their savings, to borrow money, to lapse insurance policies, to defer medical treatment and even to seek relief." Other adequacy studies made in Pittsburgh and elsewhere have produced similar conclusions.

The cost schedule used for planning personal and family budgets developed for use of the welfare agencies of New York City, allows a single unemployed man actively seeking work $41.30 to maintain himself and his residence; the budget for a family with 3 children requires $86.55 a week. To this, I would like to make 2 comments: first, these are welfare agency standards, and second, the cost of living is higher than in New York City in many parts of the country including Atlanta, Chicago, Detroit, Los Angeles, Minneapolis, Philadelphia, Portland, St. Louis, Boston, Cincinnati, Cleveland, Houston, Pittsburgh, Seattle, and here in Washington, D. C. It is clear that neither single claimants nor families can manage on $30 a week.

THE DECLINE IN MAXIMUM PAYMENTS RELATIVE TO AVERAGE WAGE LEVELS

During the last 20 years, the ceiling payments allowed under State laws have failed to move upward at the same rate as wages with the result that in all States, barring none, the maximum benefit allowances as a percentage of wage levels are today only a fraction of what they were in 1939. The median or middle State in 1939 had a maximum benefit of 65 percent of its average weekly wage. The median State today has a maximum benefit of only 44 percent of its average weekly wage.

The impact of inflation and the neglect of State legislatures has completely changed the original intent of unemployment insurance, which once was to give the great majority a benefit equal to half of their average weekly wage. But the decline in the maximum relative to wages now prevents most workers from receiving half of their own lost wage. Instead they receive a maximum that is a much smaller percentage. The graph (table II) compares 1939 and 1958 on the level of maximum benefits relative to the average weekly wage of the States.

Table III provides the figures State by State to show how the maximum benefit amounts relative to wages have declined over the years. Not only have the maximums relative to wages declined in each State since 1939, but they have declined in 25 States since 1951.

DURATION OF BENEFITS

Information just released this week by the Bureau of the Census shows how long the current unemployed have been without jobs. The average number of weeks is 18.8. One million three hundred thousand or one fourth of the total have been out of work from 15 to 26 weeks and 585,000 or 11 percent of the total for over 26 weeks.

TABLE II.—*How benefits relative to wages have declined, 1939–58—All States grouped according to their maximum benefit amounts as a percentage of their average weekly wages*

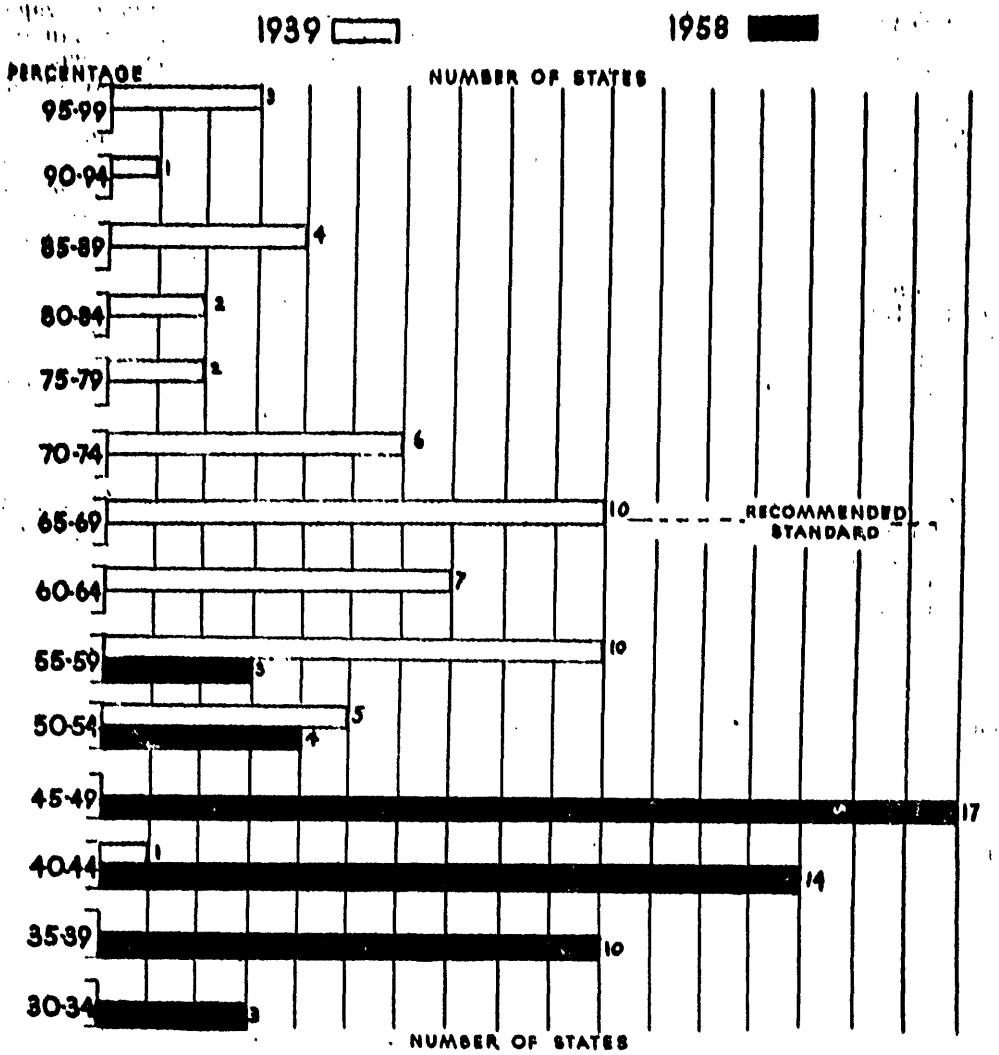

TABLE III.—*Basic maximum benefit amounts[1] as a percentage of States, average weekly wages*

State	1939	1951	1958 (Jan. 1)	State	1939	1951	1958 (Jan. 1)
Alabama	37	45	43	Montana	60	36	43
Alaska	41	33	33	Nebraska	66	45	45
Arizona	61	34	37	Nevada	57	39	44
Arkansas	95	53	47	New Hampshire	70	56	46
California	50	38	45	New Jersey	55	40	40
Colorado	62	40	44	New Mexico	73	47	41
Connecticut	56	39	47	New York	51	45	41
Delaware	58	40	39	North Carolina	89	64	54
Washington, D. C.	50	35	39	North Dakota	60	46	38
Florida	81	40	45	Ohio	54	39	37
Georgia	37	42	48	Oklahoma	61	38	37
Hawaii	35	48	57	Oregon	53	38	46
Idaho	82	46	55	Pennsylvania	60	53	45
Illinois	50	37	33	Rhode Island	70	45	43
Indiana	58	43	30	South Carolina	99	44	45
Iowa	67	46	41	South Dakota	69	41	42
Kansas	66	49	45	Tennessee	78	44	45
Kentucky	69	46	45	Texas	65	36	37
Louisiana	90	49	35	Utah	70	50	50
Maine	74	49	50	Vermont	66	49	41
Maryland	65	47	47	Virginia	74	40	42
Massachusetts	57	45	47	Washington	57	47	42
Michigan	53	38	31	West Virginia	59	43	37
Minnesota	62	43	48	Wisconsin	55	49	46
Mississippi	97	48	54	Wyoming	78	44	55
Missouri	61	43	42				

[1] Exclusive of dependents' allowances provided in 11 States.

Because of the shortcomings of State laws the exhaustion of benefits has been mounting at a fearful rate. Almost a quarter of a million a month are currently using up the last of their entitlement. (See table IV for State-by-State totals.)

The most recent figures on exhaustions are available for 8 industrial States from which the Department of Labor makes weekly tabulations. In these 8 States exhaustions are running at the rate of 25,000 a week, nearly 3 times the rate in November. As this recession continues even with a shallow upturn in economic conditions there is only one direction for these exhaustions to go, and that is up.

TABLE V.—*Total number of weekly exhaustions in 8 industrial States (California, Illinois, Indiana, Massachusetts, New York, Pennsylvania, New Jersey, Michigan)*

Nov. 23	10,470	Mar. 20	20,990
Jan. 18	15,053	Apr. 5	21,637
Feb. 22	16,322	Apr. 12	24,363
Mar. 1	18,181	Apr. 19	25,670
Mar. 8	18,697	Apr. 26	24,479
Mar. 15	20,015	May 3	25,419
Mar. 22	20,192		

Data from U. S. Department of Labor.

Currently exhaustions are already running ahead of the rate in any previous post-war recession. The highest rate previously was in the first quarter of 1950 when 730,000 people exhausted benefits, or at a rate of 243,300 a month. Last month's exhaustions were nearly that and current indications are that this month will exceed it. Even if this recession were to end abrupty this fall, and all evidence is against this, exhaustions will continue to mount at an accelerating rate in the forthcoming months.

State unemployment compensation laws do not provide adequately for the growing length of unemployment because the maximum of weeks allowable is too short and because under State laws with variable duration some of the unemployed have their benefits cut off by the very fact that they were previously unemployed. There has been a great deal of confusion in public discussions and in the press on how State laws determine the duration of benefits for different beneficiaries.

The best duration provisions are those in the one State that provides all beneficiaries with 30 weeks of benefits if they are not able to find a job in that period and in the seven States that provide all beneficiaries with 26 weeks of benefits. A uniform duration of benefits for all beneficiaries is provided in seven other States, but in each case the amount is less than 26 weeks. In these 15 States with a uniform duration for all beneficiaries, every worker gets the same number of weeks of benefits regardless of past earnings (provided, of course, they have demonstrated attachment to the labor force and can qualify under all other conditions of the State law.)

In all the remaining 36 States, the duration of benefits differs for each claimant depending on his earnings during some previous period called the base year. These are the variable duration States, and they limit the total amount of benefits receivable during a 12-month period, called the benefit year, to some fixed proportion (usually one-third) of the claimant's base year earnings. For example, if a worker made only $900 in his base year, total benefits could not exceed $300 no matter how long he remained unemployed. If his weekly benefit amount were $30, he could draw benefits for only 10 weeks. He would have to have earned $2,340 in his base year to get 26 weeks of benefits. It is misleading to say that workers in these States may draw up to 26 weeks of benefits, because each claimant has his own maximum set by how fortunate he was in his base year earnings, and in some States he may draw as little as 6 or 8 weeks, even though the so-called maximum duration is 26 weeks.

TABLE IV.—*Average benefit levels and exhaustions by States*

State	Average weekly benefit [1]	Percent exhausting benefits, April 1957–March 1958	Total monthly exhaustions					
			November 1957	December 1957	January 1958	February 1958	March 1958	April 1958
Total	$30.11	24.3	84,380	110,575	147,050	145,474	191,402	230,000
Alabama	22.97	42.0	2,114	2,923	3,387	3,596	4,585	[2]
Alaska	37.02	31.9	205	254	248	226	392	[2]
Arizona	27.29	20.3	269	335	490	453	591	[2]
Arkansas	20.64	37.0	1,133	1,413	1,535	1,496	2,033	[2]
California	32.71	14.4	4,915	7,855	8,895	8,231	10,343	[2]
Colorado	31.95	25.6	292	442	557	715	1,025	[2]
Connecticut	34.46	28.7	1,609	1,999	3,102	3,259	4,036	[2]
Delaware	30.32	30.3	311	466	488	531	760	[2]
Washington, D. C.	26.63	37.2	505	547	713	665	791	[2]
Florida	24.15	43.5	2,691	1,967	2,537	2,247	2,852	[2]
Georgia	23.09	36.2	2,586	3,471	3,723	3,448	4,191	[2]
Hawaii	26.93	17.0	153	172	191	181	238	[2]
Idaho	35.04	28.7	173	291	698	1,041	1,439	[2]
Illinois	31.28	25.5	3,137	4,105	6,883	7,177	9,906	[2]
Indiana	29.12	42.6	3,323	5,264	7,213	6,391	11,426	[2]
Iowa	26.81	35.6	540	905	1,366	1,442	2,781	[2]
Kansas	28.72	28.0	527	958	1,181	1,236	1,969	[2]
Kentucky	26.05	26.2	1,958	1,946	2,705	2,174	2,110	[2]
Louisiana	23.24	40.4	853	1,076	1,473	1,134	2,694	[2]
Maine	22.75	18.7	587	776	1,271	1,522	2,013	[2]
Maryland	31.36	12.1	1,023	1,219	1,707	1,864	2,636	[2]
Massachusetts	31.63	22.0	3,744	4,420	5,589	5,397	7,473	[2]
Michigan	35.82	27.0	4,796	5,778	9,102	11,796	16,133	[2]
Minnesota	28.77	22.1	1,179	2,065	2,063	1,627	1,903	[2]
Mississippi	21.35	31.7	1,013	1,166	1,633	1,446	1,609	[2]
Missouri	26.35	20.2	1,632	1,742	2,806	2,347	2,911	[2]
Montana	28.11	24.7	360	722	989	784	1,128	[2]
Nebraska	28.01	34.4	328	545	685	687	957	[2]
Nevada	39.03	21.8	180	252	367	417	484	[2]
New Hampshire	24.66	13.9	283	352	349	377	559	[2]
New Jersey	32.48	29.4	5,473	7,641	9,646	8,577	11,369	[2]
New Mexico	26.04	23.7	206	269	375	347	382	[2]
New York	31.19	12.6	6,785	7,788	10,228	8,851	10,655	[2]
North Carolina	19.94	19.6	2,528	2,956	3,853	2,903	3,495	[2]
North Dakota	27.71	22.8	82	352	353	115	224	[2]
Ohio	33.18	17.8	3,264	4,135	4,683	5,336	7,424	[2]
Oklahoma	25.29	38.3	1,079	1,029	1,627	1,595	2,155	[2]
Oregon	34.93	24.1	691	1,199	3,266	3,246	4,552	[2]
Pennsylvania	30.01	18.6	7,617	9,399	9,156	10,975	11,080	[2]
Rhode Island	27.68	33.3	1,446	1,923	2,410	2,222	2,673	[2]
South Carolina	21.84	36.2	1,428	1,513	2,067	1,822	2,136	[2]
South Dakota	25.54	37.1	88	232	292	268	535	[2]
Tennessee	24.07	38.8	1,781	4,412	4,783	4,122	5,245	[2]
Texas	24.31	38.5	3,175	4,199	5,079	5,224	7,035	[2]
Utah	31.61	20.0	201	288	329	324	422	[2]
Vermont	24.85	21.9	186	181	289	214	370	[2]
Virginia	23.46	38.8	1,588	2,037	2,260	3,075	4,662	[2]
Washington	30.33	21.0	919	1,018	5,196	4,290	5,214	[2]
West Virginia	24.29	17.9	729	950	1,317	1,386	1,792	[2]
Wisconsin	32.18	42.5	2,596	3,408	5,646	6,442	7,661	[2]
Wyoming	34.23	26.3	96	194	209	198	293	[2]

[1] Includes payments of dependents allowances in 11 States which provide for such payments (Alaska, Connecticut, District of Columbia, Illinois, Maryland, Massachusetts, Michigan, Nevada, North Dakota, Ohio, and Wyoming).
[2] Data not available.

By limiting total benefits to one-third of base period earnings and providing different claimants a variable duration of benefits, these variable duration laws fail one of the purposes of unemployment insurance. The proponents of this limitation defend it on the ground that what each individual claimant receives in benefits should be related to what has been put in on his account. This is a departure from the insurance concept. The risk insured against is the same for all beneficiaries, namely, a span of unemployment which strikes indiscriminately. In this respect, unemployment insurance is like life insurance, or temporary disability insurance, where premiums may have been paid in for 3 years or 30 years but where one's benefit payment is the same regardless of

how much premium has been paid. Only with uniform duration of benefits does the insurance principle find clear expression in unemployment compensation.

At a time like this, it is easy to see why uniform duration laws are preferable to variable duration laws. Under variable duration, the worker is penalized for loss of earnings in his base year even when that loss is due to his being laid off, or due to illness or some other cause over which he has no control. This recession has now gone on so long that some of the unemployed now are eligible for benefits for a reduced period only because they were laid off a part of last year.

UNEMPLOYED NOT INCLUDED IN UNEMPLOYMENT INSURANCE

Why is it that nearly 2 million of the 5.1 million unemployed are not receiving any unemployment insurance?

We have already pointed to the 1 million who have exhausted benefits since September.

Some workers have failed to pass the stiff eligibility requirements in State laws and others have been disqualified. Many of the eligibility and disqualification provisions have been developed with a view only to reducing the employer's tax rate and have no relationship to the basic purposes of an unemployment insurance program or to the causes of the worker's unemployment or his willingness to accept work if offered.

Over half the State laws provide coverage only for those working in establishments with four or more employees. In periods of full employment, about 2 million more employees would be covered if all State laws extended coverage to establishments of one or more. Only 18 States provide this coverage at the present time and there has been no extension of coverage to small establishments in recent years. The high bankruptcy rate of small business suggests the need for this kind of coverage for employees willing to accept the insecurities of this kind of employment.

In normal times, about 5 million State and local government employees are not covered under State laws; nor are the 1.2 million people working for nonprofit institutions; nor are the 2.9 million recently discharged servicemen who served in other than the Korean war. And there are over 15 million agricultural, self-employed, domestic, and other categories of people who have no unemployment insurance.

THE STATES HAVE FAILED TO ACT

The shortcomings in State unemployment insurance laws have received the attention of numerous public bodies of inquiry, including the Advisory Council on Social Security to the Senate Committee on Finance of the 80th Congress, the Federal Advisory Council on Employment Security, and the Kestnbaum Commission on Intergovernmental Relations. The President and the Secretary of Labor have recommended to Governors and State legislatures that they look to improving their programs by raising maximum benefits to provide maximum benefits of 60 to 66⅔ of average weekly wages, establish uniform duration of 26 weeks, eliminate harsh and restrictive eligibility and disqualification provisions, and extend coverage to establishments with one or more employees. I do not need to dwell any longer on the unwillingness or inability of the States to make these recommended improvements.

The main reason that States acting individually are unable to make these improvements is for the same reason that no State paid unemployment compensation benefits prior to the enactment in 1935, by the Congress, of the Social Security Act. They are unwilling to provide any benefit program that would adversely affect employer tax rates. With the high employment levels that have characterized most postwar years, employers began to think of unemployment insurance as a way of reducing taxes rather than as a way to improve benefits for their own employees. Average tax rates last year were only 1.8 percent of taxable payroll, and that taxable payroll represents now only 65 percent of total payrolls in covered employment. Under employer pressures, State unemployment compensation laws have been perverted from a system of paying adequate benefits to the unemployed to a system of achieving tax reductions for employers.

The helplessness of the State legislatures to do anything significant on unemployment insurance has never been demonstrated so vividly as this year. Seven of the eleven legislatures that have already adjourned failed to improve

benefits or extend duration. Those four States that did do something made relatively minor improvements which still fall far short of that the President has been recommending since 1954.

President Meany, addressing delegates to the recent AFL-CIO Economic and Legislative Conference, effectively summarized the situation:

"In good years, the legislators said there was no sense in improving unemployment insurance when you didn't have unemployment. In bad years, they said they couldn't afford to improve unemployment insurance. And in routine years, they said: 'let's not rock the boat.'

"* * * the legislatures of the several States have far less regard for the urging of the President of the United States and of the Secretary of Labor than they have for the political power of the business interests of their States."

We are now paying the price for this irresponsibility.

Through zero tax rates and sterile reserves, many States have taken the "insurance" out of unemployment insurance. During 1956, 95 percent of the employers in one State paid a zero tax rate, and in nine other States a large proportion of employers also paid nothing.

Understandably, no State wants to step far out of line for fear that the higher cost of adequate benefit formulas will establish tax rates that will discourage employers from moving into that State or expanding within it. I do not think employers actually choose a plant location, because of a 1 or 2 percent variation in unemployment compensation contributions, but their argument is always a telling one in legislative policymaking. The only way States can be put on a basis of equal advantage is through uniform Federal benefit, coverage and eligibility standards. It is significant that the greatest single improvement in unemployment insurance was made when Congress, in 1954, extended coverage to 4 or more employees.

FEDERAL ACTION IMPERATIVE

Two facts of striking significance appear from the record of 22 years of legislative experience in the field of unemployment compensation. The first is that the States, left to themselves, or even on repeated urging from the highest levels of government, have not taken the steps necessary to enable their programs either to meet the essential needs of the unemployed or to fulfill their economic function of maintaining an adequate level of purchasing power. The second is that from the time of enactment of the Social Security Act to the present, the major significant improvements, made in the protection afforded wage earners' incomes against unemployment have been taken in response to action by the Federal Government.

H. R. 12065 IS NOT THE ANSWER

Let us turn now to a more detailed analysis of the shortcomings of the House-passed bill H. R. 12065. In the beginning of this statement, I pointed to the fact that it would actually accomplish little or nothing since it relied on action by the State legislatures to authorize the State agency to enter into an agreement with the Secretary of Labor.

As this testimony is being written, the majority of the State governors have responded to a telegram from Senator Paul H. Douglas inquiring whether they could make use of Federal benefits under H. R. 12065 without special legislative authority. Only 2 out of 30 replies give a clear-cut affirmative answer; 20 States and 2 Territories say they would probably require special legislation, and 8 more are doubtful whether they could utilize the benefits without it. In four States, constitutional amendments may possibly be required.

Even is a State actually enters into an agreement, its unemployed workers may gain very little. The bill would, at most, extend the period of payment by 50 percent for individuals who had already exhausted all benefits available under the State law. As already shown, periods of payment now allowed by the States vary greatly. Some pay for as little as 6 weeks to persons with limited earnings or employment. Only 1 State has duration periods of more than 26 weeks. On the average, benefits would be made available for about 10 additional weeks.

Nothing would be done to improve weekly benefit amounts, to remove harsh disqualification provision with cancellation of wage credits, or to relax other provisions that are now barring hundreds of thousands of persons from receiving benefits even if they have worked a substantial amount in covered employ-

ment. Nothing whatever would be done for the millions of unemployed not covered by the present State laws.

Even for the workers who have exhausted benefit rights and so theoretically will get the payments, the promise may prove an empty one even in a State that makes an agreement. The Federal Government would permit payments to workers who exhausted benefits as far back as July 1957, but each State in its agreement would specify the date of exhaustion it wishes to use and would be able to ignore, if it wished, any exhaustions that occurred before the agreement becomes effective, or even after it becomes effective.

In any case, payments would be made only for weeks of unemployment occurring after the State had entered into an agreement. Long delays might occur while the governor, the attorney general, the employment security agency, or other bodies considered whether they could enter into an agreement, and while a special State legislative session were called if that proved necessary, as is likely.

Suppose a State does find its way through a maze of legal problems and decides—though it seems improbable—that it is worth using these Federal temporary benefits even though they must be repaid out of State funds or taxes on employers within the State. Suppose an agreement is signed by August 1. If we use national averages for our illustration, a typical worker who has exhausted his benefits would be eligible for $30 a week for up to 10 additional weeks, if he cannot find a job. This is a total of $300 which is better than nothing but certainly not a tremendous sum for someone who has been without pay for a long period of time and has received benefits well under one-half of his regular wages.

One out of three unemployed workers in a typical State would clearly get no protection at all because they had not been covered. Workers who had exhausted their rights up to August might also be omitted, and next April all payments would stop because March 31 is the final date on which they will be payable. Even if recovery is clearly underway by April, employment levels will rise more slowly than business activity. Since the labor force will be larger, unemployment will certainly be heavy next winter, and millions of workers who remain without jobs in April will be without the additional protection which other workers will have received earlier in the recession.

Even if the bill should turn out not to be a hoax, it is at best a half-hearted measure to provide half-adequate benefits to half the unemployed in less than half the country.

The House bill would not only prove an empty promise to most of the unemployed but would seriously weaken the already feeble system of Federal-State unemployment insurance. The differences in benefit provisions among the States would be increased since the additional periods of duration permitted would vary from State to State, ranging from zero where nothing happened to a possible 13 weeks. Differences in taxes on employers would also be accentuated, starting in 1963. At that time the Federal Government would start collecting the money it had advanced for benefits and administrative purposes through a higher Federal tax on employers in States that had not repaid the funds utilized. The States that had used no Federal funds would not be affected. Tax rates in the other States would be raised in varying degrees depending on the liberality of their regular benefit provisions, the starting dates used for paying benefits and for including exhaustees, and the amount of unemployment within their borders.

As indicated elsewhere, the differences among tax rates between the States is already a problem to some employers and certainly to those of us who are seeking more liberal benefit provisions. Representatives of employer organizations argue in each State legislature that an improvement in benefits will mean a tax increase that will put the State in an unfavorable competitive position, driving business elsewhere and discouraging the erection of new establishments.

The proper role of Federal Government in setting taxes and standards for the States is to encourage uniformity, not increased disparity and confusion.

Nothing would be done by the House bill to aid the States whose reserves are threatened by high rates of unemployment and outlays in excess of income. Some few States have an immediate need for assistance, going beyond the repayable loans provided by the 1954 amendments. Rhode Island, for example, has always had an abnormally high unemployment rate due to the concentration in its small geographical area of manufacturing industries that are characteristically unstable, such as textiles and jewelry. Rhode Island has been collecting taxes at the rate of 2.7 percent for nearly each year, unlike any other State. Its maxi-

mum is now only $30 a week. But nevertheless its reserve is very low. If in the future its employers must pay taxes still higher than those collected in other States, its unemployment problems will be aggravated.

Instead, Federal grants should be made available to States as a method of pooling the impact of unemployment costs over a wider geographical area. After all, unemployment is a national problem.

OTHER TEMPORARY PROGRAMS

Other temporary programs have been proposed for meeting the present emergency through special benefits for the unemployed. All of these are opposed by the spokesmen for the organized employers, who want no action whatever. At the recent hearings of the House Ways and Means Committee, all the representatives of the Chambers of Commerce and the National Association of Manufacturers and other employer groups opposed the various proposals that had been made by the Eisenhower administration and the Democratic leadership. They did not favor a program of Federal grants to the States for general assistance such as was suggested by spokesmen for the American Public Welfare Association. These groups, and their conservative allies, clearly wanted no Federal action whatever to aid the unemployed in this emergency.

Since there appears to be no hope of developing a temporary proposal that will be acceptable to the organized employers, such proposals should be judged only on the basis of their effects in the short-run and in the future.

The original bill supported by the majority of the House Ways and Means Committee would at least have paid money into the hands of the unemployed. But it would have done nothing to improve the Federal-State system of unemployment insurance in the future so as to prevent a recurrence of needless suffering and the necessity of temporary Federal action in another recession.

The original administration proposal would in effect have imposed a Federal standard on duration retroactively, requiring all States to add 50 percent to existing duration provisions, with costs to be met by employers within the State. This proposal likewise did nothing to improve the system on a permanent basis.

The bill introduced by Senator Case of New Jersey and others (S. 3446) therefore be expected to be of limited assistance to many unemployed workers would in effect extend the period of duration for persons currently unemployed who have exhausted benefit rights since January 1, 1958, until the end of this calendar year. The Federal benefits would be paid under agreements with the States and subject to their benefit provisions. No repayment would be required since the program would be financed from Federal funds. The States would not be forced to make agreements but no indebtedness on their part or on the part of employers within their boundaries would result. This measure might who have exhausted their rights or will do so this year, though benefit amounts would not be increased. The bill would do nothing to help those who do not find jobs before 1959 begins or who use up all rights next year. Still more serious, it would do nothing to bring about much-needed improvements for the future.

After exploring these and other proposals for temporary tinkering with an inadequate system, we are more convinced than ever that substantial Federal action on a permanent basis is required to protect the unemployed on a basis that is fair to the States and employers in different areas.

AN ADEQUATE PROGRAM: THE KENNEDY BILL (S. 3244)

We urge your committee and the Senate to support a two-pronged program that will immediately improve benefits for the unemployed and that will also encompass much-needed improvements for the future. The Kennedy-McCarthy bill (S. 3244) embodies such a twofold approach, with other features that will put financing on a sounder basis and will extend coverage to millions of persons now without protection.

Under this bill, minimum benefit standards would become effective on July 1, 1959. By that time, the States would have to have met the standards in order that their employers would receive an offset from the 2.7 percent Federal tax. Few special sessions of State legislatures would be required since most will meet before that date. In the meantime, the Federal Government would provide funds for paying benefits under terms similar to those incorporated in the Federal minimum standards. The unemployed in all States would be aided by these provisions with a minimum of delay.

The AFL-CIO convention unanimously adopted the following resolution supporting this type of legislation:

"UNEMPLOYMENT INSURANCE AND THE EMPLOYMENT SERVICE

"Since the last AFL-CIO convention unemployment insurance has generally been neglected at both the State and Federal levels. In addition to providing inadequate benefits for too short a period, many States and Territories have clauses discriminating against intrastate and interstate claimants for purely arbitrary reasons. These shortcomings in unemployment insurance defeat its intended purposes and during the present downturn in business activity seriously threaten the security of millions of workers now laid off and about to be laid off in the next few months: Therefore be it

"*Resolved*, That this convention again supports a comprehensive overhauling and improvement of the unemployment insurance system, under a single Federal program. Pending such a reorganization, we support Federal legislation providing uniform minimum standards with regard to benefits, duration, eligibility, disqualifications, and genuine tripartite representation on the appropriate bodies such as advisory committees, commissions, and appeal boards. Federal legislation should also provide reinsurance as a source of grants-in-aid to States, and permit States to make flat-rate reduction in taxes.

"We favor Federal funds to extend the duration of benefits for claimants in defined depressed areas and for workers in the labor market unable to find employment because of age.

"We favor an amendment that will prohibit the garnisheement or attachment of unemployed benefits for any purpose by any person or government agency, including the Internal Revenue Service.

"We support a coordinated national approach by the employment service and the continuation and improvement of its services.

"We urge affiliated unions to continue their efforts to improve the State unemployment insurance laws so that they will replace a higher proportion of the individual's lost wages; so that the maximums are realistic in terms of average wages and will automatically adjust to rising wage levels; so that duration of benefits are more suitable to the reemployment problems facing the unemployed; so that harsh, restrictive, and arbitrary provisions in regard to eligibility and disqualifications are removed; and so that there are no restrictions against the concurrent payment of supplemental unemployment benefits.

"We favor extension of coverage to all wage earners and to newly discharged servicemen whose military service shall satisfy requirements of attachment to the labor force.

"We favor the establishment of a system of unemployment insurance in Puerto Rico.

"We oppose any change in Federal law which would remove the requirement for the quarterly wage reporting for OASI and unemployment insurance purposes." (Resolution 89, pp. 281–282, vol. 1, official proceedings.)

FEDERAL STANDARDS NOW IN SOCIAL SECURITY ACT

The idea of Federal action to meet the problem of unemployment is not new. In 1932 the Reconstruction Finance Corporation made advances to States and localities to provide relief and relief work for the unemployed.

In 1935 Congress passed the Social Security Act, which included a provision of grants to States for administration of unemployment insurance programs and provided for relieving employers of 90 percent of the tax imposed on payrolls in States that enacted unemployment insurance laws that met certain specified standards. These standards did not, however, include any requirements with respect to benefit levels or duration.

ADEQUATE BENEFIT AMOUNTS

The Kennedy bill now proposes two minimum standards to raise the level of weekly payments: (1) the individual's weekly benefit shall be calculated to be not less than 50 percent of his regular earnings, subject to the State maximum; (2) the State maximum shall be not less than two-thirds of average weekly wages in covered employment in that State. These standards are in line with the recommendation repeatedly made by President Eisenhower that "the States increase maximum benefits so that the great majority of covered workers will be eligible for payment equal to at least half of their regular earnings."

Certainly these standards are not too high. In no case would they require a State to pay more than half of a worker's regular wages, though some States

do this now for certain groups. But the very large proportion of workers who now get less than 50 percent of their earnings will be substantially aided.

The requirement in regard to the maximum imposed in the State would result in ceilings related to wage levels in each State. This is therefore not, in fact, a uniform standard, but a standard uniformly reflecting wage differences as between the various States. However, this too would be a minimum standard, so that States that wish to raise their ceilings would be perfectly free to do so.

All but two States now use a flat dollar maximum which can be changed only by amendment of the State law. Since wage levels tend to rise year after year with increased productivity and the declining value of the dollar, State maximums have continually slipped behind actual wages. The automatic adjustment of the dollar figure to two-thirds of average weekly wages would largely prevent this undesirable lag.

It is estimated that this standard would increase benefit costs by about 28 percent for the Nation as a whole, as shown in table VI.

LONGER PERIODS OF PAYMENT

The Kennedy bill proposes a Federal standard requiring that all States make benefits available for at least 39 weeks to all eligible persons who suffer unemployment for that long a period in any one year.

A potential duration of 39 weeks is not excessive. Indeed it is essential if unemployment insurance is to be effective during a recession in protecting the unemployed and in maintaining purchasing power. Present duration provisions have already been analyzed in an earlier part of my testimony. As shown there, the average potential duration today is about 20 weeks. The best State provides uniform duration for all eligible workers of 30 weeks.

The proposals for temporary Federal benefits advanced by the Eisenhower administration in its first bill and by the majority of the House Ways and Means Committee would in effect have made at least 39 weeks of payments available to a large proportion of the covered unemployed. The Kennedy bill has the advantage of making the minimum standard uniform throughout the Nation and incorporating it in the permanent framework of unemployment insurance.

It is estimated that a standard of 39 weeks would increase benefit costs on a nationwide average by 22 percent (see table VI). The combined additional gross cost of the proposed standards on benefit amounts and duration would be 50 percent. These are average costs over an extended period of time, assuming levels of unemployment equal to or greater than those experienced in the last decade. Translated into employer contribution rates, they would mean an increase to an average of 2 percent of taxable payrolls (from 1.3 percent) and to less than 1.5 percent of total payrolls (from 0.9 percent). This would be little more than one-half the tax rate contemplated by Congress when it established the 2.7 percent tax offset in 1935.

REASONABLE STANDARDS FOR DISQUALIFICATIONS AND ELIGIBILITY

Many people who have worked in covered employment find they cannot receive unemployment compensation benefits because they do not meet strict tests of eligibility. Many are disqualified either for short periods or indefinitely because of unreasonable restrictions that have been enacted in many States as part of the drive of employers to limit benefit payments to unemployment for which they as individual employers are responsible.

The Kennedy bill would maintain such disqualifications as are necessary to prevent abuse but would eliminate those which have been shown to be oversevere or purely capricious.

IMPROVEMENTS IN FINANCING

The Kennedy bill would provide reinsurance grants to States with heavy rates of unemployment and resultant low reserves. The need for such a provision has already been discussed. The Federal reinsurance grants would be available under specified conditions set forth in section 1201 of S. 3244. The grants would be equal to three-fourths of the excess of the compensation payable during a quarter over 2 percent of the taxable payroll for such quarter. In other words, the State would have to pay one-quarter of the total excess. Thus the Federal Government would give substantial assistance but the State would have an incentive to avoid too great expenditures.

TABLE VI.—*What is the annual cost of unemployment compensation Federal benefit standards under varying levels of unemployment?*

Proposed provisions	Assumed average insured unemployment in millions														
	2.0			2.2			2.4			2.6			3.0		
	Percent increment	Cumulative percent increment	Cumulative amount (billions)	Percent increment	Cumulative percent increment	Cumulative amount (billions)	Percent increment	Cumulative percent increment	Cumulative amount (billions)	Percent increment	Cumulative percent increment	Cumulative amount (billions)	Percent increment	Cumulative percent increment	Cumulative amount (billions)
1. Under present State unemployment compensation laws			$2.4			$2.6			$2.9			$3.0			$3.6
2. Maximum weekly benefit amount—⅓ State's average weekly wage	22	22	2.9	22	22	3.2	23	27	3.5	23	27	3.7	22	27	4.4
3. Uniform duration of 26 weeks and (2)	11	35	3.2	11	35	3.6	11	35	4.0	12	38	4.2	12	38	4.9
4. Uniform duration of 39 weeks and (2)	22	49	3.5	22	49	3.9	22	50	4.3	22	56	4.6	22	58	5.4

Data from U. S. Department of Labor.

Another important section of the Kennedy bill would give more leeway to States in reducing taxes on employers below 2.7 percent. At present such reduction is possible only on the basis of individual experience rating. The bill would permit a State as an alternative to lower taxes on all employers below 2.7 percent on a flat-rate basis.

States would not be forced to abolish experience rating—the Federal standard would merely be relaxed. Theoretically employers should welcome such a relaxation of a Federal standard.

COVERAGE

The Kennedy bill would extend the protection of unemployment insurance to millions of persons now excluded. It would add all employers with 1 to 3 employees. While some States now include such employment, they are in a minority. Veterans and certain Federal employees not now covered would also get protection. The definition of employee would be changed to bring in some groups now excluded as independent contractors. Through such clauses coverage provisions would be brought closer to those of old-age, survivors and disability insurance.

The AFL-CIO believes that virtually all employees can and should be covered by unemployment compensation. This principle is stated in the convention resolution which I quoted above. It is regrettable that about 2 million of the unemployed today should be without any right to benefits. Important groups that should be covered as soon as possible are agricultural workers, domestic workers, employees of nonprofit institutions, and employees of State and local governments.

Since the coverage provision of the Kennedy bill could not become effective immediately, owing to the necessity of permitting time for State legislative action, the question arises as to what should be done for the noncovered workers in the meantime. We believe that many of these workers have records of regular employment on which immediate benefits could be based during this emergency.

TEMPORARY BENEFIT PROVISIONS

Pending the date on which Federal standards and coverage provisions become effective, the Kennedy bill provides for temporary benefits to be paid for from Federal funds. Section 9 spells out terms for the temporary supplementation of unemployment compensation along lines similar to those embodied in the standards. The individual's benefit amount would have to be equal to not less than half of his average weekly wage up to a maximum of not less than two-thirds of average weekly wages within the State during the last full year for which necessary figures are available. Benefits would have to be payable to any eligible individual up to a total of 39 weeks. The Federal Government would pay for the excess of outlays over the amounts provided by the State law.

OTHER GROUPS SUPPORTING FEDERAL STANDARDS

As the failure of the State-by-State approach has been manifested, more and more support has been expressed for the approach embodied in the Kennedy bill. The governors of at least 12 States, which include 41 percent of all workers covered by unemployment insurance, have indicated their support of minimum Federal standards. This fact alone should help answer the argument that the States do not want this type of legislation.

Many outstanding students and analysts of social security have indicated their support of Federal benefit standards, including Arthur Burns, former chairman of President Eisenhower's Council of Economic Advisers. Only a few weeks ago a report on the American economy by the special studies project of the Rockefeller Bros., Fund advocated "minimum Federal standards" in its recommendations for fighting the recession.

RELIEF: THE LAST LINE OF DEFENSE

It is much better to provide protection for the unemployed through benefits received as a matter of right than through public-assistance payments based on a means test. Spokesmen for employers contend that, after unemployment insurance benefits are exhausted, jobless workers can turn to public-welfare agencies for help. But in practice workers who have always been independent are reluctant to turn to public relief and in many States employable persons are not eligible for aid even when no jobs are available.

The Federal Government does not now provide any money for general assistance for the unemployed. Many States leave such relief entirely to the localities, though some provide funds for the purpose. General assistance payments are very low in nearly all areas. They frequently require not only a means test but residence in the State for 3 years. Persons may have to have exhausted all their savings and be without any other substantial property such as a car, a home, or life insurance.

The AFL-CIO supports Federal grants for general assistance as a last line of defense for the unemployed. We regret that the House has not taken action to supply such grants. But even liberal Federal grants cannot make general assistance a good substitute for payments as a matter of right.

CONCLUSION

We are convinced that the House passed bill, H. R. 12065, is only an idle gesture and should be discarded. Both the immediate and long-run needs of the unemployment insurance program call for enactment of legislation providing both temporary supplementation and the basic improvements in the system along the lines provided in the Kennedy bill (S. 3244).

The Congress, by adopting such a program will contribute mightily to recovery from the present recession, at the same time making future recessions less likely or less severe. By the bold and imaginative action that has characterized America's response to crisis in the past, we can turn the threats and dangers of this recession, and even its accompanying human suffering, into opportunity to build stronger defenses for our free economy and our democratic way of life.

Mr. CRUIKSHANK. I can summarize the high points of the statement and comment on some of the tables and charts that we have included in it. I will be available for questions as the members of the committee wish to direct them to me.

My identity is indicated in the opening paragraph of this statement.

Mr. Andrew J. Biemiller, director of the legislative department of the AFL-CIO, was unfortunately detained at the last moment and he may join us later, but I am accompanied by two assistants from my department, Mrs. Katherine Ellickson, and Mr. Raymond Munts, who will also be available for questions if the members of the committee wish to direct them to me or to them.

At the outset, we wish to express our appreciation for the opportunity to present our views to this committee as it faces up to the serious problems that arise out of this present economic situation in the country.

I believe it is known, but I want to make it perfectly clear, that it is or view that it is necessary that the Federal Government take action again at this time to adopt standards to meet the basic deficiencies of the present Federal-State unemployment-insurance program.

The standards should cover the very essential elements of the program: Coverage, benefits, amounts, and duration; conditions under which these are paid, and the financing of the program.

We also are in support of a workable emergency program to meet the present needs pending such time as it would take for the State legislatures to take individual action, even if such an emergency program should fall short of all of our long-term objectives, if it actually would provide help immediately and extend aid to the unemployed and thus to help shore up our economy.

However, we cannot support the House bill, H. R. 12065, in its present form since, in our view, it fails to meet either objective.

It is our opinion that that bill gives great promise but little performance. The reason for our taking this position is this: We feel

that this bill, as passed by the House, is based on a misunderstanding of the real need. It is based on the conception that the need is for money, whereas, as has been directly pointed out in the course of these hearings, most of the States have money.

The need is for the State legislatures to act. We need some inducement to the State legislatures to act and to remove barirers so that they can act.

Now there are those who advocate doing nothing in this crisis.

We disagree with that view, but, of course, it is one which the Congress can take if, in its considered view, no action is necessary.

We earnestly hope this committee will not recommend that course.

The CHAIRMAN. Will you tell me what page you are reading from?

Mr. CRUIKSHANK. I am reading from the bottom of page 1, now, sir.

Furthermore, we trust in view of the fact that a very large number of governors have stated that the House-passed bill would not give any immediate relief, that this committee will not recommend adoption of the present provisions of the H. R. 12065 which give the appearance of action but actually accomplish nothing for millions of unemployed workers.

Now having stated this as our basic position, I would like to touch on the highlights of the supporting evidence.

Possibly I can keep referring to pages without reading so that the members of the committee will more easily follow the points that I am trying to emphasize.

Now on page 2 (the very bottom of page 1 and page 2) we offer the evidence that shows that this is the most serious economic decline since the 1930's.

The table at the top of page 2 traces the steady increase in the number of unemployed during the last 8 months, both as to the percentage of the civilian labor force, and as to the percentage of insured unemployment.

You will notice in the latter category it has progressed from 2.8 percent in September to 8.1 percent in April.

The next set of figures shows that 70 labor market areas or nearly half of the labor market areas listed by the Department of Labor show a substantial labor surplus. They are in that substantial labor-surplus category.

Next we give figures from the official Government sources refuting the claim that has been made in some quarters, particularly in the public press that the upturn has started.

And an analysis of these figures which are not our own but which come from responsible Government sources, leads us to the sad conclusion that we are probably in for a hard pull that will probably reach well into next year.

The claim that we are beginning to see the light of dawn, in our opinion, is not supported by the figures which we present here in some detail.

Now next, beginning or in the middle of page 3, we discuss 5 popular misconceptions about the unemployed and unemployment insurance.

The members of the committee, I trust, will have time to go into this but here I wish simply to summarize them in the briefest way.

The first is that the unemployed tend to be the young, single people or the secondary wage earners. Now, of course there are some of these

among the unemployed. But the facts show that there are many heads of families in this group which have a long-time earning record, and that when job opportunities exist they have been employed.

The second is that laid-off workers prefer benefits. This is a matter of study of motives, which is hard to get to, but objective studies have been made, and these studies indicate that that also is a misconception.

I would just like to point out what I am sure the members of this committee know, and are thoroughly aware of, that the character of people does not change when there is a decline in economic activity.

It is not the character of people that changes, it is the economy that changes and these people that are eligible for benefits now are all people who have been recently employed. When there were jobs open they took those jobs, and they do not suddenly become loafers and people living on the public dole just because there is a change in the economy.

Now the third point or misconception is that there are plenty of savings and therefore nothing is needed.

That is an oversimplification of the claim, to be sure, but that is the implication.

Now the studies show, and we analyze them here rather carefully, that very little of this total savings is concentrated among the people of the United States and their families who depend on wage incomes.

The fourth is that people on unemployment insurance use up their benefits and then go back to work, and again on page 4 we give the figures and the supporting studies that refute this misconception.

Now on the fifth misconception I would just like to spend a moment of time and that is that unemployment compensation—and I would like to do so, sir, because it has been repeatedly stated in these hearings—that unemployment compensation or the program is not meant for depressional unemployment.

The Secretary of Labor made much of that point as he appeared here before you early this week.

The claim is that if we were to pay the benefits in the amount needed it would throw the actuarial calculations off.

Well, now, they might throw the actuarial calculations off. This statement that the system was not designed for depressional unemployment is taken out of context from the views expressed by many students of the system. It is true, and I believe most people would agree, that unemployment insurance is not the only safeguard we have to rely on in times of extensive unemployment. We have to find some other ways of meeting depressional unemployment.

We need public works programs, we need tax relief, and we need many other things. We do not rely on it exclusively but we must say that if the system is just limited to the normal turnover and to meet the short periods of unemployment involved in shifts between jobs, then we do not have a real unemployment compensation system in this country and the question would arise, really two questions would arise: First, if that is true, what is the $8 billion for? What is its function? For what purpose has it been raised by taxes?

Secondly and more important, if the States now admit, and those speaking for the exclusive State view now admit, that their programs don't add up to an adequate system, then they are, in fact, giving the basis for an argument that some new system must be devised. Some level of government must act. The measures we support would en-

courage the States to take action and to build an adequate system but if the States do not build an adequate system and we are faced with the continued prolonged unemployment, then we need to have some supplementary system.

We do not think that is the answer, but certainly some answer must be found because this great rich country is not going to continue to allow people to be without any income or without insuring their earned income in any adequate and satisfactory manner.

Now the present system is only costing nine-tenths of a percent of the actual payrolls. The rates are higher than that, but the base on which the rates are paid is low.

In most cases it is still the original $3,000 that was set in the first Social Security Act of 1935.

But wages have gone up considerably and if you take the present tax rates and apply them to the actual wages, in the States you will find that the present system is only costing about nine-tenths of 1 percent.

Now this just happens to be one-third of the original level of taxes that was set in the Social Security Act of 1935.

The table which follows page 5, shows the distribution of this tax cost as between different types of systems and by States, and it shows really how low the tax rates generally are to support this system.

Now the real question is: What kind of a system do we have and what does it propose to do? That is the question that has been presented here. But behind that always is the question: Are we proposing to have an adequate system to meet the needs of the unemployed in crises of this kind as well as in more nearly normal times or are we just cutting the cloth and the pattern of the system to an existing tax rate and devising a system that protects the tax rates rather than one which meets the needs of the unemployed?

Now beginning on page 6 we present evidence of the insufficiency of the weekly benefit payments, and there is on the following page, a chart which shows the decline in the proportion of wages that are protected by this system, the average wage—well, let's just say the value of the insurance to the wage structure—as of 1939 and as of 1958.

I believe every member of the committee has a copy of the testimony, and this chart which we call table 2, following table 6, shows that.

The light shaded bars show the number of States, the axis across the page is the number of States, so the maximum on the right hand means 17 States.

Senator DOUGLAS. These are not averages but maximums?

Mr. CRUIKSHANK. That is right, sir; these are maximums, and it shows that, to start, that 3 States had a maximum in 1939 that permitted payments between 95 and 99 percent of the average wage in the State.

Senator DOUGLAS. You would not recommend that?

Mr. CRUIKSHANK. No, sir; we are not recommending that. The recommended level is in the bracket between 65 and 69 percent, the dotted line toward the middle of the page, and that is the level that has been recommended in five economic reports of the President, and supported by letters of the Secretary of Labor to the governors. That

is the recommended level, and we will find that in 1980, 20 States met that standard which is now recommended.

You will find, if you look at the heavy black bars, you will find the maximum limitations as per the number of States in 1958.

You will see no State comes up to the recommended standards and that the concentration of the heavy black lines, that is the 1958 direction is down toward the bottom of the scale.

In other words, as the value of jobs has gone up, with higher wages, the insurance premium, the insurance policy on those jobs, which people hold in the unemployment compensation systems, has not kept pace with it.

So that they are not permitted, they did not have the opportunity in 1958, under the State programs, to insure their job income, their wage income, nearly as adequately as they did in 1980.

We find that there were only six States below the present recommended level in 1980, but today all of the States are below the recommended level.

We show also the decline in the duration of benefits at the bottom of page 6, where you will note that we refer to information released just this week by the Bureau of the Census showing how long the currently unemployed have been without jobs, 1,300,000 or one-fourth have been out of work for a total of 15 to 26 weeks and over half a million, or 11 percent, of the total for over 26 weeks.

Now table 3 gives the detail for each State supporting the chart also that appears in table 2 so that the situation in each State can be identified.

On page 7, we give the total number of weekly exhaustions, which relates to the matter of this inadequate duration, in 8 of the States where the Department of Labor keeps a current check on the weekly exhaustions, and we find there is a steady increase right up to the middle of April, and then only a very slight drop in the last week of April, and then up again for the last week for which there is reporting, 25,419 persons in that week exhausting their benefit rights.

Now, again a detailed table, following page 7, table No. 4, which gives the average weekly benefit and the percentage of those eligible for benefits who exhaust their benefit rights before they are able to find another job, and the totals right on up through March and through April, and the breakdown for each State right up through March; the breakdown per State is not available for April at this time.

Now, on page 8, we refer to the problem of the inadequate coverage. There are 2 million of the more than 5 million who are now unemployed, 2 million of that 5 million are not receiving benefits, and we indicate some of the reasons for this.

In addition to those who have exhausted their benefits, we show those who are not covered by the program, and those that, for one reason or another, are not eligible for benefits. More than a third of the unemployed are not now eligible for benefits under this program.

This is just another reason why we feel that the State end of this present system has failed to meet its full obligations.

Then we give the record, starting on the bottom of page 8, of the failure of the States to act in spite of the encouragement that they have

had from the highest level of government—encouragement in terms of exhortations, but not encouragement in terms of any direct incentives.

A good bit is said about the State governments responding to the needs of the people on these. We wish that we—that the record showed differently.

I do not think it is a matter of opinion as to whether the States are responsive to the needs of their people. I think it is clearly a matter of the record, and the record shows that, beginning about 1915, there were among many States bill after bill introduced into the State legislature to establish unemployment-compensation programs of various kinds, and yet only one State legislature acted up until 1935.

Senator DOUGLAS. Mr. Cruikshank, and that State, Wisconsin, provided continuous delays in putting the law into operation so that it was not an effective law until the Federal Government acted; isn't that correct?

Mr. CRUIKSHANK. Thank you, Senator; that is quite right. In fact, Wisconsin was saying in their act that national legislation is necessary.

Senator DOUGLAS. That is right.

Mr. CRUIKSHANK. In order for us to implement their act. They, in effect, said that as they passed their first act.

Now, 20 years of failure on the part of the States to meet any of this problem, during which we went through some pretty severe post-World War I adjustments and some pretty severe unemployment, and yet, in less than 2 years after the Federal Government in 1935 placed this tax incentive before the States, in less than 2 years they did what they did not do in 20 years. In other words, the record is clear that the States themselves look to Federal leadership on this matter.

As a matter of fact, a number of States now have—in this matter of coverage—have in their State acts a proviso that they will move to coverage of one or more at such time as the Federal Government places the tax on one or more.

In other words, these very State legislatures that are saying, "All of this decision should be left in our hands as to all of the benefit levels," and all of that they are saying, in effect, "We will move when, and if, and only when the Federal Government says we must move." They are, in effect, asking in that respect, at least, asking for leadership from the Federal Government.

Now, on pages 10 and 11, we spell out in detail the reasons why we cannot support H. R. 12065 in its present form. Summarizing that, we submit that the main reason is the States cannot do more with the enactment of this measure than they can do now. I would again point out that this really is not just our argument, but this is the argument, this is based upon the statement of 27 governors according to the last count I had. I do not know; there may be more now.

Now, the Secretary of Labor, when he appeared before this committee on Monday, complained that the question which was directed to the State was not properly put to the governors, and it seems to us that two answers should be made to the Secretary on this ground.

One, as far as I know, no governor complained, and Senator Douglas, who directed the question about this, in his telegram, could inform the committee, and I am sure he will, if any governor is complaining about the way in which the question was put, and, furthermore, they

were directing their answer not only to the telegram and its wording but to the copy of the bill which the telegram of the Senator said was following by airmail, and most of the replies, all of those which I have seen, were directed after they had a chance to get the bill.

So, they were directing their replies not just to the telegram, but to their analysis of the bill.

The second answer to this contention of the Secretary is that he, himself, has not, to my knowledge, polled the States. He is free, himself, to ask a question as to whether he thinks the States could respond if this H. R. 12065 were passed, and, until he does, I respectfully submit that he is interposing his judgment over that of the governors of the States when he claims the States could take advantage of this bill without specific legislative action, and if my good friend, Secretary Mitchell, were here right now, I believe I would be tempted to ask him who is the federalizer at this point, since he is putting his judgment as above that of the governors, who, presumably, are "close to the people" in their States.

From the evidence now before the committee it appears clear that H. R. 12065 has abandoned the very essence of the emergency approach which was the very start of this back in the week of March 8 when the Secretary of Labor announced there would be an administration proposal shortly forthcoming which would meet an emergency situation; one which he said would not involve State action and one which he promised could be carried out without any of the complexities or litigation involved in State action. On the evidence which is before the committee, it seems now that this whole approach is out the window, and that the approach which is suggested through H. R. 12065 does involve State action, and, therefore, we have abandoned the emergency approach, and, inasmuch as the administration has now embraced H. R. 12065, it appears that it also has taken a 180° turn in this thing and it has abandoned the emergency approach.

But even if all of us felt, which we do not, that no emergency action was needed, the fact is that action still is needed, as thousands of people every day are exhausting their rights under the limited and inadequate State systems.

It seems to us that this provides the Senate of the United States a real opportunity to do the 2-part, the 2-pronged approach to the problem which, in our view, is so much needed, and the first is a set of grants to the States to help meet the immediate emergency.

Such an approach would not involve us in the litigation or the necessity of State legislatures meeting by not involving the matter of repayment by any name; whether it is an "advance," a "loan," or whatever it is, it should be the kind of grant that does not involve a repayment.

But then in the event such a grant program is adopted, it seems to me that the members of this committee would certainly wish to say to the States "Well, now, we are willing to do this once but we should not do it again and you should get your houses in order so that when and if there is another depression, we won't be confronted with an emergency and we won't be giving you the incentive to come to the Federal Treasury to get you out of this situation."

Now both of these approaches are contained in Senator Kennedy's bill which 17 other Senators have joined him in (S. 3244), which Senator Kennedy described in detail to you.

On page 18 we insert along with the rest of this for the record the evidence that we are not just speaking as staff people or as representatives of President Meany but in terms of a considered action taken by our convention, and the full resolution of the convention adopted in Atlantic City last December calling for this kind of legislation is included.

When we talk about this matter of Federal standards, it seems to me important that we should all remember that the matter of Federal standards is not new, that Federal standards are embedded in the program enacted in 1935.

Congress passed a Social Security Act, title III of which set up the administrative funds for the State unemployment compensation systems, and amendments to the Revenue Act imposed this tax—an excise tax on all employment in the States. Then the Congress, in effect, said to the States "90 percent of this tax will be forgiven all of the employers in the States in such States as pass laws which meet certain standards."

It did not say just any kind of law and those standards are quite specific. They concern, among other things, certain matters of administration. They require a civil service system to be set up within the State.

They require that the payment of benefits shall be neutral as to the membership or nonmembership in labor organizations.

They require that the payment of benefits shall be neutral in cases of labor dispute, and these are Federal standards that are in the existing law.

However, the first law did not set any standards with respect to the level of benefits or the duration of benefits, and the experience since that time has shown that with the variable tax rate that was also permitted in the national act that was passed at that time, there were incentives in States to keep their benefits low, and the chart which was the first one I talked about, shows how the benefits have gone down relatively, because of the pressures to keep the taxes low.

Table 6, which follows page 15 in the testimony, is a breakdown as to what the imposition of these standards would cost, assuming various levels of unemployment.

I would just like to point out, commenting on this table, that the percentages indicated are not relative on a horizontal line. They are only relative within the columns as presented. To take at random a level of unemployment at 2,600,000, we find that the cost under the present State unemployment compensation laws annually is figured at $3 billion and I will say these are Department of Labor figures.

If you would add the maximum weekly benefit amount at the level that has been proposed by President Eisenhower, namely two-thirds of the State's weekly average wage it would raise that cost up to $3.7 billion, and raise the percentage amount by 23, and if you would have a uniform duration of 26 weeks you would add still more, raising the total cost to $4.2 billion and if you would make a uniform duration of 39 weeks, as the Kennedy bill proposes, you would raise it by $4.6 billion that is providing unemployment stayed at the level of $2.6 million.

These are sizable amounts but relatively they are not so large and you will notice that at that level it would raise the cost a total of 50 percent and since I pointed out that the present cost is 0.9 percent,

the total cost would still be raised only at a national average of between 1.3 percent and 1.4 percent which is still less than half of the original tax contemplated or the tax rate contemplated in the original act namely 2.7 percent.

So these are not radical proposals and they are not really even very expensive proposals.

At the conclusion we point out that we are not alone in supporting these Federal standards.

The governors of at least 12 States, including 41 percent of all the workers covered under the system have indicated their support of minimum Federal standards, and many outstanding students and analysts of social security have indicated their support, including Dr. Arthur Burns, the former Chairman of President Eisenhower's Council of Economic Advisers, who just recently pointed to the necessity of Federal standards, and the special projects study of the Rockefeller Bros. Fund which came out about 10 days ago, I believe, advocated minimum Federal standards for unemployment insurance systems in its recommendations for fighting the recession.

Now we also support as we indicate at the top of page 17 (and I have just given perhaps very inadequately the highlights of this rather long statement) as a last line of defense, Federal grants through public assistance for a general category of need so that States may catch those people who fall through the meshes of the nets of our various insurance programs.

As a last line of defense there should be public assistance for people who have not been able to meet the requirements—even liberally drawn requirements of laws in the States that provide some income maintenance program.

In conclusion, we are convinced that the House bill, H. R. 12065, is only an idle gesture and should be discarded.

Both the immediate and long-run needs of the unemployment insurance program call for enactment of legislation providing both temporary supplementation and the basic improvements in the system along the lines provided in the Kennedy bill.

We believe that the Congress by adopting such a program will contribute mightily to recovery from the present recession at the same time making future recessions less likely or less severe.

By the bold and imaginative action that has characterized America's response to crises in the past, we can turn the threats and dangers of this recession and even its accompanying human suffering into opportunity to build stronger defenses for our free economy and our democratic way of life.

This concludes, Mr. Chairman, the comments and the summary of this statement at this time.

The CHAIRMAN. Thank you very much, Mr. Cruikshank. Are there any questions?

Senator DOUGLAS. Mr. Chairman, did you wish to ask questions?

The CHAIRMAN. No.

Senator DOUGLAS. May I ask a few questions?

The CHAIRMAN. Yes, Senator.

Senator DOUGLAS. Mr. Cruikshank, I would like to ask this question to start off with: Many of the States have very sizable reserves. If these unemployment-compensation trust funds are not used for

extended benefits or increased benefits, what, in effect, are we preserving them for?

Mr. CRUIKSHANK. In effect, Senator Douglas, we are preserving them for, or the result of their being preserved is the protection of the present tax structure in the States.

As Commissioner Batt pointed out, in his State, and that was just an example, when reserves fall to a certain level, a new tax schedule automatically goes into effect, and I believe every State—is that not true, Mr. Munts?—I believe every State has a provision of that kind.

Therefore, there is an incentive in the States not to pay benefits, because paying greater benefits or more liberal benefits or more liberal eligibility provisions, providing benefits to more people, would draw on the State reserves at this time and might bring the State reserve to a level which would put the new tax schedule into effect.

Now, every State has in its law, and it is required—and this is another Federal standard—it is required that there be in every State law a provision that these funds cannot be used for any other purpose.

They cannot be diverted to highways or schools or any other thing. They must be used only for the payment of benefits to the unemployed.

But as they are now being preserved and some of the State agencies are assuming the role of high priest over the sanctity of these funds, as they are now being preserved, not in a legal sense, but, in fact, the effect of their remaining drawn upon no more than they are, the effect is that the purpose of the funds now is to preserve the employers' tax structure.

Senator DOUGLAS. Originally these funds were intended to provide a reserve so that in period of recession or depression it would be drawn down; and, hence, you would transfer purchasing power from the period of prosperity to the period of recession or depression and exert a net stabilizing influence.

Now, in practice, what you are saying is that this purpose has been fulfilled to only a limited degree.

Mr. CRUIKSHANK. Yes, sir; it would appear so.

Senator DOUGLAS. Would you say, therefore, that these funds are in a sense sterilized?

Mr. CRUIKSHANK. Yes, sir; I would. I would also point out, in going beyond your question, if I may, sir, the fact these funds are held in separate State accounts further sterilizes them.

I believe it was Prof. Richard Lester, in a report for the Committee for Economic Development, who drew an analogy which is better than I can draw.

Professor Lester said the separate State reserves acted like a city having fire departments, where the hose and ladder equipment and all the rest of the fire-fighting equipment was confined by some city ordinance to each ward, but if there was ever a five-alarm fire, the departments could not combine and go into and meet an emergency situation.

This would mean unnecessary duplication of fire-fighting equipment in every city. We have the same situation here. We have some of these States who could pay benefits at the present level, I think one was cited this morning up to 30 years, and you have some that

are within 1 or 2 months of a critical situation and yet the funds from one are not available to another.

Now, more than that, outside of the very limited funds in the Reed reserve fund, in the loan fund of the Reed bill, there is no reinsurance fund, and another one of the things that the Kennedy bill does is to provide a reinsurance program so that there can be a broad national underwriting of the risk of unemployment, the incidence of which falls so unevenly among the States.

Senator Douglas. Mr. Cruikshank, I have tried to find a compilation of State laws which would bring out the degree to which assessments on employers increase as the various State reserves diminish, and I personally have not been able to find such a compilation which seems to be central to your argument. Do you know if there is such a compilation?

Mr. Cruikshank. I believe there is, Senator Douglas.

I happen to be a member of the Federal Advisory Council to the Secretary of Labor, and there are, of course, public members and employer members on that council, and this council made a study of this financing about a year ago, a little more than a year ago, I believe, and at that time the Secretary of Labor furnished the members of this council with a study of the various danger point systems that are in all of the State laws, and I would think he would be willing to provide this and this committee would be interested, I think, in having it.

Senator Douglas. May I address an inquiry to Mr. Stam and inquire whether the Secretary of Labor has furnished such a comparative table to us?

Mr. Stam. Not yet.

Senator Douglas. May I request the chairman to ask the Secretary of Labor to submit such a table?

The Chairman. What is the statement, Senator?

Senator Douglas. I asked that the committee ask the Secretary of Labor to submit a compilation of the State laws showing the degree to which the assessments upon employers increase as the size of the separate State reserves diminish.

The Chairman. Without objection, it will be done.

(The material requested appears on p. 458.)

Senator Douglas. Since today is the last session if this request could be communicated by telephone it would speed things up very much.

Mr. Cruikshank, another question I would like to ask: It is sometimes argued against Federal standards that there is no uniformity of unemployment between States and therefore we should not impose uniformity of standards.

I would like to ask you if the proposed Federal standards do in effect impose such an alleged uniformity.

Mr. Cruikshank. No, sir; they do not.

First, to take the two basic standards, the one on the level of benefits: It is understandable that there is this amount of misunderstanding about it, because the standard is expressed in a figure, but it is a percentage figure.

The standard is expressed in terms of paying half of the past earnings to a worker subject to a maximum of 66⅔ percent of the average weekly wage of covered employees in the State.

Now that half, and that two-thirds sounds like a uniform standard but being relative to the wage structure within the State, it reflects the differentials of wages within the States.

Senator DOUGLAS. And between States, too; isn't that true?

Mr. CRUIKSHANK. Yes, that is right.

Senator DOUGLAS. Between States?

Mr. CRUIKSHANK. Yes, sir.

Now the one on duration sounds even more like an arbitrary standard, because it is in terms of 26 weeks or 39 weeks, the 2 major proposals.

And this administration, with supporting letters from the Secretary of Labor, has repeatedly urged on the States a uniform duration of 26 weeks.

Now, of course, you see the newspapers often picking this up and saying 26 weeks of benefits or 39 weeks of benefits for every person. That is not true. It is only a maximum potential period of benefit payments, and if an economic condition within a State were such that employment picked up and job opportunities began to appear, these people who are required to go into the State employment service office and register every week to be continued in eligibility for their benefits would be offered these jobs, and if they refused a suitable job they would be off the benefit roll. They would be off the benefit roll at the end of 10 weeks if the job showed up even if the State had a uniform maximum duration of 39 weeks.

So that just as it is true that a benefit standard expressed in terms of percentages reflects varying wage levels and economic conditions within a State, so also does even a uniform duration provision. It would reflect the changes within the States and you would find the actual average duration falling as soon as the employment opportunities picked up.

The CHAIRMAN. Thank you very much, Mr. Cruikshank.

The committee will adjourn and recess until 1:30.

Mr. CRUIKSHANK. Thank you, Mr. Chairman, and members of the committee.

(Whereupon, at 12:45 p. m. the committee was recessed until 1:30 p. m. of the same day.)

AFTERNOON SESSION

Senator FREAR (presiding). The committee will come to order.

Mr. L. W. Gray of the Texas Manufacturers Association.

STATEMENT OF L. W. GRAY, LEGAL COUNSEL AND DIRECTOR OF INSURANCE, TEXAS MANUFACTURERS ASSOCIATION, AUSTIN, TEX.

Mr. GRAY. Senator Frear, my name is L. W. Gray, and I am legal counsel and director of insurance for the Texas Manufacturers Association, with officers at 902 Capital National Bank Building, Austin, Tex.

My appearance before this committee is on behalf of the approximately 4,000 business firms in Texas who are members of the Texas Manufacturers Association and most of whom are covered employers under the Texas Unemployment Compensation Act.

We have very carefully analyzed and studied the various proposals for Federal unemployment benefits which have recently been introduced in this Congress. We want to go on record as opposing the Kennedy-McCarthy bills, S. 3244 and H. R. 10752, and the Mills bill and the administration bill.

It is our position that no action by Congress is required by the facts as they exist at this time. It is our further opinion that under existing law, any State which desires to bolster its unemployment compensation program has sufficient authority to do so.

Under the provisions of the Reed Act, which in our opinion, was enacted to take care of such an economic situation as we are now undergoing, the State has the right to increase both the amount of benefits and duration of benefit payments if they desire to do so, and if their funds become depleted, they have authority to borrow money from a loan fund and repay the money during a later period.

It is our contention that different problems exist in the various States, and that if a State determines to increase the benefit amount or duration of benefit payment, then that particular State should decide on the necessary legislation to implement these changes.

When Congress steps in and acts for the States in this field, it is an invasion of the rights of the individual States in an area over which they should have control and jurisdiction.

In Texas, our problem is not so serious, fortunately, and we have asked the Texas Employment Commission to prepare an analysis of the unemployed labor force in Texas, which you have before you, Senator, showing the unemployment situation as it exists in Texas at the present time.

I am sure you have heard a great deal of figures before the committee. We are of the opinion that this is something perhaps which has not been presented heretofore.

You will note that the total estimated unemployment in Texas of May 13 was 200,400. Of that number, 92,921 were filing claims and were insured. From the period from January through April of 1958, the exhaustees in Texas totaled 26,248. Those figures look rather large, and of great magnitude. However, going down to the middle of the page, and when we analyze the figures, we find that for the following groups, there is little or no justification for providing extended unemployment insurance.

Fifteen thousand of these exhaustees are not permanently attached to the labor force. Fifteen thousand of these individuals had insufficient wage credits to qualify for unemployment-compensation insurance. One thousand five hundred were railroad workers who are covered under another program. Thirty thousand are new and reentrants into the labor market with no wage credits.

This segment is composed largely of school youths and casual workers seeking part-time or temporary employment.

Nine thousand are insured workers, but did not file for unemployment-compensation benefits. They have shown very little interest in drawing their benefit payments.

So in this category fall 70,500 of the 200,400, and we feel there is little justification for extending benefits for these persons because they are not permanently attached to the labor market.

In summation, you will find that out of these 200,400 who are unemployed, 92,921 are insurance in filling claims; 11,248 are exhaustees

who do show some attachment to the total labor force; 70,500 fall into the category which we have just discussed, that is groups for whom there is little or no justification for providing extended unemployment insurance; leaving 25,500 other workers who are not covered.

This group comprises 5,000 who work for firms with less than 4 employees; 14,000 agricultural workers; 4,500 who are in domestic service; 1,000 who work with State and local governments; and 1,000 who work with charitable institutions.

Now, if we take out the agricultural workers, because of the difficulty in securing wage information on them, it leaves only 11,500 unemployed workers who are regularly attached to the labor force, and who are not covered by unemployment insurance.

We, therefore——

Senator FREAR. What do you mean by not covered, that they did not work for a covered employer?

Mr. GRAY. Yes, sir; which would include these smaller firms less than four, and these agricultural and domestics.

Senator FREAR. Yes.

Mr. GRAY. So we feel in our opinion from the above figures that the great bulk of the unemployed workers who should be covered by unemployment insurance are in fact presently covered and receiving such insurance benefits.

Speaking directly to the bill before this committee, 12065, we are of the opinion that it adds very little to our existing law.

However, in our opinion, if enacted, it would represent the first venture by the Federal Government into the area of extending the education of unemployment-compensation benefits, and we oppose the bill primarily on this basis.

If this committee, though, is of the opinion that some type of remedial legislation is essential, then in said event, we would favor the enactment of H. R. 12065 in preference to the other proposals for the reason that the bill provides for the extension of benefits on a voluntary basis and protects the inherent and valuable right of the individual States to regulate the duration of unemployment compensation benefits.

That is our statement, Senator.

Senator FREAR. Well, thank you, Mr. Gray, for a very concise explanation of your position, and that of those that you represent, and I assume for the State of Texas.

You know Texas and Delaware have something in common. If you put the 2 States together, there would be no other 2 States that large. [Laughter.]

Mr. GRAY. I had not thought about that.

Thank you, sir.

(The statement in full is as follows:)

STATEMENT OF L. W. GRAY, LEGAL COUNSEL AND DIRECTOR OF INSURANCE, TEXAS MANUFACTURERS ASSOCIATION, AUSTIN, TEX., ON H. R. 12065 (TEMPORARY UNEMPLOYMENT COMPENSATION ACT)

My name is L. W. Gray and I am legal counsel and director of insurance for the Texas Manufacturers Association, with offices at 902 Capital National Bank Building, Austin, Tex. My appearance before this committee is on behalf of the approximately 4,000 business firms in Texas who are members of the Texas Manufacturers Association and most of whom are covered employers under the Texas Unemployment Compensation Act. Our organization is opposed to any

legislation which threatens the independence and effectiveness of our present State unemployment compensation programs.

It is our understanding that the intent and purpose of the Texas Unemployment Compensation Act and the unemployment compensation programs of our sister States is to alleviate the hardships of unemployment by providing temporary financial relief to the unemployed while they are seeking other employment. We believe this principle is evidenced by a portion of the purpose clause of the Texas Unemployment Compensation Act which reads as follows:

"* * * Whereas it is detrimental to the moral, civil, and physical well-being of individuals to be sustained by charities and public grants. Past experience has further shown that oftentimes workers are unemployed through no fault of their own and, of necessity, are required to live by public charities. It is the purpose of this legislation, and the legislature declares it to be the purpose of the State by this enactment to provide an orderly system of contributions for the care of the justifiably unemployed during times of economic difficulty, thereby preserving and establishing self-respect, reliance, and good citizenship."

A report to the President from the Committee on Economic Security in 1935 (368.4) page 9, made this statement concerning the desirability of a limited period of benefits:

"We believe it is desirable that workers ordinarily steadily employed be entitled to unemployment compensation in cash for limited periods. * * * It is against their best interests and those of society that they should be offered public employment at this stage. * * * Very often they will need nothing further than unemployment compensation benefits, for they will be able to reenter private employment after a brief period. * * *"

House Report No. 615 on the social security bill (April 5, 1935) (368.4) page 7, discusses the distinction between unemployment compensation and relief:

"Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. Any attempt to make it do so confuses unemployment insurance with relief, which it is designed to replace in large part. It can give compensation only for a limited period and for a percentage of the wage loss.

"Unemployment compensation, nevertheless, is of real value to the industrial workers who are brought under its protection. In normal times it will enable most workers who lose their jobs to tide themselves over, until they get back to their old work or find other employment, without having to resort to relief. Even in depressions it will cover a considerable part of all unemployment and will be all that many workers will need. Unemployed workmen who cannot find other employment within reasonable periods will have to be cared for through work relief or other forms of assistance, but unemployment compensation will greatly reduce the necessity for such assistance."

The Senate Finance Committee in Senate Report No. 628, May 13, 1935, also discussed this same problem:

"Such unemployment compensation is not a complete safeguard against the hazards of unemployment. In periods of prolonged depression many workmen will exhaust their benefits before they find other employment."

It seems evident from reading the above statements, that the students of unemployment compensation insurance realized that it was not a complete answer to the problem of unemployment but that it was definitely a step in the right direction and that such programs were to be distinguished from relief or a dole. In considering proposed legislation, we should keep in mind the intent and purpose of the original statutes which contemplated limited duration of benefits and an insurance program rather than a relief program.

We have carefully analyzed and studied the various proposals for Federal unemployment benefits that have recently been introduced in this Congress. We oppose the Kennedy-McCarthy bills (S. 3244 and H. R. 10570), the Mills bill, and the administration bill for the reason that their enactment would seriously impair the independence and effectiveness of our State unemployment compensation programs. A full discussion of our opposition to these bills is found in exhibit A which is attached hereto. It is our position that no action by Congress is required by the facts as they exist at this time. It is our further opinion that under existing law, any State which desires to bolster its unemployment compensation program has sufficient authority to do so. The various States have reserve funds totaling approximately $8 billion, and these funds can continue to pay benefits at the current levels for more than 3 years without any increase in the present tax rates. Under the provisions of the Reed Act, which in our opinion was enacted to take care of such an economic situation as we are now

undergoing, the State has the right to increase both the amount of benefits and duration of benefit payments if they desire to do so and if their funds become depleted, they have authority to borrow money from a loan fund and repay the money during a later period. It is our contention that different problems exist in the various States and if a State determines to increase the benefit amount or the duration of benefit payments then that particular State should decide on the necessary legislation to implement these changes. When Congress steps in and acts for the States in this field it is an invasion of the rights of the individual States in an area over which they should have control and jurisdiction.

Fortunately the State of Texas is not faced with the same serious problem of unemployment that exists in some of our heavily industrialized sister States. The Texas reserve fund is in excellent financial condition and in our opinion the present economic situation does not require Texas to modify her existing law. As of May 9, Texas had a balance of $289 million in its reserve fund and is currently paying out benefits at the rate of about $1.5 million per week. The income for the fund, from taxes and interest at the current rate, approximates about $600,000 per week, which would indicate that the present reserve would last from 7 to 10 years. The Texas rate of exhaustion of benefits is summarized and compared in the following table for like periods in 1957 and 1958:

	1st quarter, 1957	1st quarter, 1958
1. Maximum of 24 weeks	161	1,381
2. 15 to 23 weeks	5,792	8,945
3. 7 to 14 weeks	5,548	7,189
4. 1 to 6 weeks	56	134
Total	11,557	17,049

Experience reveals that in the third or fourth classifications and to some extent in the second classification, the workers are not fully in the labor market but are merely periodic workers—seasonal or casual. Regular workers, who are permanently attached to the labor market, would, with few exceptions, qualify for the maximum period. All proposed bills were ostensibly drawn for the purpose of helping the large number of exhaustees who were suffering from economic hardship. In Texas only 5,492 more claimants exhausted their benefit rights in the first quarter of 1958 over the corresponding quarter in 1957. Of this number only 1,220 were entitled to the maximum benefit period—thus indicating a large portion were not truly in the labor market. Page 1 of exhibit B, which is attached hereto, is an analysis of the unemployed labor force in Texas as of May 13, 1958. This exhibit is quite significant in illustrating the fallacy of quoting total unemployment figures without an adequate explanation of the items involved in the tabulation. These figures were furnished at our request by the Texas Employment Commission. We see from these figures that out of a total unemployment in Texas of 200,400 there are 87,000 individuals who are not covered by the Texas Unemployment Compensation Act or who have very little attachment to the labor force. Of the remaining 113,400 unemployed individuals, 92,921 are insured and have previously filed claims for benefits. This leaves 20,479 unemployed individuals consisting in part of exhaustees who are still in the labor market and individuals covered by the act but who have not filed claims for unemployment-compensation benefits. We assume that similar conditions exist in other States, and it is important that a careful analysis be made of figures indicating total unemployment. Page 2 of exhibit B makes a comparison of the unemployed labor force for the years 1957 and 1958. This exhibit is significant in that it indicates that unemployment among individuals who are not covered by the Texas Unemployment Compensation Act and those who have little attachment to the labor force remained almost stable in number in 1957 and 1958. There were 79,000 individuals in this category in 1957 and 81,000 in 1958.

When we study the current condition of the Texas reserve fund, the number of exhaustions and the makeup of the unemployed labor force in Texas, it seems that statements as to the need for immediately extending benefit duration and making other changes in the law are not warranted by the facts.

Turning our attention to H. R. 12065, we are of the opinion that it adds very little to our existing law. However, in our opinion, if enacted, it would represent

the first venture by the Federal Government into the area of extending the duration of unemployment-compensation benefits. We oppose the bill primarily on this basis and for the further reason that it interferes with the legislative prerogative of the States by indirectly focusing attention on the governors of the various States to call special sessions of State legislatures for the purpose of deciding whether or not to extend the duration of unemployment-compensation benefits. However, if this committee is of the opinion that some type of remedial legislation is essential then, in said event, we would favor the enactment of H. R. 12065 in preference to the other proposals in this field, for the reason that the bill provides for the extension of benefits on a voluntary basis and protects the inherent and valuable right of the individual States to regulate the duration of unemployment-compensation benefits.

EXHIBIT A

NATIONAL AFFAIRS—NEWS AND VIEWS

TEXAN MANUFACTURERS ASSOCIATION

No. 9-58, April 30, 1958

SHALL WE FEDERALIZE UNEMPLOYMENT COMPENSATION AND CREATE A "DOLE SYSTEM"?

The House Ways and Means Committee reported a bill on unemployment compensation which will be called up for floor action this week.

The House may consider the bill under the open rule—that is, permitting amendments. Inasmuch as the two schools of basic thinking behind this legislation are best expressed in the administration proposal and the Mills bill, a comparative analysis of those bills and their impact upon the unemployment system as well as their dangerous effects are herein presented. From the Texas point of view an analysis of the whole issue is appropriate.

THE PICTURE

The whole concept of this proposed legislation stems from the alleged desire on the part of some to meet an "unemployment emergency" and alleviate the impact of the current exhaustion in unemployment benefits. Here is the picture in Texas—and the possible effect of these laws.

Qualification requirements

An unemployed worker can receive unemployment compensation benefits for 24 weeks, if (1) he registers with and reports to the employment office and claims benefits; (2) he is available and able to work; (3) he has, during his base period (five calendar quarters prior):

(a) earned more than $250 in 1 quarter and more than $150 in 1 other quarter, or

(b) earned more than $1,000 in any one quarter, or

(c) earned a total of $450, earning at least $50 in each of 3 quarters.

Once he qualifies, the commission may reduce his number of payments if it appears that: (1) he quit voluntarily (from 1 to 24 weeks penalty), or (2) he was fired for misconduct (from 1 to 24 weeks penalty), or (3) he refuses suitable work (from 1 to 12 weeks penalty).

Record of exhaustion, 1957–58

Rate of exhaustion of benefits is summarized and compared in the following table:

	1st quarter, 1957	1st quarter 1958
1. Maximum of 24 weeks	161	1,381
2. 15 to 23 weeks	5,792	8,345
3. 7 to 14 weeks	5,548	7,189
4. 1 to 6 weeks	56	134
Total	11,557	17,049

Experience shows that in the third and fourth classifications, and to some extent in the second class, the workers are not fully in the labor market but are merely periodic workers—seasonal or casual. Regular workers, who are permanently attached to the market, would, with few exceptions, qualify for the maximum period.

TWO TRENDS OF THOUGHT

Recession talk has spurred the introduction of several bills proposing Federal supplementation of State unemployment compensation benefits which, if enacted, would seriously impair the independence and effectiveness of our State unemployment compensation system.

The Ways and Means Committee of the House held hearings on March 28, 31, and April 1 on these various bills, and the Mills bill and the administration bill appear to be the only serious contenders for final enactment by the Congress. On April 18, the Ways and Means Committee reported the Mills bill out of the committee with an amendment extending coverage to noncovered workers over the strenuous objections of Republican committee members.

A side-by-side comparison of the provisions of each bill is made on the reverse side of this page. From that you will note that there are two principal differences in these two bills:

(1) The Mills bill provides an outright grant to the States whereas the administration bill would do the job in the form of loans similar to those now provided under the Reed Act. However, under the administration bill, even though a State would refuse to borrow the necessary funds, the Federal Government would disburse the money anyway and would then require repayment by an increased tax on employers—unless the State would find another way to repay the money.

The State would have three options to repay the money: (*a*) it could repay the bill from available funds; (*b*) it could authorize the Federal Government to withdraw the necessary funds from its Unemployment Reserve Fund; or (*c*) if a State failed to adopt either of these two methods within 4 years, the Federal payroll taxes on employers in the noncooperating State would increase from the present rate of three-tenths of 1 percent to forty-five one-hundredths of 1 percent in the following year and up to six-tenths of 1 percent thereafter until the money was fully repaid.

(2) The Mills bill would extend coverage to all individuals who have never been covered under Federal or State unemployment compensation laws. These individuals would receive benefits on the same basis as provided for individuals who have exhausted their rights. It is estimated that more than 3 million insured workers and 2 million uninsured workers would be immediately eligible for benefits upon passage of the Mills bill and that this legislation would call for an expenditure of $1.5 billion and would cost about twice as much as the administration bill.

Provisions of the Mills bill, as amended, and the administration bill are compared below:

Mills Bill, as Amended	Administration Bill
SOURCE OF FUNDS	
A direct grant to the States. No repayment required.	A compulsory loan to the States. Funds to be repaid beginning in 1963 by reduction of the employer's credit for State taxes—in effect by increasing employer's Federal unemployment compensation rates.
EXTENDED DURATION	
Provides 16 additional weeks of benefits to each eligible applicant. Amended by Ways and Means Committee of House on April 18 to also provide temporary unemployment benefits to individuals who have been employed in noncovered employment.	Provides extended benefits in an amount equal to 50 percent of the benefits received before exhaustion, payable at the same weekly rate as under state law.

BENEFIT RATE

Changes weekly benefit rate for those drawing maximum benefits. The rate would be 50 percent of prior weekly wages up to a maximum of two-thirds of the average in the State.	Pays benefits at the same rate as the State law.

PARTIAL UNEMPLOYMENT PROVISIONS

No provision for partial unemployment.	Applies to partial unemployment in the same way as State law.

TERMINATION DATE

Benefits to be payable for weeks of unemployment which begin on or after the 15th day after date of enactment to individuals who exhausted benefit rights after June 30, 1957, and before July 1, 1959.	Benefits to be paid for any week of unemployment which begins on or after 30 days following date of enactment and for any weeks of unemployment thereafter which begin before April 1, 1959, to individuals who have on or after December 31, 1957, exhausted all rights to unemployment compensation benefits.

APPLIED TO TEXAS

Administration bill

It is estimated that approximately $36 million would be paid out to Texas claimants who have exhausted their benefit rights under existing law, provided economic conditions continue their present trend. The employers of Texas would repay this sum of money by paying increased Federal payroll taxes over a 3-year period beginning in 1963. This additional tax would bring in $43,200,000, and the amount collected in excess of the $36 million necessary to repay the loan would be deposited in the Texas trust fund. The cost of this program would be borne entirely by the employers of Texas through the payment of increased Federal payroll taxes. The present Federal tax of 0.3 percent would increase to 0.6 percent by the year 1965.

Mills bill

It is estimated that payments to Texas claimants who have exhausted their rights to benefits under present law would total $53 million. However, this figure does not include the additional sums which would be required to be paid out under the recent amendment extending payments to noncovered workers. Since this bill is to be completely financed by the Federal Government, it would have no direct effect on employers' unemployment insurance tax rates; however, it would tend to establish increased duration of benefits and greater benefits in the minds of the recipients and would be an exceedingly dangerous precedent to establish. The amount of benefits paid under the Mills bill would be greater than benefits under the administration bill.

It is estimated that 60 percent or more of the exhaustees would be paid a greater amount in the extended period than they received under the State law and for about 40 percent, the 16 weeks of the extended period would be longer than their State unemployment insurance benefit rights. It is estimated that some 42 percent of the exhaustees would receive a larger weekly benefit amount, and some would receive both a greater benefit and a longer duration of benefits. The maximum weekly benefit under the Mills bill would be $52 in Texas, and the present maximum weekly benefit is $28.

EXHAUSTION

Claimants who have drawn all of the benefits to which they are entitled in a benefit year are said to have exhausted their benefit rights. Both bills were ostensibly drawn for the purpose of helping the large number of exhaustees who were suffering from economic hardship.

In Texas, only 5,492 more claimants exhausted their benefit rights in the first quarter of 1958 over the corresponding quarter in 1957. Of this number only 1,221 were entitled to the maximum benefit period—thus indicating that a large portion were not truly in the employment market. This seems to indicate that

the proposed bills are greatly overemphasizing the problem in Texas and raises the question as to whether the need justifies the means.

DO THESE PROPOSALS SOLVE ANYTHING?

1. The serious unemployment is localized in 8 or 9 heavily industrialized States, and not all of the States are in the same condition. Texas, for instance, is not experiencing the heavy unemployment of Michigan or Pennsylvania. It seems clear that the Federal Government should not try to set up uniform standards for all 48 States when different conditions exist in each of the States.

2. The States have reserve funds totaling $8 billion, and these funds can continue to pay benefits at current levels for more than 3 years without any increase in present tax rates. It is also significant that under the Reed bill there is a loan fund of more than $200 million available to States whose funds are exhausted. Alaska is already using its loan privileges and Oregon has also applied for a loan.

Most of the State reserve funds are in good financial condition and no Federal assistance is needed. Texas currently has a balance in its reserve fund of $293 million and is paying benefits out at the rate of about $1.5 million per week. The income for the funds from taxes and interest, at current low tax rates, approximates $600,000 per week, thus indicating the present reserve would last from 7 to 10 years.

The States are familiar with their own conditions, and it seems clear that they have sufficient reserve funds available to expand their present programs if they want to do so.

3. The Reed Act was designed to take care of such an economic situation as we are now witnessing. States can increase both benefit amounts and durations if they deem it necessary and, if their funds become exhausted, borrow money from a loan fund to finance the program. The States would then repay the money during a later period. The States, with two exceptions, have not found it necessary to borrow from this fund as yet which is further proof that their reserve funds are in good shape.

4. The administration's bill applies only to those claimants who have exhausted their benefits under existing unemployment-compensation programs. Statistics reveal that there are now 2 million unemployed people in our labor force who have never been covered under any unemployment-compensation law, and they have never received any unemployment compensation benefits. These people would still receive no financial aid under the administration's bill.

It is estimated that an average of 460,000 persons per week would be eligible to receive extended unemployment compensation benefits under the administration's bill. It seems ironic that these 460,000 who have previously drawn benefits would be favored to the complete exclusion of the 2 million who have never drawn any benefits at all. This is discrimination in its worst form.

On the other hand, the Mills bill, as amended, would reach out and cover individuals who have never been covered by any unemployment compensation program and would require the State unemployment compensation administrative agency to disburse benefit payments to these individuals.

Those who are familiar with the intricate wage reports kept by the Texas Employment Commission for computation of benefit payments to eligible claimants can envision the difficulty entailed in making payments to those individuals who have no wage information on record with the Texas Employment Commission. It is believed that the Texas Employment Commission would have to resort to a form of request reporting whereby they would have to contact previous employers of the applicant and request the necessary detailed wage information prior to the computation of his benefits.

This tedious procedure would be both time consuming and costly to the Texas Employment Commission. It seems unfair to saddle the Texas Employment Commission with this additional burden when it does not have the necessary wage information to process such claims. Unless such benefits as are paid are related to wages earned, the program clearly becomes a dole system and should not be handled by the Texas Employment Commission.

5. If extension of unemployment compensation benefits is considered necessary or becomes necessary at a later date, the individual States should decide on the necessary amendments to implement the additional benefits. As pointed out above, the States already have reserve funds to take care of such an extension; however, the Federal Government will have to borrow the money that it uses to finance extended benefit payments. This is clearly an invasion of the

rights of the State in a field over which they should have control and jurisdiction.

6. The governors who met with President Eisenhower concerning his proposals were not receptive and have not endorsed his program. A number of the governors attending the conference have stated that they consider the President's proposal an invasion of States rights and an interference with State programs.

7. Both bills propose a direct threat to the independence of our State unemployment compensation programs. If the Federal Government can extend the duration of State payments and regulate the amount of benefits and force loans upon the State for this purpose, then it seems that the Federal Government could also change, without the consent or approval of the States, the qualification and eligibility provisions of the laws of the various States and in effect strip the States of any control over their own unemployment compensation systems.

8. Predictions of many who are hostile to business and who want to use every excuse or emergency to centralize all governmental power should not precipitate the Congress into taking immediate and reckless action in this matter. It is elementary that once this legislation is forced upon the States that it will be difficult to revert to our old standards of benefit duration and amount.

9. The provisions of the administration bill which require a State to accept a loan, even though they refuse to voluntarily do so, and then require repayment by increased employer tax rates is repugnant to our form of government and should not be foisted off upon the States under the guise of being an emergency measure brought on by the recession.

10. Another basic objection to the pending bills is that they attempt to convert our State unemployment compensation programs into relief programs before they have had an opportunity to prove their ability to cope with the present economic situation.

POSSIBLE SOLUTION

No clear and definite need for Federal unemployment benefits has been demonstrated. The individual States, with 1 or 2 exceptions, are in good financial condition and can adequately take care of their own problems in this field if and when they arise.

A possible solution is H. R. 11700 by Harrison (Democrat, of Virginia). Though this bill is drafted along administration lines, it is designed to put the program on a voluntary basis, being effective only where a State and the Secretary of Labor entered into an agreement.

You should immediately contact your Senators and Congressmen stating your position. Delay can cost you money.

EXHIBIT B

Analysis of the unemployed labor force, May 13, 1958

Total estimated unemployment	200,400
Insured and filing claims	92,921
Exhaustees (January, February, March, April)	26,248
An analysis of exhaustees indicates only about 50 percent are permanently attached to the total labor force.	
Insufficient wage credits	15,000
This segment obviously has little or no attachment to the labor force.	
Railroad (covered under another program)	1,500
New and reentrants, no wage credits	30,000
This segment is composed largely of school youths and casual workers seeking part-time or temporary employment.	
Nonfiling from covered firms	9,000
This segment has shown no interest in unemployment insurance.	
Small firms not covered	5,000
Agricultural workers	14,000
Workers from domestic service	4,500
Workers from State and local government	1,000
Workers from charitable institutions, foreign governments, and fishermen	1,000

RECAPITULATION

Total unemployed	200,400
Not covered, or with little labor-force attachment	87,000
Total	113,400
Insured and previously filing claims	92,921
Total	20,479

Source: Texas Employment Commission.

Comparison of the unemployed labor force, 1957–58

	1958	1957
Total unemployment	200,400	137,100
Insured and filing claims	92,921	41,646
Exhaustees (January, February, March, April)	26,248	16,086
Insufficient wage credits	15,000	11,500
Railroad	1,500	1,200
Small firms in covered industries	5,000	4,500
Nonfiling from covered firms	9,000	8,000
New and reentrants, no wage credits	30,000	27,500
Workers from agriculture (May 13)	14,000	20,000
Workers from domestic service	4,500	4,200
Workers from State and local government	1,000	1,000
Workers from charitable institutions, foreign governments, and fishermen	1,000	1,000
SUMMARY		
Insured and filing claims	92,921	41,646
Exhaustees (January, February, March, April)	26,248	16,086
All other	81,000	79,000

Source: Texas Employment Commission.

Analysis of the unemployed labor force in Texas, May 18, 1958

Total estimated unemployment	200,400
Insured and filing claims	92,921
Exhaustees (January, February, March, April)	26,248
Insufficient wage credits	15,000
Railroad (covered under another program)	1,500
New and reentrants, no wage credits	30,000
Nonfiling from covered firms	9,000
Small firms not covered	5,000
Agricultural workers	14,000
Workers from domestic service	4,500
Workers from State and local Government	1,000
Workers from charitable institutions, foreign governments, and fishermen	1,000

Further analysis of the above figures shows that for the following groups there is little or no justification for providing extended unemployment insurance:

Exhaustees (January, February, March, April) who are not permanently attached to the labor force	15,000
Insufficient wage credits	15,000
This segment obviously has little or no attachment to the labor force.	
Railroad workers (covered under another program)	1,500
New and reentrants, no wage credits	30,000
This segment is composed largely of school youths and casual workers seeking part-time or temporary employment.	
Insured workers, but not filing	9,000
This segment has shown no interest in unemployment insurance.	
Total	70,500

The above figures show that, of the 200,400 unemployed, there are:

Insured and filing claims	92,021
Exhaustees (January–April 1958) who show attachment to the labor force	11,248
Groups for whom there is little or no justification for providing extended unemployment insurance	70,000
Other unemployed workers	25,500
Worked for small firms	5,000
Agricultural workers	14,000
Domestic service	4,500
State and local government	1,000
Charitable institutions, etc	1,000

If agricultural workers are excluded because of difficulty in securing records, or for some other reason, there are left only about 11,500 unemployed workers who are regularly attached to the labor force and who are not covered by unemployment insurance.

It is obvious from the above figures that the bulk of the unemployed workers who should be covered by unemployment insurance are, in fact, presently covered and receiving such insurance.

Senator FREAR. Has the Right Reverend Monsignor O'Grady returned from lunch yet?

Is Mr. Albert Whitehouse here?

Is Mr. Thomas Waxter here?

Mr. WAXTER. Yes, sir.

Senator FREAR. Mr. Waxter, you are the National Association of Social Workers?

Mr. WAXTER. Yes, sir.

Senator FREAR. You may proceed, sir.

STATEMENT OF THOMAS J. S. WAXTER, NATIONAL ASSOCIATION OF SOCIAL WORKERS

Mr. WAXTER. I am Thomas J. S. Waxter, a member of the commission on social policy and action of the Nation Association of Social Workers. I am also, Senator, the director of welfare for the State of Maryland, a neighbor of yours.

Senator FREAR. That is good, sir. Where are your offices here, sir?

Mr. WAXTER. The national association is in New York, but we have an office in Washington.

Senator FREAR. In Washington?

Mr. WAXTER. Yes. We have an office in both places. We are a professional organization of social workers of about 25,000 people spread throughout the Nation, and we have members from each of the 48 States. We have just gotten through in the last week having a delegate conference in Chicago with all of the State chapters represented, and gave a good deal of time to this bill and to legislation like this.

Senator FREAR. I don't want to keep you from your testimony, but just briefly what are the policies and what are the principles and objectives of your association.

Mr. WAXTER. Well, our association is composed of, mainly, of the professional social worker, the man or woman who has a college degree, plus 2 years of professional training in schools of social work.

Senator FREAR. Are these mostly State employees?

Mr. WAXTER. I would imagine that better than half of them, Senator, would be State employees.

We would have many—most of the professional people in your Delaware department would be members of this association, and some of the people in the private agencies in Wilmington, the professional people in the private agencies would be.

Senator FREAR. Thank you.

Mr. WAXTER. We feel we have a special interest in this bill because our members come directly in contact with the unemployed person, probably to a greater extent than any of the other professional groups.

We feel, because of that, that we have a special interest and a special knowledge.

I am not going to take the time, Senator, to read this paper, if it is all right with you. I will file it with you, but I would like to make a few comments for the record.

Senator FREAR. You sure may, and the entire text will be made a part of the record.

Mr. WAXTER. The thing we do want to say is that our testimony really about this bill is almost the same as Mr. Nelson Cruikshank and the AFL-CIO. But what we want to underscore as much as we can, is that even as we view the situation, in terms of unemployment, growing out of the depression of the thirties, a screen was set up in terms of unemployment compensation and under that screen, because the people of the States did not like the people who were receiving relief, for instances, I was on the board of the relief agency in Baltimore during the middle thirties, and we had 1 out of every 4 persons in Baltimore on relief in those days. It was a pretty acute and desperate situation, and out of that we had built this screen of unemployment compensation, and people like myself who work for welfare departments are catching the people below in the general-assistance program.

So that whatever you do about unemployment compensation, it is of tremendous interest to us in our professional capacity, because we take care of the people who come through this screening, and who are not eligible for any of the insurance programs, and we are finding, throughout the whole of our State, and this is true on the Eastern Shore, and in western Maryland, Southern Maryland, and in Baltimore City, that as people exhaust their unemployment compensation, we are not able to meet their need in our general-assistance program, that the Federal Government has set up a special relief or assistance program for the aged, for the disabled in the disabled program, for the dependent children and for the blind. But for the general person, for instance, for our farm labor and our water men, there is no program to catch them, because they are not covered by any program of unemployment compensation, and we do not have any program for the unemployed in Maryland.

We have a highly selective program that is only operative in certain parts of the State, and the general picture throughout the country in the assistance and protection given to the unemployed who have exhausted unemployment compensation, is most unsatisfactory, and a pretty desperate one for people who are not covered in families.

Now, in trying to underwrite this to say to you all in considering legislation like this, we would like you to consider 1 of 2 things, 1,

to have a general-assistance program in the same way you have it for the aged or the dependent children or the blind or the disabled on a matching basis with the 48 States in the Union to protect the people that drift through who are not now protected, and secondly, if that is not desirable, if the Senate, if the Congress, does not want that, although why they select the dependent child who is with the family where the father can't work, and refuse to feed that kid if he is where a father who can work and is not entitled to any compensation any place and doesn't have any means of his own, we can't see the reason for that distinction, or if that isn't possible, it has been suggested, as a—it was suggested in the House in the hearings on this bill, that they take the aid to dependent children bill which is a piece of legislation where the Federal Government and the State, the State of Maryland, for instance, jointly contribute to taking care of the needs of children under 18, who are in families or in a family within a certain degree of relationship to the child, where the need is called by the death of the father or his disability or his absence from the home.

Senator FREAR. Mr. Waxter, would you, in your first recommendation there, consider the same benefits for this group of general unemployed people who don't fit into the unemployment-compensation picture, yet are not dependent children or those other Federal assistance programs, would you think that if a program were set up similar to the aid to dependent children, that it should be set up with Federal contributions but on an eligibility scale and general supervision by the State welfare groups and not Federal groups?

Mr. WAXTER. Yes, sir. We would like to see it set up in the same way now that old-age assistance, for instance, is set up in Maryland or Pennsylvania, or Virginia, that there would be a grant-in-aid program.

We would like to, first of all, we don't like that type of program. We would rather have an insurance program but for the people who will always fall through these programs, no matter how tight you make them, we believe we should have a general-assistance program to protect them the same way you have to protect the aged, the child, or blind, or disabled.

We know, too, unless the Federal Government does make it a grant-in-aid program, that the States generally, not all of them, are going to pick it up. Only the rich industrial States would pick it up.

We wouldn't have such assistance in Maryland without the grant-in-aid program without the prodding that comes from the Federal Government and the financial aid, although Maryland is one of the richer States in the Union, we would never have picked it up ourselves.

Involved in that is that Maryland is one of those States where the rural areas of our State speak with much more authority than Baltimore City, and the industrial areas, because of the way in which our constitutional votes in the Maryland Senate, for instance, the votes of the 9 counties on the Eastern Shore are the same as the votes of Baltimore, and Baltimore has 6 votes, and the 3 heaviest populated counties we have, have but 3 votes, which is but 9, with something over 2,100,000 people, as against 300,000 people on the shore.

So that you get involved on the local basis with a lot of considerations where we need the leadership from the Federal Government and need Federal funds if we are going to have a decent catchall program.

Why, originally, there was not——

Senator FREAR. Not that I agree with your theory in the premise, but I know what you say.

Mr. WAXTER. It is true.

It is true in Maryland, and in a great many States.

Senator FREAR. Something similar in Delaware.

Mr. WAXTER. I didn't dare say that. I know it.

Either that or the suggestion that was made that intrigues us, we would like you to give very careful attention to, that if you took the aid to dependent children, that this grant-in-aid, to the family where the child is dependent because of one of these three things, either the father is dead, leaves the widow with the young children, or the father is incapacitated in the home, or has gone, you know, left the home and gone. If you could take that cause of need out, and make it any dependent child regardless of the cause of need, if he is living with relatives, you would really have the same general-relief program for all unemployed people not covered by your insurance program.

Senator FREAR. I agree with what you say, but I just can't agree with a hunderd percent coverage in any like that because they can manufacture those things, not that you desire it or not that I desire it, but people are now using, and we have hundreds of cases of them in Delaware, where rather than go back to work, they will find some excuse from going back to work, so they can draw unemployment compensation.

The same is true to aid to dependent children. I recognize it is a tremendous problem to do good for those we want to do good to and forget some of those that don't deserve it. I recognize in a program to administer like that it would be difficult to administer.

But there are certain people, and I think, I know, we have cases, and I expect you do in Maryland, who definitely put themselves in the category that they can draw compensation sufficient for existence without working.

Mr. WAXTER. I think we, I know we have. I run the Maryland program, and I know we have a scattering of cases of people who will do everything in the world to get money that they are really not entitled to.

But, Senator, those cases—now I can't speak for Delaware—but those cases generally throughout the country are the rare cases rather than the general run, and it is always terribly unfair to penalize a great group of people, the overwhelming majority of people, because every now and again you get involved with a particular individual that you just can't trust.

Basically that program, that ADC program which is the most difficult program we have because involving problems of immorality and illegitimacy and so forth, basically it is the best program we have in protecting those children. Without it we would be in a frightful way if those children didn't have some basic protection, and what we are pleading for, is that it be opened up to take the unemployed who are not covered.

What you are saying is these programs should be well administered, and they certainly should. You know they ought to be administered in accordance with certain administrative practices that are going to protect not only the individual involved, but the taxpayer.

But without it, we really don't have protection for large groups of our people throughout the country, and while we are appearing here today primarily because insurance is infinitely better, a needs test is a degrading thing.

Senator FREAR. Of course we are really only on testimony of H. R. 12065.

Mr. WAXTER. I know it, but we are using this as a platform to get in something that we believe is good, too.

Senator FREAR. Of course, that is the leniency of the presiding officer.

Mr. WAXTER. You are the presiding officer.

Senator FREAR. Yes.

Mr. WAXTER. We have no special or technical evidence to give about the bill that is immediately before you.

Senator FREAR. Yes.

Mr. WAXTER. But we really are using it——

Senator FREAR. You just don't think H. R. 12065 does that which you think should be done.

Mr. WAXTER. That is right. We think that really the States now have the authority almost to do that.

Senator FREAR. Yes.

Mr. WAXTER. I don't know whether we wouldn't take it if we couldn't get anything else, but that is another problem.

Thank you very much.

Senator FREAR. Yes, I am sure, Mr. Waxter.

It is nice to have this chat with you.

(The statement in full is as follows:)

STATEMENT BY THOMAS J. S. WAXTER FOR THE NATIONAL ASSOCIATION OF SOCIAL WORKERS ON UNEMPLOYMENT COMPENSATION LEGISLATION

Mr. Chairman and members of the committee, I am Thomas J. S. Waxter, member of the commission on social policy and action of the National Association of Social Workers. This association is a professional group composed of social workers employed in governmental and voluntary agencies throughout the United States. Since more of our members come directly in contact with unemployed persons than any other professional group, we have a deep interest in measures that seek to alleviate lack of income because of unemployment.

This last Saturday, May 10, our association concluded its biennial delegate assembly in Chicago at which we adopted a resolution addressed to the importance of extending and strengthening various income maintenance programs. Two of the resolves in this resolution read as follows:

"Be it therefore

"*Resolved*, That unemployment compensation, as the first defense against loss of income through unemployment, be extended throughout the Nation to cover all wage earners, and the amounts and period of benefits be increased to a level more commensurate with the cost of living, and with less restrictive eligibility and disqualification provisions, and that this be done as a matter of permanent policy so as to avoid the necessity of short term expediencies to deal with existing emergencies, which may weaken rather than strengthen basic program; and be it further

"*Resolved*, That because the unemployment insurance program cannot cover the entire population at risk, nor provide for individual emergencies and special situations, there be Federal matching of State funds on a permanent basis to encourage and maintain an adequate program of general assistance in all parts of the country * * *."

In adopting these resolutions, we recognized that considerable time may pass before the intent of whatever legislation is enacted by the Congress becomes translated into operating practices and distribution of funds in the 48 separate

State jurisdictions. We therefore set forth a third resolve which reads as follows:

"Be it further

"*Resolved*, That in the light of present widespread needs of people, emergency legislation be enacted which would extend the benefit period for the covered unemployed and provide benefits to the uncovered unemployed through Federal grants through State unemployment compensation systems."

I think it is fair to say that the third resolve dealing with emergency provisions is a makeshift we could well do without if legislation were enacted promptly which would improve and extend our unemployment compensation system.

DESIRABILITY OF FEDERAL STANDARDS FOR UNEMPLOYMENT COMPENSATION

Consequently, we advocate favorable consideration of measures like S. 3244, which is before this committee, because it seeks to make the unemployment compensation program practically inclusive of all wage earners, sets up a standard of benefits more realistic in relation to today's earnings, and sets forth a total standard duration period of 30 weeks. We are pleased to note that this bill, which has the support of Senator Douglas of this committee, seems to have a substantial degree of bipartisan support. Had, over the years since the unemployment compensation system was enacted, an effort been made to improve and extend it as we have consistently improved and extended the Old Age and Survivors and Disability Insurance Act in relation to need, we would not be up against the present demand for hurriedly patching together a system to get some money into the pockets of people whose unemployment compensation benefits have been exhausted.

H. R. 12065 AN INADEQUATE MEASURE

H. R. 12065, which passed the House, has so many inadequacies—such as, the lack of mandatory provisions, the limited basis upon which the benefit period is extended, and the legal or even constitutional complications around loan or restoration of funds procedures—that it is questionable as to wether it would have any significance except as essentially a gesture toward the unemployed. It is our sincere judgment that legislation which sets up Federal standards, is mandatory and enables the more hard-hit States to receive temporary supplementation, constitutes the sort of approach that ought to be taken at this time.

THE NEED FOR FEDERAL MATCHING FUNDS FOR GENERAL ASSISTANCE

Use of the public-assistance program through the general assistance provisions where it exists has been advocated as one method to meet the needs of the uncovered unemployed as well as the covered unemployed whose benefits have been exhausted. We would like to note that in a number of States general assistance is financed exclusively by the localities, while in a number of other States the localities share substantial responsibility for the cost with the State. We cannot conceive that these localities and States are ready and willing or if they are, possess the resources without substantial Federal leadership and funds to provide adequately for these people who will not be helped by an emergency extension of Federal unemployment compensation benefits. Then, of course, in a number of States, particularly in the South and many parts of the Midwest, no program of general assistance exists at all except for individuals so disabled that they are really not part of the labor force and yet not sufficiently disabled to be classified as totally or permanently disabled, and therefore not eligible for the category of the permanently and totally disabled. In the urban areas where unemployment has struck hard, the resources of voluntary agencies are completely inadequate to cope with the needs of the unemployed, while in many smaller communities there are no voluntary agencies at all.

As a matter of policy, our association holds the firm conviction that we do not want to see our public-assistance program used to meet the needs of people whose primary problem is unemployment. We would hold that the unemployment compensation system should be modified so as to provide the finest possible screen so that a minimum number of people will fall through its meshes. To assist this hopefully limited group, we do hold, however, that the Federal Government has a responsibility to provide Federal matching funds for public assistance to the States to assist these persons in need. These are the unem-

ployed with large families for whom benefits are necessarily inadequate or with heavy costs of sickness who, because of these and other special social problems, require supplementation of benefits and services. In the relatively small number of cases we anticipate will present these needs, we would, of course, consider it appropriate that they meet whatever test of eligibility the States may establish in accordance with Federal rules and regulations. Residence requirements, however, should not be imposed so as to avoid penalizing those of these families who may have moved about in search of better job opportunities.

AMENDMENT OF TITLE IV, GRANTS TO THE STATES FOR AID TO DEPENDENT CHILDREN

The suggestion was also made that a possible method for meeting the special social problems of those unemployed—for whom the best unemployment compensation system is still inadequate—would be to amend title IV, grants to the States for aid to dependent children, of the Social Security Act to provide assistance to all needy children living with any relative, thus striking the present provision to restrict aid to dependent children to those children who have been deprived of parental support or care by reason of death, continued absence from home, or physical or mental incapacity of the parent. We believe this is a desirable and valuable suggestion in meeting the growing needs of the unemployed and should, in our opinion, receive favorable consideration on its own merits.

THE DESIRABILITY OF A COMPREHENSIVE PUBLIC WELFARE PROGRAM

We believe the most comprehensive approach to the needs of those unemployed who require public assistance and to children is represented in H. R. 7831, the Forand comprehensive public welfare bill, which provides an optional alternative to titles I, IV, V, X, and XIV of the Social Security Act through an additional title.

This bill, which permits States to maintain the status quo or adopt the new title, would through this new title present the possibility of creating a unified public welfare program in which comprehensive grants would be made to the States and provide assistance for all types of economic need through a broad, statewide program of welfare services including child welfare and other specialized social services. It also permits assistance to be given to any otherwise eligible person actually residing permanently or temporarily in the State. We note with interest that this type of flexible residence provision is made in a number of other bills pending before the Senate whose purposes, however, are different in general from the Forand bill.

THE IMPORTANCE OF CONSTRUCTIVE MEASURES

Any of these measures, whether S. 3244 or H. R. 12065, or suggestions with respect to a Federal program for general assistance or a more comprehensive approach to an integrated public welfare system, will require legislative action by the States. It is reasonable therefore to ask why the propositions to be laid before the States should not be those measures which would take a constructive, long-range approach to the needs of the unemployed. In all instances, Federal funds would be required to move these measures ahead. The unique advantage of S. 3244 lies in the fact that the application of Federal funds would be such as to induce correction of inequities and improve methods for helping the unemployed; while in the instance of H. R. 12065, needed corrections and adjustments are postponed with the hope, perhaps, that the recession will fade away and the demand for fundamental corrections subside. This is the sort of expediency that should be avoided in this important area of economic security.

UNEMPLOYMENT IS WIDESPREAD AND FEDERAL LEADERSHIP REQUIRED

The primary argument against taking some significant strides in improving our unemployment compensation system and backstopping that by a system of Federal funds for public assistance is that unemployment is considered spotty. This is a term that we find a little difficult to understand. Our experience indicates that there is a deep concern about unemployment in many parts of the country. We find this expressed from our chapters located in the Northeast, the Midwest, Northwest, and Southwest. When nationally, 7.5 percent of our labor force is unemployed, and in many sections of our country 10 to 15 percent of the labor force is out of work, we would hold that a national problem exists or, phrasing it another way, we would hold that conditions that are bad for

people in even some parts of the country are bad for the country as a whole—that the unemployed have a right to look to the Government and to the Congress for some significant measures which would assist them.

In a sense, the argument which denies the necessity for Federal leadership at this juncture seems to imply that the Full Employment Act of 1946, which charges the Government with promoting maximum employment, production and purchasing power, is not applicable to the worst recession we have had since the depression of the 1930's. The argument that measures to improve our devices for assisting the unemployed by establishing Federal standards is not a matter of national concern seems also to be completely inconsistent with the concepts of the Social Security Act which from the beginning sought to assure economic equity throughout the country with respect to the needs of people.

CONCLUSION

It is argued that a certain amount of unemployment is good for the economy since the economy needs a labor reserve. We are not prepared to debate the merits of this thesis, but we would hold that if people are put to pasture by forces beyond their control, there ought to be some nutritional feed in the pasture.

We appreciate this opportunity to present our concerns to the Senate Finance Committee, and want to restate our advocacy of measures like S. 3244 as well as measures which would supplement our unemployment compensation system by providing Federal funds on an assistance basis to those individuals whose special social needs will not be fully met by unemployment compensation.

Senator FREAR. Now, Monsignor O'Grady, I am sorry we passed over you, but if it is convenient, will you come forward now?

STATEMENT OF RIGHT REV. MSGR. JOHN O'GRADY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Reverend O'GRADY. I am glad to have the opportunity of appearing before the committee to give my impressions on and convictions in regard to H. R. 12065, and your subsequent other legislation in regard to unemployment compensation.

I have been more or less identified with this program since the beginning. I participated in all the early discussions of it, I am interested in discussing some of the fundamental concepts as they have been discussed in part here this morning.

I can very well remember that we used to talk about a benefit that would keep the members of the industrial army in proper condition during certain periods of unemployment. We have thought in terms of 26 weeks and we thought it might be extended to 39 during periods of serious unemployment.

We were asking ourselves constantly who are the members of the industrial army.

In those days we used to distinguish between the casuals and those who had a regular place in the industrial army. In our early discussions we used to think in terms of about 20 weeks work.

A number of the most influential of the early groups interested in unemployment compensation were influenced by what was known as merit rating. They believed that employers would be greatly influenced by tax considerations in establishing their employment. This has been responsible for most of the serious problems in unemployment compensation. In addition to weeks of work another concept entered early into the consideration of membership of the industrial army and this was the earnings during the weeks of employment. This has been responsible for the including of large numbers of low-paid workers.

As we look at the earnings requirements in a number of States we find that in Nebraska a worker must have earned a minimum of $400 in the preceding year to be admitted to the system.

In North Carolina he must have earned $500, in California $600, and in Illinois $600.

The question of number of workers employed has been another important consideration in determining the inclusion of employees in the system. In the beginning it was generally accepted that it should include employers of eight or more. Now there is a general belief it should include employers of 1 or more.

My feeling is that it ought to be, to reach down to, people employing one or more, and we have to think then who should be included in the States, and, of course, I would raise the question also of agricultural workers.

I am very much interested, naturally, in the agricultural workers. I followed them for several years, and I think that there are many places, like California, where they are virtually engaged in industrial work.

The great majority of those who pioneered in the unemployment compensation program thought about it in terms of social insurance. It was a form of social protection against a serious hazard, to which every worker was exposed. It was to provide a benefit based on right to which every worker was entitled. It should be supported by a tax spread out over the entire industrial system. There was a general feeling that it would be based, to a considerable degree, on our experience in workmen's compensation. Just as the concept of individual negligence was eliminated in workmen's compensation, so also would be eliminated in unemployment compensation. The failure to eliminate or greatly extenuate the concept of individual responsibility, has been one of our greatest if not the greatest disappointment in unemployment compensation.

What we have virtually done is to invite the employer to enter a protest against every claim in unemployment compensation. We have virtually built up a new profession whose members are devoting themselves to helping employers to free themselves from the payment of employment-compensation claims. I have seen the evidence of this in my visit to a large employment office in Chicago last week. Here was a large milling mass of workers whose members were seeking satisfaction in regard to compensation claims; many had filed claims in February and had not yet secured any benefit. To my queries the members of the staff replied, "You know how complex this system really is and it is becoming more and more complex each year, but State legislation has been adding new disqualifications year by year."

Our whole unemployment compensation must have a major overhauling if it is to meet the needs of workers during the depression. The bill as it passed the House is entirely inadequate to meet the current emergencies. The need for simple national standards is clear beyond a doubt. The worker needs minimum payments in order to meet his daily needs. He needs minimum payments for 30 more weeks. The concept of neglect or individual responsibility should be eliminated as far as possible. A public defender should be provided for the worker to insure that his claim is promptly adjusted. Now, he has to meet the employer and his technicians with virtually no assistance.

As an alternative for an adequate program of unemployment compensation, I see looming up on the horizon a system of mass relief based on a needs test. Nothing could be more demoralizing for the American people. It would give us a welfare state at its worst. It is very strange that our large business organizations seem to prefer such a system to an adequate program of unemployment compensation. They talk about adequate unemployment compensation as socialistic. They forget that their agents who are promoting more relief want socialism at its worst. They want a form of socialism that reaches every family and every child in the country. They want a welfare state that will virtually make an end of all dynamic voluntary social work. They want a welfare system based on purely materialistic concepts.

(The statement in full is as follows:)

STATEMENT OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

I have requested an opportunity to appear before the Senate Finance Committee on H. R. 12065 and other proposals for urgently needed improvements in our unemployment-compensation laws. I appreciate this opportunity all the more because of my participation in the original discussions leading to the adoption of the system, and my association with it through the intervening years. I feel that my best contribution to the thinking of the committee at this particular time would be to emphasize some of the basic principles that the original framers of the system had in mind. One broad principle that was always emphasized was that this system of unemployment compensation was designed to keep the members of the industrial army in proper condition during periods of temporary unemployment. This naturally led to considerable discussion of what constituted membership in the industrial army. The general consensus was that all those who earned a large part of their income from employment should be included in the system. It was felt that they needed this sort of protection during periods of interruption in their employment.

In all the early discussions of unemployment compensation, it was generally agreed that this was a social insurance system, that since certain ups and downs in the business cycle were inevitable in our modern system of industrial production, unemployment was something that was incidental to modern industrialism, and that the workers needed a broad form of social protection against it. Unemployment, therefore, was not something that was the fault of the individual. We have been through somewhat the same thing in workmen's compensation legislation in the early years of American industrialism. Industrial accidents were supposed to be governed by common-law principles. The application of common-law principles assumed that in every case of industrial accidents there should be a discussion, frequently long and drawn out, of how far the worker was at fault, and how far the employer was at fault. With the adoption of workmen's compensation legislation the States, by and large, departed from these ideas of individual responsibility. They came to regard industrial accidents as something incidental to industrial production and accepted the idea that all workers should be given definite minimum protection against accidents, usually through insurance.

Those who helped to write our system of unemployment compensation had the same principles in mind. It was assumed that by the payment of a certain amount each year, the employers could protect themselves against the hazards of unemployment and that it was to be no longer a question of the responsibility of each individual worker and of each individual employer. When we compare the principles that guided us in the original program with the discussions that are taking place before our congressional committees and in the various States at the present time, we find ourselves in a very strange position. Many people, including the experts that have grown up in the meantime, and those associated with the administration of unemployment compensation in the States, are bitterly denouncing any effort to depart from the system as it exists. They are pointing to the fact that this is truly an insurance program and that every effort made to change it represents an effort to substitute a dole for an insurance system. When we compare what the advocates of the status quo are pointing

to, with what is actually happening in the administration of the laws in the various States, we find ourselves in a very odd position. Within the past 2 months I have been endeavoring to find out by firsthand observation what is really happening in a number of the States. My most recent experience is based on many hours of observation in one large employment office on the West Side of Chicago. This experience reminded me a good deal of what I had seen in the employment offices of Massachusetts and North Carolina after the laws first went into effect in 1937. Naturally I looked for a certain amount of chaos during the first weeks. The people in charge had to be indoctrinated. They were charged with the operation of highly complex machinery, but I do not believe that what I saw during the first weeks and months of the administration would compare with the confusion that I witnessed in this West Side office in Chicago a few days ago.

After I had been in the lines for several hours, I talked with some of the more experienced staff members and they said to me, "You know something about the system. You know what has been going on in our legislature during the past 20 years. Every year the legislature has adopted new disqualifications. This, as you will understand, makes the administration much more complex even for those who are experienced in its administration. You complain about the delay in receiving benefits. Now it is quite possible that some of the records have been lost or misplaced. We have many inexperienced workers in this office. Then think of the consequences of having employers, as a matter of routine, question the right of their employees to have benefits. This is what comes from our elaborate system of merit rating. We have to keep an individual account for every employer, and each employer wants his taxes cut to the minimum. The employer states that it is not his fault that some man is out of work. Maybe the man has left the city and is no longer available for suitable work, or maybe he has quit his job without good cause through no fault of the employer.

"Do you know," asked some of my informants, "how much a worker must have earned in his benefit year before he qualifies under this system? He must have earned at least $600. This disqualifies a very sizable number of the low-paid wage-earning group." When I asked one of my informants why it was that people in the State were not alert to what was really happening to unemployment compensation, he told me that the story went something like this. The legislature makes a slight increase in the benefits or in duration, but invariably it adds new disqualifications. This is the history of unemployment compensation in Illinois, and I am afraid that the same would be true, possibly to a greater degree, in Ohio. It would be true also in Michigan.

One may wonder, therefore, what the defenders of the present system, as it is being administered in the States, really want. What do the advocates of status quo in the system really want? Do they want to make the conditions for admission to the system so high that it will be difficult for a very large number of workers to qualify? Do they want something that gives the worker a minimum amount of protection? Do they want to admit to the system the ordinary worker who has been employed for, let us say, 20 weeks in the past year; or do they want to make it doubly hard for him by prescribing not only a certain period of employment but also the amount of his earnings?

They keep telling us that they want to protect the character of the system as a form of insurance. But when one studies the varied conditions for admission to the system and the growing number of disqualifications in the States, one gets the impression that instead of an insurance system, they are more and more building up a system that varies with the individual worker and the individual employer. This is not what the promoters of the system originally had in mind.

We might now take a look at what H. R. 12065 would contribute in the way of necessary improvements that will make the program serve the needs of the worker most effectively. As I understand it, it will be left up to the governors of the States to decide on its adoption. The chances are that a very considerable number of governors will not put it into effect without calling sessions of their legislatures. This will lead to a battle between the forces that want to maintain the present program with all its limitations and all its discriminations, and those who want the necessary changes. Some legislatures may not want to do anything about it.

Let us suppose for a moment that the bill is accepted by the governors and the legislatures of the States. What will this mean? In Arizona it will mean an additional 2½ weeks of benefits; it will mean an additional 2½ weeks in Delaware, Iowa, Kansas, and Louisiana; and 1½ weeks in Mississippi. These

are just examples of what will happen. Then it will be administered with the same rigid standards for admission. For instance, in California the worker must have earned $600 during his benefit year; in Minnesota, $520; in North Carolina, $500. This of course serves to eliminate a great many workers from the system.

I am sure that the Congress does not want to see the program that has been regarded as an essential part of social security for the American worker virtually destroyed. If the Congress wants to adhere to the original objectives which it had in mind when the program was adopted, it will certainly have to take a new look at it. Now is the time to take such a look. It is very difficult for the Federal Government to keep up-to-date in regard to what is happening in the States. It does not have the necessary staff and there is going to be a great deal of resistance on the part of the States to making the changes that are so urgently needed.

I believe that the Kennedy bill, which is now before the Senate, offers the best way out of this very difficult situation which has grown out of the administration of unemployment compensation. This bill would call for an immediate facing up to the basic limitations of the present unemployment compensation program. It would call for the payment of benefits for 39 weeks in the benefit year. It would call for temporary increases in benefits until July 1, 1959, after which time the States would be required to pay the entire benefits in order to profit by the tax offset. The bill would also call for changes in many of the basic disqualifications in the present laws. It would call for very substantial changes in conditions for admission to the system. It would therefore help greatly in returning unemployment compensation to its original objectives.

I believe that an up-to-date system of unemployment compensation is becoming more and more necessary. From what I can gather from my trips around the country, from my contacts with the different States, I believe that the number of persons who have exhausted their claims will increase during the next 2 or 3 months. I do not want to see millions of our people compelled to apply for welfare assistance. I do not want to see a mass relief program in the United States. There are other remedies that are more in harmony with the dignity of the human being. I can conceive of nothing more demoralizing for the American public than mass relief. We must find substitutes for it and our first line should be a system of unemployment compensation that is more in harmony with our original objectives in this field. I know that this alone will not be sufficient. We also need a flexible works program that can be gotten underway without too much preparation and can provide useful and constructive employment for the unemployed American worker. We need to proceed boldly and courageously in meeting the recession. I know that steps are already being taken to provide work opportunities, but we are not proceeding with the speed and determination that is so necessary to prevent our economy from slipping past the danger point.

Senator FREAR. Thank you, Mr. Monsignor.

Mr. Albert Whitehouse?

STATEMENT OF ALBERT WHITEHOUSE, DIRECTOR, INDUSTRIAL UNION DEPARTMENT, AFL-CIO, ACCOMPANIED BY LEONARD LESSER, DIRECTOR, SOCIAL SECURITY SECTION

Mr. WHITEHOUSE. Mr. Chairman, I have Mr. Leonard Lesser, director of our social security section, to help me with any technical questions that may be asked.

Senator FREAR. We are glad to have you with us.

Mr. WHITEHOUSE. My name is Albert Whitehouse. I am director of the industrial union department of AFL-CIO.

This department has affiliated with it 70 AFL-CIO unions and speaks for a membership of 7 million industrial workers.

The industrial union department has a deep interest in the problem of unemployment compensation. Industrial workers have been harder hit than any other group of our citizens by the current recession.

Last month manufacturing employment dropped by 270,000. Total manufacturing employment is down 1,700,000 from last year. This decline is especially serious since most of our durable goods industries and many of our important manufacturing centers are hard hit.

Some people have made much of the small decline in the number of unemployed reported last month, and they are using this in an effort to prove that the recession is over. Nothing could be further from the truth. Seasonally adjusted, unemployment rose to the highest point yet—7.5 percent of the total labor force.

I refer those seeking comfort from the recent figures on unemployment to the New York Journal of Commerce of May 12. This issue carried an article headlined: "Job Situation Worsened in April." I quote from that article:

> As a result of apparent improvement in both the employment and unemployment situations during April, the public has been led to believe that the business recession is showing signs of bottoming out.
>
> The unfortunate truth of the matter, however, is that both the employment and unemployment situations worsened during April. The small increase in employment and the small decrease in unemployment were much less than the customary seasonal expectation.

This sums up the situation as it really is. Taken as a whole, the Nation has more than 6 percent of its labor force unemployed. This standard is used by the Federal Government in determining distressed labor areas. This is no localized situation, although some States are worse off than others.

The blunt fact is that some 30 States are reporting joblessness in excess of 6 percent.

This is an emergency situation, crying aloud for action. Already, some 700,000 workers have exhausted jobless benefits and many more thousands are on the verge of doing so.

In April the number of workers unemployed for 15 weeks or more increased by 450,000 to a total of 1.9 million. If there has been some small decline in the number of those drawing unemployment compensation benefits, it is not because of any change for the better in the jobless situation but because so many have exhausted their benefits.

I speak here as one who knows firsthand the fearful results of unemployment. I was a steelworker for more than two decades. During the thirties, I was laid off and went long months without a job or income. I am not going to recite to you the bitterness and alienation of the jobless worker when he feels that he has been deserted by society. But there is nothing worse than payless paydays and I, for one, want no repetition of this horror for even one American worker jobless through no fault of his own.

More and more, American workers are experiencing the bitter bread of the payless payday. These workers have exhausted jobless benefits and slim savings. The city of New York once again is reporting fast-rising relief loads, and it is far from alone in this situation.

We have already had reports of jobless workers losing their homes and taking to the road in search of employment elsewhere. These workers have exhausted jobless benefits. They are on the move because they cannot keep up home payments and because they see no hope of improvement in their local situations. Like other virulent diseases, joblessness knows no State boundaries. It demands a national solu-

tion, as does the problem of extension and improvement of jobless benefits.

Nor are things getting better, despite administration and big business whistling in the dark. The National Bureau of Economic Research only the other day announced that most economic indicators are still pointing downward. To take a 1-point rise in the output of steel and translate that into a boom is to make a mockery of the plight of jobless steelworkers.

From the start of this recession, at least one-third of the jobless have been without income because they have not been able to qualify for benefits under State law. Now, hundreds of thousands of other jobless workers are also without income because they have exhausted benefits, and within the near future this number will rise sharply.

Emergency legislation is required without delay. Hundreds of thousands of jobless workers who have already exhausted or are exhausting benefits will soon be forced upon the relief rolls of overburdened communities, or will go hungry, unless Congress acts.

The bill already passed in the House of Representatives—H. R. 12065—is not emergency legislation and is entirely inadequate. This bill is far different from even the original administration proposal, although President Eisenhower now appears happy to claim affinity with it.

Under the terms of the House bill, no State, unless it so desires, need extend benefits, even to presently insured workers who have exhausted benefits. Your committee has already been informed by all but a few governors that action by the State legislatures will be required before benefits can be extended even in the meager degree provided in the House bill.

All of us know what this means, and it would be silly to pretend otherwise. In many States, there will be no action at all. In others, action will not come for many months, if at all. If State action were the solution, we would not be in this situation, since the problem has been before the States for years, and they have had every opportunity, and in all but a few States the money, to improve their unemployment-compensation laws.

The history of the past several years and of the recession up to now proves the futility of such an approach.

President Eisenhower has appealed to the States for action throughout his term, but these appeals have been in vain in almost all cases.

The reason that the States have failed to act is clear. Increased benefits under State unemployment-compensation laws will require increased contributions from employers covered by such laws.

State legislatures will not act to raise taxes on employers unless competing States do the same. In the race to attract industry, the incentive is to establish tax advantage to employers. To expect the States to act now is to expect the impossible.

H. R. 12065 is a cruel sham on the jobless. It offers only a mirage of hope to working people who properly look to their Government for desperately needed assistance. Its passage will do little more than salt the wounds of those hurt most by the recession.

There is an urgent need to provide additional benefits to jobless workers who have exhausted them, and there is an equally urgent

need to provide them to the unemployed who have been denied benefits because of eligibility requirements.

This will require Federal funds and Federal legislation, because there is no other road open.

This committee and the Senate have recognized that this is the proper approach in an emergency situation.

In 1958, S. 1274 was approved by this committee and passed by the Senate. It authorized the grant of Federal funds to the State to provide extended benefits to persons who had exhausted their benefits under State laws.

The fact that some States have large reserves is cold comfort to the unemployed who have no way of getting additional benefits because their States will not move. The unemployed cannot be blamed if they are growing impatient, or if they fail to understand all the niceties of some particular State-Federal relationship.

Those who ask why their States should be concerned because joblessness is not yet a major problem there would be well advised to remember that this disease cannot be quarantined.

Furthermore, since when is American interest so narrow that the employed citizen in one State or part of our country is unconcerned with the plight of the unemployed citizen in another State?

Let it be pointed out that we are concerned here with a human problem. We will be judged by the whole world by the way we handle it. It may cost us dearly, indeed, if our enemies are able to point out that we have treated the problem of our jobless workers callously or lightly.

Before the present recession, we were assured that the built-in stabilizers within our economy would help greatly in preventing a serious downturn.

Unemployment insurance was to be our No. 1 stabilizer. That stabilizer has already been tested and found wanting. The Department of Commerce has just released figures showing that our gross national product now is $18 billion below last year. This is a serious downturn, which may well become worse if we ignore the problems that have come with it.

Today, the average unemployment benefit is less than $30 a week. President Eisenhower, as far back as 1957, declared in a message to Congress, that "benefits are still inadequate in relation to wages"; that the "duration of benefits is inadequate in many States"; and that "additional improvements" are needed.

I could not agree more wholeheartedly. Unfortunately, the President has not seen fit to press a program which will achieve the very improvements that he feels are needed.

Our standards of unemployment compensation are geared to conditions of two decades ago. There have been great changes in the Nation and the world since that time, but, unfortunately, State unemployment-compensation laws have not kept pace.

Since 1939, when benefits first became payable under State laws, the maximum benefit amounts have declined in relation to the average wage levels in all States. Since 1951, they have declined in 25 States.

Emergency legislation, while necessary to relieve the plight of the present unemployed, is not enough. Such legislation, in the first place, would assume that the present emergency will soon be over.

There is no proof that this is so—although all of us hope that such will be the case.

Legislation limited to the present situation alone presupposes that there will be no more downward swings in our economy. Yet, only the other day, Mr. William A. McDonnell, now president of the United States Chamber of Commerce, described the current recession as "one of these cyclical downward swings which are normal in a free-enterprise system."

It would be foolhardy, then, not to prepare now for future emergency. If the emergency never comes, we will simply be ahead of the game.

The obvious way to obtain adequate and reasonably equal treatment for all of our citizens is through the enactment of Federal standards which will assure that State laws will be prepared to do the job for which they were intended.

In this way the Congress will avoid future pleas for Federal action. The idea of Federal standards is neither new nor radical. The present Federal law establishes such standards to govern the financing of the program and methods of administration.

In the light of today's economy these standards should provide benefits equal to at least half of the average wage in each State—thus allowing for local conditions but providing an equal degree of protection for all citizens. They should also provide a benefit duration at least half again as long as that provided now in our industrial States.

They should extend coverage to all establishments employing one or more persons so that we shall never again see a third of our jobless forced to go without benefits at a time when jobs are virtually impossible to find.

These things can be provided only if the Congress adopts minimum standards mandatory upon all the States. As a practical matter, enactment of such a Federal law will require no further Federal money, other than for present emergency needs. It will not require payroll taxes upon employers higher than the maximum already set in the Federal code. Nor will it result in a uniform tax rate on employers in all States.

To the extent that unemployment is low, the average tax rate in such State will be lower. It will only assure that a State cannot keep its tax rate low by keeping its benefits at substandard levels. It will only destroy the competitive advantages based upon human exploitation.

For these reasons, and because of the many more reasons contained in the testimony already presented here by the AFL–CIO itself, we urge passage of legislation that will meet both the emergency and long-term needs of the Nation in this field.

Such legislation is already before your committee in S. 3224, introduced by Senator Kennedy. This bill fully deserves your approval.

I urge that you report it out with favorable recommendation.

Thank you, gentlemen.

Senator FREAR. I have just 1 or 2 questions, Mr. Whitehouse.

I did not notice in your testimony that you said anything about the bill that is before us, H. R. 12065. What is the position as you see it, of your organization, on H. R. 12065?

Mr. WHITEHOUSE. I did say that I thought it was wholly inadequate, and we were not——

Senator FREAR. In other words, you do not approve of it?

Mr. WHITEHOUSE. Yes, sir; at the top of page 3, we say H. R. 12065 is a cruel sham on the jobless.

Senator FREAR. I assume that is indirectly saying you do not approve of the bill.

Mr. WHITEHOUSE. No; we do not. We are heartily in favor of the Kennedy bill.

Senator FREAR. Yes.

Now on page 1 of your testimony, the eighth paragraph, the last sentence, can you supply this committee with those statements—those 30 States that are above 6 percent?

Mr. LESSER. Senator, the Department of Labor puts out a document entitled "Unemployment Insurance Claims." I believe the latest is entitled "Volume 13, No. 44," for a week ended May 3, 1958, and it shows the number of unemployed persons claiming unemployment, receiving unemployment insurance benefits, both nationally and on a State-by-State basis, together with a percentage rate.

And this table, which I would be glad to supply to the committee, indicates that there are 30 States that have unemployment of 6 percent or more.

I believe there are about 9 States that have unemployment in excess of 10 percent.

Senator FREAR. Well, I think it would be beneficial for the committee if you would submit that and supply it for the record.

Mr. LESSER. I would be glad to.

(The information requested is contained in table 2 of staff data, appearing on p. 32. The following table brings this information up to May 10, 1958:)

Initial claims filed during week ended May 10, 1958, and insured unemployment for week ended May 3, 1958, continental United States

State	Initial claims				Insured unemployment					
	State and UCFE			Veterans	State and UCFE				Veterans	Total (excluding railroad)
	Number	Change from—			Number	Rate (percent)	Change from—			
		Last week	Year ago				Last week	Year ago		
Total	408,646	+5,393	+175,100	5,677	3,194,824	7.7	−70,905	+1,766,961	76,943	3,271,767
Alabama	4,819	+296	+2,186	88	45,212	7.9	−5	+24,428	2,154	47,366
Arizona	1,707	+79	+758	59	11,539	5.8	−365	+5,467	517	12,056
Arkansas	3,608	−816	+2,018	79	27,752	10.5	−186	+10,813	961	28,713
California	40,521	+5,481	+16,520	524	273,715	7.3	−17,778	+161,222	6,475	280,190
Colorado	1,043	−222	+355	43	11,869	3.6	−815	+6,796	657	12,526
Connecticut	6,844	+89	+3,976	11	66,217	8.5	−264	+45,746	782	66,999
Delaware	755	+57	+453	11	6,526	4.9	−25	+3,737	130	6,656
District of Columbia	829	+7	+186	36	8,414	1.8	−151	+3,725	525	8,939
Florida	6,708	+229	+3,414	201	36,086	4.8	−207	+28,714	1,274	37,360
Georgia	5,797	−94	+2,060	188	54,580	7.1	+1,554	+37,602	1,988	56,568
Idaho	401	−179	+144	25	5,892	5.3	+191	+1,331	278	6,170
Illinois	23,805	−3,070	+10,397	211	174,956	6.3	−1,700	+102,424	2,666	177,622
Indiana	12,457	−1,669	+6,877	221	90,063	7.9	−1,151	+58,934	2,925	92,988
Iowa	1,071	−330	−57	17	13,971	3.2	−1,050	+5,909	479	14,450
Kansas	1,499	−150	+274	47	14,432	3.8	−1,136	+5,754	462	14,894
Kentucky	5,804	+610	+2,839	144	65,414	13.6	−1,002	+28,388	2,332	67,746
Louisiana	4,188	−4	+1,922	136	30,361	5.2	+529	+14,979	952	31,313
Maine	3,043	−229	+1,009	20	29,786	14.3	+352	+16,570	478	30,264
Maryland	5,562	−1,934	+2,844	71	44,466	6.0	−1,392	+27,008	1,068	45,534
Massachusetts	14,040	−1,174	+4,023	110	116,081	7.4	−4,541	+56,962	1,855	117,936
Michigan	31,164	−2,877	+16,611	414	290,070	14.8	−12,235	+208,496	8,450	298,520
Minnesota	2,479	−241	+916	59	47,479	7.2	−3,647	+22,158	1,297	48,776
Mississippi	3,423	+58	+812	98	24,836	9.6	+317	+6,623	893	25,729
Missouri	14,196	+2,709	+6,645	63	66,824	6.7	+2,467	+34,581	1,618	68,462
Montana	670	−97	+257	22	9,770	7.9	−956	+3,901	240	10,010
Nebraska	548	−146	+53	4	6,998	3.1	−64	+1,209	182	7,180
Nevada	749	+34	+308	15	5,140	7.2	−484	+3,070	78	5,218
New Hampshire	1,583	−85	+455	20	14,049	9.5	−815	+6,740	176	14,225
New Jersey	15,108	−774	+4,717	150	144,378	9.2	−4,854	+61,744	1,712	146,090
New Mexico	956	−50	+527	38	6,778	4.3	−210	+3,473	316	7,094
New York	59,160	+5,946	+21,167	404	380,287	7.4	−7,358	+184,430	3,964	384,251
North Carolina	12,945	+1,065	+5,553	151	66,619	7.7	−884	+20,607	1,936	68,555
North Dakota	153	−2	+79	4	2,936	4.3	−132	+1,170	117	3,053
Ohio	23,212	−1,422	+13,680	307	222,120	8.4	−3,102	+163,654	5,362	225,500

Initial claims filed during week ended May 10, 1958, and insured unemployment for week ended May 3, 1958, continental United States—Con.

State	Initial claims				Insured unemployment					
	State and UCFE			Veterans	State and UCFE				Veterans	Total (excluding railroad)
	Number	Change from—			Number	Rate (percent)	Change from—			
		Last week	Year ago				Last week	Year ago		
Oklahoma	2,715	+97	+895	37	26,685	6.5	−247	+12,209	937	27,622
Oregon	3,410	+161	+1,242	79	26,850	7.2	−1,921	+19,687	1,170	28,020
Pennsylvania	43,813	+956	+19,362	356	334,737	10.2	−6,709	+182,782	3,966	338,703
Rhode Island	2,997	−636	+206	37	25,675	10.0	−1,674	+7,701	566	26,241
South Carolina	3,280	+232	+1,160	82	23,935	5.7	+35	+10,335	1,358	25,293
South Dakota	151	−3	+86	4	1,789	2.4	−303	+627	170	1,959
Tennessee	6,774	+1,907	+3,047	130	67,100	10.1	+8,168	+22,548	2,805	69,905
Texas	10,332	+14	+5,141	271	81,018	4.4	+155	+47,747	2,904	83,922
Utah	901	+64	+279	25	8,980	4.7	−432	+4,743	313	9,293
Vermont	662	−465	+321	11	5,585	7.4	+118	+3,062	188	5,773
Virginia	6,322	+1,778	+354	133	30,430	4.2	−884	+21,296	1,524	31,954
Washington	5,760	+248	+2,542	224	40,250	6.3	−5,631	+18,074	1,772	42,022
West Virginia	5,215	+763	+3,240	161	54,158	14.2	+1,144	+41,930	1,906	56,064
Wisconsin	5,508	−660	+3,034	116	48,647	5.6	−1,940	+27,560	1,939	50,586
Wyoming	259	−203	+122	10	3,349	5.2	−279	+1,854	88	3,437

Source: Railroad Retirement Board.

Senator FREAR. My final question is, Mr. Whitehouse, do you believe that employees should be taxed for unemployment compensation.

Mr. WHITEHOUSE. No, sir; I do not.

Senator FREAR. Senator Douglas?

Senator DOUGLAS. No questions.

Senator FREAR. Senator Bennett?

Senator BENNETT. No questions.

The CHAIRMAN. Thank you very much, Mr. Whitehouse.

Mr. WHITEHOUSE. Thank you for the courtesy of the committee in listening to us.

The CHAIRMAN. Glad to have you.

Mr. Richard Brockway? Do you have any statement?

STATEMENT OF RICHARD BROCKWAY, DIVISION OF EMPLOYMENT, NEW YORK STATE DEPARTMENT OF LABOR

Mr. BROCKWAY. I am sorry I do not have a complete statement to give you at this point. I will send one in to the committee, if I may do that.

The CHAIRMAN. You may.

(The following statement was subsequently received for the record:)

STATEMENT BY RICHARD C. BROCKWAY, EXECUTIVE DIRECTOR, NEW YORK STATE DIVISION OF EMPLOYMENT

My name is Richard C. Brockway. I am executive director of the division of employment in the New York State Department of Labor. The division of employment administers the New York State unemployment insurance law, under which we insure some 5 million workers, on the average, employed by some 300,000 employers.

I am here to present to this committee the reasons why New York's administration cannot support H. R. 12065. This bill does not go far enough, it would distribute the costs of the program unevenly as among the States, and among employers even in a single State, and it would heighten the existing elements of interstate competition for low unemployment insurance taxes.

It is relevant in this connection for me to stress the fact that the coverage of the New York State unemployment insurance law is much broader than the coverage of the Federal Unemployment Tax Act. We insure employees of employers of two or more; we insure domestic workers; we insure all State employees. Of the 300,000 employers liable for contributions under the New York State unemployment insurance law, only one-half are subject to the Federal Unemployment Tax Act.

I understand that H. R. 12065 would provide for a maximum of 13 weeks of benefits payable to all New York claimants who had, since June 30, 1957, exhausted their benefit rights under a regular program. The figure of 13 weeks applies here because the regular maximum potential duration in New York is 26 weeks. I understand that all groups of claimants would be entitled, if otherwise eligible, to these Federal benefits, including former employees of the State of New York, domestics, and employees of small employers not subject to the Federal Unmployment Tax Act. I understand, however, that the cost of the Temporary Unemployment Compensation Acts of 1958 would be borne, eventually, by only those New York employers who at that time—in 1963 and later years—happen to be Federal taxpayers.

My reason for bringing this point to your attention is this: Apparently, the cost eventually imposed by this bill will be higher in New York, where the coverage of the State law is broad, than in some other States, where State coverage is confined to the limits laid down by the Federal Unemployment Tax Act.

Furthermore, even though the causes and effects of the current recession are national, no costs will be borne by those States which do not for constitutional,

legal or other reasons, participate. Thus the understandable incentive to keep taxes down for reasons of interstate competition can lead to grossly uneven treatment of the unemployed.

As regards the position of the State of New York in relation to the cooperative arrangement proposed by this bill, I should like to quote the first paragraph of Governor Harriman's telegram to Senator Douglas, dated May 11, 1958:

"In reply to your telegram concerning the bill to provide for temporary additional unemployment compensation, H. R. 12065, on April 10, of this year, I approved legislation amending the New York State unemployment insurance law, subdivision 2 of section 536, 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."

You will be interested to know that during the early part of this year, New York State's concern with the need for extending the duration of unemployment insurance benefits was evidenced by the Governor as well as by the legislature. Governor Harriman asked for a bill to increase the duration of benefits from 26 to 39 weeks, to be paid for out of State funds. A bill to accomplish this failed of passage in the legislature. The amendment referred to in Governor Harriman's telegram to Senator Douglas reflects the legislature's response to the situation.

This bill was introduced, on behalf of the rules committee, in the New York Assembly, on March 10, 1958. The bill was drafted in the expectation that the President's program (as originally announced in a letter to Republican congressional leaders on March 8, 1958) would be adopted by the United States Congress. Thus, the language of that bill was pointed toward conformity with H. R. 11070. The bill passed the assembly on March 25, the senate on March 26, and was signed by Governor Harriman on April 10, 1958.

We are deeply conscious of the pressing need for legislation which would provide support for all unemployed workers who are not currently entitled to unemployment benefits. In New York, in the period from June 30, 1957 to date (May 9, 1958), 91,536 claimants exhausted regular benefits, after having received the maximum of 26 payments. We believe that approximately one-third of these are now unemployed. In addition, there are some workers whose benefit years ended after June 30, 1957, who were unable to establish a new benefit year, and who are now unemployed and not entitled to any benefits.

The trend of exhaustions is rising. In 1956, we had 69,224; in 1957, we had 78,647; in the first 4 months of 1958, we had 43,070.

While the need for speedy legislative action in aid of those wrokers who exhausted regular benefits is great, there is even greater need to provide coverage for those who are unemployed but whose previous employment was not insured. There are relatively fewer of these in New York than in some other States, because of the relatively broader existing coverage under New York State law. But the existence of this type of uninsured unemployment indicates that an extension of the coverage of the Federal Unemployment Tax Act is long overdue. May I say that if the United States Congress should extend the coverage of this act to employers of "one or more" effective January 1, 1958—with the first Federal tax return not due until January 31, 1959—we in New York would be able to pay immediately unemployment benefits, under the regular provisions of the New York State unemployment insurance law, to those workers who may be unemployed after having worked for an employer of only 1 employee in 20 weeks after January 1, 1958.

The other great existing need is for the imposition of Federal minimum benefit standards, to allay the disastrous effects of interstate competition in the tax field. This bill, H. R. 12065, will permit some States to deny the proposed Federal temporary benefits to their own unemployed. Since denial will save the Federal taxpayers resident in those States from the imposition of an additional Federal tax, interstate competition in this tax field will be intensified.

On January 4, 1956—long before the current recession set in—Governor Harriman recognized the need for Federal standards to protect New York industry. The following is quoted from the message of Gov. Averell Harriman to the Legislature of the State of New York, January 4, 1956 (p. 16–17):

"We have had almost a generation of experience with our unemployment insurance system. During this period the various States have had an oppor-

tunity to experiment with different types of standards. The result has been all kinds of variations—in coverage, in eligibility requirements, in benefits payable, and a host of other factors, all of which affect the unemployment tax rates that must be paid by the employer. Thus, the cost of unemployment insurance has become an element in the competition among States to attract industry. We should use every effort to have the Federal Government remove this factor of unfair competition by including the best elements of the various State systems into a uniform set of national minimum standards which all States would be required to follow."

The recommended set of standards should include minimum standards relating to coverage, amount of benefits, and compensable duration of unemployment, and maximum standards relating to waiting and disqualification periods.

On October 8, 1957, Mr. Isador Lubin, our industrial commissioner, testified before the Intergovernmental Relations Subcommittee, House Committee on Government Operations, urging the adoption of Federal standards. The following excerpts from his testimony indicate how great the variations in benefit provisions, as among the States, are:

"Governor Harriman has already spoken of the need for tighter Federal standards to eliminate unemployment insurance cost variations as a significant factor in interstate competition to attract new industry.

"A look at the several State laws show just how significant these cost variations can be.

"In New York and in 7 other States, for example, an unemployed man who qualifies for benefits at all can receive payment for at least 26 weeks if he can't find work. The standard is the same for everyone. But other laws are much less liberal. Seven other States have fixed benefit periods for shorter periods—20 and 22 weeks is the most common provision. All the rest pay for variable periods with the minimum in several States as low as 6 and 7 weeks.

"The same variations are to be found in benefit rates. There is general agreement that the benefit rate should be about half the usual weekly wage, but even in the most liberal States this ratio has not been preserved. New York's top rate today is $36. We have sought to have it increased to $45.

(This has since been affected.)

"Ten other States have a top rate as high as this or higher, not counting dependency benefits. But in 10 States the top rate is below $30 and in 3 as low as $25 or $26. In one State the benefit rate range is from $5 to $25 a week—this at a time when the average weekly wage, nationwide, is $83."

Mr. BROCKWAY. I was called in something of a hurry to make this appearance.

The CHAIRMAN. If you will just identify yourself and your organization.

Mr. BROCKWAY. My name is Richard C. Brockway. I am executive director of the New York State Labor Department's Division of Employment, which administers the unemployment insurance law in the State covering about 5 million workers, and some 300,000 employers.

I was asked to come down here to present New York's position with respect to H. R. 12065 and some related points.

New York does not support this amendment, because we do not think it goes far enough. We think that it will lead to an uneven distribution of costs as among the States, and as among employers within a single State.

We believe, too, that it will sharpen the elements of interstate competition in terms of a low tax structure.

In this connection I would like to point out that New York's coverage of employers is much broader than the Federal tax act requires. We cover all employers of 2 or more, we cover employers of domestics who employ 4 or more, we cover State workers. Only one-half of all of the employers in New York, 150,000, are subject to the Federal Tax Act.

Under this bill, benefits will be paid to all workers covered under New York law, but the cost, if it is to be borne in 1963, will be borne only by those employers in the State who are covered by Federal tax.

The cost in New York, too, will be higher because New York's coverage is broader and, therefore, any other State with a lower State coverage which undertakes to take advantage of this act will have a lower cost.

Furthermore, even though the cause and effect of unemployment is national, no costs at all will be borne by those States not participating in the system, and whether they do this for constitutional or legal or other reasons, here is the point at which the understandable incentive to keep taxes down, to keep industry in the State there, and to attract new industry, can cause interstate competition and grossly uneven treatment of the unemployed.

Governor Harriman sent a telegram to Senator Douglas in response to his, which states the position of New York with respect to the cooperative arrangement which is proposed under this bill, and I should like to quote the first paragraph of that telegram so that it would be abundantly clear just what New York's situation is:

> In reply to your telegram 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 of the State power to enter into the agreement contemplated by H. R. 12065.

You will be interested to know during the early part of this year New York State's concern with the need for extending the duration of unemployment insurance benefits was evidenced by the Governor as well as by the legislature. We have an annual session in New York starting in January and usually ending in March every year.

Governor Harriman asked for a bill, and urged passage of the bill, to increase the duration of benefits from 26 to 39 weeks to be paid out of State funds. A bill to accomplish this failed of passage in the legislature.

The amendment referred to in Governor Harriman's telegram to Senator Douglas which I just quoted reflects the legislature's response to the situation. This bill was introduced on behalf of the rules committee in the New York Assembly on March 19. It was drafted in the expectation that the President's program, as originally announced in a letter to Republican congressional leaders on March 8, would be adopted by the United States Congress.

Thus, the language of that bill was pointed toward conformity to the original bill, and the bill by our own legislature was passed on March 25 in the assembly, and in the senate on March 26, and was signed on April 18.

We have been acutely aware of the need for extending the duration of benefits. While New York has a maximum and uniform duration of 26 weeks, from the 30th of June to date we have had 91,500 exhaustions, that is, after 26 weeks of benefits. And of that group, we believe about a third are still unemployed.

In 1956, to show that the trend of exhaustions has been rising, we had 69,000 people exhaust. In 1957, 78,000 exhausted. And in the first 4 months of 1958, 44,000 have exhausted, with a possible figure to be reached before the end of the year of 150,000.

We feel that we need also, and there needs to be further, coverage beyond the point of benefit duration extension. We believe that many of the uncovered workers who would not be benefited by this bill need coverage, and many of them could be benefited if the Federal Unemployment Tax Act were amended to extend Federal unemployment insurance tax coverage to employers of one or more.

This, I think, is particularly significant since in New York, I know, and in a large number of other States, they would automatically, under their current provisions of the law, extend the coverage of the unemployment insurance system to all employers of one or more in that State.

State laws have provisions which say they will automatically match Federal coverage. So it seems to me one other area of coverage that might be considered would be the immediate extension of the Federal Tax Act to cover employers of one or more.

The other great existing need is for minimum Federal benefit standards. This is needed to allay the effects of interstate competition in the tax field.

Long before the current recession set in, in 1956, Governor Harriman recognized the need for Federal standards to protect New York's industry. Following is quoted from a message which he delivered to the Legislature of the State of New York on January 4:

> We have had almost a generation of experience with our unemployment insurance system. During this period the various States have had an opportunity to experiment with various kinds of standards. The result has been all kinds of variations in coverage, in eligibility requirements, in benefits payable, and a host of other factors, all of which affect the unemployment tax rates that must be paid by the employer. Thus, the cost of unemployment insurance has become an element in the competition among States to attract industry.
>
> We should use every effort to have the Federal Government remove this factor of unfair competition by including the best elements of the various State systems into a uniform set of national minimum standards which all States would be required to follow.

The recommended set of standards should include minimum standards relating to coverage, amount of benefits and compensable duration of unemployment and maximum standards relating to waiting and disqualification periods.

In October the Intergovernmental Relations Subcommittee of the House Committee on Government Operations held hearings in New York, and Isadore Lubin, the Industrial Commissioner of the New York Labor Department, urged the adoption of Federal standards along the same line, pointing out again what we believe is an essential action in the field of unemployment insurance, and that is the passage of a bill to insure uniform minimum standards for all States to follow.

Thank you.

Senator FREAR. Senator Douglas.

Senator DOUGLAS. Mr. Brockway, I wondered if you could describe in detail what Governor Harriman wanted the New York Legislature to do in the way of unemployment benefits, and I wondered if you

would state what were the reasons generally given for defeating these improvements in New York.

Mr. BROCKWAY. Well, the Governor's total program for unemployment insurance in the State called for an increase in the benefit maximum to $45. This was adopted by the legislature.

He called for dependency benefits, which was defeated by the legislature.

He called for reduction in qualifying period for eligibility from 20 weeks at work—presently a worker to get benefits in New York must have worked at least 20 weeks out of the last 52—he called for reduction in that from 20 to 15.

He called for a reduction of coverage to employers of one or more.

Senator DOUGLAS. Those were defeated?

Mr. BROCKWAY. That was also defeated.

So then in this last session, late in the session he called for the extension to 30 weeks; and, as I have said, the response of the legislature at that time—and it was very close to the ending of the session—was to pass what was identified here as an enabling piece of legislation on the presumption there would be Federal action.

There was no quarrel at that point as to the need for extended duration, and this was the action.

The reasons for failure of the bills to pass I think are very difficult ones to assess. There is considerable debate on a philosophical point of view as to the desirability of dependency benefits. That has been a proposal in the legislature practically every year since I can remember. There is argument as to whether or not that should be passed.

The question of extension to 1 or more was argued mostly at the time when we went from 4 down, and at that point we went from 4 to 3, to 2. It is 2 or more on any 1 day. So that all that were left out is the 1. The arguments, most of the arguments against that had to do with the question of a man who owns a corner store and hires somebody to come in and sweep out on Saturday.

There were no arguments as to the administerability of one or more. Everybody conceded the ability to administer one or more.

The argument against lowering the qualifying period from 20 to 15 weeks ran to the presumption that 15 weeks of work in a given year does not demonstrate attachment to the labor market as well as 20 does.

There is abundant, there is a considerable amount of proof that there are large numbers of workers who, because of accident, illness, or otherwise, have a bad year, they do not make 20 weeks. They may make 15.

I would like to amend my comment on this point: The legislature did pass, however, a bill to accommodate, hoping to accommodate that provision, whereby if a man fails to have 20 weeks in his most recent year, if he had 40 weeks in a combination of 2 years, he is then eligible for benefits.

Senator DOUGLAS. What was the objection to extending the duration of benefits?

Mr. BROCKWAY. I think that actually the bill was not debated much. This came up in the last days of the session. The majority leaders in the legislature I think felt that the Federal Government was going

to not, and did not, and felt that that would be the reason for doing it that way. There were some pressures within the legislature that it was not necessary.

Senator DOUGLAS. Mr. Brockway, I have made a habit of asking some witnesses about the systems of their various States, not to put them on the spot or to throw any discredit upon their States, but because, since a witness comes from a given State, he knows more about that State than anyone else. That is why I put some questions to the assistant attorney general of Virginia, and I hope you will forgive me and understand my purpose if I ask you some questions about New York.

According to the figures which the Department of Labor and our staff have assembled for us, the average weekly benefits for the first 3 months of 1958 in New York have amounted to $31.45. The average weekly wages in 1956 for New York were $88.50. It looks as though the New York average benefit is only about 35 or 36 percent of the average weekly wages, and I would like to ask if you would regard this New York average as being too low.

Mr. BROCKWAY. Well, this average, our average benefit check at this point is running a little over $33.

Senator DOUGLAS. I see.

Mr. BROCKWAY. Our $45 maximum which we now have does represent one-half of the average weekly wage, which is a little over $90. I believe that this average benefit payment which we now have will go up if this unemployment continues and as the $45 begins to take hold.

However, a large number of our beneficiaries, and that is why this average comes down, are beneficiaries from service industries, from apparel trades, which are not high-wage industries, where the average wage is around $60, $65.

When we had a $30 maximum, we were substantially below any goal of meeting half the average weekly wage of a large majority of the workers; $45 probably in another year will be out of date as well.

Senator DOUGLAS. Well, now, I want to congratulate you on the relative position of New York as regards the duration of benefits. You have a 26-week uniform duration.

Mr. BROCKWAY. That is right.

Senator DOUGLAS. There are only, I think, 7 States in the country which have 26 or more weeks. Some of those States do not have uniform duration, so I think you are up quite far on the list in the matter of duration of benefits.

And yet in January, from January 1 through April 30, you had 44,756 exhaustions this year. I take it that you believe the duration of the benefits should be extended.

Mr. BROCKWAY. The duration is short at this time for this kind of situation. I would like to make this point in that connection, Senator, if I might: Our average duration will run only 12 and 13 weeks. But we will have large numbers of people—and that is because we have large numbers of seasonal workers—who are in and out of employment. The apparel trade, which is a big industry in our State; construction, which is a big industry. Those people are not long-term unemployed workers, and they are a large percentage of our beneficiaries.

People who are exhausting are the people who are in factories that are closed down, who have long-term steady unemployment. When they are out, they are out. They do not go back. And that is why the exhaustions, and that is those of that group we are concerned with.

If we raise to 39 weeks, I do not know that our average duration would go up, but we feel we would be helping very positively those people who are affected by long-term unemployment.

Senator DOUGLAS. Why has not the State legislature increased the amount and duration of the amount of benefits in New York? You have large reserves in New York. You could pay more. Why not?

Senator BENNETT. They increased the amount but not the duration.

Mr. BROCKWAY. Yes, that is right. The duration of 26 weeks has been a standard in New York for many years. We had a flat, fixed duration for a good many years.

It was not until this year and late in this year, or the year before, there were proposals made, although they were not an administration proposal, to extend duration, and I think part of this was because we felt with the nature of our industries—we perhaps were lulled by a lot of good times—we felt with the nature of our industries we were not going to need an extension beyond this, and we were all right.

I think that this situation we are now in has alerted public interest in it. There will be opposition, without question, to extension because of the concern over tax rates, which is always a factor.

Senator DOUGLAS. Has this objection about tax rates, both on the absolute amount of the tax and the fact it may put New York employers at a competitive disadvantage with other States, do you find that to be a real one in your dealings with the legislature?

Mr. BROCKWAY. Every year there is an annual battle in our legislature, and will never change. One of the arguments about improvements in unemployment insurance law is the effect it will have on the New York average tax rate and the effect that will have in the competition among States to attract industry; that the unemployment insurance tax or the workmen's compensation tax or some other tax is selected.

Senator BENNETT. Or the property tax?

Mr. BROCKWAY. Well, what you have to do, of course, when you argue against this is, you add all taxes together. But there is no question but that the unemployment insurance tax, which is one of the very large taxes—you see, we get around $300 million a year in taxes, and it is a big business tax, which the State imposes, so that it is always a matter of critical debate in there.

I will have to say, and I think the record shows, that the legislature when it comes to increasing benefits, and so on, has not always been influenced by it, the end result. They have taken a pretty firm view on it, but the pressure is there and it never stops.

Senator DOUGLAS. I am very much interested that you say this, because I advanced this point the first day of the hearings, and I understand on the second day that an employers' representative from California took me to task for this and said that interstate competition was really not any factor in the determination of the level of benefits or the duration of benefits under the State laws.

I believe his name was Davis.

Mr. BROCKWAY. Well, the pressure takes into account that, it takes into account other provisions of the law, the disqualification provi-

sions in particular, as being critical, because our benefit outlays go up and our costs go up and therefore the taxes are going to go up, and so somebody is going to leave the State.

It is a speech that is used, and it is a traditional position.

Senator DOUGLAS. I am very glad the New York Legislature did raise the maximum benefits to $45 a week in New York, which, as you say, is almost precisely one-half the current average wage. But of course President Eisenhower recommended that the maximum should be not one-half of current wages, but two-thirds of current wages. So in this respect, the legislative leadership, which I believe is generally Republican——

Mr. BROCKWAY. Yes.

Senator DOUGLAS. Did not come up to the request of the President of the United States, the titular leader of their party; is that not true?

Mr. BROCKWAY. That is correct.

Senator DOUGLAS. Yesterday and this morning, I asked some questions as to whether, in the specific States to which I referred, namely, New Jersey and Pennsylvania, the assessments upon the employers would go up as the reserves went down.

What is the situation so far as New York State is concerned? When the reserves go down, do the rates of assessment upon the employers go up?

Mr. BROCKWAY. Yes.

We have a sliding scale of rates. There is a series of tables, and with the proportion of the trust fund to taxable payrolls, it moves in 1 percentage point or 2 percentage points down or up, depending upon the condition of the fund.

A high fund situation means a lowered tax, and a low fund means a somewhat higher tax. We have tried to get some countercyclical effects in there and, as a matter of fact, this year reflects it. Here we are dealing with high unemployment and our tax rate this year is lower than last year. However, it will go up next year.

Senator BENNETT. You always have a 1-year lag?

Mr. BROCKWAY. About a year lag.

Senator DOUGLAS. Have you had an opportunity to study the provisions in this matter of other States as well as New York, or have you——

Mr. BROCKWAY. I have seen many of them, and I think this kind of thing, this effort to have the fund reflect—no one wants a big lump of money that is unnecessary.

Senator DOUGLAS. Therefore, there is very real pressure to maintain the reserves at a high figure lest, if the reserves are drawn down, the rate of assessment will have to rise?

Mr. BROCKWAY. There is that, without any question. There are pressures also, we have felt them, to keep the reserves at a reasonable figure simply as a matter of safety.

Senator DOUGLAS. I understand.

Mr. BROCKWAY. But there is pressure that——

Senator DOUGLAS. This may be a factor, therefore, which leads to the freezing of reserves in separate State funds, is that not true?

Mr. BROCKWAY. Well, that is right. It also contributes to this, what is called interstate competition, but which is an understandable reluctance to be the first to act. I made the point of this coverage to one or more. Here are a lot of States, and New York is one of them,

which have said in their legislature, "We want to cover one or more, but we won't move until the Congress moves."

Now you can say, and perhaps it is due to the competition there is, it is not unusual for a State to take the position that they are not going to run right out in front of everybody else and be there.

Senator DOUGLAS. Quite naturally.

I have the impression that there are a number of States which have statutes which provide that they will go down to one-employee employers if Congress so provides; is that true?

Mr. BROCKWAY. I believe there are something in the neighborhood of 30 States.

Senator DOUGLAS. Is that so? I wonder if we could ask the Department of Labor to furnish us with a list of these conditional one-employee States, Mr. Chairman.

(See table 27 of the staff data, p. 74.)

Senator FREAR. I certainly have no objections to that. That is not covered in your staff data?

Senator DOUGLAS. No, it is not. I do not think it is covered, Mr. Chairman.

I wonder if the staff could now report whether the Department has furnished us with the information which I requested this morning and which I think we were going to telephone the Department about in order that it might supply the data this afternoon.

I am told a messenger is on his way now.

Mr. Chairman, if that arrives after this session has been finished, I ask unanimous consent that it be printed in the record at the close of this day's proceedings.

Senator FREAR. Without objection, it will be so much printed.

Senator DOUGLAS. Those are the only questions which I have, Mr. Chairman.

Senator FREAR. Senator Bennett.

Senator BENNETT. No questions.

Senator FREAR. Thank you very much, sir.

Mr. BROCKWAY. Thank you very much.

Senator FREAR. The hearings are adjourned.

(By direction of the chairman, material referred to and additional letters and telegram are made a part of the record:)

REPORT BY COMMITTEE ON BENEFIT FINANCING ON FUND SOLVENCY PROTECTIVE MEASURES AS ADOPTED BY THE FEDERAL ADVISORY COUNCIL

Existing State unemployment insurance laws contain a variety of provisions designed to protect the solvency of reserve funds. Most States have statutory provisions which protect the solvency of their funds by varying the magnitude of tax rate reductions as their reserve funds increase or decrease—either by the application of alternative rate schedules, or by modification of the experience ratio requirements for specified rates. Some States will have to enact special legislation when needed to assure fund solvency.

Of the 40 States in which the maximum tax rate is limited by law to 2.7 percent of taxable payrolls, 32 provide for the suspension of experience rating when reserve funds fall below a specified danger level. However, the effectiveness of many is questionable because the reserve level serving as the warning signal (or danger level) to suspend reduced rates, or to limit rate reductions, appears to be unrelated to the current financial requirements of the State program. In many States the lack of the desired relationship may be due to increasing reserves during the last decade which minimized the solvency problem to such an extent that very little, if any, attention was given to the periodic evaluation of the fund solvency protective provision.

In table I attached, the State statutory provisions have been grouped by type of fund protective measure used. The 16 States having no specific provision for suspension of reduced rates are listed in group A. One of the 16 States in this group (Kentucky) has the reserve ratio form of experience rating with individual employer reserve accounts, and in this State an individual employer's account must be at least 5 times the largest amount of benefits charged against it in the last 3 years before the employer can get a reduced rate. In the remaining States the employers' reserve required for any reduction in the tax rate varies from 7 percent of taxable payrolls down to any positive balance.

Two States (group B) vary tax rates by distributing a portion of the annual tax yield (resulting from the collection of 2.7 percent from all employers) whenever there are surplus reserve funds, as defined in the laws. The surplus is defined as the amount by which the current reserve exceeds 4 times the contributions actually collected in the preceding year (if surplus had been distributed in the preceding year, the amount collected is the amount remaining after the distribution) or a specified proportion (40 percent in Washington and 60 percent in Alaska) of contributions actually collected in the preceding year, whichever is the lesser. However, no surplus is deemed to be available for distribution in either State unless the amount so determined is equal to at least 10 percent of the contributions actually collected in the preceding year.

Of the remaining 32 States, 8 States (group C) provide for the suspension of reduced rates when the fund falls below a specified dollar amount; 6 States (group D) use as the danger level a specified multiple of benefits paid in the preceding or highest prior year; 14 States (group E) suspend reduced rates when the fund is less than a specified percentage of the taxable wages paid in a preceding year or years; 5 States (group F) identify the danger level as the greater of (1) a specified dollar amount or (2) a specified multiple of benefits or a specified ratio of taxable wages paid in the year immediately preceding, or a prior year.

Experience has shown that a solvency factor expressed in specified dollar amounts (group C States) is ineffective, primarily because of the changing relationship between the amount specified, the level of taxable wages and the average long-range costs of the program. When the specified dollar amounts are expressed as percentages of current taxable wages, the group C States have a current solvency measure ranging from less than 1 to nearly 6.5 percent of 1952 taxable wages; when these percentages are expressed as a multiple of the 1946–52 average cost rate, the multiple ranges from less than 1 to nearly 7.5 times the average cost rate.

Thus, the fault with this type of measure is that a dollar amount which is satisfactory when enacted into the law may become ineffective later. In South Carolina, for instance, the $5 million level has been in effect from the time reduced rates first became effective in 1942. In that year taxable wages amounted to $311,869,000 while in 1952 taxable wages were $880,075,000; benefit costs for 1938–42 averaged approximately 0.8 percent as compared with 1 percent for 1946–52. Although there has been an increase in the average cost rate, the $5 million reserve dropped from 1.60 percent of 1942 taxable wages to 0.57 percent of 1952 taxable wages.

The measure used by the group D States reflects a level which is the equivalent of one times (1.5 in California) the benefits paid in the preceding year (highest prior year in Delaware). A danger level equal to the benefit expenditures in the preceding year is obviously inadequate. The measure used in Delaware may prove adequate where the fluctuations in the cost rate between good and bad years are of substantial magnitude. The inadequacy of the measure used by the other States in this group becomes most apparent when a sharp increase in unemployment occurs immediately following a period of sustained high economic activity similar to the war years, or that now prevailing.

In the group D States, the current measure, when expressed as a percentage of 1952 taxable wages, ranges from 0.45 to 1.81 percent, and when these percentages are expressed as multiples of the 1946–52 average cost rate, the range of the multiple is from 0.6 to 1.4. Although 4 of the 6 States had average costs for 1946–52 of less than 1 percent, in 3 States (1 of the 4 with less than 1 percent average costs and the remaining 2) the solvency ratio is lower than the 1946–52 average annual cost rate.

Experience has shown that the solvency measure used by group E States—a percentage of payrolls in past years—becomes outdated to within a relatively short period of time, especially if more remote past years are included in the base. Payrolls may fluctuate widely over a period of years. If reserve levels

are based on the payrolls of a period of past years as, for example, in Hawaii (average of last 10) or Nevada (last 5), it is possible for the level of reserves during years of economic depression to be based on a higher payroll level than the current one and, consequently, for reduced rates to be suspended at a time when the reserve may still be at a relatively safe level in terms of current needs, and when considerations of sound financing would require the further use of reserves to help finance current high benefit costs.

Although the double-barrel type of provision used by the group F States (no reduced rates if the fund falls below the greater of a specified dollar amount or a multiple of benefits or ratio of taxable wages paid in a prior year or years) may result in a more stable measure than those discussed above, the effectiveness of this type of measure is dependent upon the effectiveness of each of the two parts of the provision. The weaknesses of measures expressed either in terms of a specified dollar amount, or a multiple of prior benefits paid, or a percentage of prior taxable wages unrelated to the needs of the program, have been discussed above. Although table I indicates that the use of this measure has resulted in what appears to be safer danger levels in most of these States, this result may be attributed to other factors. In the two States in which the solvency ratio expressed as a multiple of the 1946-52 average cost rate is highest, tax rate policy, since the beginning of the program, has been very conservative; in a third State, Pennsylvania, the current provision has been enacted very recently and, consequently, should reflect current needs to a greater extent than in other States. However, the adequacy of a danger level which is only 2.4 times the 1946-52 cost rate of 1.3 percent of taxable wages may be doubtful.

The Bureau, in the past several years, has recommended the use of another measure for determining the danger level in the States: a measure which sets the danger level at an amount equal to the greater of a specified percentage of current taxable wages (such as, 4 or 5 percent) or 3 times the average annual cost rate.

The committee, on the basis of its study of existing fund solvency protective measures and Bureau recommendations in this area has concluded that the most effective solvency measure is one that evaluates the current reserve percentage as a multiple of the State average annual benefit cost rate. It does not consider necessary a measure that would include alternatives of the greater of a specified percentage of current taxable wages or a specified multiple of the average benefit cost rate. The committee believes that the specified multiple of benefit costs would be sufficient, since a specified percentage of current taxable wages, in order to be sound, would also have to be related to the average benefit cost rate, and would therefore achieve approximately the same result.

The measure recommended by the committee, expressed as a formula, would be as follows:

$$\frac{\text{current fund balance}}{\text{last year's taxable payroll}} \div \frac{\text{average annual benefits, specified period}^{1}}{\text{average annual taxable wages, same period}}$$

This formula will yield a figure which represents the number of years of benefits which the fund could pay at its average cost rate, taking into account the fund's potential liabilities as affected by current annual taxable wage levels.

The use of the last year's taxable payroll in the denominator of the reserve percentage fraction seems to the committee more satisfactory than the use of an average annual figure, because the most recent year's taxable wages provide a more accurate indicator of current exposure to the risk of unemployment than an average.

Under this formula, the dollar amount serving as the danger level will fluctuate with changes in taxable wages, but the relatively adequacy of the changing dollar amount will remain stable.

The committee unanimously agrees that a measure expressing the current fund reserve ratio as a multiple of the average annual cost rate should be recommended

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[1] To illustrate the mechanical operation of this formula, let us assume that State X has a current fund balance of $457,460,000, taxable payrolls paid in 1951 amounting to $3,774,443,000; actual benefit expenditures during the period used as a basis of experience averageing $70,000,000 per year and estimated taxable wages during this period averaging $3,672,876,000 per year. Substituting in the formula:

$$\frac{\$457,460,000}{3,774,443,000} \div \frac{\$70,000,000}{3,672,676,000} = 12.11\% \div 1.01\% = 6.34$$

Consequently the current reserve of State X is equal to more than 6 times its average benefit cost rate.

for use by the States. However, two divergent views are represented within the committee with respect to the period of years upon which to base the average annual cost rate. One view advocates a carefully chosen period reflecting past and anticipated future experience, coupled with the suggestion that under most circumstances, this condition would be met by using the last 5 years and a period of approximately equal length of future years. The proponents of this view point out that the use of such a period would result in proper consideration, not only of past experience, but also of current economic trends and changes most likely to occur, and the cost implications of anticipated changes in eligibility and benefit provisions. Limiting the length of the future period to be taken into consideration would serve to minimize errors which could result from projections of economic conditions.

The other view represented within the committee holds that the average annual cost rate should be based entirely on cost experience in past years, with such past experience fully adjusted by valid statistical procedures to take account of enacted changes in the law's benefit formula. According to this view, the use of a future period of years would place greater reliance on projected costs than is necessary or desirable in view of the fact that economic forecasting has proved to be extremely hazardous and not sufficiently successful to be relied upon in steering the unemployment-insurance program. In support of this view, it is contended that there are experience-rating plans available which have demonstrated their capacity to maintain a State fund within a reasonable range, and it is held that at least one such plan automatically adjusts rates to reflect the needs of the State program so that reliance on cost projections is not necessary.

With respect to the determination of the appropriate multiple of the average cost rate, the committee gave consideration to the same general factors as does the Bureau in determining the actuarially adequate level to aim for in the benefit financing studies. Most important among these are the need to guard against the possibility that the average cost rate used in the determination understates actual costs, the need for protection against the occurrences of unforeseen "act of God" contingencies, and particularly a proper awareness of the degree of sensitivity of the State economy to changing economic conditions.

Although the average cost rate reflects to some extent the characteristics of a State economy, detailed consideration was given to the manifestations of those characteristics which reflect the degree of sensitivity to economic changes. Attention was given to such factors as the rapidity with which economic changes affect benefit expenditures and the extent to which benefit costs are affected by minor and major changes in economic conditions. Table II, attached, lists the annual and average benefit-cost rates for 1946–52 by State. Columns 1–8 show both long-run average cost rates and the range in the variation of annual cost rates during these 7 years. The latter may be taken as a rough indicator of the relative degree of sensitivity to changes in economic conditions—although amendments of many State laws during the 7-year period may have affected and, to that extent, distorted the picture. (Had it been possible to recalculate costs for the 7-year period on the assumption that the current provisions had been in effect throughout the entire period, the resulting cost patterns would have been more consistent and, also, more significant for the purpose on hand.)

A comparison of column 8 (1946–52 average cost rate) with columns 9, 10, and 11 of table II gives some indication of the impact of economic changes upon benefit costs. Column 10, read in conjunction with column 8, indicates the amplitude of fluctuations. From column 11 (highest annual cost rate as a multiple of 1946–52 average annual cost rate), it can be seen that in 1 State the highest cost rate experienced during the 7-year period was 2.75 times the average; in 5 more States it was 2 or more times the average—indicating a relatively wide fluctuation in cost rates. On the other hand, some States experienced fairly stable costs, with the highest cost rate exceeding the average by only 50 percent or less—thus showing less sensitivity to varying economic conditions.

There was disagreement with respect to the recommendation of a specific multiple of the annual average cost rate to all States. One group of Committee members believes that the multiple should be specific; three times the average annual cost rate. Another group of Committee members believes it is unsound for the Advisory Council to recommend any specific multiple as appropriate for all States.

In justification of the former viewpoint, it is pointed out that without a fixed multiple across the board, no additional guaranty of solvency is actually provided. In support of the 3 multiple, reference was made to the considerable amplitude of fluctuations in State annual benefit-cost rates experienced by some

States. Since, over a period of years including favorable and unfavorable economic conditions, high-cost years were 2.5, and even 2.7, times the average, emergency action is held to be in order when a State fund falls below approximately 3 times the average annual cost rate. At this level the fund would just be sufficient to meet the benefit costs which might be expected in a single year if economic activity suddenly falls to the low point in the cycle. Moreover, this group feels that a multiple which varies from State to State loses much of the effectiveness of a solvency protective measure. In effect, it shifts that responsibility, to a large extent, onto a predetermined reserve ratio, which the Committee has found insufficient as a guaranty of solvency.

It is the view of the second group that each State should determine its own danger point in the light of its other financial policies. This group believes that, if a State follows a policy of building large reserves in good times, it can safely use a lower multiple of its average cost rate as its danger point than a State which follows a policy of smaller reserve accumulation in good times. The former State, it is held, will have more nearly liquidated the liability of its fund by the time the fund has dropped to a given multiple of its average annual cost rate than the latter. For example, if a State fund has an optimum level of 5 times the average cost rate, the proper danger point might be set at 3 times the average cost rate. But if, in another State, the optimum level is set at 7 times the average cost rate, then the danger point might safely be set at a level lower than 3 times the average cost rate.

The committee is not in agreement concerning what emergency action a State should take when its fund has dropped below the danger point by whatever method be established. One view is that, in those States in which the tax rate is limited by law to a maximum of 2.7 percent, reduced rates should be suspended when the reserve fund falls below the danger level. These members hold that, regardless of the values attached to experience rating, reduced rates cannot be justified at that point. Also, in those States where the current rate structure now provides for rates above 2.7 percent, this group would like to see a minimum rate of 2.7 percent required of all employers when the State fund balance falls below the danger point.

A second view holds that there are several ways which can be used by a State to rebuild its fund after the fund has fallen below the danger level, and that no one method should be recommended by the Advisory Council or the Bureau to the exclusion of the others. This group believes the experience-rating incentive should be maintained as fully as possible at all times. Therefore, this group believes that rebuilding the State fund should be accomplished by increasing the minimum rate of contribution but at the same time retaining some differentials in rates, or, preferably, adding a percentage of payrolls to all rates, thereby maintaining the full experience-rating differentials.

Mrs. Eveline M. Burns.
Mr. George A. Jacoby.
Mr. Frank T. DeVyver.
Mr. Harry Krans.
Mr. Nelson Cruikshank.

TABLE I.—*State fund solvency provisions*

GROUP A—NO SPECIFIC PROVISION FOR SUSPENSION OF REDUCED RATES

Type of experience rating and State	Number of schedules	Least favorable schedule		Reserve requirement for least favorable schedule
		Minimum rate	Maximum rate	
Benefit-wage ratio:		*Percent*	*Percent*	
Alabama	1	0.6	2.7	30 State experience factors. State experience factor doubled when fund is less than amount equal to 1.5 times product of the highest taxable payroll of last 3 years times the highest benefits-payroll ratio in last 10 years.
Illinois	1	.25	2.7	35 State experience factors. Falls below 60 percent of balance on Dec. 31, 1942. State experience factor increased 1 percent for each 4 percent current amount is under 60 percent of Dec. 31, 1942 balance; decreased 1 percent for each 4 percent over 140 percent of Dec. 31, 1942 balance.
Oklahoma	1	.3	2.7	30 State experience factors with benefit wage ratio of individual employers varying from 9 to 270 percent for maximum reduced rate (2.4 percent).
Texas	(1)	.1	2.7	35 State experience factors. When State fund balance is below $200 million and less than 8 percent of taxable wages of preceding year. When fund above this level, rates between 0.1 and 2.7 are adjusted downward.
Virginia	2	.25	2.7	25 State experience factors. When fund balance is less than 4.5 percent of highest taxable payrolls paid in last 10 years.
Reserve ratio:				
Kentucky [2]	2	1.0	3.7	When pooled fund account falls below 3 times highest annual amount paid in benefits in any of last 3 years no employer rate can be below 1 percent. 1 percent of taxable wages of each employer paid into pooled fund. 1 penalty rate (3.2 in 1953).
Missouri	3	.5	[3] 4.1	Fund less than the greater of twice contributions or twice benefits in any 1 year. Penalty rates 2.9, 3, 3.1, 3.2, and 4.1.
Nebraska	1	.1	2.7	For rate less than 2.7 percent, employer reserve ratio must equal or exceed 3.5 percent. Subject to fair and general rules with regard to fund solvency.
New York	[4] 24	2.7	3.7	Fund less than 4 percent of taxable wages and general account balance is less than 0.75 percent of taxable wages. Normal least favorable schedule rates 1.2-2.7, 1.0 percent added for general account.
Ohio	5	.8	3.2	Fund balance below benefits paid in last 2 years. Penalty rates in 3 schedules: 2.8, 2.8, 3, 2.8, 3, and 3.2.
Tennessee	4	1.5	3.0	Fund balance less than $50,000,000 and benefits exceed contributions in any quarter. Employers with reserve ratios of less than 0.0001 pay 3 percent.
Wisconsin	4	0	4.0	Fund's balancing account less than $25,000,000 and decrease in gross wages from preceding year is less than 5 percent. Penalty rates 3, 3.5, 4 percent.
Benefit ratio:				
Michigan	1	1.0	4.0	Penalty rates 2.8, 3.1, 3.4, 3.7, and 4 percent.
Minnesota	3	.6	3.0	Fund balance below $50,000,000. Penalty rates 2.8 and 3 percent in least favorable schedule only.
Vermont	4	1.4	2.7	Fund less than twice the total benefits paid in preceding year.
Wyoming	2	.6	2.7	Fund less than 1.2 percent of taxable wages paid in preceding 5 years.

[1] Indefinite.
[2] Individual employer reserve account. No requirement for total State fund balance for reduced rates; individual employers' accounts must be at least 5 times the largest amount of benefits charged against it in the last 3 years before employer can get reduced rate.
[3] Under each schedule, employers whose past contributions are exceeded by benefits are assigned 3.6 rate.
[4] 8 normal schedules, but possible contributions to general account can result in 2 additional sets of 8 schedules.

GROUP B—NO REDUCED RATES (DISTRIBUTION OF SURPLUS) IF AMOUNT (TO BE DISTRIBUTED) IS LESS THAN 10 PERCENT OF CONTRIBUTIONS IN PRECEDING YEAR

State	1952 contributions	If surplus exists for 1953 it must exceed—	1952 taxable wages (thousands)	Reserve fund on specified date	1946–52 average cost rate
Alaska	$3,774,973	[1] $377,498	$156,597	[2] $6,750,000	2.0
Washington	27,143,877	[3] 2,714,388	1,572,185	170,720,213	2.1

[1] Surplus defined as lesser of (1) excess of fund balance on Mar. 15 over 4 times contributions collected in previous calendar year, (2) 60 percent of contributions collected in previous calendar year.
[2] Estimated.
[3] Surplus defined as lesser of (1) excess of fund balance on June 30 over 4 times contributions collected in previous calendar year, (2) 40 percent of contributions collected in previous calendar year.

GROUP C—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED DOLLAR AMOUNT

State	Dollar amount (millions)	1952 taxable wages (thousands)	Solvency level as percent of 1952 taxable wages	1946–52 average cost rate	Solvency ratio as multiple of 1946–52 cost rate
Colorado	$10	$620,824	1.59	0.4	4.0
Indiana	25	2,842,361	.88	.7	1.2
Maine	20	448,546	4.46	1.7	2.6
Montana [1]	18	279,544	6.44	.9	7.1
New Hampshire	12	327,400	3.67	1.8	2.0
South Carolina	5	880,075	.57	1.0	.6
South Dakota [2]	5	134,795	3.71	.5	7.4
West Virginia [3]	50	1,025,402	4.88	1.1	4.4

[1] Reduced rates reinstituted when fund exceeds $22,000,000.
[2] Reduced rates are not automatically suspended; commissioner may do so when fund falls below specified level.
[3] Must also exceed benefits paid in preceding year.

GROUP D—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED MULTIPLE OF BENEFITS PAID IN SPECIFIED PERIOD

State	Multiple and period	Current fund protective level (thousands)	1952 taxable wages (thousands)	Solvency level as percent of 1952 taxable wages	1946–52 average cost rate	Solvency ratio as multiple of 1946–52 average cost rate
Arkansas [1]	1 last year	$5,709	$533,012	1.07	1.2	0.9
California	1.5 last year	152,517	8,435,900	1.81	2.2	.8
Delaware	1 highest prior	2,346	294,844	.80	.6	1.3
Iowa	1 last year	4,937	975,028	.51	.5	1.0
Kansas	do	3,912	876,317	.45	.8	.6
North Dakota	do	1,616	124,849	1.29	.9	1.4

[1] Minimum rate 2 percent when fund is more than 1 but less than 2 times benefits paid in preceding year.

GROUP E—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED RATIO OF TAXABLE WAGES IN SPECIFIED PERIOD

State	Percent, years	Taxable wages in specified period (thousands)	Current solvency level	1952 taxable wages (thousands)	Solvency factor as percent of 1952 taxable wages	1946–52 average cost rate	Solvency ratio as multiple of 1946–52 average cost rate
Arizona	4 percent last fiscal year	$358,843	$14,354	$375,102	3.83	0.7	5.5
Connecticut	1.25 percent last 3 fiscal years	5,215,940	65,199	1,940,127	3.36	1.2	2.8
District of Columbia	2.4 percent last fiscal year	563,555	13,525	571,309	2.30	.5	4.6
Hawaii	5 percent average last 10 years	192,902	9,645	235,514	4.10	1.0	4.1
Louisiana	6 percent last year	1,177,718	70,663	1,177,718	6.00	1.3	4.6
Maryland	5 percent last year	1,558,664	77,933	1,558,664	5.00	1.3	3.8
Massachusetts	5.5 percent last year [1]	3,655,912	201,075	2,655,912	5.55	1.9	2.9
Nevada	1.5 percent last 5 years	555,234	8,329	146,554	5.68	1.3	4.4
New Jersey	2.5 percent last year	3,980,950	99,524	3,980,950	2.59	1.8	1.4
New Mexico	2.5 percent last 3 years	801,147	20,029	294,688	6.80	.5	13.6
Oregon	3 percent average last year	877,129	26,314	974,047	2.70	1.7	1.6
Rhode Island	8 percent last year	607,682	48,615	607,682	8.00	3.1	2.6
Utah	6 percent last year	352,233	21,134	352,233	6.00	1.2	5.0
North Carolina	6.5 percent last fiscal year	1,555,282	101,092	1,612,692	6.27	1.0	6.3

[1] 6.5 percent after 1954 rate year.

GROUP F—NO REDUCED RATES IF FUND LEVEL FALLS BELOW THE GREATER OF A OR B

State	A (millions)	B Multiple of specified item	Current fund protective level (thousands)	1952 taxable wages (thousands)	Solvency level as percent of 1952 taxable wages	1946–52 average cost rate	Solvency ratio as multiple of 1946–52 average cost rate
Florida	$15.0	2 times benefit last	$15,000	$1,135,360	1.3	0.8	1.6
Georgia	12.5	2.5 times benefit highest of last 5 years	33,662	1,332,755	2.5	.8	3.1
Idaho	7.5	7.5 percent taxable wages last year	19,588	261,168	7.5	.9	8.3
Mississippi	20.0	8 percent taxable wages last year	33,918	423,981	8.0	1.3	6.2
Pennsylvania	230.0	1.5 times benefit highest last 10 years	230,000	8,178,306	2.1	1.3	2.4

TABLE II.—*Annual and average benefit cost rates, 1946–52*

State	Cost rates								Range between highest and lowest annual rate	Highest annual cost rate	Highest annual cost rate as multiple of 1946–52 average cost rate (col. 10 ÷ col. 8)
	1946	1947	1948	1949	1950	1951	1952	1946–52 average			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Alabama	2.2	1.0	0.9	2.3	1.5	0.8	1.1	1.4	1.5	2.3	1.64
Alaska	.9	.7	1.6	2.9	3.4	1.1	2.3	2.0	2.7	3.4	1.70
Arizona	.7	.5	.6	1.5	1.1	.4	.4	.7	1.1	1.5	2.14
Arkansas	1.3	.9	.8	1.7	1.7	.9	1.1	1.2	.8	1.7	1.42
California	2.8	2.1	2.2	4.0	2.7	1.2	2.2	2.2	2.8	4.0	1.82
Colorado	.4	.2	.3	.8	.7	.2	.2	.4	.6	.8	2.00
Connecticut	1.5	.7	.9	3.2	1.4	.6	.6	1.2	2.6	3.2	2.67
Delaware	1.0	.5	.4	1.1	.7	.4	.4	.6	.7	1.1	1.83
District of Columbia	.4	.6	.6	.8	.7	.3	.3	.5	.5	.8	1.60
Florida	.8	.9	.8	1.4	.9	.6	.7	.8	.8	1.4	1.75
Georgia	.8	.7	.5	1.4	.9	.7	.7	.8	.9	1.4	1.75
Hawaii	.1	.2	.7	2.2	1.7	.8	1.0	1.0	2.1	2.2	2.20
Idaho	.5	.5	.7	1.3	1.5	.8	1.1	.9	1.0	1.5	1.67
Illinois	1.6	.8	.8	1.8	1.5	.9	.8	1.2	1.0	1.8	1.50
Indiana	1.3	.3	.4	1.2	.6	.5	.7	.7	1.0	1.2	1.71
Iowa	.7	.3	.3	.7	.6	.3	.5	.5	.4	.7	1.40
Kansas	2.2	.7	.5	.9	1.1	.5	.5	.8	1.7	2.2	2.75
Kentucky	1.0	.6	.6	1.9	1.5	1.1	1.4	1.2	1.3	1.9	1.58
Louisiana	1.8	.8	.7	1.9	2.0	1.2	1.1	1.3	1.2	2.0	1.54
Maine	1.7	1.2	1.4	3.1	2.4	1.3	1.2	1.7	1.9	3.1	1.82
Maryland	2.3	.9	.8	2.5	1.4	.6	.7	1.3	1.9	2.5	1.92
Massachusetts	1.5	1.7	1.5	3.7	2.3	1.3	1.6	1.9	2.2	3.7	1.95
Michigan	2.3	.8	.8	1.9	1.1	1.0	1.2	1.3	1.5	2.3	1.77
Minnesota	1.0	.4	.4	1.1	1.2	.6	.8	.8	.8	1.2	1.50
Mississippi	.7	.7	.8	2.1	1.8	1.1	1.5	1.3	1.4	2.1	1.62
Missouri	1.5	1.1	.8	1.3	1.1	.6	.6	.9	.9	1.5	1.67
Montana	.7	.5	.6	1.1	1.7	.9	.8	.9	1.2	1.7	1.89
Nebraska	.8	.4	.3	.6	.8	.4	.5	.5	.5	.8	1.60
Nevada	.7	.9	1.2	2.3	2.4	1.1	.9	1.3	1.7	2.4	1.85
New Hampshire	.3	1.0	1.2	4.0	2.7	1.7	1.8	1.8	3.7	4.0	2.11
New Jersey	2.8	1.8	1.5	2.8	1.9	1.2	1.3	1.8	1.6	2.8	1.56
New Mexico	.2	.2	.3	.8	.8	.4	.5	.5	.6	.8	1.60
New York	2.1	1.7	1.7	3.3	2.7	1.6	1.5	2.1	1.8	3.3	1.57
North Carolina	.5	.5	.5	1.6	1.2	1.1	1.3	1.0	1.1	1.6	1.60
North Dakota	.4	.4	.4	.8	1.8	1.0	1.3	.9	1.4	1.8	2.00
Ohio	1.2	.4	.4	1.5	1.4	.4	.5	.8	1.1	1.5	1.88
Oklahoma	2.1	1.1	.6	1.2	1.4	.8	.8	1.1	1.5	2.1	1.91
Oregon	2.6	1.0	.9	2.4	2.4	1.1	1.5	1.7	1.7	2.6	1.53
Pennsylvania	1.6	.9	.6	2.0	1.5	.8	1.3	1.3	1.4	2.0	1.54
Rhode Island	2.3	1.9	2.6	6.2	2.9	2.9	2.7	3.1	4.3	6.2	2.00
South Carolina	.4	.5	.6	2.0	1.4	.8	.9	1.0	1.6	2.0	2.00
South Dakota	.2	.2	.3	.6	.9	.6	.5	.5	.7	.9	1.80
Tennessee	1.5	1.2	1.1	2.4	1.7	1.2	1.4	1.5	1.3	2.4	1.60
Texas	.7	.3	.2	.4	.5	.2	.2	.3	.5	.7	2.33
Utah	2.0	1.0	1.0	1.8	1.6	.7	.9	1.2	1.3	2.0	1.67
Vermont	.7	.8	.9	3.0	2.0	.9	1.5	1.4	2.3	3.0	2.14
Virginia	.7	.4	.5	1.4	.9	.5	.5	.7	1.0	1.4	2.00
Washington	4.4	2.1	1.4	2.7	2.3	1.0	1.5	2.1	3.4	4.4	2.10
West Virginia	1.3	.7	.5	1.9	1.6	.8	1.3	1.1	1.4	1.9	1.73
Wisconsin	.6	.2	.3	1.1	.7	.4	.7	.6	.9	1.1	1.83
Wyoming	.3	.3	.3	.7	1.4	.6	.5	.6	1.1	1.4	2.33

1956 Revision

State fund solvency provisions

GROUP A—NO SPECIFIC PROVISION FOR SUSPENSION OF REDUCED RATES

Type of experience rating and State	Number of schedules	Least favorable schedule		Reserve requirement for least favorable schedule
		Minimum rate	Maximum rate	
Reserve ratio:				
Kentucky [1]	3	1.0	3.7	When pooled fund account falls below 3 times highest annual amounts paid in benefits in any of last 3 years no employer rate can be below 1 percent. 1 percent of taxable wages of each employer paid into pooled fund. 1 penalty rate (3.7 in 1956).
Michigan	6	.5	4.0	Reserve fund less than 3.5 percent of taxable wages and solvency account less than $30,000,000. For every $5,000,000 below $30,000,000, 0.1 percent emergency tax is added.
Missouri	3	.5	[2] 4.1	Fund less than the greater of twice contributions or twice benefits in any 1 year. Penalty rates 2.9, 3.0, 3.1, 3.2, and 4.1.
Nebraska	1	.1	2.7	For rate less than 2.7 percent employer reserve ratio must equal or exceed 3.8 percent. Subject to fair and general rules with regard to fund solvency.
New York	[3] 8	2.7	3.7	Fund less than 4 percent of taxable wages and general account balance is less than 0.6 percent of taxable wages. Normal least favorable schedule rates 1.2 to 2.7, 0.1 to 1.0 percent added for general account.
North Carolina	9	.9	2.7	Reserve fund less than 4.5 percent of last year's taxable wages.
Ohio	5	.6	3.2	Fund balance below benefits paid in last 2 years. Penalty rates in 3 schedules: 2.8; 2.8, 3.0; 2.8, 3.0, and 3.2.
South Carolina	5	1.3	2.7	Reserve fund less than 5.0 percent of last year's taxable payroll.
Tennessee	4	1.5	3.0	Fund balance less than $50,000,000 and benefits exceed contributions in any quarter. Employers with reserve ratios of less than .0001 pay 3 percent.
Wisconsin	4	0	4.0	Fund's balancing account less than $25,000,000 and decrease in gross wages from preceding year is less than 5 percent. Penalty rates 3.0, 3.5, 4.0 percent.
Benefit-wage ratio:				
Alabama	(4)	.5	2.7	30 State experience factors. State experience factor doubled when fund is less than amount equal to 1.5 times product of the highest taxable payroll of last 3 years times the highest benefits-payroll ratio in last 10 years.
Illinois	(4)	.75	3.25	35 State experience factors. State experience factor increased 1 percent for each $724,000 that current reserve falls below $290,000,000.
Oklahoma	(4)	.3	2.7	30 State experience factors with benefit wage ratio of individual employers varying from 0 to 270 percent for maximum reduced rate (2.4 percent).
Texas	(4)	.1	2.7	35 State experience factors. When State fund balance is below $200,000,000 and less than 4 percent of taxable wages of preceding year. When fund above this level, rates between 0.1 and 2.7 are adjusted downward.
Virginia	(4)	.25	2.7	25 State experience factors. When fund balance is less than 4.75 percent of average annual taxable payrolls paid in last 10 years.
Benefit ratio:				
Minnesota	3	.6	3.0	Fund balance below $50,000,000. Penalty rates 2.8 and 3.0 percent in least favorable schedule only.
Vermont	4	1.4	2.7	Fund less than twice the total benefits paid in preceding year.
Wyoming	2	.8	2.7	Fund less than 1.2 percent of taxable wages paid in preceding 5 years.

[1] Individual employer reserve account. No requirement for total State fund balance for reduced rates; individual employers' accounts must be at least 5 times the largest amount of benefits charged against it in the last 3 years before employer can get reduced rate.
[2] Under each schedule employers whose past contributions are exceeded by benefits are assigned 3.6 rate.
[3] Eight normal schedules but possible contributions to general account can result in 10 additional sets of 8 schedules.
[4] Indefinite.

GROUP B—NO REDUCED RATES (DISTRIBUTION OF SURPLUS) IF AMOUNT (TO BE DISTRIBUTED) IS LESS THAN 10 PERCENT OF CONTRIBUTIONS IN PRECEDING YEAR

State	1955 contributions	If surplus exists for 1956 it must exceed (solvency fund)—	Fiscal 1955 taxable wages (thousands)	Solvency level as percent of taxable wages	Reserve fund on specified date	1947–55 average cost rate
Washington	$25,344,237	[1] $3,534,429	$1,645,262	0.2	$196,248,845	1.9

[1] Surplus defined as lesser of (1) excess of fund balance on June 30 over 4 times contributions collected in previous calendar year, (2) 40 percent of contributions collected in previous calendar year.

GROUP C—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED DOLLAR AMOUNT

State	1955 computation date	Fund balance on computation date in 1955	Solvency level on 1955 computation date	Taxable wages, 12 months ending June 30, 1953	Solvency level as percent of taxable wages	Average annual cost rate, 1947–55	Solvency level as a multiple of average annual cost rate
Indiana	June 30	$196,607,280	$75,000,000	$2,890,721,000	2.6	0.8	3.3
Maine	Dec. 31	42,901,725	20,000,000	454,525,000	4.4	1.0	2.4
Montana	June 30	42,937,197	18,000,000	299,333,000	6.0	1.0	6.0
Pennsylvania	do	340,871,283	200,000,000	8,085,454,000	2.7	1.5	2.5
South Dakota	Dec. 31	13,182,937	5,000,000	141,293,000	3.5	.6	5.8
Colorado	July 1	69,365,396	10,000,000	673,573,000	1.5	.5	3.0
New Hampshire	Dec. 31	21,830,937	12,000,000	355,072,000	3.4	2.0	1.7

GROUP D—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED MULTIPLE OF BENEFITS PAID IN SPECIFIED PERIOD

State	1955 computation date	Fund balance on computation date in 1955	Solvency level on 1955 computation date	Taxable wages 12 months ending June 30, 1955	Solvency level as percent of taxable wages	Average annual cost rate 1947–55	Solvency level as a multiple of average annual cost rate
Arkansas	Dec. 31	$44,933,665	$9,201,017	$522,503,000	1.8	1.2	1.5
California	June 30	825,425,735	142,733,464	9,485,492,000	1.5	1.9	.8
Delaware	Oct. 1	16,060,775	3,530,616	317,790,700	1.1	.6	1.8
Iowa	Sept. 30	108,128,940	9,104,322	997,055,000	.9	.5	1.6
North Dakota	Dec. 31	10,076,325	3,303,333	137,163,000	2.3	1.3	1.8

GROUP E—NO REDUCED RATES IF FUND LEVEL FALLS BELOW SPECIFIED RATIO OF TAXABLE WAGES IN SPECIFIED PERIOD

State	1955 computation date	Fund balance on computation date in 1955	Solvency level on 1955 computation date	Taxable wages 12 months ending June 30, 1955	Solvency level as percent of taxable wages	Average annual cost rate 1947–55	Solvency level as a multiple of average annual cost rate
Arizona	July 1	$47,623,980	$17,465,360	$436,699,000	4.0	0.3	5.0
Connecticut	June 30	227,918,732	75,062,073	1,987,197,000	3.8	1.3	3.2
District of Columbia	do	54,638,336	13,611,240	567,135,230	2.4	.8	4.0
Hawaii	Dec. 31	32,145,036	10,552,300	241,711,000	4.4	1.2	3.7
Kansas	June 30	73,070,249	34,979,240	882,547,000	3.9	.3	4.9
Louisiana	do	133,038,274	28,388,280	1,276,135,000	6.0	1.2	5.0
Maryland	Mar. 31	108,024,516	29,962,530	1,660,670,000	4.8	1.2	4.0
Massachusetts	Sept. 30	272,996,689	106,133,225	3,778,855,000	4.4	1.8	2.4
Nevada	Dec. 31	19,619,377	10,970,000	215,776,000	5.0	1.4	3.6
New Jersey	do	468,331,315	103,985,800	4,138,432,000	2.5	1.9	1.3
New Mexico	June 30	53,393,174	13,822,917	332,233,000	4.1	1.2	3.4
Oregon	do	53,732,179	13,221,000	864,827,000	1.5	.9	1.7
Rhode Island	Dec. 31	26,201,863	4,053,040	398,233,000	1.0	.8	1.3
Utah	July 1	34,635,283	13,254,380	357,581,000	3.7	1.2	3.1

GROUP F—NO REDUCED RATES IF FUND LEVEL FALLS BELOW THE GREATER OF 1 OF 2 MEASURES:

State	1955 computation date	Fund balance on computation date in 1955	Solvency level on 1955 computation date	Taxable wages 12 months ending June 30, 1955	Solvency level as percent of taxable wages	Average annual cost rate 1947–55	Solvency level as a multiple of average annual cost rate
Florida	Dec. 1931	$83,782,886	$22,081,672	$1,421,926,000	1.6	0.8	2.0
Georgia [1]	June 1930	125,235,409	50,910,445	1,465,889,000	2.5	.6	2.9
Idaho	do	34,351,081	19,878,725	262,262,009	7.5	1.2	6.3
Mississippi	do	36,188,544	34,895,000	454,702,000	7.7	1.5	5.1
West Virginia	do	56,984,873	50,000,000	902,758,000	5.5	1.6	2.4

[1] 1 measure in all 5 States is a flat dollar amount, the 2d measure is a percentage of last year's taxable wages (Idaho, Mississippi) or a multiple of benefits paid in a prior year or years.

[2] 1956 amendments, effective Sept. 30, 1963, raised the level to the greater of $75 million or 3 times highest annual benefits paid in last 5 years from $12.5 million and 2.5 times the highest annual benefits paid in last 5 years.

TABLE 12.—*Fund requirements for any reduction from standard 2.7 percent rate and for most favorable schedule, 50 States* [1]

State	Requirements for any reduction in rates					Requirement for most favorable schedule [2]
	Millions of dollars (11 States)	Multiple of benefits paid (7 States)		Percent of payrolls (17 States)		
		Multiple	Years	Percent	Years	
Alabama						[3].
Arizona [4]				4	Last 1	13 percent of payrolls.
Arkansas		1	Last 1			2 times benefits.
California [5]		1.5	Last 1			7.1 percent of payroll.
Colorado	10					$65 million.
Connecticut				1.25	Last 3	4.25 percent of payrolls. [6] [7]
Delaware		1	Highest previous 1.			$5 million.
District of Columbia				2.4	Last 1	5 percent of payrolls.
Florida [8]						
Georgia [8]	75	3	Highest of last 5.			
Hawaii				5	Average last 10.	
Idaho	7.5			7.5	Last 1	11.5 percent of payrolls.
Illinois						[3].
Indiana	75					
Iowa		1	Last 1			$110 million.
Kansas [4]				4	Last 1	11 percent of payrolls.
Kentucky [8]						
Louisiana				6	Last 1	12.5 percent of payrolls.
Maine [8]	20					Over $35 million.
Maryland				5	Last 1	10 percent of payrolls.
Massachusetts [8]				4.5	Last 1	7 percent of payrolls.
Michigan						8.5 percent of payrolls.
Minnesota						$100 million.
Mississippi	20			4	Last 1	8 percent of payrolls.
Missouri						7.5 percent of payrolls.
Montana [8]	28					
Nebraska [8]						
Nevada				1.5	Last 5	
New Hampshire [8]	12					$20 million.
New Jersey				2.5	Last 1	12.5 percent of payrolls.
New Mexico				2.5	Average last 3.	5 percent of payrolls. [9]
New York						12.5 percent of payrolls. [9]
North Carolina						10.5 percent of payrolls.
North Dakota		1	Last 1			10 percent of payrolls.
Ohio						Over 7.5 percent of payrolls. [9]
Oklahoma						[3].
Oregon [8]				3	Average last 5.	7.5 percent of payrolls. [9]
Pennsylvania	300					$450 million.
Rhode Island				8	Last 1	9 percent of payrolls.
South Carolina						7 percent of payrolls.
South Dakota [8]	5					$100 million.
Tennessee						Over $200 million and 8 percent of payrolls. [6]
Texas [4]						10 percent of payrolls.
Utah				6	Last 1	12 percent of payrolls.
Vermont						5 percent of payrolls. [7]
Virginia						
Washington [10]						
West Virginia [8]	50	1	Last 1			$115 million.
Wisconsin						[11].
Wyoming				3.5	Last 1	1.5 percent of payrolls. [9]

[1] Excludes Alaska which has no experience-rating provision. When alternatives are given, the greater applies. See also table 13.

[2] Payroll used is that for last year except as indicated; last 3 years (Connecticut); average 3 years (New Mexico, Ohio, and Virginia); last year or 3-year average, whichever is more (New York); average 5 years (Oregon); 5 years (Wyoming).

[3] One rate schedule but many schedules of different requirements for specified rates applicable with different "State experience factors" under benefit-wage-ratio formula. Alabama and Illinois have special solvency factors; see text.

[4] Indeterminate number of schedules (see table 7).

[5] Suspension of reduced rates is discretionary (California and South Dakota); 2.7 is effective until next quarter after required balance is restored (California); for 12-month period (Georgia); until fund equals 5.5 percent if reserve falls below 4.5 percent (Massachusetts); for remainder of year if benefits for first 6 months equal 4.5 percent of taxable wages (Maine); until fund is $32 million (Montana); as long as the

See continuation of footnotes at bottom of following page.

BARBERTON COUNCIL OF LABOR, AFL–CIO,
Barberton, Ohio, May 12, 1958.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D. C.

DEAR MEMBERS: The House-passed bill should be amended to include the basic elements of the Kennedy-McCarthy bill (S. 3244). These include:

Establishment of Federal minimum standards requiring States to raise maximum benefits to 66⅔ percent of the States' average weekly earnings, and to pay individuals 50 percent of their regular weekly earnings.

Establishment of Federal standards to require States to make benefits payable for 39 weeks.

To extend coverage to workers not now covered.

Any bill reported by the Finance Committee should also include immediate action by the Federal Government to supplement State programs.

We urge the committee to include these provisions in the bill and give undivided support to recommendation for an early passage of the bill.

Very sincerely yours,

SAMUEL STONE,
Corresponding Secretary.

PORTSMOUTH CENTRAL LABOR COUNCIL,
Portsmouth, Ohio, May 10, 1958.

To the CHAIRMAN OF SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

DEAR SIR: We are informed that the Senate Finance Committee, will begin holding hearings on the unemployment insurance bill, adopted by the House, and now before the Senate Finance Committee (H. R. 12065) as amended. Our central body feels this is a very weak unemployment insurance bill, adopted by the Members of the House of Representatives, and should like to see the bill amended by the insertion of the Kennedy-McCarthy bill (S. 3244) to raise maximum benefits and to establish Federal standards to require States to make benefits payable for 39 weeks.

Here in Portsmouth, the unemployment situatiton is very high, some 10,000 workers have exhausted their unemployment compensation, and are unable to obtain employment in local industry. Many who can, are putting their household furniture in storage, because they do not have the funds to pay house rent. Some have had to sell their homes to get funds to live on, others have lost their homes due to default in payments, and foreclosure resulted. Still in other cases, children have had to go and live with their parents and vice versa.

Therefore the Portsmouth Central Labor Council, has gone on record and adopted the following resolution:

Whereas the plight of our unemployed has reached such proportions that the very stability of our community is threatened with some 10,000 unemployed, who have exhausted their unemployment insurance, and what families are

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condition persists (Oregon); until next Jan. 1 on which fund equals $55 million (West Virginia); in case commission decides that emergency exists, 2.7 rate effective (Maine and New Hampshire).

[6] Fund requirement only 1 of 3 adjustment factors used to determine rates other than the standard rate. Such factor is either added or deducted from an employer's benefit ratio. See text for details.

[7] Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by $500,000 (Connecticut); when fund reaches 7 percent and 7.25 percent of average taxable payrolls in last 3 years (Virginia).

[8] Reserve account system; no requirement for total fund balance; individual employer's account must be at least 5 times the largest amount of benefits charged in last 3 years.

[9] No requirement for fund balance in law; rates set by Commissioner in accordance with authorization in law.

[10] Rates are reduced by distribution of surplus; surplus is lesser of (1) the excess of the fund over 4 times last year's contributions and (2) 40 percent of such contributions.

[11] Four schedules of reduced rates. Rates reduced when gross wages have decreased 5, 10, and 15 percent below the preceding year and fund's balancing account is at least $25 million.

still on unemployment insurance, are unable to exist on the average unemployment insurance benefit of $33.18 per week being paid to claimants in the State of Ohio. Further, many laid-off workers are not included in covered employment in the State of Ohio.

The Kennedy-McCarthy bill, would cover all establishments with one or more employees at any time, which would probably cover some 2 million more workers who at the present time have no unemployment insurance program: Therefore, be it

Resolved, That the Portsmouth Central Labor Council, requests that the United States Senate and particularly the Senators from our State be urged to give their full support toward the enactment of urgently needed improvements in unemployment insurance, including raising the benefit amounts, extending the weekly duration, and broadening coverage both for the emergency and for long run by the enactment of Federal standards for State laws, in order that the purchasing power of our community be maintained, that recovery be encouraged, and the plight of millions of wage and salary workers and their families be alleviated.

In conclusion, our council body trusts and prays that the honorable members of the Senate Finance Committee, give the above careful consideration, for not only in Portsmouth, do these conditions exist, but in almost every town across the entire Nation. Prices are the highest that they have ever been in the history of our country, and with industry on slow time, and millions out of work, it's time we all gave some thought to these millions of workers, and also to those of their little children.

Respectfully yours,

E. H. DINSMORE,
Secretary.

FOOD HANDLERS LOCAL 425,
Fayetteville, Ark., May 12, 1958.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D. C.

GENTLEMEN: I am taking this opportunity on behalf of our organization to urge this committee to include the basic provisions of the Kennedy-McCarthy bill (S. 3244) into the emergency Federal unemployment compensation legislation now pending before the committee.

The House-passed bill should be amended to include—

(1) Establishment of Federal minimum standards which would require States to raise the maximum benefits to two-thirds of the average weekly wage and to set the minimum to 50 percent of their regular weekly earnings.

(2) The extension of weekly benefits payable to 39 weeks.

(3) Extension of coverage to workers not now covered.

It is my firm belief that the House bill as it stands now is virtually useless. The bill does not require States to participate in the program and if they do they must enter into an agreement, to do so. It has been conceded that this would require that the State legislatures pass on such action. In the case of Arkansas, the next general assembly does not meet until next year when the proposed bill's provisions would expire.

Our organization has a variety of industries within its jurisdiction, principally in the food-processing industry. This is traditionally a low-wage industry and under the present State law, unemployed workers receive pitifully small weekly benefits.

The average for Arkansas is $20.64 per week for compensation benefits and I know of many cases where jobless workers receive much less than this average. Certainly anyone will admit that this is not enough for even bare necessities of life.

In addition to the low benefits paid under existing State laws, many States with Arkansas included, have clauses which disqualify many workers because of quitting their jobs for various reasons. In some cases these disqualifications remain in effect until the jobless worker returns to work for a certain period of

time. Under the present recession, this is virtually impossible. Thus, such disqualified worker is left no alternative but to seek charity.

Not only is it important to provide immediate relief for those now unemployed, but also provide permanent protection against such hardships happening again.

I sincerely hope that this committee will give serious consideration and consequently include the badly needed amendments which I have outlined above, into the unemployment compensation legislation.

Sincerely yours,

ROBERT J. PARKER, *President.*

CAMDEN, N. J., *May 14, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D. C.:

Respectfully urge the Senate Finance Committee include the basic provisions of S. 3244 in a realistic Federal action program. Such as Federal minimum standards requiring States to raise minimum benefits to 66⅔ percent of the State's average weekly wage, and to pay individuals 50 percent of their regular weekly earnings. Extend coverage to workers not now covered and benefits payable for 39 weeks.

EXECUTIVE BOARD, AMERICAN FEDERATION OF TECHNICAL ENGINEERS, AFL–CIO, LOCAL 241.

ST. JOSEPH, MO., *May 12, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We urge you to vote to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

FRANK R. SMITH,
Secretary-Treasurer, St. Joseph Industrial Union Council, AFL–CIO.

PHILADELPHIA, PA., *May 12, 1958.*

HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

We respectfully urge that basic provisions of Kennedy-McCarthy bill, S. 3244, be included in the emergency Federal unemployment legislation.

ANDREW JANASKIE,
General President, American Federation of Hosiery Workers.

MILWAUKEE, WIS., *May 12, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

Urge the committee to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

THOMAS DURIAN,
International Glove Workers.

ST. LOUIS, MO., *May 12, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We urge the committee to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in the emergency Federal unemployment compensation legislation. These provisions would include the establishment of Federal minimum standards requiring States to raise maximum benefits to 66⅔ percent

of the States average weekly wage and to pay individuals 50 percent of their regular weekly earnings; the establishment of Federal standards to require States to make benefits payable for 30 weeks; and to extend coverage to workers not now covered.

WILLIAM L. COWLEY,
Secretary-Treasurer, Aluminum Workers International Union.

ERIE, PA., *May 12, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We urge your committee to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

ERIE CENTRAL LABOR UNION.
A. E. ROSS.

PINCKNEYVILLE, ILL., *May 12, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

Be sure to include basic provisions of K–M bill, S. 3244, in emergency Federal unemployment compensation legislation.

LOCAL 231,
INTERNATIONAL LADIES GARMENT WORKERS UNION,
ANNA BECK, *Secretary.*

CHICAGO, ILL., *May 13, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We respectfully urge the Senate Finance Committee to include the basic provisions of Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

UNITED BRICK CLAY WORKERS OF AMERICA,
H. R. FLEGAL, *President.*
WILLIAM TRACY, *Secretary, Treasurer.*

ALBANY, OREG., *May 15, 1958.*

Senator HARRY BYRD,
Senate Office Building, Washington, D. C.:

Linn County Labor Council AFL–CIO asks you vigorously support Kennedy-McCarthy bill, S. 3244, without crippling amendments.

Best wishes.

AL SJOBLOM, *Secretary.*

PADUCAH, KY., *May 15, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We, the Branch 28 AFHW of Paducah, Ky., urge you to include the basic provisions of Kennedy-McCarthy bill, S. 3244, in emergency Federal employment legislation.

T. R. GRIFFIN,
President, Branch 28, AFHW.

BREMERTON, WASH., *May 13, 1958.*

CHAIRMAN, SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

Before you is the House bill which gives little for the unemployment benefits of the Government employee. This organization urges your cooperation for

amendment of the bill. The inclusion of the basic elements of the Kennedy-McCarthy bill, S. 3244, would provide adequate unemployment compensation.

FRANK M. MAPES,
President, Local 12, Technical Engineers.

PHILADELPHIA, PA., *May 13, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

The purpose of this telegram is to urge the Senate Finance Committee to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

EDWIN C. MAGEE,
Secretary-Treasurer, International Union of Elevator Constructors.

MILWAUKEE, WIS., *May 14, 1958.*

FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:
(Attention Chairman.)

The Milwaukee County Industrial Union Council, representing 54,000 AFL–CIO members here in Milwaukee County, urgently requests your committee to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation. A release by the Wisconsin Industrial Commission on April 24 showed that 761 workers in Wisconsin had totally exhausted their unemployment compensation. This exhaustion at that time accounted for 1.8 percent of the estimated beneficiaries. In March the exhaustion rate was 1.6 which shows that beneficiary exhaustions are on the increase. The council urges you to report out effective unemployment compensation legislation.

FRED A. ERCHUL,
Secretary-Treasurer, Milwaukee County Industrial Union Council, AFL–CIO.

ZANESVILLE, OHIO, *May 13, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

Urge your committee include basic provisions of bill S. 3244 in emergency Federal unemployment compensation legislation.

MARY M. GRIBBEN,
Secretary, Muskingum County AFL–CIO, Central Labor Council.

MARTINSBURG, W. VA., *May 15, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

We urge you to include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

JOSEPH O. LEARY,
President, Hosiery Workers Union, Branch 92, American Federation of Hosiery Workers, AFL–CIO.

MIAMI BEACH, FLA., *May 11, 1958.*

Senator HARRY BYRD,
Senate Office Building, Washington, D. C.:

From textile union convention in Miami we urgently appeal Finance Committee include basic provisions of S. 3244 whatever bill you vote on to improve unemployment insurance. Also ask support Douglas-Payne, S. 3683, bill aid distressed areas.

J. G. ALLS,
Local 11, Roanoke, Va.

PULASKI, VA., *May 17, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: I should like to urge that you include the basic provisions of the Kennedy-McCarthy bill, S. 3244, in emergency Federal unemployment compensation legislation.

The growing unemployment and inadequate unemployment benefits make this legislation very necessary and immediate.

Very truly yours,

CHARLIE C. BLACK.

(The following newspaper clipping from the Wall Street Journal of May 21, 1958, was read to the committee members by the chairman in the executive session on the bill. Because of its significance to the problem, it is inserted in the record for the benefit of others concerned with the present unemployment condition.)

OHIO GOVERNOR TO ASK FOR 50 PERCENT EXTENSION OF JOBLESS PAY PERIOD

By a Wall Street Journal Staff Reporter

COLUMBUS, OHIO.—Gov. C. William O'Neill plans to call a special session of the legislature next month to ask for an extension of unemployment compensation to 39 weeks, from the present 26 weeks.

In proposing a 50 percent extension in the jobless pay period, Governor O'Neill said he was opposed to the State borrowing money from the Federal Government, referring to legislation in Congress to provide for Federal loans to States for the same purpose.

The Ohio Governor said he believed the State could afford to dip into its $543 million unemployment reserve to provide for the extension of the jobless pay duration period. He estimated the additional cost of such an extension, if it is voted by the State legislature, at close to $50 million.

Governor O'Neill noted unemployment in Ohio now totals 220,000 and that as of May 1 about 25,000 jobless workers had exhausted their benefits. The total is expected to climb sharply in succeeding months, he said.

NATIONAL FEDERATION OF SETTLEMENTS AND NEIGHBORHOOD CENTERS,
New York, N. Y., May 19, 1958.

Hon. PAUL H. DOUGLAS,
United States Senate, Washington, D. C.

DEAR SENATOR DOUGLAS: The National Federation of Settlements and Neighborhood Centers is greatly concerned about unemployment across the country. We have just finished our national conference where we heard of the great distress in city after city. Families are losing their homes, payments cannot be kept up on purchases made, needed medical care is postponed, and some families are without necessities because of the low relief payment or are indeed without any funds due to State resident laws.

We therefore urge upon you the following as a means of immediate alleviation of this serioues problem.

1. That the Federal Government must take action to assure that there is adequate unemployment insurance in every State.

2. That this action take the immediate form of an extension of benefits for 16 weeks, but that provision be made for the cost to be borne from unemployment insurance funds, whether State or Federal.

3. Such extension should be mandatory on all State systems in order to achieve prompt nationwide protection to the unemployed and their families.

4. We advocate extension of unemployment insurance coverage to workers not presently covered.

5. We advocate the establishment of minimum unemployment benefit standards by Federal legislation with reinsurance grants for States whose funds are low.

6. Congress should authorize Federal grants to the States to underpin general public assistance and to broaden the aid to dependent children's programs.

We urge this action now because of the fact that there currently is some $8¼ billion in the various unemployment funds of the 48 States. In the few States where the funds have reached a low level, Federal reinsurance grants should be made. The current recession has caught the States with laws which are inadequate. Individual States fear to take action because of the fear of interstate competition and the concern that mobility may be even further encouraged. This makes Federal action essential now. It is the only way for the adequate protection of everyone—employed and unemployed alike.

Sincerely yours,

FERN M. COLBORN,
Secretary, Social Education and Action.

We know you share our concern. Hope you succeed in your endeavor to alleviate this problem.

(Whereupon, at 3:05 p. m., the hearings were adjourned.)

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